THE CHAIN collaborative

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The Specialty Coffee Association (SCA) Coffee Sustainability Program
Coffee Economics Course Outline

Venue Requirements

As this is an online course, all students are expected to have access to a stable, high-speed internet connection in a distraction-free environment. Please avoid background noise (e.g., from a roastery, café, or other) when joining the course. Headsets are also recommended to ensure audio clarity. Students should further prevent outside interruptions, such as from pets or household activities.

Course Hours

This is a 16-hour course delivered in eight 2-hour live, online class sessions. The time to prepare for and take the exam is outside of this 16-hour window.

Course Preparation

Students are expected to treat each class session as a "live course" and should be prepared to take notes in the manner that is best for them. Students should arrive at least 5 minutes before the start of the first class session, and at least 2 minutes before the start of the remaining class sessions. Finally, students should prepare their coffee or take their bathroom breaks before the start of each class session. There will be a 5-minute break midway through each class.

Course Description

The Coffee Economics course of the SCA Coffee Sustainability Program allows coffee professionals to examine economic challenges and opportunities across the specialty coffee value stream. Through 16 hours of engaging discussion and learning, students will examine the dynamics of coffee pricing, including a deep-dive into the C Market, coffee futures, and price differentials. They will also assess how coffee pricing affects farm profitability and the overall sustainability of the value chain. Next, students will analyze costs of production (CoP), paying special attention to why CoP can be very difficult to calculate. Beyond pricing and CoP, they will identify other ongoing challenges to economic viability for value stream actors, and explore tools to improve farm-level profitability and beyond.

Additionally, students will explore how value is created, captured, and distributed throughout the value stream, and assess how this is influenced by consumer behavior, certifications, power dynamics, and more. They will also examine the social equity implications of unequal value distribution and economic systems, and explore alternative economic models that lend themselves to increased sustainability. Specifically, they will look at the Doughnut Economics model and consider the role of transparency. By the end of the course, students will be able to:

- Understand and interpret the present fundamentals of coffee pricing, and their impacts
- Evaluate the root causes of farm-level economic pressures, and suggest possible solutions

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- Articulate the interplay between coffee economics and social justice, and apply learning to enhance the sustainability of sourcing, operations, and other business-related decisions

Exam Format

Students will have 37 minutes to complete the exam, unless otherwise discussed between them and their trainer. The exam is available in English, Spanish, Chinese (Traditional and Simplified) and Korean. To pass the exam, students must answer 70% of the questions correctly. There will be 35 questions in total, which will be a mixture of true or false and multiple choice. Upon receiving a passing score, students will receive a Coffee Economics certificate from SCA.

Topics Covered

Session 1: Review of Key Concepts (2 hours)
- Recap of core economic principles and history in the coffee sector
- Understanding the factors that shape the coffee market today
- Introduction to the C Market and its impacts on smallholder farmers
- Discussion on how the C Market relates to the specialty coffee sector

Session 2: Coffee Price, Part I (2 hours)
- Defining keys pricing terms, such as farmgate, FOB, and CIF prices
- Analysis of who has price-setting power and the role of price asymmetry
- Introduction to coffee futures and who has greater access to their use
- Definition of differentials and what influences them

Session 3: Coffee Price, Part II (2 hours)
- The role of price risk in coffee and introduction to price risk management
- Discussion on coffee futures and their role in managing price risk
- Additional tools for price risk management used by buyers and sellers
- Introduction to alternative approaches to pricing, including premiums and price transparency

Session 4: Approaches to Price Discovery & Cost of Production (2 hours)
- Introduction to alternative models for price discovery and their challenges
- Defining cost of production (CoP) and the opportunities CoP measurement presents
- Exploration of the challenges to accurate CoP measurement
- The relevance of transparency in CoP modeling and TRUE CoP

Session 5: Farm Profitability & Coffee Value, Part I (2 hours)
- Analysis of threats to farm profitability in the smallholder context and beyond
- Opportunities to ensure or increase farm profitability
- Defining value creation, value delivery, value capture, and value destruction
- Analysis of how value is distributed across the supply chain, and who benefits most

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Session 6: Coffee Value, Part II & Intro to Economic Inequality (2 hours)

- Tools, models, and research to increase equitable value distribution
- Discussion on how third-party certifications and consumer behavior can impact value distribution
- Introduction to economic inequality and the political economy of coffee

Session 7: Economic Inequality and Living Income/Wage (2 hours)

- Discussion on the impacts of unequal access to finance and cash flow
- Defining living wage, living income, and cost of living
- Introduction to the Anker methodology for assessing living income and filling gaps
- Exploration of the responsibilities of various actors for promoting economic equity

Session 8: Rethinking How Coffee is Bought and Sold (2 hours)

- Exploration of alternative economic models and redistributive business designs
- Discussion on how cooperative structures and collaboration can foment equity
- Introduction to profit-sharing and other approaches to improved value distribution, including the Doughnut Economics model
- Application of lessons learned to coffee businesses and value chain decisions