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Fair trade coffee potential market in Italy: a roaster sector analysis

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This paper analyses the Italian coffee market within the Fair Trade Movement - FTM. Coffee is one of the main commodities and the most important FTM product, but with a low Italian participation. This research aims at analyzing the Italian roasters, including their current behavior and their potential. All Italian roasting companies have been contacted, but only 54 out of 567 have responded. The results indicate a low level of knowledge about the FTM requirements. Consequently, the Italian companies are losing this opportunity to exploit this market segment. Italian roasters should acquire more information about the FTM and its potentials, as to enter more aggressively into FTM markets, combining with the consolidated fame of the Italian coffee.

1. Introduction

The environmental and/or social certifications of production processes have grown in recent years due to the society pressures, at least in some countries, for greater sustainability in all human activities. In agriculture, the process is similar and the movement works towards socially fair and environmentally balanced productions. Environmental certification systems applied to food value chains indicate that social movements originating from consumers, have reached that goal in some developed economies, (Giovannucci & Koeck, 2003; Gallenti *et al.*, 2016; Monteiro & Rodrigues, 2006). One of these environmental processes linked to social motivations and goals shapes the so-called Fair Trade Movement – FTM. According to Pedini (2011) and Reynolds and Wilkinson (2007), FTM has emerged as one of the real change factors, promoted by international organizations, that strives to change the paradigms of the international global market, within the food sector.

The most referenced concept of FTM is the one developed by FINE¹. It establishes that fair trade is a partnership based on dialogue, transparency and respect. It seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions and by securing the rights of marginalized farmers and workers – especially in developing economies. Furthermore, FTM, backed up by consumers, is also actively engaged in supporting the small farmers' awareness and self-organization through cooperatives, associations and other forms of aggregation.

According to Reynolds and Wilkinson (2007: 33), "Fair Trade market has grown and built an increasingly complex commodities array (farmer relations/consumer and local and global policies)". This has made the movement gain visibility and importance in the global food chains. The growth and consolidation of certified FTM has aroused the interest of society as an alternative market for organized smallholders. Dragusanu and Giovannucci (2014) treated FTM as a labeling initiative aimed at improving the livelihood of the poor in developing countries, by offering better terms to small farmers and helping them organize themselves. The authors provided a critical overview of the economic theory behind FTM, describing the potential benefits and potential pitfalls. "The largest potential benefit of market-based systems like Fair Trade is that they do not distort incentives in a deleterious way as foreign aid. Instead, they work within the marketplace and reward productive activities and production processes that are valued by consumers and that are good for the local environment and economy" (Dragusanu and Giovannucci, 2014: 31).

Statistical data have shown a constant growth in the production and marketing of FTM products (Brown & Getz, 2008; de Ferran & Grunert, 2007; Reynolds, 2009; Reed, 2009). FTM has been growing in recent years and it was globally worth near 5.9 billion euros (in 2014), 10% more than in 2013 (FLO, 2017). In 2014, FLO certified 1,226 small farmers' organizations, 1% more than in 2013. There was an increase from 1,305,000 to 1,447,900 small farmers, equivalent to 11% from 2013 to 2014. The number of countries with certified organizations remained at 74 (FLO, 2017). In the coffee sector, there was an increase of 21% of the people involved in the production stage (812,500 in 2014), although accompanied by a 2% reduction of the certified values, which have decreased from 840 10⁶ euros in 2012-2013 to 826 10⁶ euros in 2013-2014.

¹ FINE is an informal organization established in 1998. It brings together the Fairtrade Label Organization International (FLO), World Fair Trade Organization (WFTO), the Network of European Worldshops (NEWS!) And European Fair Trade Association (EFTA)

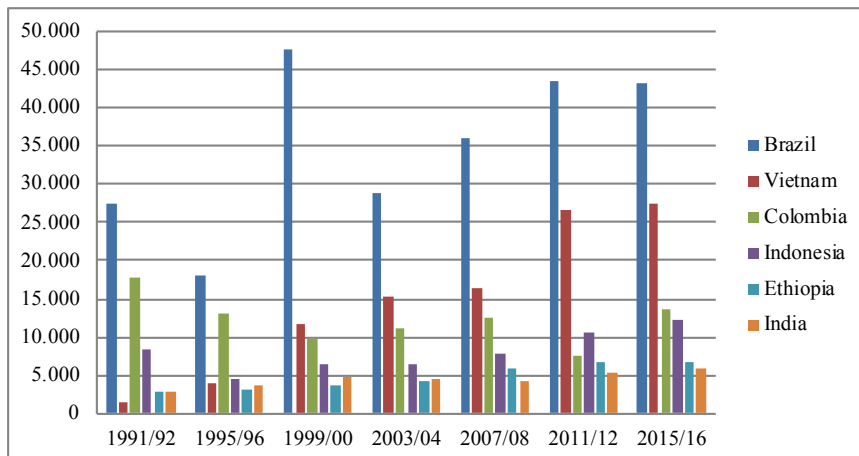
2. The international coffee market and the FTM coffee

Coffee is one of the most sold products in the international market and it shares with petrol the top position on world stock exchange (Talbot, 2004).

According to the International Coffee Organization (ICO, 2016) 144.75 10⁶ bags were produced globally in the 2015/2016 harvest. Each bag contains 60 kg of dried beans. The world market is mostly controlled by pre-established contracts among the commercial actors. Coffee presents different varieties and quality characteristics, some of which are tangible and other ones are intangible. The combined effects of these variables determine the formation of different prices.

From 1991 to 2015, the global production has increased by 41.74%, passing from 101.10 to 143.30 10⁶ bags. The three most important players are presently Brazil, Vietnam and Colombia (Fig. 1). Brazil is the world's largest producer, accounting for 30.17% of the total global production. From 1991 to 2015 the Brazilian production grew by 58.41%, but its share increased only by 3%, from 27.00% to 30.17%. In the same period, the production of Vietnam has expanded by 1,812.58% and in 2015 this country accounted for 19.19% of the whole world production (27.50 10⁶ bags), compared to the almost meaningless share recorded in 1991. The complete opposite has been the evolution in Colombia, where the production dropped by 24.22% and in 2015 the country accounted only for 9.42% of the world production.

Fig. 1. Total production by ten most exporting countries (103 bags)



Source: International Coffee Organization (2016).

The world coffee market is dominated by a small group of companies that control the commercialization. According to the ITC – International Trade Centre (2012), the ten largest companies are shown in Table 1. Kraft Foods Inc. and Nestle SA purchase around 25% of the world's traded coffee. The top five coffee traders account for 40% of traded volumes. Just two Italian companies appear among the top ten (Lavazza and Segafredo Zanetti), accounting for only 4.3% of the world market.

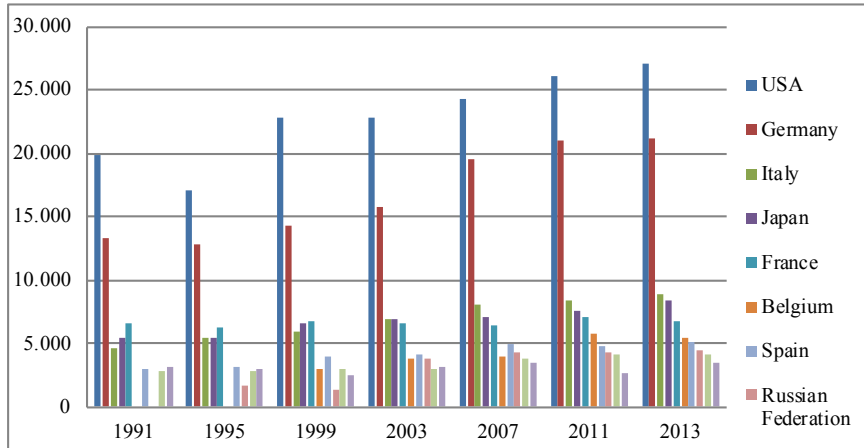
Tab. 1. Coffee purchases by leading off takers, 60 kg bags, 2012

Company	Country	Total 10 ⁶ bags purchased	% world exports
Krafts Foods Inc	USA	13.5	11.8
Nestlé SA	Switzerland	12.8	11.2
Sara Lee	USA	8.5	7.4
JM Smucker	USA	5.5	4.8
Elite	UK	3.5	3.1
Tchibo	UK	2.8	2.4
Starbucks	USA	2.7	2.4
Lavazza	Italy	2.4	2.1
Melitta	Germany	2.0	1.7
Segafredo	Italy	1.9	1.7

Source: ITC - International Trade Centre (2012).

USA (Fig. 2) was the largest coffee importer in 2013, followed by Germany and Italy respectively. That year USA accounted for 23.14% of total imports (27.01 10⁶ bags) and in the period 1991-2013 there was an increase of 36.17% in the American consumption. Germany had its consumption rising by 60.06%, accounting for 18.13% of imports in 2013 (21.17 10⁶ bags). Meanwhile, Italy accounted for 7.56% of world imports in 2013 (8.82 10⁶ bags) and grew by 90.56% in its imports from 1991 to 2013. The European Union as a whole accounted for 61.86% of world imports in 2013 (72.23 10⁶ bags), remaining broadly stable in this period.

If we now focus our attention on the FTM coffee, the demand by consumers for FTM coffee has grown in several markets and this increased demand has attracted both small and large roaster companies, as well as food retailers. Many authors have analyzed the role of coffee in the global FTM market (Giovannucci & Koekoek, 2003; Ponte, 2004; Bacon, 2005; Weber, 2006; Raynolds

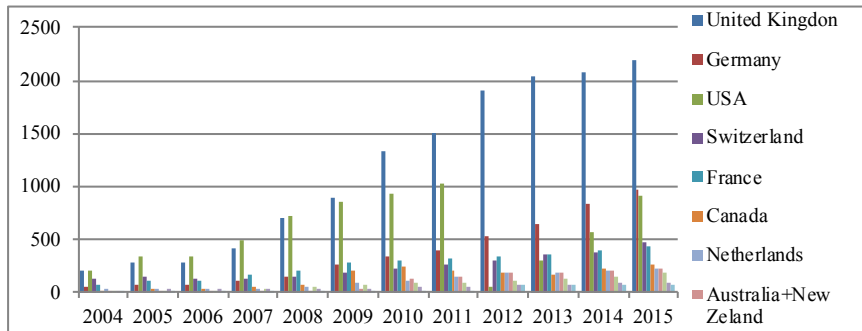
Fig. 2. Imports in the fifteen most importing countries (103 bags)

Source: International Coffee Organization (2016)

et al., 2007; Elder *et al.*, 2012; Valkila, 2014). According to Giovannucci & Koekeek (2003), a growing number of small coffee farmers, coffee companies, and NGOs are pioneering efforts to encourage the coffee industry to move towards more sustainable practices, as the ones proposed by the Fair Trade Movement.

Concerning FTM coffee, the most recent available data are those of 2013-2014, which recorded a 6% growth in sales, compared with the previous year, reaching a global value of € 469 million (FLO, 2017). Since in that same year the total world production had been $144.5 \cdot 10^6$ bags at an average price of 182.7 €/bag (ICO, 2017), with a financial turnover of approximately 26.4 billion, the FTM coffee represented only 1.8% of the total value of the globally traded coffee. According to FLO, 40% of certified organizations sold more than 50% of the total production with the FTM certification. Coffee is responsible for the largest percentage of premiums received by the certified organizations, reaching €49.4 million in the period 2013-2014 (54.5% of its total). In a FLO-certified FTM coffee consumption analysis, it is possible to observe (Fig. 3) that United Kingdom historically leads the way when confronted to the other countries (FLO, 2017). Germany occupies the second place, but with a faster growth. In 2015 the USA remained at the third place with an internal consumption of $15.3 \cdot 10^6$ bags. Italy shows both a low consumption and a lower rate of growth, from $0.41 \cdot 10^6$ bags in 2014 (7th place) to $1.65 \cdot 10^6$ bags in 2015 (10th place), surpassing only Japan (last place).

Several authors have studied the relationship between the coffee and related industries regarding the certified FTM. Pimentel Claro & Borin de Oliveira

Fig. 3. FLO certified coffee sales (103 tons)

Source: FLO - Fairtrade Label Organization International (2016).

Claro (2004) and Lyon (2006) are pessimist about the future of coffee in this market segment, when they analyze the global organic coffee industry. Other authors, as Loureiro & Lotade (2005), de Ferran & Grunet (2007) and Raynolds (2009) are more optimist and they believe in a promising future for the FTM coffee industry.

Italy (Fig. 2 and 3) has a reasonable importance in the international coffee market, but it has a timid participation in the FTM coffee. Many studies have been conducted on consumers behavior and preferences regarding FTM products (Coppola *et al.*, 2017; Hira & Ferrie, 2006; Ladhari & Tchetgna, 2015; Panico *et al.*, 2014; Pelsmacker *et al.*, 2005; Raynolds, 2009). Raynolds (2009) argues that FTM coffee provides important openings for alternative enterprises, particularly where new qualities resonate with consumers. Several studies have been carried out (Becchetti & Rosati, 2007; Castaldo *et al.*, 2009; Cosmina *et al.*, 2016; Gallenti *et al.*, 2016; Maietta, 2003; Panico *et al.*, 2015; Verneau *et al.*, 2016) regarding Italian coffee consumers with ethical requirements (such as FTM). Such studies always show a positive potential for the FTM coffee in the Italian market. Gallenti *et al.* (2016) argue that the results of their research with coffee consumers show considerable heterogeneity among respondents. The majority tends to be more interested in organic coffee than in FTM coffee. Becchetti & Rosati (2007) suggest that the future development of the FTM chain depends on the capacity of extending to consumers its outreach when investing in promotion and recognition of FTM products. According to Panico (2015), in Italy the consumption of these products is growing, but it is still low when compared to other European countries like Germany, Switzerland, the Netherlands and France.

It must be however noticed that none of the above mentioned studies has ever investigated the processing segment composed by a relatively numerous amount of small, medium and large size companies, which import, process, distribute and export coffee products. Relatively much is known about knowledge, attitudes and behavior of the consumers, but nothing was known about knowledge, behavior and attitudes of the processors.

Therefore, this research aims at analyzing the Italian roasters, their level of knowledge, their actual participation in the FTM coffee market, and the interest toward this segment, both in the domestic and export markets.

3. Methodology

The first step for the realization of the research has been to elaborate a data base including all rosters in Italy. The sector is fragmented in several organizations, and the database was created through a time demanding survey of the organizations that organize these companies, as well as Internet searches and personal contacts at specialized trade fairs (such as Bologna - SANA and Trieste - Trieste Espresso). The information collected were organized in a database containing company name, address, contacts, telephone number, website and e-mail address. The companies' participation in the FTM was indicated by FLO Italia. These addresses were used to submit the questionnaires to be completed online.

The questionnaire has been elaborated taking into account the research purpose and contains 33 questions. A first version was submitted to three experts of the sector and also during a face to face meeting with the owner/manager of a small roasting company in Umbria. Thanks to their suggestions, the questionnaire reached its final form. The first part of the questionnaire deals with issues related to the company structure (location, size, number of employees, turnover), relationships with international markets (import of raw coffee and export of processed products) and involvement (or not involvement) in the FTM. A second part, addressed to those who answered affirmatively about the participation in the FTM, includes questions about their years of experience in this market, where and how the firm purchases and sells FTM coffee, what types of products it sells, and about certification. In the third part, addressed to firms not yet involved in the FTM, questions explore the level of knowledge about the FTM, reasons for non-participation, likelihood of adhering to FTM, export activities and the eventual presence of other certifications. The questionnaire was elaborated with Google Docs technology, where the questions were inserted in a virtual environment where the respondents could answer on-line, without their identity being recognized. A descriptive statistical analysis was then carried out on the obtained data.

Tab. 2. Geographical distribution (per Region) of coffee roasting companies

Regions	Total companies		FLO certified companies		
	n.	% (of national total)	n.	% (of national total)	% (of regional total)
Valle d'Aosta	1	0.2	0	0.0	0.0
Piedmont	50	8.8	2	3.7	4.0
Liguria	19	3.4	2	3.7	10.5
Lombardy	101	17.8	9	16.7	8.9
Trentino-Alto Adige	11	1.9	3	5.6	27.3
Friuli Venezia Giulia	21	3.7	0	0.0	0.0
Veneto	40	7.1	7	13.0	17.5
Emilia-Romagna	57	10.1	10	18.5	17.5
Marche	13	2.3	0	0.0	0.0
Umbria	6	1.1	0	0.0	0.0
Tuscany	53	9.3	6	11.1	11.3
Lazio	51	9.0	3	5.6	5.9
Abruzzo	7	1.2	3	5.6	42.9
Molise	6	1.1	1	1.9	16.7
Basilicata	4	0.7	0	0.0	0.0
Puglia	30	5.3	2	3.7	6.7
Campania	41	7.2	3	5.6	7.3
Calabria	14	2.5	1	1.9	7.1
Sardegna	7	1.2	0	0.0	0.0
Sicily	35	6.2	2	3.7	5.7
Italy	567	100.0	54	100.0	9.5

Source: Our elaboration

From a geographical point of view (Table 2), the majority of roasters is located in the Northern Italy regions (Emilia-Romagna, Friuli Venezia Giulia, Liguria, Lombardy, Piedmont, Trentino-Alto Adige, Valle d'Aosta and Veneto), which together account for about 53% of the total. In particular, the regions where the roasters are more present are Lombardy (17.8%) and Emilia-Romagna (10%). More limited, but still above 5% in relative terms, the number of firms in Campania, Lazio, Piedmont, Puglia, Sicily, Tuscany and Veneto.

Slightly different is the geographical distribution of FLO certified roasters, compared to the regional total: the largest share is found in Emilia-Romagna (10 firms, equal to 8.5%), followed by Lombardy (9 or 16.7%), Veneto (7 or 13%) and Tuscany (6 or 11.1%). When the presence of FTM certified roasters is compared with the total number of roasting companies, some interesting facts appear (Tab. 2). Nationwide, only 9.5% of the roasters are certified, but there are strong regional differences.

A strong tendency towards certification is found in Abruzzo and in Trentino-Alto Adige, where respectively 42.9% and 27.3% of the firms are certified. In other regions the incidence is much lower (Veneto 17.5%, Emilia-Romagna 17.5%, Molise 16.7%, Tuscany 11.3%, Liguria 10.5%). In six regions the FTM certification is totally absent.

In order to answer the research question, all 567 coffee roasting companies were contacted. Five attempts were made during the months from August 2016 through February 2017. Each time, a short email, addressed to the owner/manager of the firm, explained the motivations and purposes of the survey, guaranteed anonymity and ensured that all information collected were to be used only for common knowledge and for the expansion of the FTM market.

4. Results

The total number of respondents has been only 54, corresponding to 9.5% of the total number of Italian roasters listed in the database (Tab. 3). A slightly higher response rate is recorded for the certified FLO roasters (14.8%). Among the total respondents, the largest number is located in Lombardy with 11 companies (20.4%), followed by seven in Tuscany (13.0%) and six in Sicily (11.1%). When it comes to FLO certified responding roasters, half of them are located in Lombardy while the remaining half is equally distributed between Trentino-Alto Adige (12.5%), Emilia-Romagna (12.5%), Tuscany (12.5%) and Lazio (12.5%).

The low response rate for both certified and non-certified companies, as well as the difference in the geographical distribution of the respondents, limit the representativeness of the responding group when compared to the total universe of the roasting companies. Consequently, the results that are presented and discussed must be considered as a first exploratory survey about this agri-business segment, whose actors evidently prefer to operate in solitude, without sharing even the most basic information.

Tab. 3. Geographical distribution (per Region) of the respondents

Region	Total answers		FLO certified answers		Overall response rate	FLO certified response rate
	n.	%	n.	%	%	%
Valle d'Aosta	1	1.9	0	0	100.0	<i>n.d.</i>
Piedmont	3	5.6	0	0	6.0	0.0
Liguria	2	3.7	0	0	10.5	0.0
Lombardy	11	20.4	4	50	10.9	44.4
Trentino-Alto Adige	2	3.7	1	12.5	18.2	33.3
Friuli Venezia Giulia	3	5.6	0	0	14.3	<i>n.d.</i>
Veneto	2	3.7	0	0	5.0	0.0
Emilia-Romagna	5	9.3	1	12.5	8.8	10.0
Marche	1	1.9	0	0	7.7	<i>n.d.</i>
Umbria	0	0.0	0	0	0.0	<i>n.d.</i>
Tuscany	7	13.0	1	12.5	13.2	16.7
Lazio	4	7.4	1	12.5	7.8	33.3
Abruzzo	2	3.7	0	0	28.6	0.0
Molise	0	0.0	0	0	0.0	0.0
Basilicata	0	0.0	0	0	0.0	<i>n.d.</i>
Puglia	3	5.6	0	0	10.0	0.0
Campania	1	1.9	0	0	2.4	0.0
Calabria	1	1.9	0	0	7.1	0.0
Sardegna	0	0.0	0	0	0.0	<i>n.d.</i>
Sicily	6	11.1	0	0	17.1	0.0
Italy	54	100.0	8	100.0	9.5	14.8

n.d. = regions in which certified roasters are not present.

Source: Our elaboration.

4.1 Structural characteristics

Table 4 shows the main structural and dimensional characteristics of the 54 roasters responding to the questionnaire. All the considered dimensional variables (employment, turnover and processed volumes) show that respondents are mainly small and medium-sized enterprises.

Tab. 4. Structural characteristics of the respondents (N=54)

Variable	n	%
<i>Number of employees</i>		
< 10	38	70.4
11 to 20	12	22.2
21 to 30	2	3.7
> 30	2	3.7
<i>Total coffee sector turnover in 2015, in 10⁶ €</i>		
< 2 10	39	71.7
2 to 3,99 10	7	13.2
4 to 5,99 10	5	9.4
From 6 to 7,99 10	1	1.9
> 7,99 10	2	3.8
<i>60 Kg bags of raw Arabica coffee purchased in 2015</i>		
None	2	3.7
To 500 bags	28	51.9
501 to 1,000	7	13
1,001 to 1,500	3	5.6
1,501 to 2,000	3	5.6
2,001 to 2,500	2	3.7
2,501 to 3,000	2	3.7
> 3,000 bags	7	13
<i>60 Kg bags of raw Robusta coffee purchased in 2015</i>		
None	4	7.4
To 500 bags	21	38.9
501 to 1,000	11	20.4
1,001 to 1,500	5	9.3
1,501 to 2,000	2	3.7
2,001 to 2,500	4	7.4
2,501 to 3,000	1	1.9
> 3,000 bags	6	11.1

Source: Our elaboration

The vast majority of respondents (70.4%) has less than 10 employees and, if added to those firms in the class from 11 to 20 (22.2%), they amount to almost the whole group of respondents (92.6%). Consequently, even under the profile of the average turnover, the most represented class is below two million euros, which alone represents 71.7% of respondents. Also significant is the share of firms that have a turnover between two and four million euros, or 13.2%. Similarly, from the point of view of the quantity of processed coffee, the absolute majority of the respondents (51.9%) works less than 500 Robusta bags, while, in relation to the quality Arabica, the classes “Up to 500 bags” and “From 501 to 1,000 bags” taken together, represent 59.3% of the responding firms.

4.2 Raw materials purchase method, relations and trade channels (export-import)

Coming to the purchase mode for the raw coffee, most respondents (56.3%) say that they purchase exclusively from an Italian importer, indicating the high level of fidelity and stability that characterizes trade relationships along the coffee production chain. Smaller (28.2% of respondents) is the share of the roasters showing a higher level of internationalization, which process coffee coming from both Italian and foreign importers based in Northern European countries. Foreign importers supply 15.4% of the respondents.

From the geographical point of view, the coffee processed by the respondents arrives from several different countries. All companies mention Brazil. Most respondents also claim to procure coffee produced in Colombia (82.5%), India (80%), Guatemala (72.5%) and Vietnam (55%). Also significant is the share of firms importing coffee from Honduras (45%) and from African countries (42.5%). Less relevant are the other countries (Tab. 5).

On the export side (Tab. 6), there is a strong opening of responding roasters to maintain relations with foreign countries: 66% of respondents in fact claim that they already export their processed coffee. The main EU markets are Germany and France, indicated respectively by 78.6% and by 46.4% of respondents. Also noticeable is the number of companies exporting to non-EU countries, 60.7% of the total. Presently 17 non-exporting firms (31% of the total participants in the survey) have declared that they intend to establish foreign relationships in the future.

In terms of marketing mode, the favorite responding roasting companies' channel (97.6%) is confirmed to be “Bars and coffee shops”, which traditionally represent a very important coffee consumption place (Fig. 4).

Another widely channel used as commercial outlet consists of the “Food stores”, to which 61.9% of respondents affirm to sell their products. The “Vending machines” are used by about a third of the respondents, while the

Tab. 5. Mode of supply (N=39) and origin country of raw coffee (N=40)

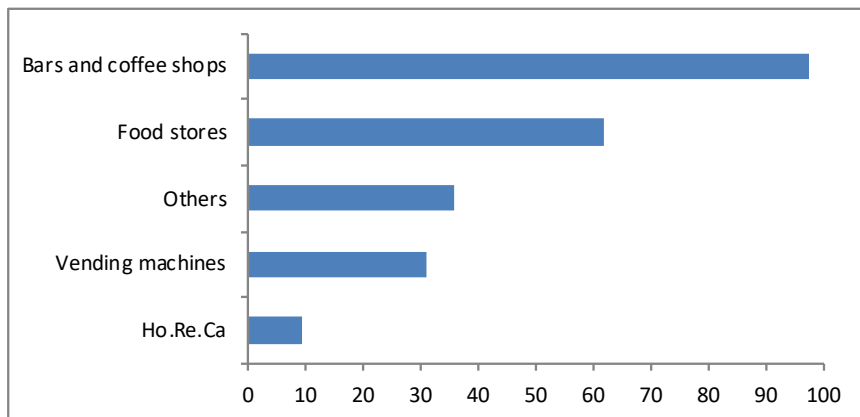
	n.	%
<i>Importer type (N=39)</i>		
From an Italian importer	22	56.4
From Italian and foreign importers	11	28.2
From a foreign importer	6	15.4
<i>Origin country of raw coffee (N=40)</i>		
Brazil	40	100.0
Colombia	33	82.5
India	32	80.0
Guatemala	29	72.5
Vietnam	22	55.0
Honduras	18	45.0
African countries	17	42.5
Indonesia	12	30.0
Mexico	8	20.0

Source: Our elaboration

Tab. 6. Export of processed coffee

	n	%
<i>Does the company export coffee? (N=42)</i>		
Yes	28	66.7
No	14	33.3
<i>Countries of destination (N=28)</i>		
Germany	22	78.6
Extra-EU	17	60.7
France	13	46.4
Other EU	12	42.9
UK	9	32.1
<i>Intention to export in the future (N=20)</i>		
Yes	17	85.0
No	3	15.0

Source: Our elaboration

Fig. 4. Major coffee sale channels, % (N=42)

Source: Our elaboration

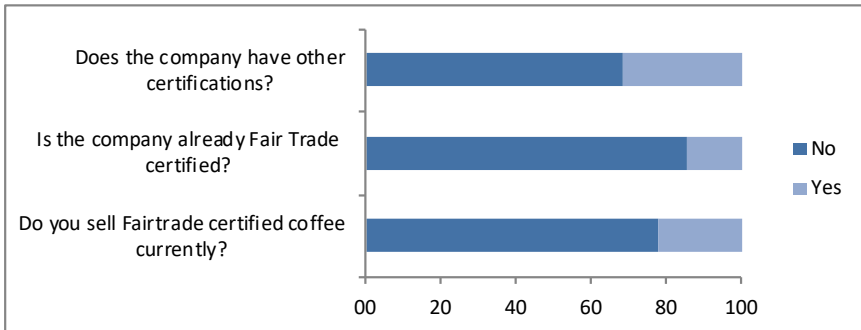
share of those marketing through the “Ho.Re.Ca” sector (Hotels, Restaurants and Catering) is limited.

4.3 Attitudes toward certification

According to Pedini and Santucci (2016), the certification plays a central role to empower the small farmers’ organizations operating in the FTM. FLO determines specifically who enters and who does not enter into FTM through the certification system. The certification rules are the guarantee that all actors of the value chain implement the FTM principles and that the criteria such as transparency and solidarity take place. Regarding attitudes toward certifications as a tool to reduce asymmetric information to the consumer, the Fair Trade certification (Fig. 5) is still adopted by a minority of the responding companies (14.8%). A contradiction appears because 22.2% of respondents declare to sell FTM coffee, but only 14.8% adhere to the certification system.

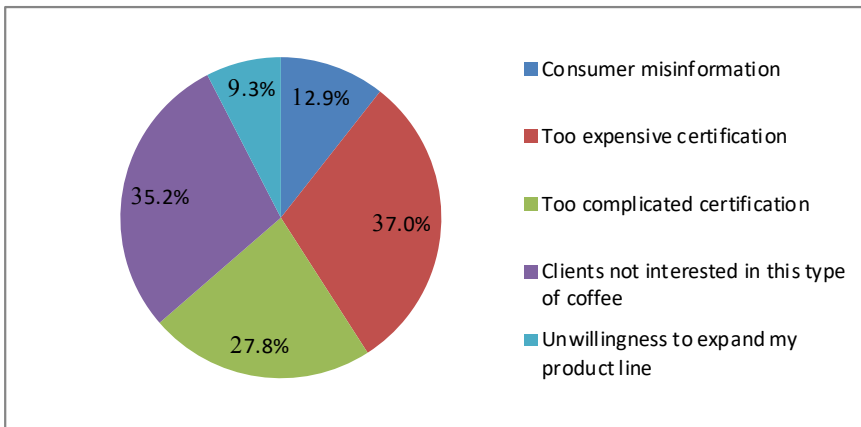
The main reasons discouraging the participation in the FTM certification are “the too high certification costs” and the “lack of interest by customers”, indicated respectively by 37% and 35.2% of the respondents (Fig. 6). Another important issue mentioned by 27.8%, is due to the “excess of complex procedures”, both to enter and to maintain the certification. Only 13% believe that “consumers’ misinformation” constitutes an obstacle towards certification. In this sense, the implementation of actions that promote bureaucratic simplification could make the entry into the certification more palatable.

Fig. 5. Roasting companies attitudes towards FTM Certification, % (N=54)



Source: Our elaboration

Fig. 6. Entry barriers in the Fair Trade certification, % (N=54)



Source: Our elaboration

Table 7 shows the knowledge level of those responding companies not yet FTM certified. It derives from several statements about certification requirements. The first four statements are true, whereas the last three are false.

When referring to the true requirements, the respondents show a good level of awareness about the first one, since 80.4% declare that there is “a minimum price to be paid to coffee growers”. Only 32.6% know that the raw coffee must be purchased from farmers’ associations or cooperatives. The results about the next two requirements, referring to anticipations for inputs and to

transparency about price formation, are even more disappointing, since they are respectively indicated only by 13.0% and 10.9% of the respondents.

Better is the situation concerning the suggested false requirements, those not imposed by FTM certification: only 15.2% of respondents believe (incorrectly) that the coffee should be necessarily organic, while none marks the statements “after a certain period, the roaster must work just coffee Fairtrade” and “it is forbidden to vacuum-pack the Fairtrade certified coffee”.

Tab. 7. Knowledge about the FTM certification requirements of not certified companies (N=46)

	Statements	n	%
Required by FTM certification	There is a minimum guaranteed price paid to farmers	37	80.4
	Green (raw) coffee must only be purchased from farmers' associations or cooperatives	15	32.6
	The purchaser of green (raw) coffee must anticipate the payment to farmers	6	13.0
	The costs of the various steps in the value chain must be public and available to farmers and consumers	5	10.9
	The coffee must be organic	7	15.2
Not required by FTM certification	After a certain period, the roaster must work only Fairtrade coffee	0	0.0
	It is forbidden to vacuum-pack the Fairtrade certified coffee	0	0.0

Source: Our elaboration

The knowledge about FTM and the willingness to enter into the FTM certification system were measured in a Likert-type scale from 1 to 5 (Tab. 8), where 1 indicates a very low self-evaluated knowledge and/or intention to enter, and 5 represents a high level of knowledge and intention to explore this market. The declared average knowledge level of the respondents is 2.97, with a high variability around this value, as shown by the standard deviation. Slightly lower are the data about the propensity towards FTM coffee, which has a mean value of 2.35 and the standard deviation, equals to 1.16. The Spearman's correlation coefficient (r_s), measuring the strength and direction of relationship between the knowledge level and FTM coffee purchase propensity was calculated. The estimated r_s value is 0.237 (p-value=0.131), showing that the correlation between the two variables is very low and statistically insignificant.

Tab. 8. Knowledge level and propensity to work with FTM coffee (N=46)

	Min	Max	Mean	S.D.
Do you know FTM certified coffee?	1	5	2.97	1.25
Do you intend to purchase FTM coffee in the future?	1	5	2.35	1.16

1 = Not at all; 5 = Yes, very much.

Source: Our elaboration.

5. Conclusions

This first research about the coffee processors in Italy describes a relatively small number of roasters and tries to analyze their level of knowledge, their participation in the FTM coffee market and their attitudes, both in the domestic market and in the export markets.

Most of the respondents are small and medium-sized companies in terms of turnover, number of employees and volume of sales. This fact indicates the predominance of family run companies, with a great interest in quality and differentiation processes (through certification), since the absolute majority of firms has some type of quality certification.

Despite the interest in quality certifications, a low participation in the FTM certified market has been identified. The justifications advanced by the respondents are the high certification costs and a consumers' likely low interest. This latter is probably due to the small consumer's knowledge about the FTM certification, as described by Coppola (2017) and Panico (2014 and 2015).

Nevertheless, these findings are in contrast with the growing worldwide consumption of FTM products, including coffee. In particular, in the domestic market there is a great potential, because the consumers are open to buy this kind of coffee, as described by Maietta (2003), Becchetti and Rosati (2007), Castaldo *et al.* (2009), Cosmina *et al.* (2016), Gallenti *et al.* (2016) and Verneau (2016).

Probably the low interest shown by many roasters towards the FTM certification is due to a lack of information about the potential market of FTM products, both in Italy and in foreign markets. Moreover, considering that almost all of the respondents (97.6%) sell their coffees in bars and coffee shops, this factor represents a potential for product differentiation and exploration for alternative distribution channels.

As described by Reynolds (2009: 1091), "from a policy perspective, my findings suggest that Fair Trade buyer/supplier relations are open to negotiation and that contestations over the qualifications of Fair Trade coffee provide important openings for alternative enterprises and relations, particularly

where new qualities resonate with consumers and can be controlled by producers”.

Since many of the respondents already have all commercial links with producing countries and with several export markets, it could be relatively easy to expand their operations to include also FTM coffee.

To conclude, there is an urgent need to provide the Italian roasters with more information about the FTM and its potentials, both in Italy and abroad, where the consolidated fame of the Italian coffee could represent another factor of success for the FTM products made in Italy.

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