



Faculty of Legal Science

School of International Studies

**Coffee Market Study in China: Opportunities for Ecuadorian
Coffee with the Ecuador-China Free Trade Agreement**

Project prior to obtaining a Bachelor's Degree in International Studies

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To my mother Alicia, whose efforts allowed me to seize opportunities that would shape my life, for having often placed my needs and dreams above her own, and for working tirelessly to provide me with the material and spiritual necessities to overcome all adversity.

To my grandmother Tarcila, for teaching me the deepest human values through love and faith, which are present every day and have enabled me to recognize and share the sweetest fruits of friendship with the right people.

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Coffee Market Study in China: Opportunities for Ecuadorian Coffee with the Ecuador-China Free Trade Agreement

Abstract

As coffee demand expands in China, Ecuadorian coffee producers should aim their efforts at young adults in the country's most prosperous and international cities. These young consumers are increasingly drawn to Western culture and lifestyles, and they value high-quality experiences. Thus, it is crucial to offer them specialty and origin coffees with high ratings and sustainability certifications, along with innovative ideas that resonate with their sense of modernity and freedom, while also respecting their unique cultural context. The collaboration between academia and the public and private sectors is essential for recognizing and seizing new opportunities in this growing market. By working together, Ecuadorian producers can better meet the needs of Chinese consumers and maximize the benefits of the Free Trade Agreement (FTA) between Ecuador and China. This approach not only promises economic growth but also fosters the specialization of the coffee production sector and opens up vast new markets.

Keywords

Clustering, Congruence, Glocalization, Specialty Coffee, Strategic Alliances

Estudio del mercado cafetalero en China. Oportunidades para el café ecuatoriano con el tratado de libre comercio Ecuador-China

Resumen

Ante la creciente demanda de café en China, el productor cafetalero ecuatoriano debe enfocarse en el consumidor joven adulto de las ciudades más prósperas e internacionalizadas, interesado en la cultura y el estilo de vida occidental. Este segmento valora experiencias de alta calidad, por lo que es esencial ofrecer cafés de especialidad y origen, con certificaciones de sostenibilidad y propuestas innovadoras que reflejen modernidad y libertad, adaptadas a su realidad cultural. La colaboración entre la academia y los sectores público y privado es clave para identificar y aprovechar nuevas oportunidades en este mercado en expansión. Esta sinergia permitirá a los productores ecuatorianos satisfacer las demandas del consumidor chino y maximizar los beneficios del Tratado de Libre Comercio (TLC) entre Ecuador y China, impulsando el crecimiento económico, la especialización del sector cafetalero y el acceso a nuevos mercados.

Palabras clave

Alianzas Estratégicas, Café de especialidad, Clusterización, Congruencia, localización

Coffee Market Study in China: Opportunities for Ecuadorian Coffee with the Ecuador-China Free Trade Agreement

INTRODUCTION

The present research focuses on the coffee market in China and its growth over the past ten years, leveraging the knowledge acquired about International Relations and the crucial role globalization plays even in the most insular cultures. The growth of coffee consumption in China is accompanied by the country's alignment with the Western lifestyle, where coffee is a desirable product. As Cretella (2020) mentions, coffee has gained momentum, thanks to brands like Starbucks, particularly among young people attracted to the Western lifestyle, making coffee a symbol of modernity.

The markets that most favor coffee within China are located in the south and east, where the most affluent groups of Chinese society are concentrated and have more rapidly adopted Western consumption patterns. Similarly, major cities in the north, such as Beijing, with a market much more open to foreign products, are increasing their preference for coffee.

China has a population of 1,411,750,000 and a growing economy that has allowed it to increase its participation in the global commercial landscape. It is a market with vast possibilities for the export of agricultural products from Ecuador, which, as an additional advantage, signed a Free Trade Agreement in May 2023 under the presidency of Guillermo Lasso, later ratified by the National Assembly in February 2024. According to the Ministry of Production, Foreign Trade, Investments and Fisheries, after negotiation rounds and several technical meetings, Ecuador secured access for 99.6% of its exportable supply to the Chinese market, which is its primary destination for non-oil export products.

Regarding coffee, Ecuador has significantly increased its market share compared to previous years despite maintaining an ad valorem tariff of 8%. Between 2018 and 2022, there was a 24% increase. For this reason, China ranks fifth among potential importers of Ecuadorian coffee, according to data from the International Trade Centre.

With the tariff relief offered by the Free Trade Agreement between Ecuador and China, coffee products and derivatives will be able to improve their competitiveness. Therefore, it is vital for the Ecuadorian coffee sector to understand the behavior of coffee demand and comprehend consumer needs, as well as market preferences in certifications and presentation, to take advantage of the access to this growing market.

Objectives

General Objective

To analyze the evolution of the Chinese coffee market in terms of demand and consumer preferences.

Specific Objectives

- I. To analyze the evolution of coffee demand in the Chinese market over the past 10 years and its future prospects.
- II. To identify the most appropriate consumer profile for Ecuadorian coffee.
- III. To evaluate the opportunities provided by the Free Trade Agreement (FTA) between Ecuador and China for Ecuadorian coffee producers.

CHAPTER 1

1.1 General Concepts of Exportation

Exportation

It is a commercial activity that consists of the sale or shipment of products outside the national territory. Exportation refers to the action and effect of sending goods and services from one country to another for commercial purposes (SENAE, n.d.).

All Natural or Legal Persons, Ecuadorian or foreign residents in the country, who have registered as exporters in the ECUAPASS system and have been approved by the National Customs Service of Ecuador, can export (SENAE, n.d.).

Exportation Regimes

Table 1

Exportation Regimes in Ecuador

Definitive Exportation	It is the customs regime that allows the definitive exit of goods in free circulation outside the customs territory or to a Special Economic Development Zone located within the Ecuadorian customs territory, subject to the provisions established in the COPCI and RCOPCI.
Temporary Exportation for Re-importation in the Same State	It is the customs regime that allows the temporary exit of goods in free circulation from the customs territory for a specific purpose and period, during which they must be re-imported without having undergone any modification, except for normal deterioration due to use.
Temporary Exportation for Outward Processing	It is the customs regime by which goods in free circulation within the customs territory can be temporarily exported outside the customs territory or to a Special Economic Development Zone located within said territory for transformation, processing, or repair, and then re-imported as compensating products with the exemption of the corresponding duties in accordance with the conditions provided in the regulations of the COPCI and RCOPCI.

Note: Retrieved from the National Customs Service of Ecuador website (SENAE, 2024). Available at: <https://shorturl.at/BcK9d>. Created by Author.

Free Trade Agreement

A Free Trade Agreement (FTA) is an international agreement between two or more countries or Parties whose main objective is to establish common rules to regulate the commercial relationship between them (OAS, n.d.). Here, the Parties meet and negotiate to define the scope and limitations of the trade agreement according to their needs.

Non-Tariff Measures

These are restrictive measures on foreign trade that can take the form of administrative processes, certifications, sanitary and phytosanitary measures, volume restrictions, among others.

Consolidated Cargo

Goods belonging to one or more consignees, grouped together to be transported under a single transport document.

Cargo Consolidation

It is the act of grouping goods corresponding to one or more shippers to be transported to or from Ecuador, for one or more consignees, under a contract made with a consolidator or freight forwarder duly authorized by the National Customs Service of Ecuador.

Cargo Consolidator

An operator other than the carrier, who transports grouped cargo under their name and responsibility, destined for one or more final consignees, duly authorized by the National Customs Service of Ecuador. Cargo consolidators will not be liable to shipping companies, warehouses, or port terminals for actions or omissions, including delays or abandonment, attributable to or generated by the importers or exporters of the cargo. A user of the Free Zone will not require any authorization from the customs authority to carry out consolidation and deconsolidation operations.

Containerized Cargo

Cargo from one or more shippers, covered by one or more transport documents, transported within a cargo unit.

Joint Ventures

According to Kirby and Kaiser (2003), a joint venture is a business arrangement in which two or more parties combine their resources to accomplish a specific task, which could be a new project or any other business activity. Each participant shares the profits, losses, and costs associated with it. However, it is an independent entity, separate from the other business interests of the participants.

Kirby and Kaiser (2003) believe that forming a joint venture can be an effective strategy for entering new markets, especially for small and medium-sized enterprises with limited resources and knowledge of the local market. These strategic alliances are particularly favored by national governments trying to restrict foreign ownership. By collaborating with local partners, SMEs can overcome regulatory barriers and leverage local expertise and connections to facilitate their market entry and success.

1.2 Theoretical Foundations

Cosmopolitanism

According to Cleveland et al. (2009), cosmopolitanism describes a conscious openness among individuals towards the world and cultural differences, a willingness to interact with different cultures, and an ability to integrate with foreign cultures. For this reason, cosmopolitans show a preference for products with higher social value, such as luxury goods and globally popular clothing. They choose these products because, from their perspective, they symbolize "modern lifestyles or an association with the global elite."

Globalization

According to Roudometof (2005), globalization fosters the creation of transnational social spaces, challenging the traditional cultural unit: the national society. Since the 19th century, with the rise of the modern nation-state, notions of culture and national identity have developed. However, the progressive integration of people and markets, the rise of multiculturalism, and the corresponding erosion of national borders are fostering a global culture and possibly promoting a transnational identity (Arnett, 2002; Cleveland & Laroche, 2007; Craig & Douglas, 2006; Merz et al., 2008). For Mooij (2004), social identity constitutes the psychological core where cultural effects are perceived, and it is a significant predictor of consumer behavior.

Glocalization

Robertson (2007) highlights that glocalization reflects the simultaneity of global homogenization and local heterogenization. This approach emphasizes how global phenomena are incorporated and recontextualized in local practices, generating new forms of cultural expression that are both global and local. On the other hand, Roudometof (2016) proposes an interpretation of glocalization as an analytically autonomous concept that should not be confused with globalization. Glocalization specifically addresses the ways in which the global and the local intertwine in manners that are not merely extensions of globalization processes, but unique manifestations that reflect tensions and synergies between different levels of social reality.

Servicescape

Ezeh and Harris (2007) define the concept of "servicescape" as: "The physical space where the service interaction takes place, which triggers internal reactions in customers resulting in the display of approach or avoidance behaviors." Vieira (2010) suggested that the greatest

effect of the "servicescape" on customers' perception is achieved through vision. For the "servicescape," the style and design of a restaurant or café environment contribute to brand identification and differentiation from competitors in consumers' minds.

According to Douglas et al. (2003), the term "servicescape" describes the physical environment in which a service is performed and where both customers and workers interact. Since the production and consumption of the service occur simultaneously, the customer becomes an active participant in the service's creation and, therefore, is an element of the process (Schmidt & Sapsford, 1995; Bitner, 1992).

Symbolic Congruence

According to Hong and Zinkhan (1995), the concept of symbolic congruence refers to the way individuals use products or services to express themselves. Through the acquisition, use, and experience of a product, consumers define, maintain, and enhance their own self-concept. A consumer's purchasing decisions are not solely based on needs, but also on their self-image. Therefore, when the image of a store matches the image, the consumer has of themselves, it is likely that the consumer will have a more favorable evaluation of both the store and the product or service offered.

Sirgy and Sampli (1985) divide symbolic congruence into four perspectives, which include actual self-congruence, social self-congruence, ideal self-congruence, and ideal social self-congruence. This refers to the congruence of the individual with what they actually are, with what they are to society, with what they aspire to be, and with what they aspire to present in society.

1.3 Fundamental Technical Concepts

Robusta Coffee

Originating from the equatorial region of Africa, it is characterized by its more pronounced bitterness and higher caffeine content, making it highly productive. The Robusta variety is more tolerant to hot environments and can thrive better from sea level up to 1100 meters. The advisable temperature range for the plant is 18.3 to 26.7 °C (Matta, Ronchi, Maestri, & Barros, 2007).

Arabica Coffee

Coffee originating from Ethiopia with high resistance to altitude. Its altitude range varies from 1200 to 1700 meters above sea level, and it thrives optimally in a subtropical environment

without frosts and strong winds. The optimal temperature range is from 15.6 to 21.1 °C (Pruna1, 2021). Arabica flowers are white and aromatic, with a self-pollination rate of 90% to 95%, providing an opportunity for homogeneous crops through sexual reproduction. Finally, its seeds range in size from 8.5 to 12.7 mm in length (IICA, 2019). In Ecuador, several varieties of Arabica coffee are present, among which Típica Mejorada, Caturra, Catuaí, Paca, Geisha, Catimor, Sarchimor, and Castillo stand out, among others. These can be grouped into families according to the following table.

Table 2

Diagram of Classification of Arabica Coffee Varieties in Ecuador by Families

Family	Varieties		
Typica	Típica Mejorada		
Bourbon	Mundo Novo	Caturra	Catuaí
	Paca		
Ethiopian	Heirloom	Geisha	Sidamo
Hybrids	Timor	Catimor	Sarchimor
	Castillo		

Note: Taken from the Coffee Research Association. Created by Author.

Specialty Coffee

According to the Specialty Coffee Association (SCA, 2023), specialty coffees possess distinctive attributes and, due to these attributes, have a higher market value. This additional value presents opportunities to improve livelihoods and generate a positive environmental and social impact. This definition provides the basis for evaluating coffee in terms of both organoleptic qualities and the experience they convey.

Single-Origin Coffee

According to Chiffolleau (2016), France established the geographical indications system in 1905, primarily for the cheese and wine sectors. The labels AOC (Appellation d'Origine Contrôlée - Controlled Designation of Origin) or IGP (Indication Géographique Protégée - Protected Geographical Indication) were mainly used to allow producers to access broader markets than local ones, ensuring specific quality in long distribution chains and international trade.

The same has happened with coffee. As Teuber (2010) states, similar to wine in Europe, countries like Colombia have chosen to legally protect their products with geographical indications or origin certifications. Single-origin coffee can be understood as specialty coffee

that strictly owes its differentiating characteristics to its geographical position, whether it be a farm, a province, or a country.

Coffee Leaf Rust

According to the World Coffee Research Organization (n.d.), coffee leaf rust is a disease caused by the fungus *Hemileia vastatrix* that leads to leaf loss or can result in severe crop losses.

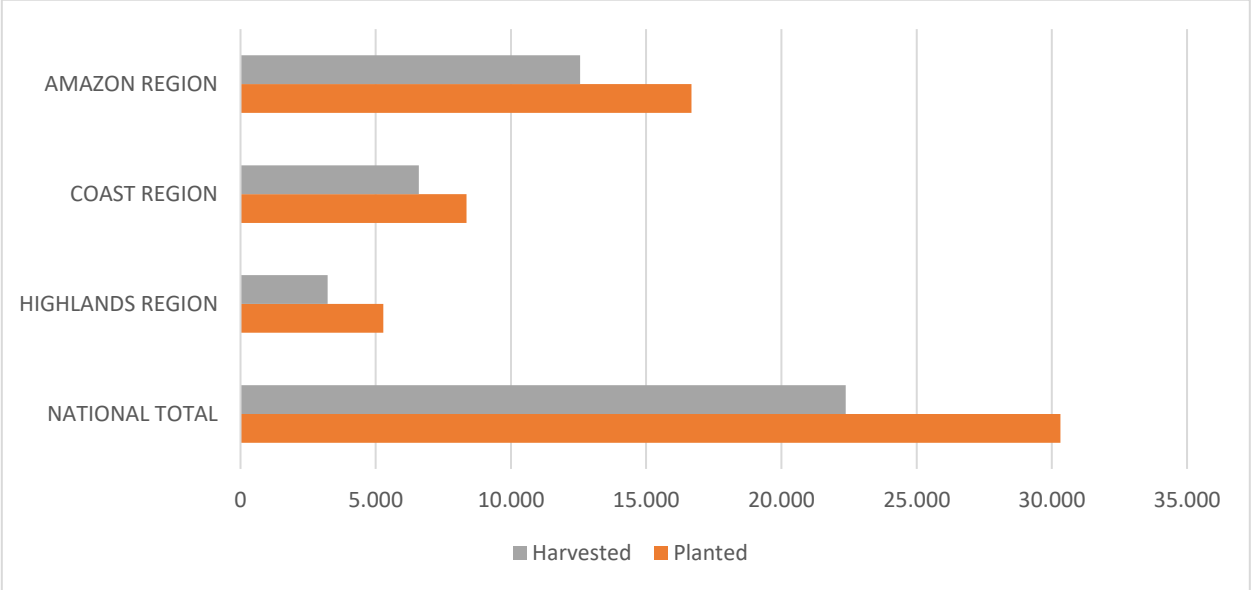
1.4 Ecuadorian Coffee Sector

Regional Coffee Marketing Organizations in Ecuador

- National Association of Coffee Exporters of Ecuador (ANECAFÉ). Based in Manabí.
- Regional Federation of Associations of Small Ecological Coffee Growers of the South (FAPECAFE) with an area of action in Loja, El Oro, and Zamora.
- Agro-artisanal Coffee Growers Association “Río Íntag” (AACRI) with an area of action in Imbabura and Pichincha.
- Associative Marketing Company of Manabí (COREMANABA) of the Ecuadorian Coffee Growers Corporation (CORECAF) and the Federation of Artisanal Associations of Ecological Coffee Production of Manabí (FECAFEM).

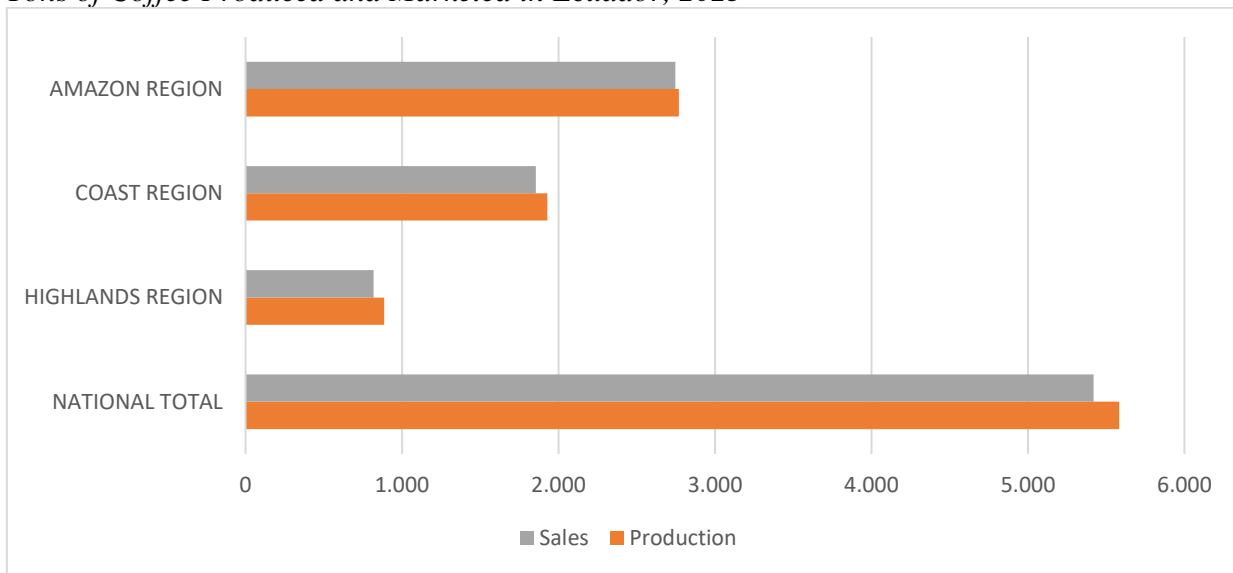
Current State of Coffee Production in Ecuador

Figure 1
Hectares of Coffee Planted and Harvested by Region in Ecuador, 2023



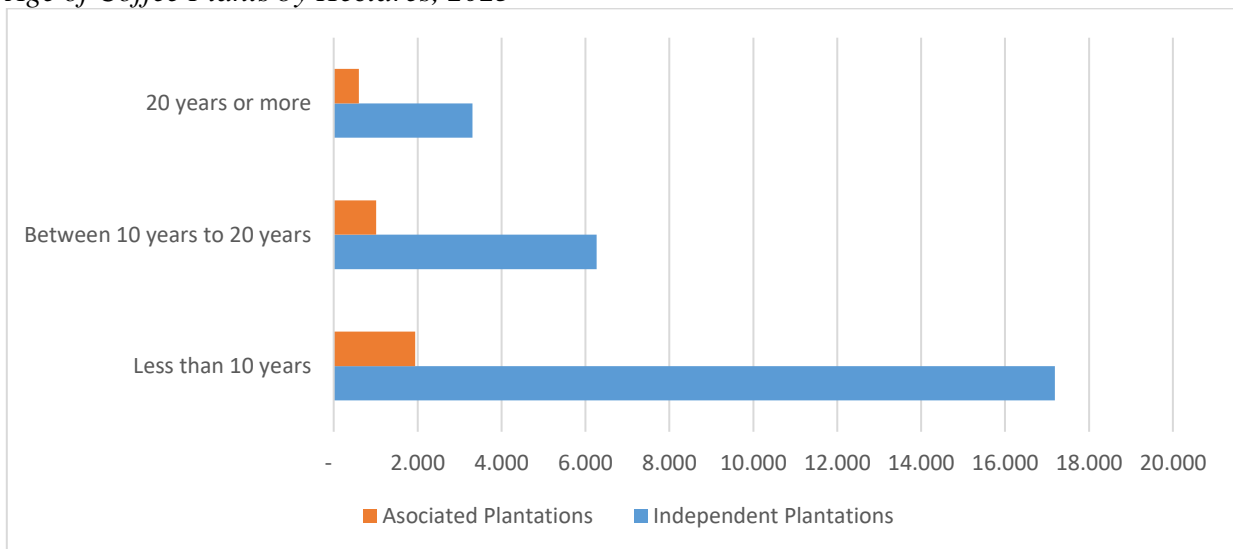
Note: Taken from INEC and Created by Author. Agricultural Census 2023. A loss of harvests can be observed in all regions of the country. The Amazon region is the main coffee producer in Ecuador

Figure 2
Tons of Coffee Produced and Marketed in Ecuador, 2023



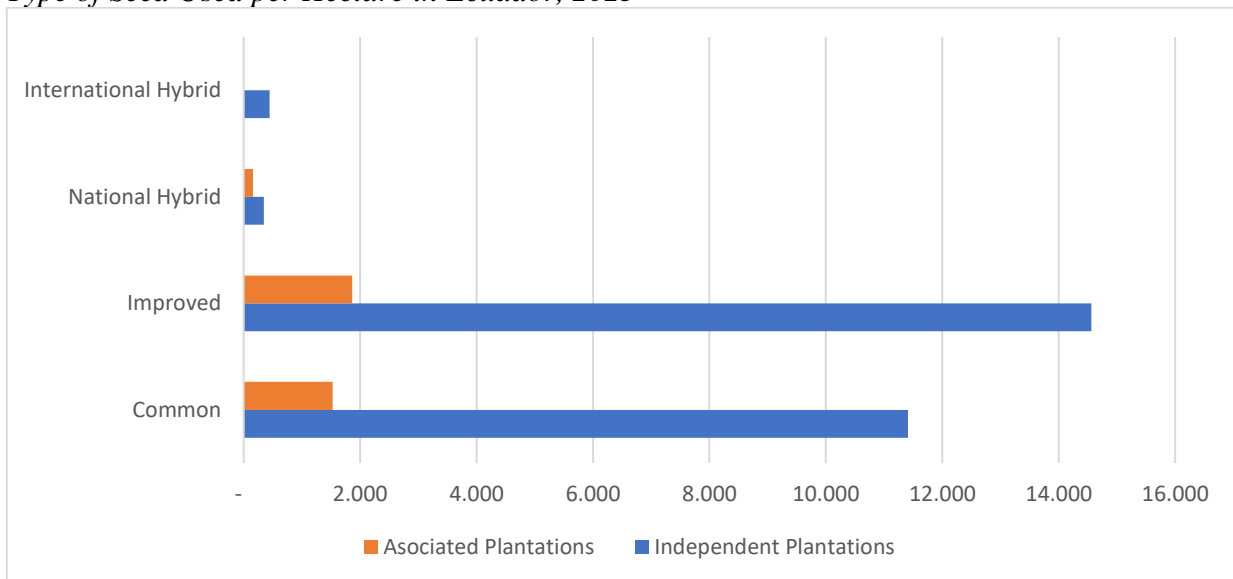
Note: Taken from: INEC. Created by Author. In the 2023 Agricultural Census, the majority of coffee production is marketed.

Figure 3
Age of Coffee Plants by Hectares, 2023



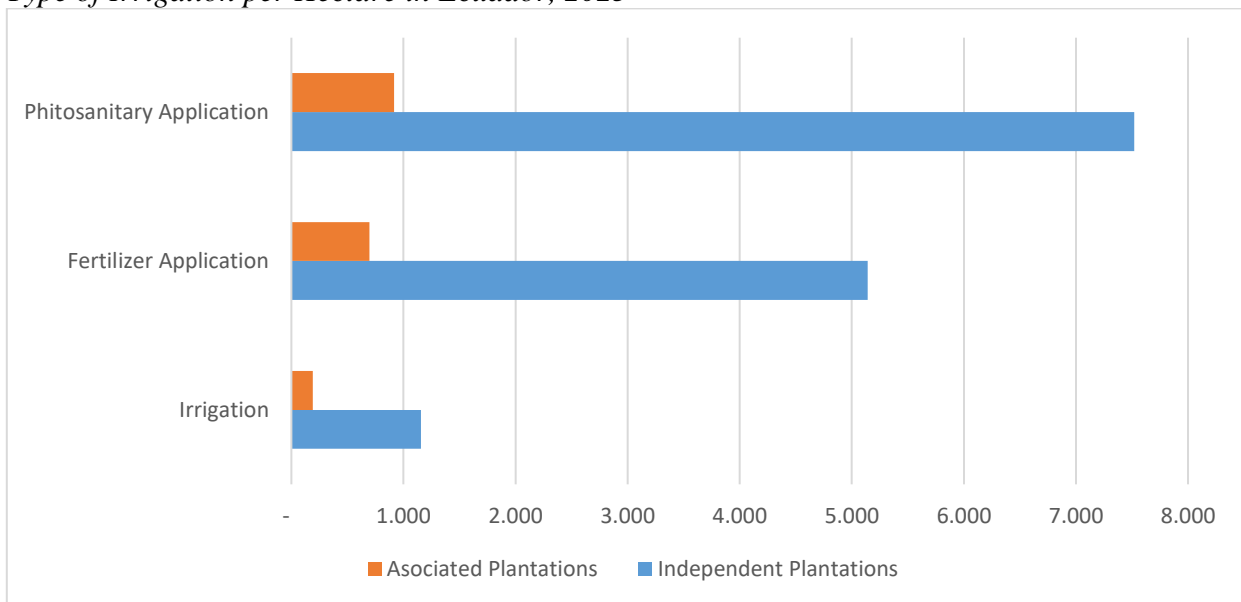
Note: Taken from: INEC. Created by Author. In the 2023 Agricultural Census, most of the production is less than 10 years old.

Figure 4
Type of Seed Used per Hectare in Ecuador, 2023



Note: Taken from: INEC. Created by Author. In the 2023 Agricultural Census, it can be observed that the most commonly used seeds are improved seeds, both in autonomous production and in association.

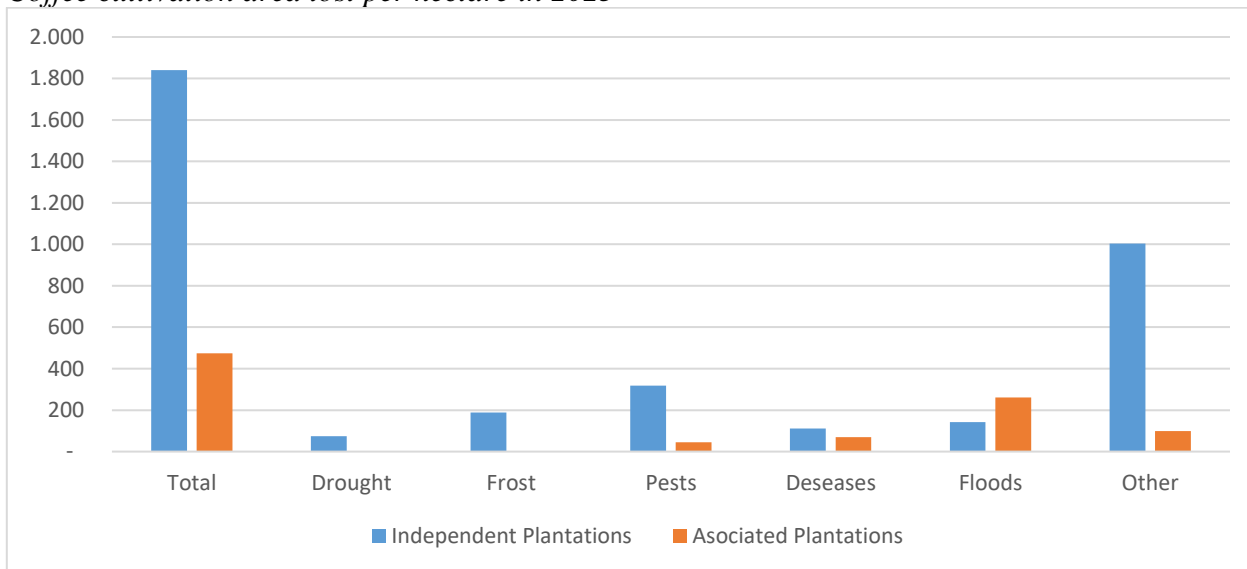
Figure 5
Type of Irrigation per Hectare in Ecuador, 2023



Note: Taken from: INEC. Compiled by the Author. In the 2023 Agricultural Census, it can be observed that there is a higher quantity of improved seeds used for coffee plantations in Ecuador, both in autonomous production and in association.

Figure 6

Coffee cultivation area lost per hectare in 2023



Note: Taken from: INEC. Compiled by the Author. In the 2023 Agricultural Census, it is observed that the main factor for crop loss in Ecuador is flooding.

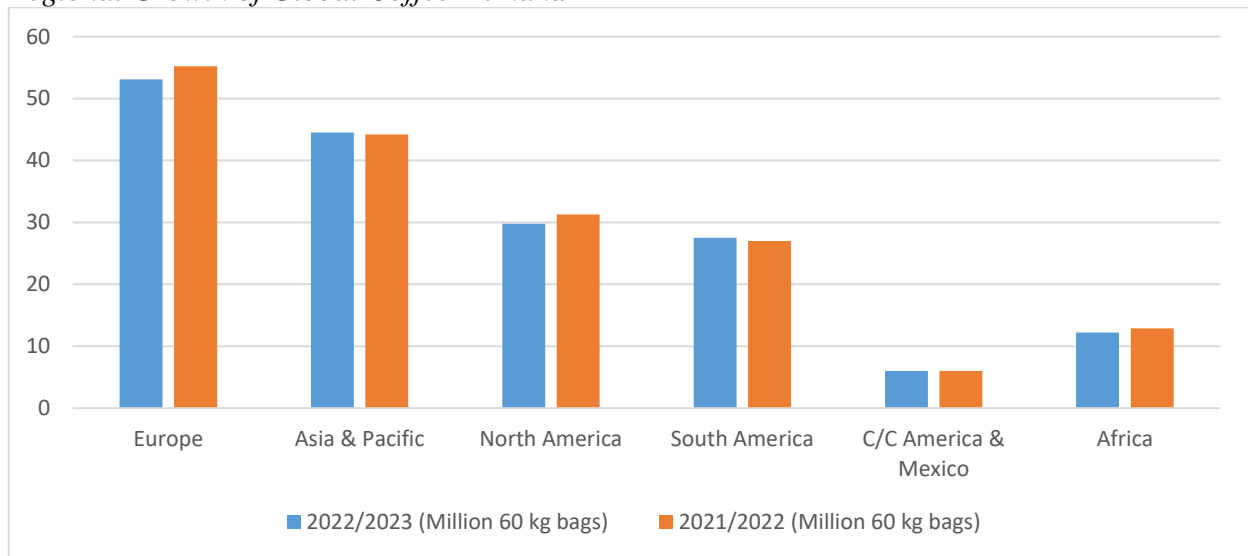
According to data from the INEC production census, we can observe a considerable loss of crops. However, the amount of harvested coffee maintains a high sales index, which is a testament to the resilience and effort of the farmers. One of the most significant challenges they face is the impact of flooding, which poses a constant threat to the care of coffee plantations. These floods not only affect the amount of coffee that can be harvested but also its quality

Chapter 2: Behavior of Demand

2.1 Worldwide Coffee Demand by Regions

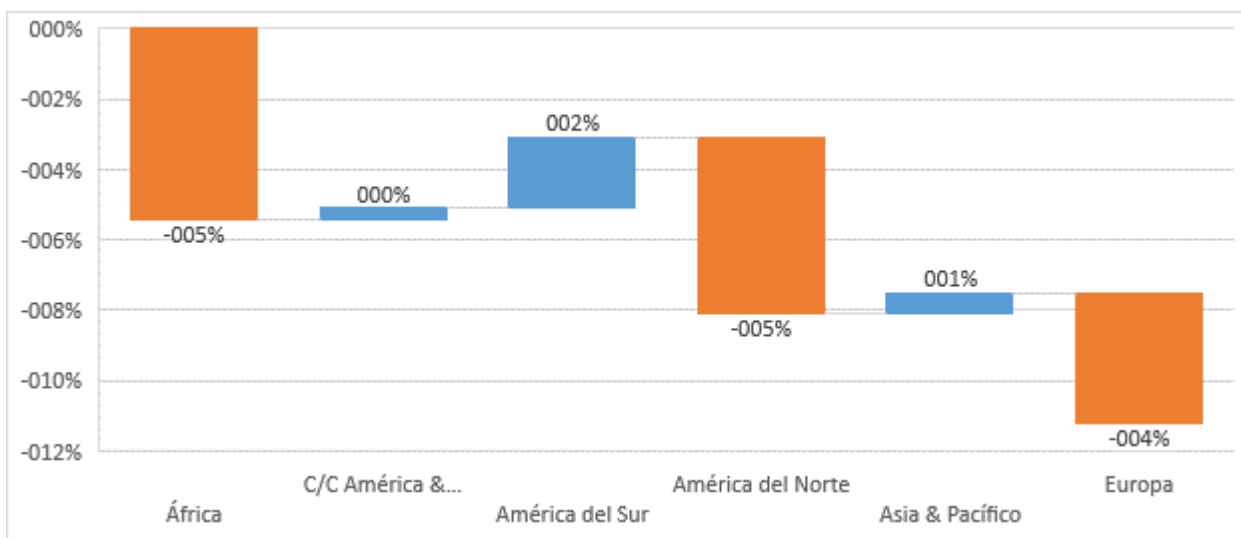
The World Coffee Organization, which enjoys the support of 93% of coffee producers and 63% of consumers, in its December 2023 report presents the following data (see Figures 7 and 8). Here, varied trends in global coffee consumption can be observed. Europe and North America experienced a decrease in coffee consumption by -3.70% and -5.00%, respectively, which may be related to economic factors and changes in consumer preferences. In contrast, Asia-Pacific, along with South America, show stability and positive growth in consumption, emerging as potentially attractive markets. Africa, on the other hand, exhibits a significant decline of -5.40%, possibly due to adverse economic factors.

Figure 7
Regional Growth of Global Coffee Demand



Note: Taken from the December 2023 report of the World Coffee Organization. Compiled by the Author.

Figure 8
Total Coffee Consumption 2022-2023

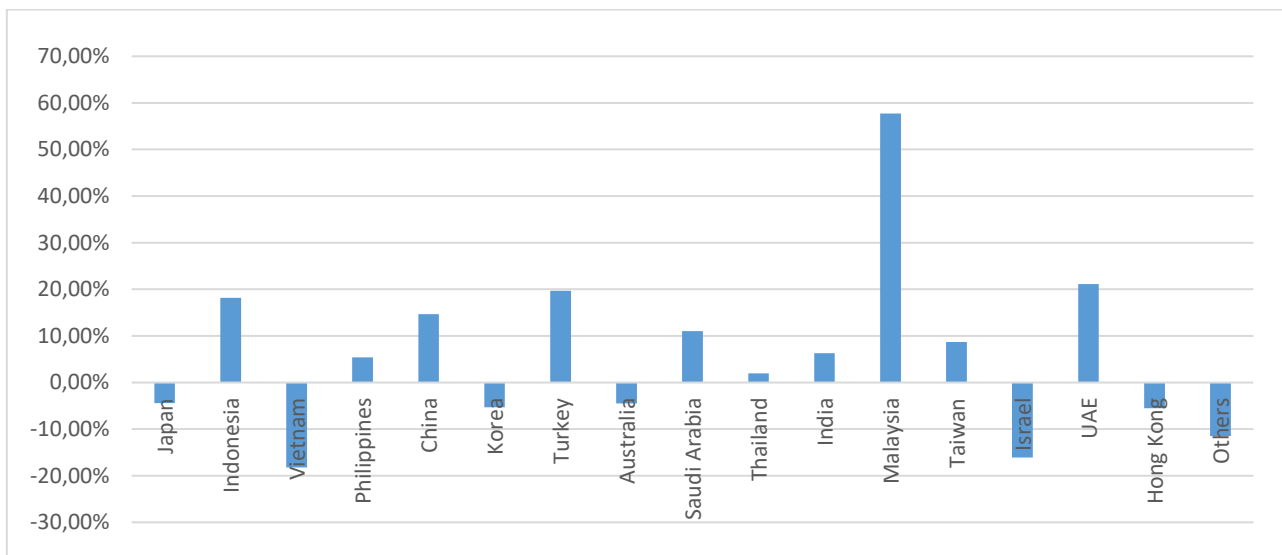


Note: Taken from the World Coffee Organization. Compiled by the Author.

2.2 Coffee Demand in China

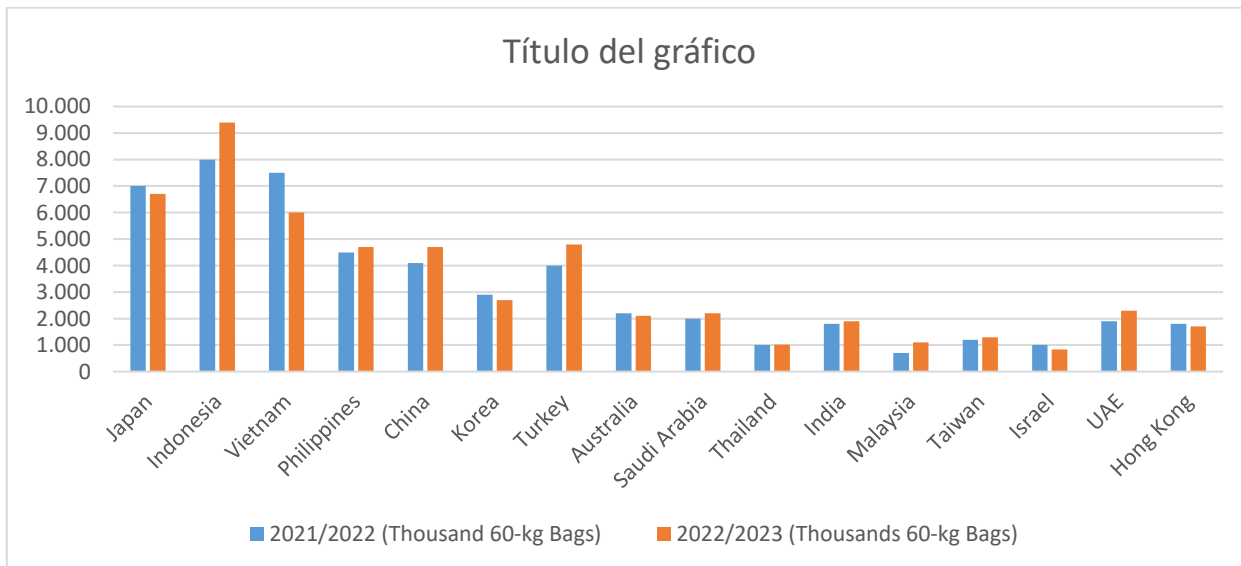
China is consolidating itself as a key market in coffee consumption in Asia and the Pacific. In Figure 9, China exhibits a growth rate of 5.40%, indicating a sustained increase in coffee demand. Figure 10 compares consumption in thousands of 60-kilogram bags between 2021/22 and 2022/23, revealing that China maintains a significant position with growing consumption, although lower than Japan, Indonesia, and Vietnam. Figure 3 reaffirms this stable growth trend in the Chinese market. These data underscore the increasing popularity of coffee in China, positioning it as a market with great potential for exporters. Coffee imports have experienced accelerated growth in recent years, even rebounding strongly after the years of the Covid-19 pandemic.

Figure 9
Percentage Growth of Coffee Demand in Asia and Oceania by Countries



Note: Taken from the World Coffee Organization. Compiled by the Author.

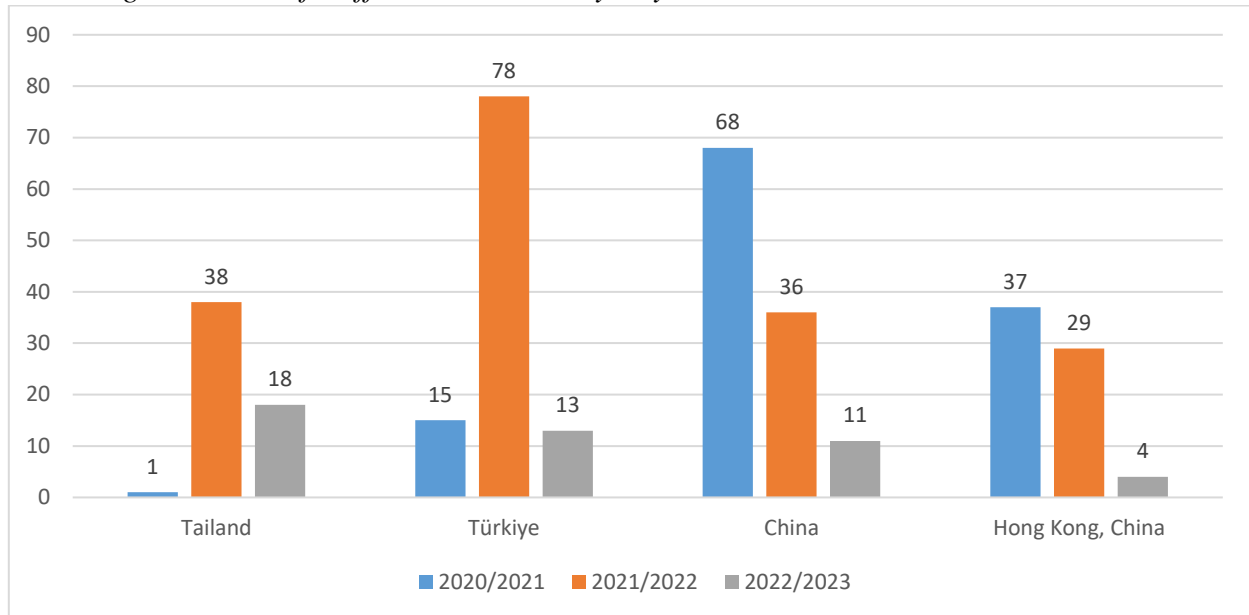
Figure 10
Growth of Coffee Demand in Countries of Asia and Oceania



Note: Taken from the December 2023 report of the World Coffee Organization. Compiled by the Author.

Figure 11

Percentage Behavior of Coffee Demand in Key Buyers in Asia 2021/2022 and 2022/2023



Note: Taken from the International Trade Centre, 2024 According to data from the International Trade Centre.

Behavior and Trend of Coffee Demand in China

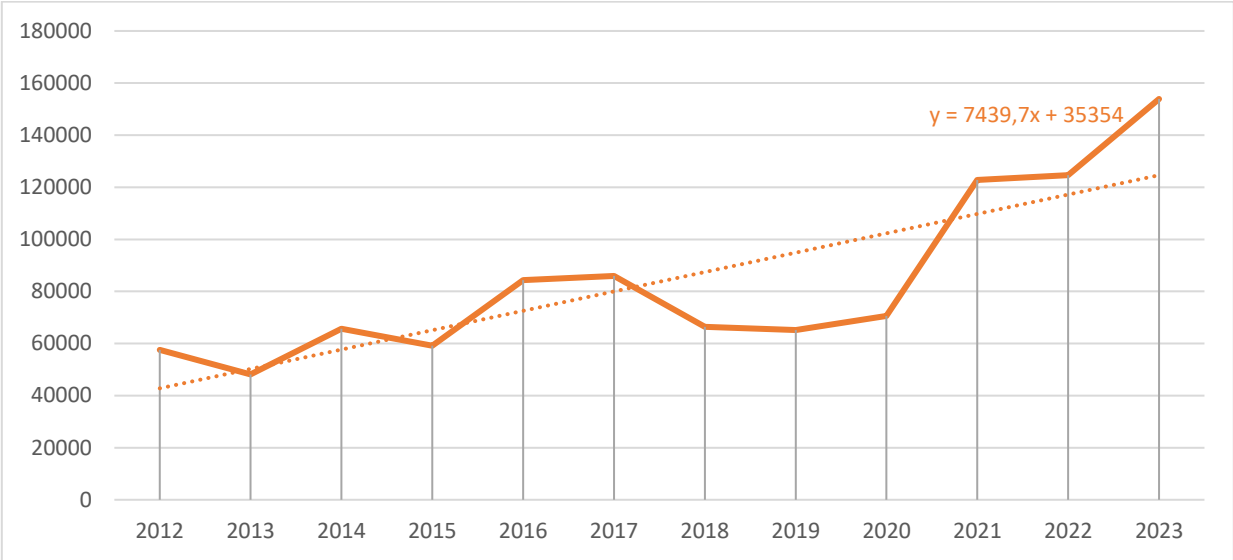
The trend line for the behavior of coffee demand in tons in China has a positive slope. China has more than doubled its consumption over the last 11 years. Despite a decrease in coffee imports by China between 2017 and 2019, there was an impressive recovery from 2020 to 2021, with an upward trend that has continued until 2023.

The trend line for the behavior of coffee demand in thousands of dollars in China also has a positive slope. The value of coffee in China has tripled over the last 11 years. Although there was a decrease in the imported coffee value from 2017 to 2019, it started recovering from 2020 and even surpassed its peak year in 2017 by 2 million dollars, reaching 8 million dollars by 2023.

The trend line for the behavior of the unit value of each ton of coffee in thousands of dollars in China also has a positive slope. The value of imported coffee per ton in China experienced significant growth between 2014 and 2017, followed by a decline between 2018 and 2019. During the peak of the trade war with the United States, China experienced a

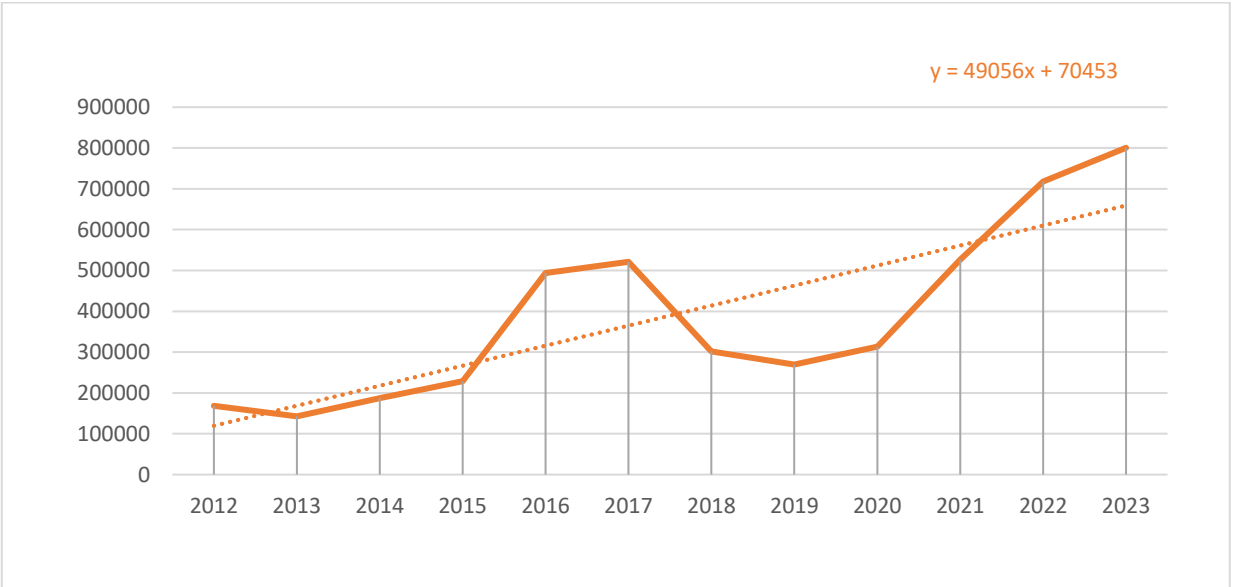
slowdown in its economic growth and implemented protectionist measures against foreign products.

Figure 12
Behavior of the Quantity in Metric Tons of Coffee Imports in the Chinese Market from the World 2012-2023



Note: Taken from the International Trade Centre. 2024. Compiled by the Author.

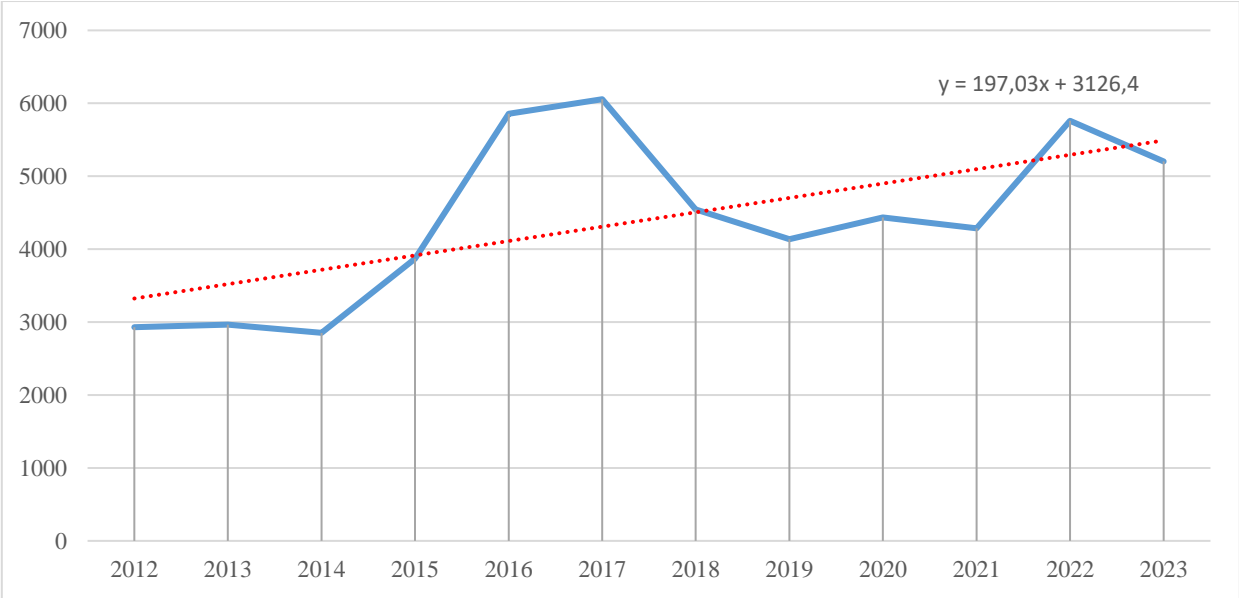
Figure 13
Behavior of the Value in Thousands of USD of Coffee Imports in the Chinese Market from the World 2012-2023



Note: Taken from the International Trade Centre. 2024. Compiled by the Author

Figure 14

Behavior of the Unit Value (Tons/Thousands of Dollars) in Coffee Imports to China 2012/2023

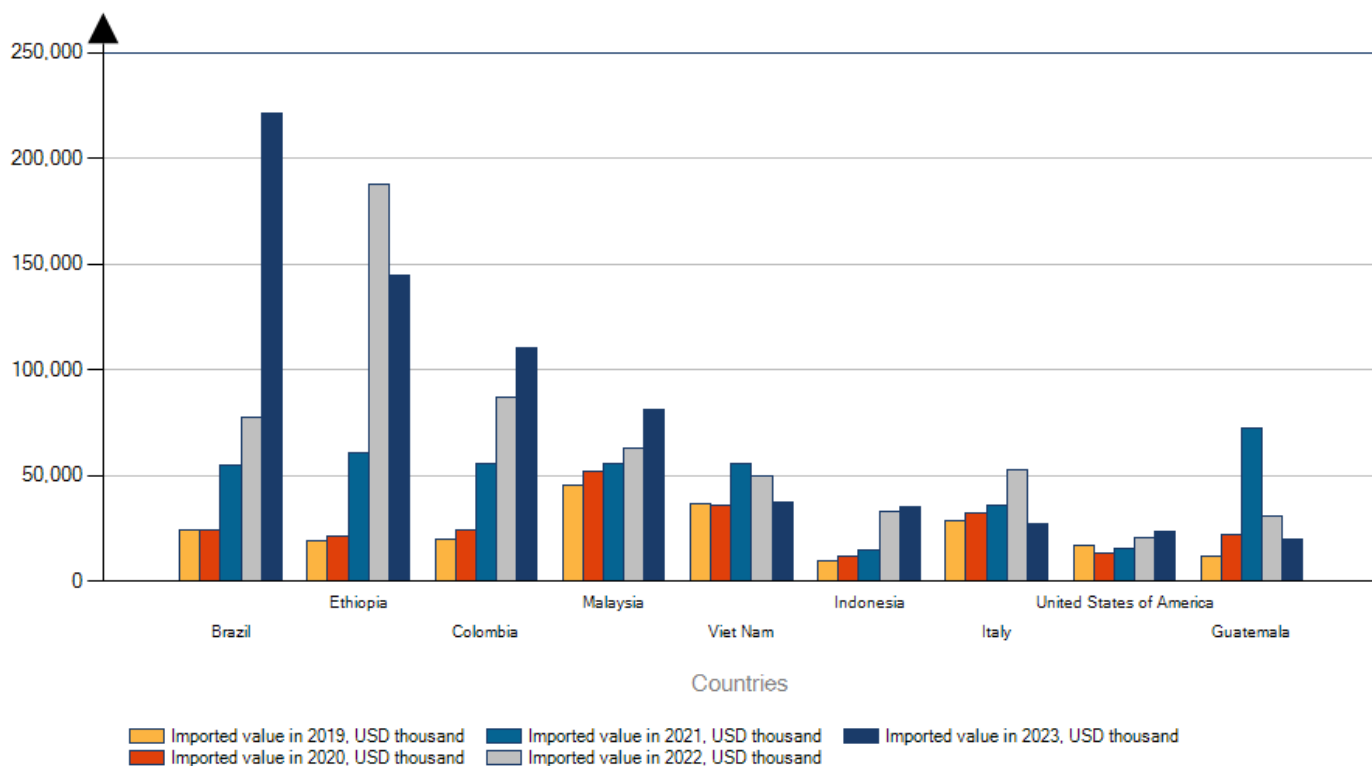


Note: Taken from the International Trade Centre. 2024. Compiled by the Author.

2.3 Top Coffee Suppliers to China

Brazil is the main coffee supplier to China, experiencing a significant growth spike in 2023. Ethiopia showed significant growth in 2022 but experienced a decline in 2023, similar to Guatemala. On the other hand, countries like Colombia, Malaysia, Indonesia, and the United Arab Emirates maintain stable growth.

Figure 15
Top Coffee Suppliers Imported by China 2019/2023



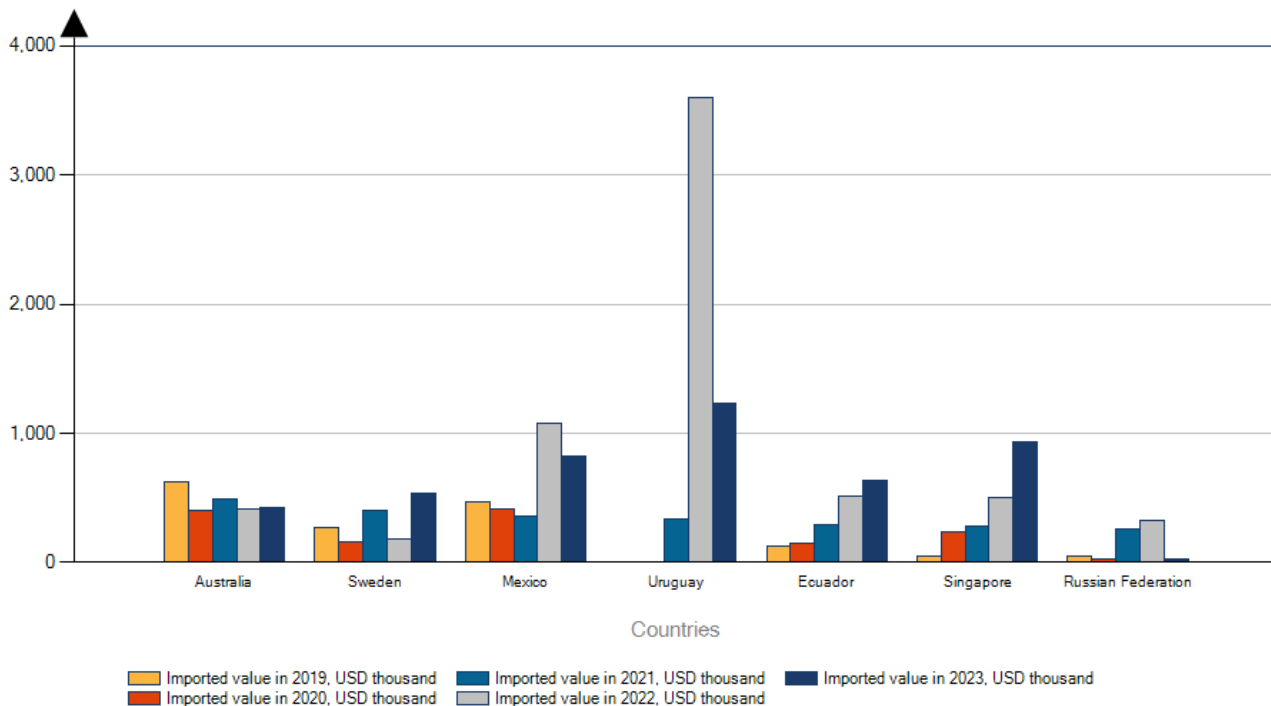
Note: Compiled by the International Trade Centre.

Main Competitors of Ecuador in the Coffee Market of China

Ecuador has shown steady growth in exports to China since 2019, unlike its closest competitors whose trend is negative. For example, South Korea, Hong Kong, and Australia are gradually losing their advantage. Additionally, countries like Uruguay, Nicaragua, Russia, and Spain have experienced export peaks followed by significant declines in recent years.

Figure 16

Close Competitors of Ecuador in Coffee Exports to China 2019/2023



Note: Taken from the International Trade Centre, 2024. Compiled by the International Trade Centre.

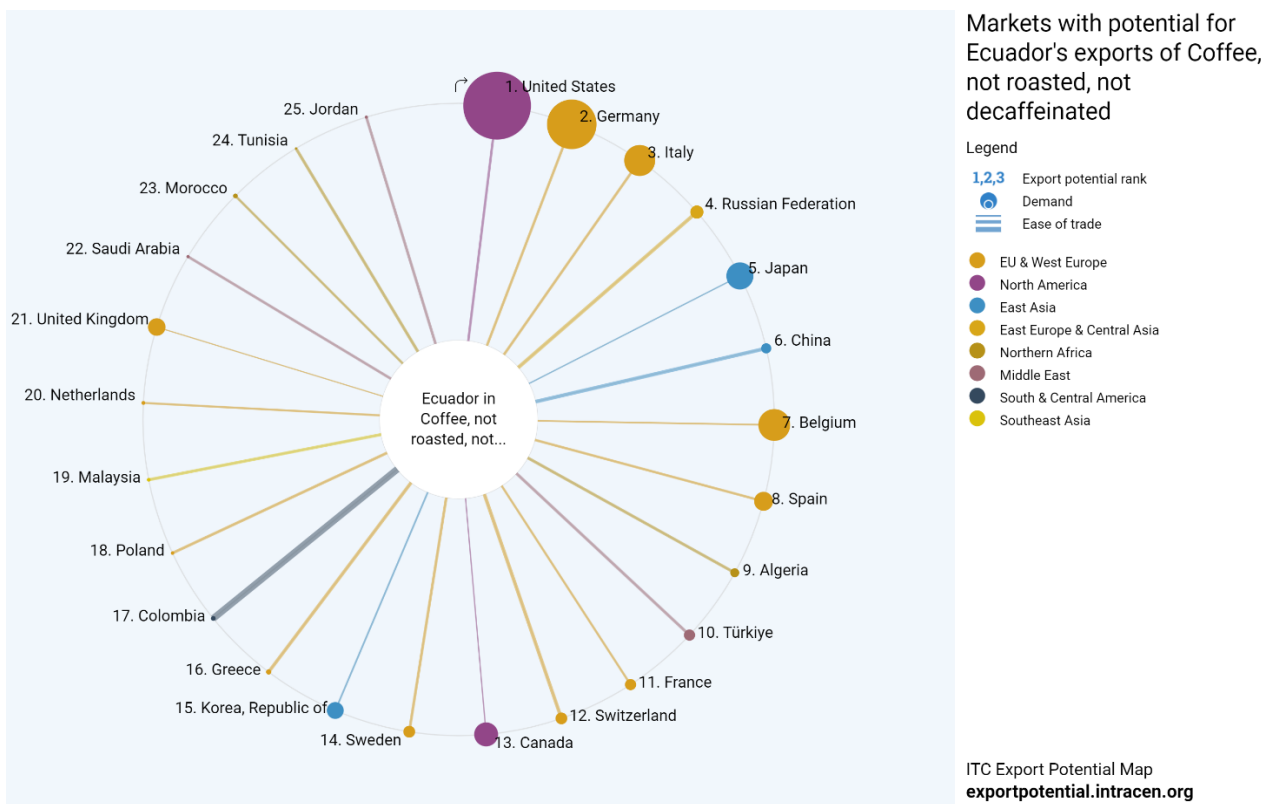
2.4 Demand for Ecuadorian Coffee in China

Ecuador has significantly increased its market share compared to previous years despite maintaining an ad valorem tariff of 8%. Between 2018 and 2022, there was a 24% increase. This is why China ranks among the potential largest importers of Ecuadorian coffee according to data from the International Trade Centre. The International Trade Centre aims to provide accurate results by considering market demand at the destination, ease of trading between countries, the exporting country's export supply, historical trade performance between exporters and importers, and economic and political factors that may influence international trade trends.

In the case of green coffee, China appears as the sixth country with the highest potential to receive our exports, while Ecuador ranks 32nd on the list of potential suppliers to this market. For roasted, non-decaffeinated coffee, the outlook is more favorable, as China ranks as the fourth country with the most potential for trade in this product, following the United States, Canada, and Argentina. Ecuador's coffee extracts have China as the sixth potential market, and Ecuador ranks 17th among possible suppliers of this product to China. This indicator places us in a highly competitive position, surpassed in the region only by Colombia and Brazil.

Figure 17

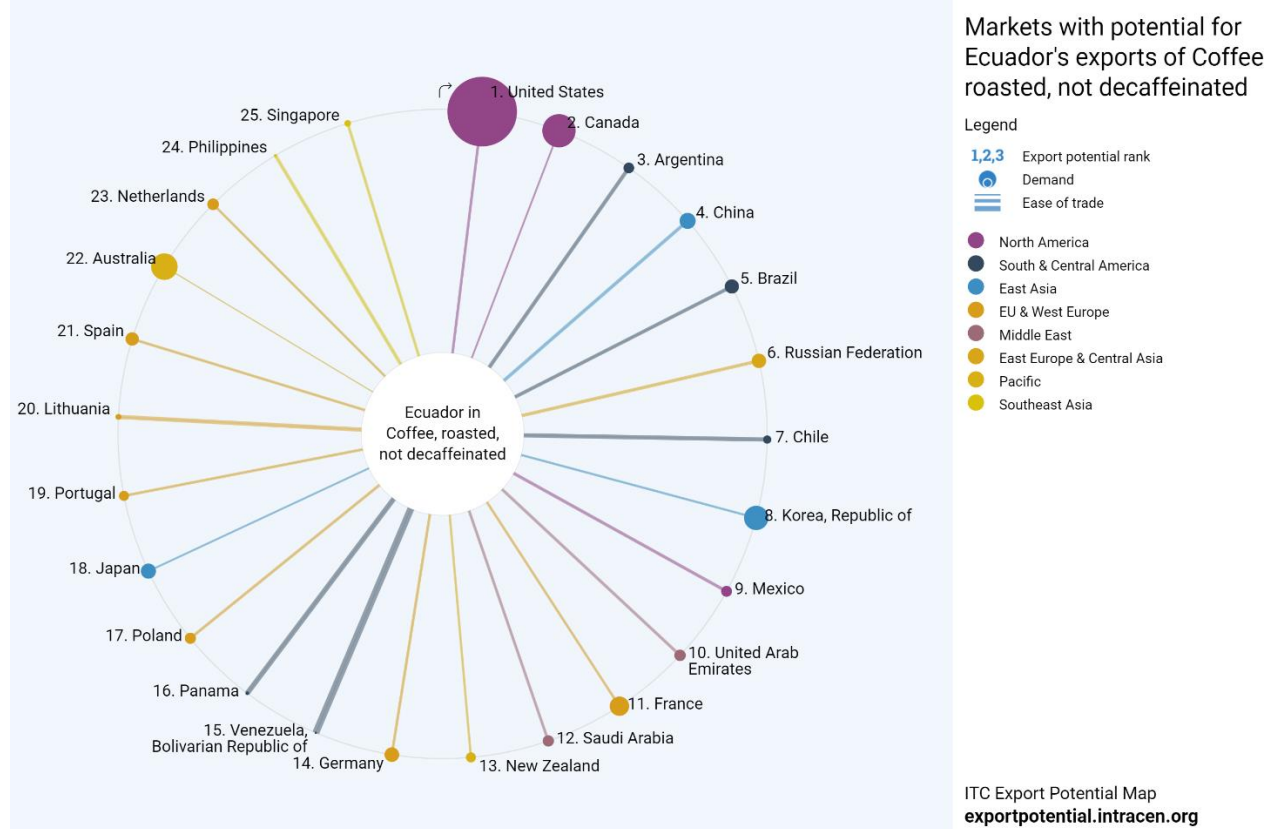
Potential Markets for Ecuador's Exports of Unroasted, Non-Decaffeinated Coffee



Note: Taken from the International Trade Centre 2024. The graph considers data from the year 2023, so it does not yet account for the facilitation of foreign trade provided by the Ecuador-China Free Trade Agreement.

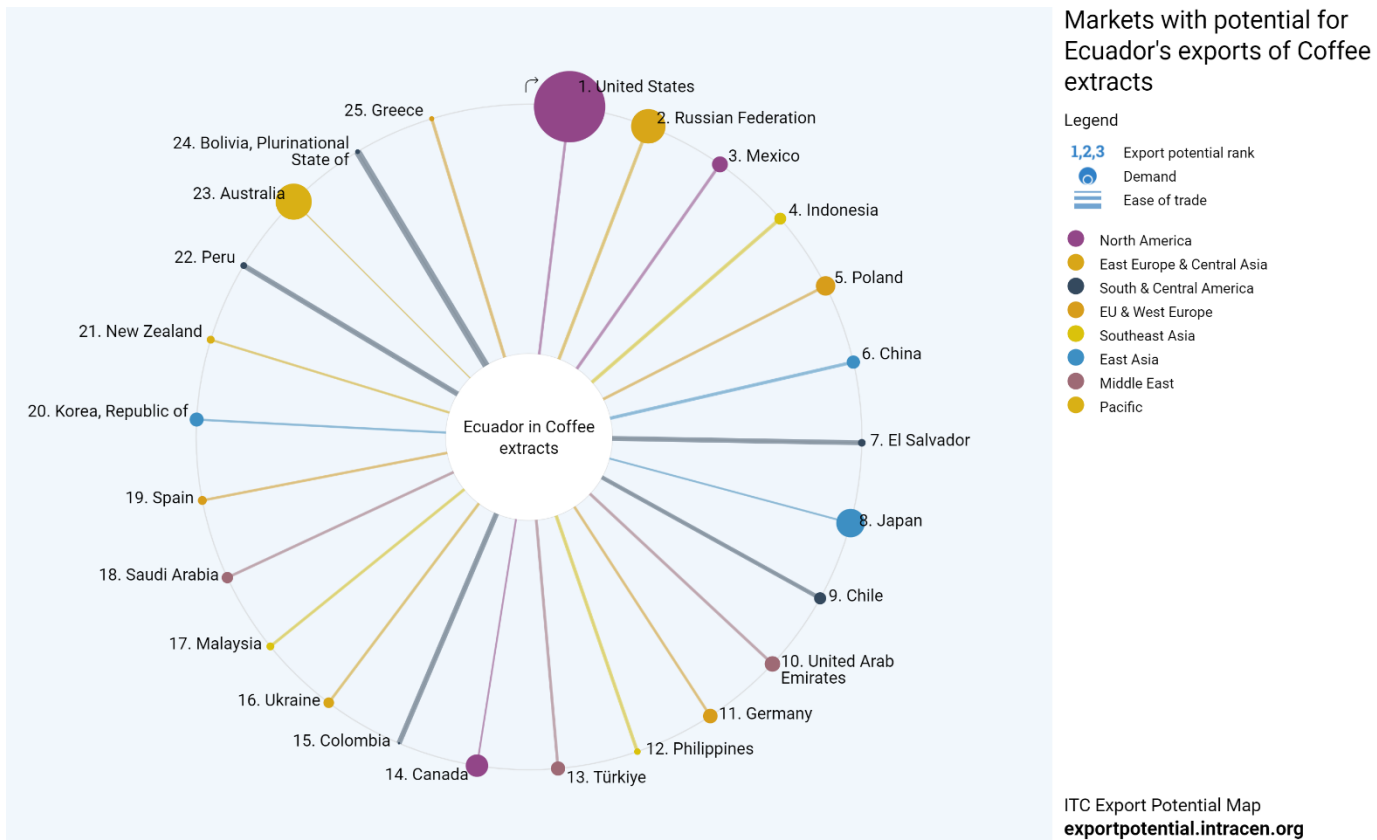
Figure 18

Potential Markets for Ecuador's Exports of Roasted, Non-Decaffeinated Coffee



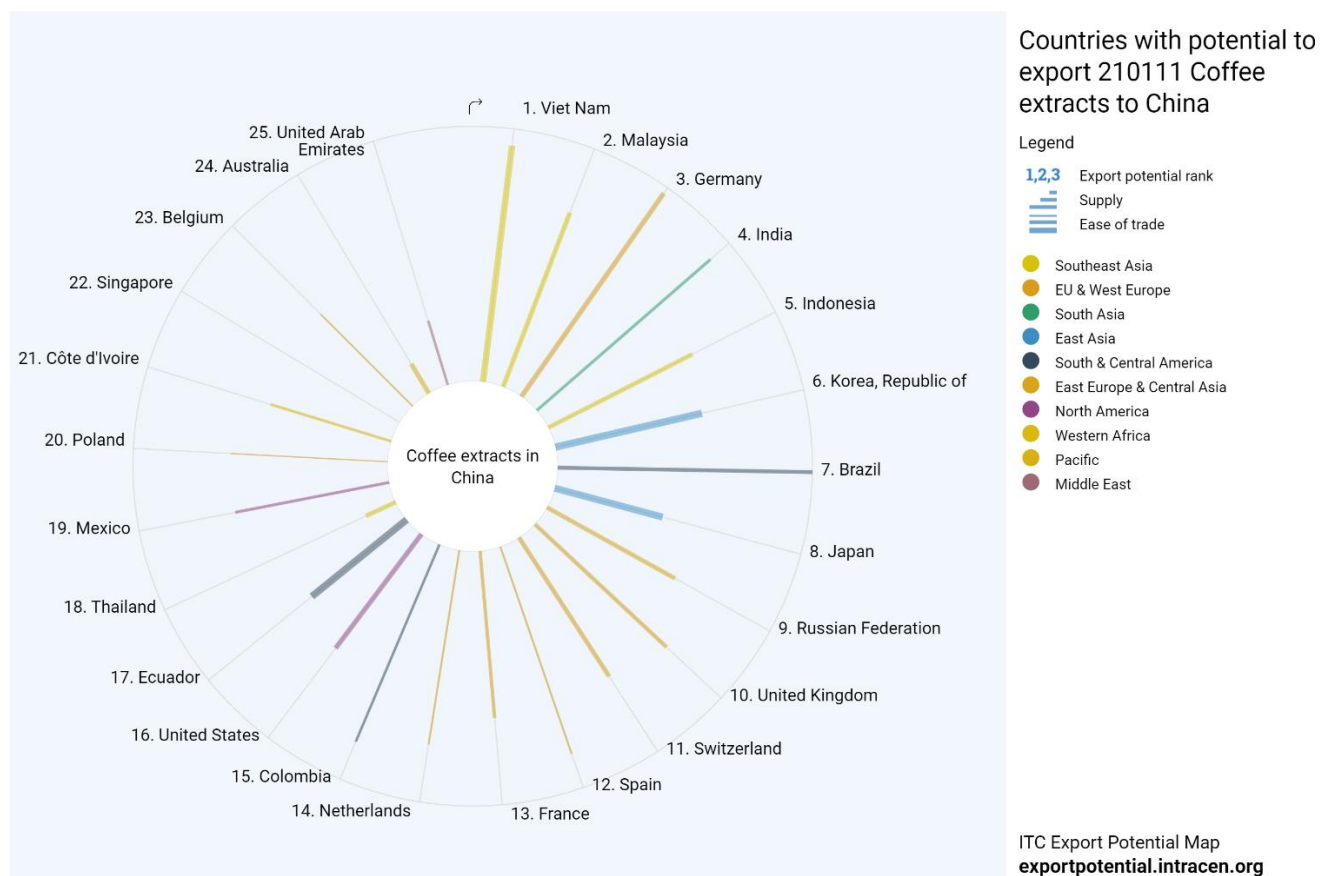
Note: Taken from the International Trade Centre 2024. The graph considers data from the year 2023, so it does not yet account for the facilitation of foreign trade provided by the Ecuador-China Free Trade Agreement.

Figure 19
Potential Markets for Ecuador's Exports of Coffee Extracts



Note: Taken from the International Trade Centre 2024. The graph considers data from the year 2023, so it does not yet account for the facilitation of foreign trade provided by the Ecuador-China Free Trade Agreement.

Figure 20
Countries with Potential for Exporting Coffee Extracts to China



Note: Taken from the International Trade Centre 2024. The graph considers data from the year 2023, so it does not yet account for the facilitation of foreign trade provided by the Ecuador-China Free Trade Agreement.

Demand for Education Coffee in China

The evolution of Ecuador's coffee export value to China, measured in thousands of US dollars, from 2015 to 2023, shows a general trend of significant growth, with some fluctuations. In particular, there is a marked increase from 2020, reaching a peak in 2023.

The equation of the linear trend ($y=63.1x-70.278$) suggests a steady annual growth in export value. This trend reflects a growing demand in the Chinese market for Ecuadorian coffee.

Similarly, the volume of coffee imported by China from Ecuador, measured in metric tons, from 2012 to 2023, shows a growing trend, albeit with some notable fluctuations.

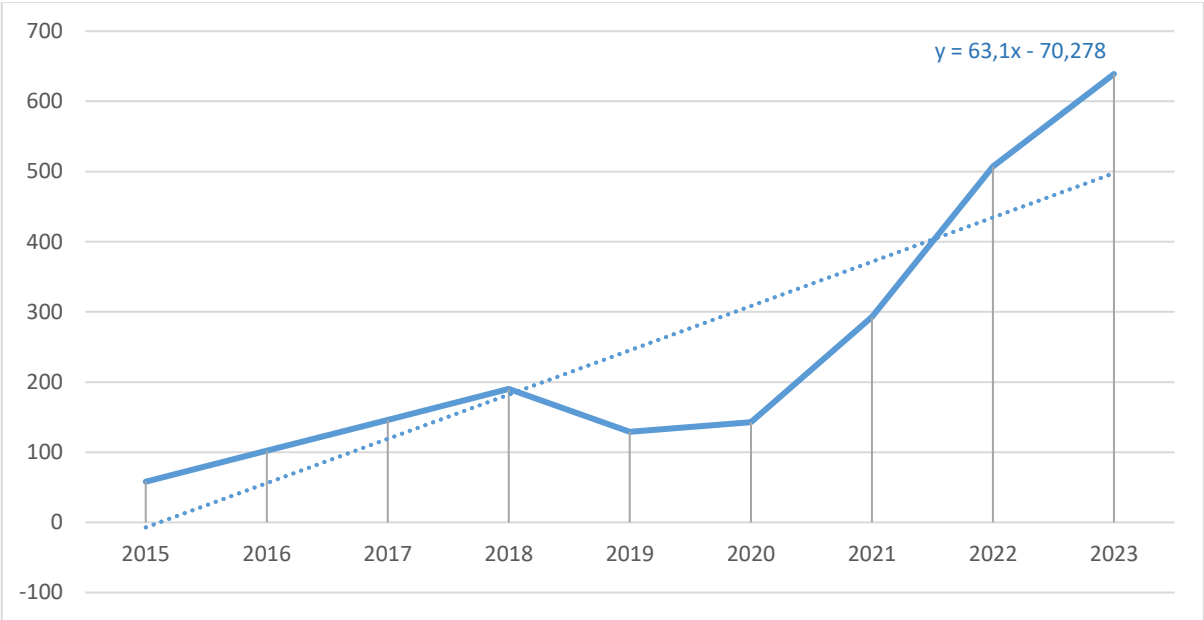
The equation of the linear trend ($y=2.4685x-4.3788$) indicates a steady annual increase in import volume. The significant increase in recent years suggests an expansion in the coffee consumption market in China. This could be related to a shift in Chinese consumer preferences

towards higher-quality products and the popularization of coffee consumption in Chinese culture.

Finally, the unit value of coffee imports from Ecuador to China, expressed in thousands of dollars per metric ton, from 2012 to 2023, shows a trend with considerable variability, with pronounced peaks in certain years, but generally increasing.

The equation of the linear trend ($y=804.17x+10659$) suggests an increase in the unit price of imported coffee. This could indicate an improvement in the perceived quality of Ecuadorian coffee in the Chinese market, as well as the impact of economic and commercial factors affecting prices, such as production costs and international market conditions.

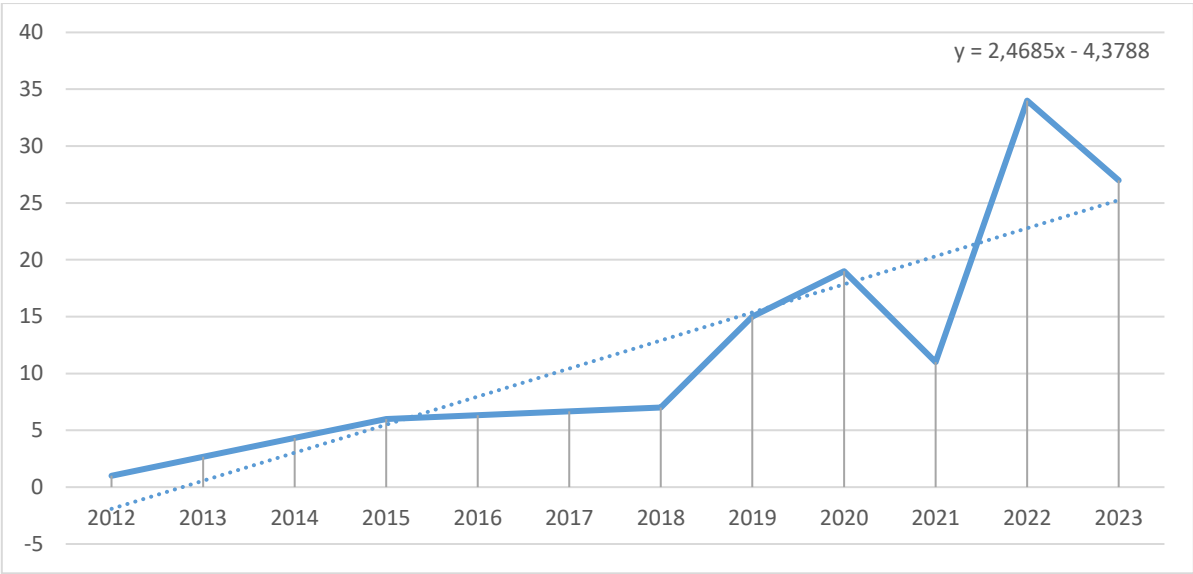
Figure 21
Behavior of the Value in Thousands of USD of Coffee Imported by China from Ecuador 2012/2023



Note: Taken from the International Trade Centre 2024. Compiled by the Author

Figure 22

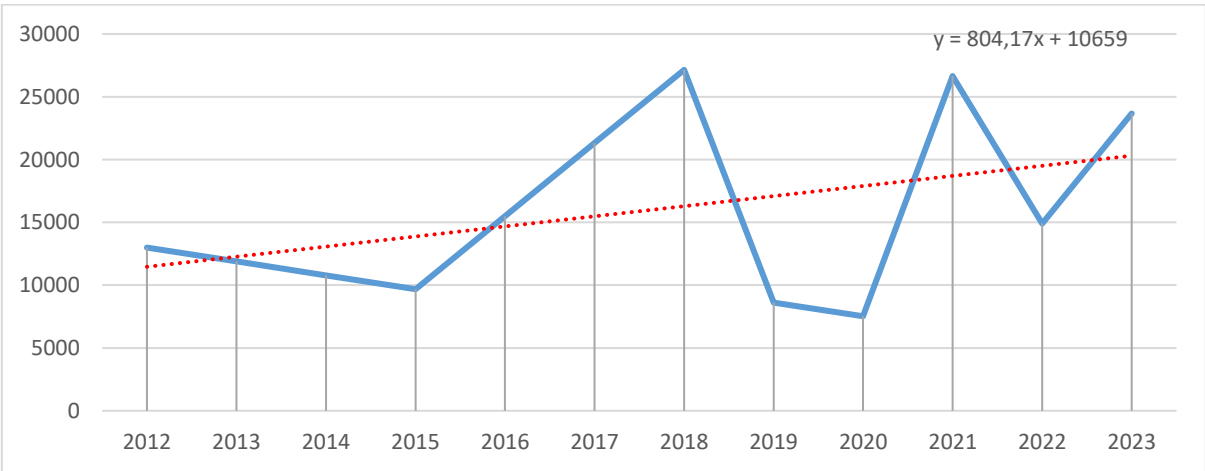
Behavior of the Quantity in Metric Tons of Coffee Imported by China from Ecuador 2012/2023



Note: Taken from the International Trade Centre 2024. Compiled by the Author

Figure 23

Behavior of the Unit Value (USD/Metric Ton) of Coffee Imported by China from Ecuador 2012/2023



Note: Taken from the International Trade Centre 2024. Compiled by the Author.

2.5 Coffee Consumer Profile in China

According to Cretella (2020), coffee is no longer a newcomer product in the Chinese market. Thanks to brands like Starbucks, it has been gaining strength, especially among young people attracted to the Western lifestyle, making coffee a sort of symbol of modernity. That's why the markets that crave coffee the most within China are located in the south and east, where

the most favored groups of Chinese society are concentrated and have more quickly adopted Western consumption patterns. Similarly, major cities in the north like Beijing, with a much more open market to foreign products, are increasing their preference for coffee.

On the other hand, in rural areas of China, especially in sectors where more conservative values are maintained, coffee consumption has little relevance. Cretella (2020) also explains that for the Chinese consumer, who is not traditionally accustomed to coffee due to its recent surge in popularity, there is little familiarity with the product, and their comparative evaluation between brands is commonly influenced by the "most well-known brand." Therefore, companies seeking to make an impact in these new markets must take their moves into account.

2.6 The Waves of Coffee Consumption in China

According to Ferreira & Ferreira (2018), coffee consumption in China has experienced three significant waves. The first occurred in 1980 with Nestle's instant coffee, followed by around 1998 with Starbucks and Costa, which introduced the experience of a Western-style café. Finally, since 2010, the third wave, referred to as specialty coffee shops, where not only the organoleptic qualities have gained more weight but also the preparation methods and quality of the premium coffee experience.

2.7 Behavior of the Chinese Buyer

According to Xinyu Cui (2020), Chinese consumers take for granted the quality of Western products. In their view, these products must be optimal to have reached their market. However, consuming Western products is not just a matter of quality but a way to climb the ladder of prestige and live new experiences. It is thanks to the development of mass media that Chinese consumers have learned about the images of the Western world through the perfect figures portrayed in advertisements and movies, which provide an idealized and embellished view of the Western world. This drives Chinese consumers to aspire to the same lifestyle in the Western world, not only to represent their social status but, more importantly, to express themselves and declare their freedom and liberation from traditional times.

Currently, purchasing foreign brands is a way to blur the boundary between home and the world. Therefore, for foreign brands wishing to enter the Chinese market, it is not enough to provide high guaranteed quality. They must know how to satisfy Chinese consumers' desire to

experience the Western lifestyle through the purchase of such products. Foreign brands must provide Chinese consumers with an imaginary value of the Western world in their product that they would like to experience.

2.8 The Chinese Consumer and Consistency with the Western Ideal in the Coffee Visual Environment

Consumers make judgments based on the overall visual experience they receive.

Therefore, the aesthetic design of the café serves four functions:

- Representing the high quality of the product.
- Serving as a way to appeal to consumers' emotions, thus creating an emotional connection.
- Differentiating their product/service from competitors, attracting consumers with the same store image.
- Providing a way for customers to identify themselves, thus connecting with the value of the product or the culture of the store.

The symbolic congruence of the self refers to self-expression through the product or service. By purchasing, using, and experiencing the product, consumers define, maintain, and enhance their self-concept (Hong & Zinkhan, 1995). What a consumer buys is not only due to necessity but is determined by the image the consumer has of themselves.

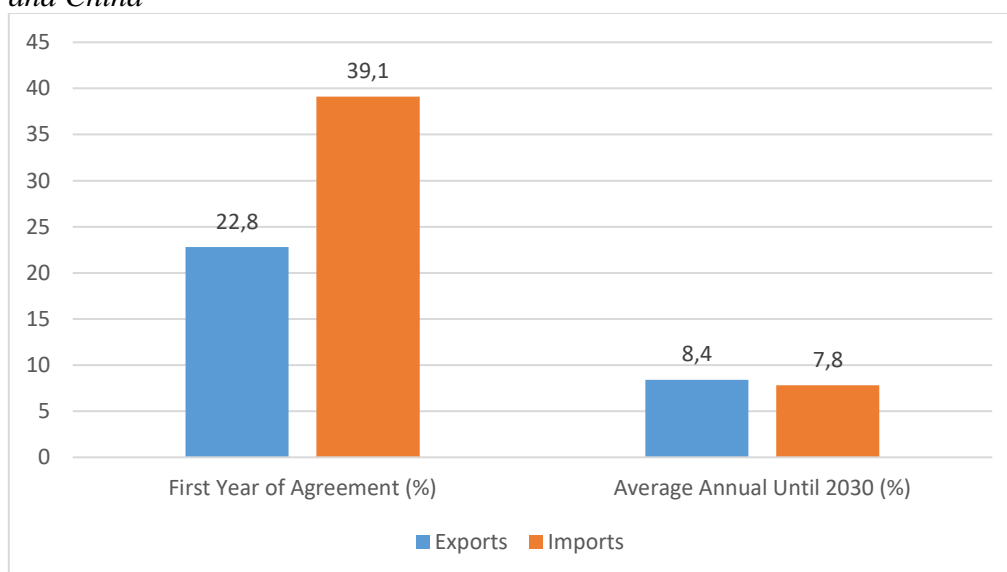
CHAPTER 3: FREE TRADE AGREEMENT BETWEEN ECUADOR AND CHINA AND ITS IMPACT ON THE COFFEE SECTOR

3.1 Impact of the Free Trade Agreement between Ecuador and China

Following his visit to Beijing in February 2022, then-President Guillermo Lasso initiated the negotiations for a Free Trade Agreement between Ecuador and China, which culminated in May 2023 when both parties signed the agreement. Subsequently, the National Assembly of Ecuador approved and implemented this bilateral trade agreement in February 2024. According to the Ministry of Production, Foreign Trade, Investments, and Fisheries, after four rounds of negotiation and several technical meetings, Ecuador obtained access for 99.6% of its exportable goods to the Chinese market, which is its primary destination for non-oil exports. "Mainly agricultural and agro-industrial products such as shrimp, bananas, roses and flowers, cocoa, coffee, among others, stand out," ensuring greater competitiveness compared to other countries in the region that do not have such agreements. It is expected that Ecuador will increase its exports, benefiting micro, small, and medium-sized enterprises (MSMEs) and artisans, which represent 71% of exports to the Asian giant.

Figure 24

Projection of the Increase in Imports and Exports with the Trade Agreement between Ecuador and China



Note: Taken from the Ministry of Production, Foreign Trade, Investments, and Fisheries (2023). Developed by the Ministry of Production, Foreign Trade, Investments, and Fisheries.

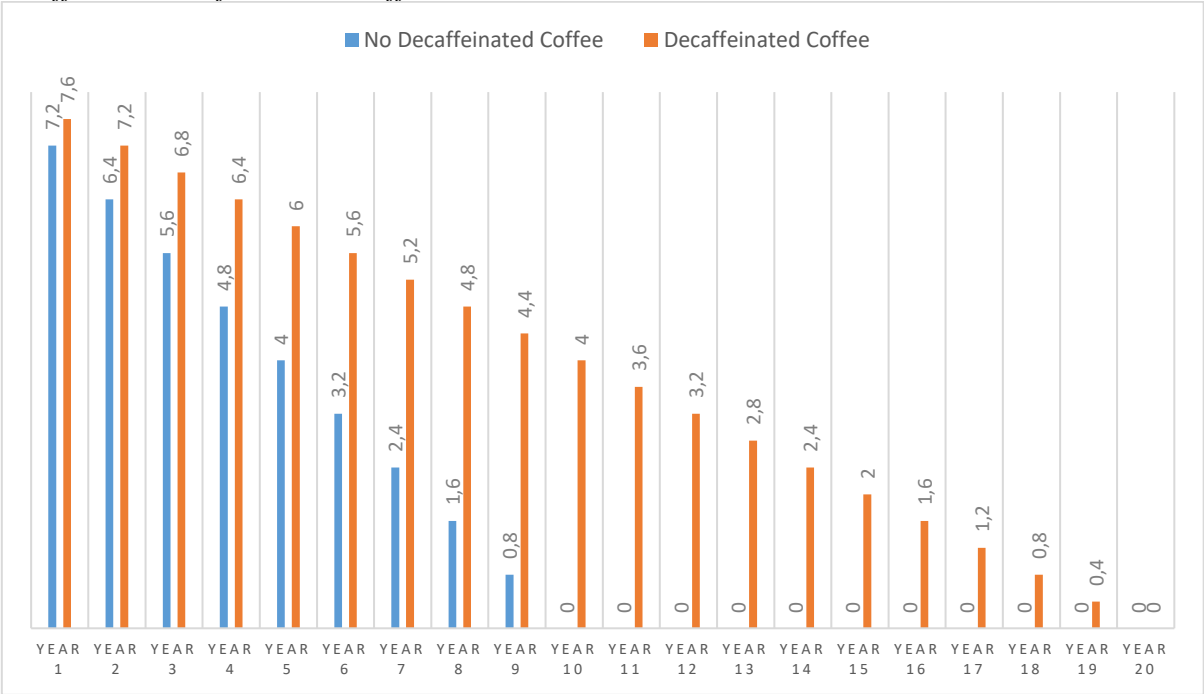
3.2 Progressive Tariff Reduction with the Free Trade Agreement for the Coffee Sector of Ecuador

For the coffee sector, a progressive tariff reduction is anticipated depending on the categories of the products, which are described as follows:

- A10. Complete tariff reduction within 10 years.
- A15. Complete tariff reduction within 15 years.
- A20. Complete tariff reduction within 20 years.

For green coffee, both decaffeinated and non-decaffeinated, currently subject to an 8% tariff, under category A10, the annual tariff reduction will be 0.8% for non-decaffeinated coffee, and under category A15, it will be 0.4% for decaffeinated coffee. See Figure 26. For roasted coffee, both decaffeinated and non-decaffeinated, currently subject to a 15% tariff and categorized under A15, the annual tariff reduction will be 1%. See Figure 27. For other coffee products such as coffee husks and skins, currently subject to a 10% tariff and categorized under A10, the annual tariff reduction will be 0.6%. Additionally, for coffee substitutes containing coffee, currently subject to a 30% tariff and categorized under A20, the annual tariff reduction will be 1.5%. See Figure 28

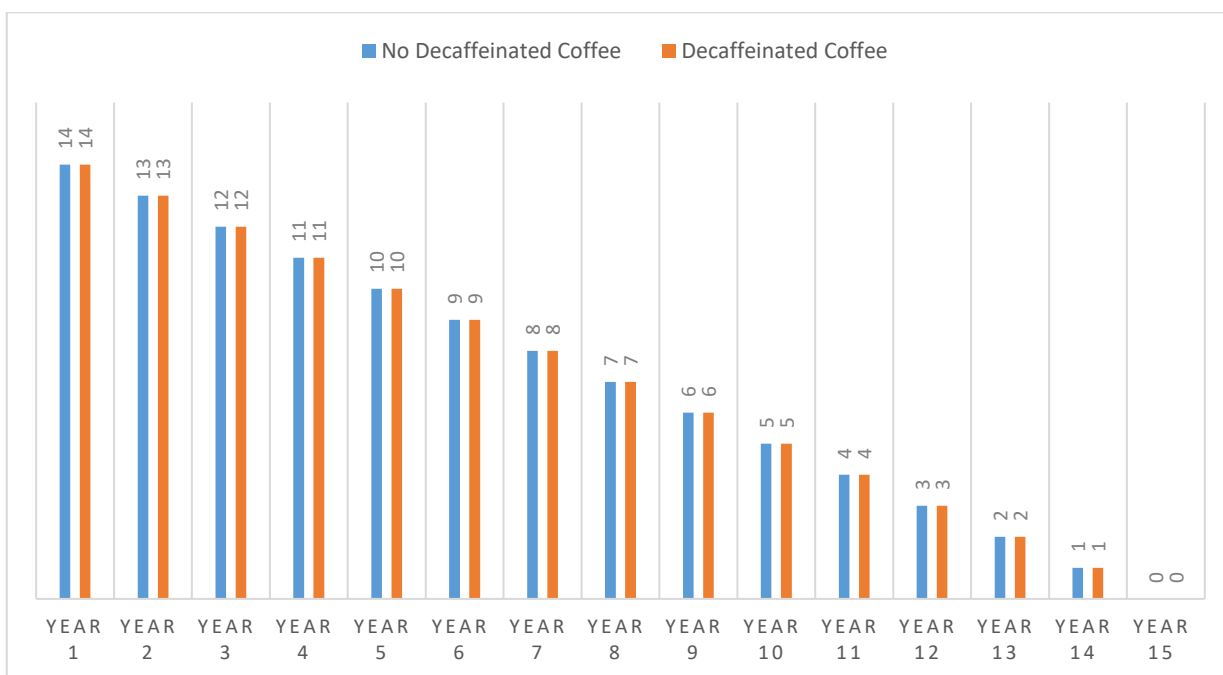
Figure 25
Tariff Reduction for Green Coffee under the Ecuador/China FTA



Note: Taken from the Ministry of Production, Foreign Trade, Investments, and Fisheries (2023). Developed by the Author.

Figure 26

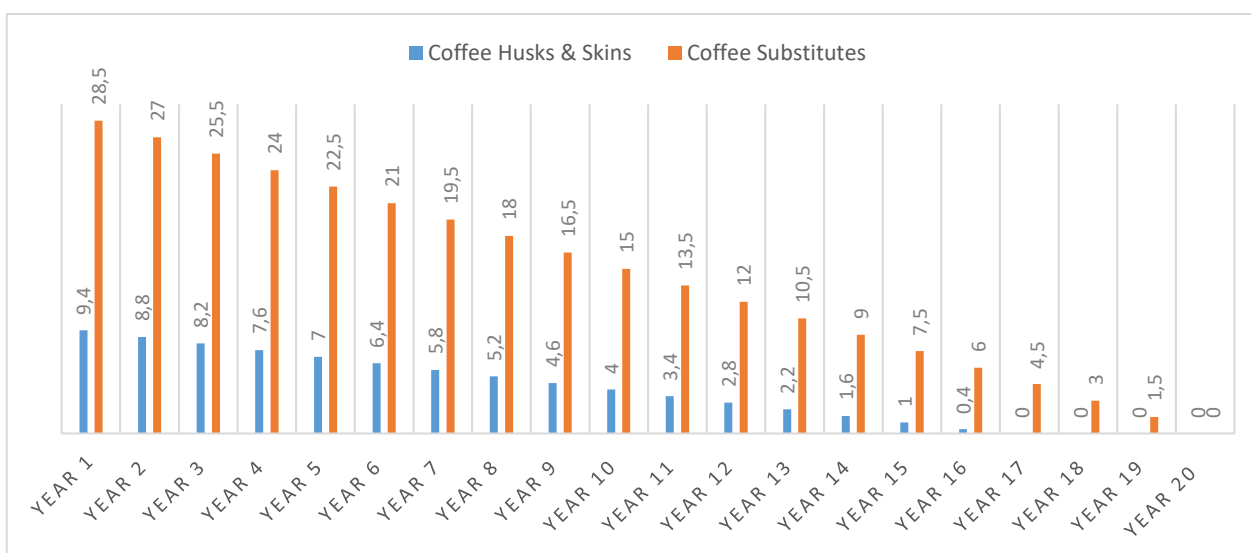
Progressive Tariff Reduction for Roasted Coffee under the Ecuador/China FTA



Note: Taken from the Ministry of Production, Foreign Trade, Investments, and Fisheries (2023). Developed by the Author.

Figure 27

Progressive Tariff Reduction for Other Coffee Products under the Ecuador/China FTA



Note: Taken from the Ministry of Production, Foreign Trade, Investments, and Fisheries (2023). Developed by the Author

Methodology

Linear Progression for Interpolating and Extrapolating Data

Steps for Linear Interpolation

- a) Define the known points

(x_0, y_0) y (x_1, y_1) .

- b) Formula for Lineal Interpolation

The general formula for interpolating a value y for a point x is:

$$y = y_0 + \frac{x - x_0}{x_1 - x_0} * y_1 - y_0$$

- c) Calculate:

- i Identify the values of x_0, y_0, x_1, y_1 .
- ii Substitute these values into the formula to find the value of y corresponding to a value of x between: (x_0, y_0) and (x_1, y_1) .

- d) Example:

To interpolate a value for $x = 2016$ using the points $(2015, 58)$ and $(2018, 190)$:

$$x_0 = 2015$$

$$x_1 = 2018$$

$$y_0 = 58$$

$$y_1 = 190$$

$$x = 2016$$

- e) Development

$$y = 58 + \frac{2016 - 2015}{2018 - 2015} * (190 - 58) = 102$$

Steps for Linear Extrapolation

- a) Identify known points:

Define known points: $(x_0, y_0), (x_1, y_1)$

- b) Formula for Linear Extrapolation:

The general formula for extrapolating a value y for a point x is using linear regression:

$$y = mx + b$$

c) Calculate

i Calculate the Slope (m) using the formula:

$$m = \frac{N\sum(xy) - \sum x \cdot \sum y}{N\sum(x^2) - (\sum x)^2}$$

ii Calculate the Intercept (b) using the formula:

$$b = \frac{(\sum \cdot y) - (m \cdot \sum_x)}{N}$$

d) Substitute the values of m and b into the formula for linear regression to find the value of y corresponding to a value of x outside the known range.

Example:

If one wants to extrapolate a value for $x = 2024$ using the points:

x : [2012, 2013, 2014, ..., 2023]

y : [168771, 142662, 187465, ..., 800463]

First, the slope (m) and the intercept (b) are calculated:

$$m = \frac{12 * 95786296801 - 24150 * 4673543}{12 * 48407818 - 583222500^2} = 54380.52$$

Then, these values are used to find the value of y in 2024:

$$b = \frac{(4673243) - (54380.52 \cdot 24150)}{12} = -108702225.25$$

The equation of the straight line $y=mx+b$ is used to calculate the value of y and $x=2024$;
 $y = 54380.52 \times 2024 - 108702225.25 = 854759$

e) Development

1. Calculate the slope (mm):

$$m=54380.52m=54380.52$$

2. Calculate the intercept (bb):

$$b=-108702225.25$$

3. Extrapolate for 2024:

$$y=54380.52 \times 2024 - 108702225.25 = 854759$$

Semantic network of qualitative data with Atlas.ti

To address the third research question, which is to evaluate the opportunities provided by the Free Trade Agreement (FTA) between Ecuador and China for coffee producers in Ecuador, the semantic network methodology was employed to qualitatively analyze the collected data. The primary tool used for this purpose was Atlas.ti, a qualitative analysis software that aids in the organization and visualization of textual data.

Steps for qualitative analysis:

- I. **Data Collection:** Data was collected through in-depth interviews with experts in foreign trade, strategic management, internationalization, and the coffee sector. Additionally, academic articles, market reports, and other relevant documents were reviewed.
- II. **Coding:** The collected data was imported into Atlas.ti. Initial coding was performed, where relevant text segments were identified and labeled with codes representing key concepts and recurring themes. These codes were grouped into thematic families such as Strengths, Opportunities, Weaknesses, Threats, and Strategies.
- III. **Construction of Semantic Networks:** Using Atlas.ti, semantic networks were constructed to visualize the relationships between different codes and concepts. Semantic networks allow mapping how themes and concepts are interconnected facilitating the identification of patterns and understanding the underlying structure of qualitative data.
- IV. **Network Analysis:** Each semantic network was analyzed to identify the strongest and most significant connections between concepts. This analysis helped reveal the details of respondents' perceptions and experiences, as well as key trends and dynamics in the coffee market.

- V. **Interpretation of Results:** The findings from the semantic network analysis were interpreted within the context of the research, providing a deep understanding of the factors influencing coffee demand in China and effective strategies for Ecuadorian producers. Recommendations were developed based on these findings.

Table 3

Interviews were conducted with two experts in Foreign Trade, two experts in Internationalization Strategies, and two experts in Coffee Farming.

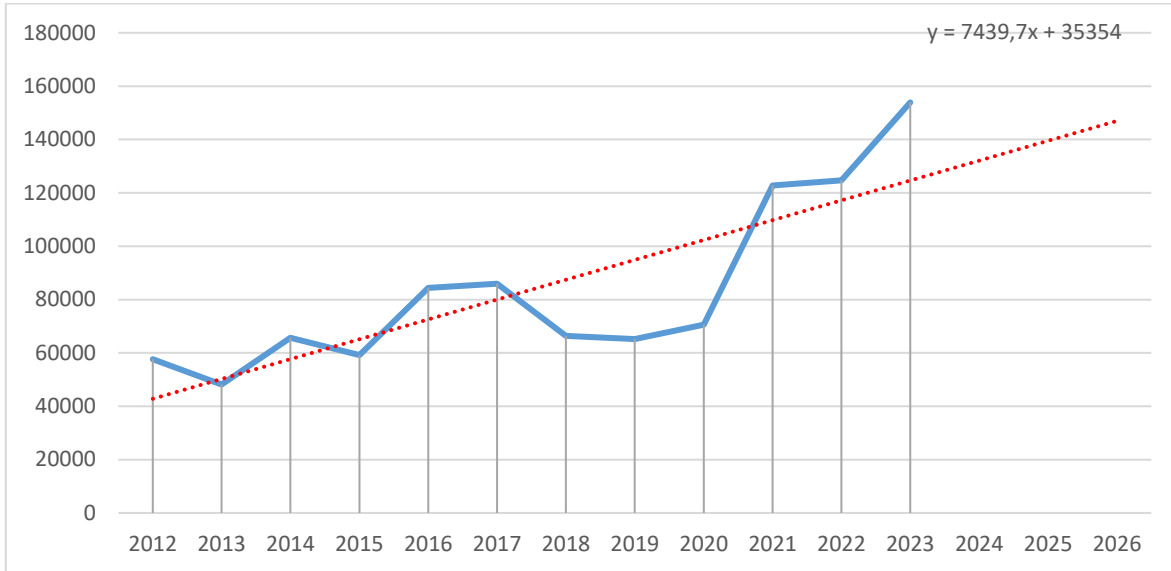
	Foreign Trade		Internationalization Strategies		Coffee Farming
Adrián Alvarado <i>Cuenca</i>	Internationalist with a Mention in Foreign Trade Master's in Trade Policy and International Strategy Executive Director of the Chamber of Commerce of Cuenca – Ecuador	Antonio Torres <i>Durán</i>	Commercial Engineer Master's in Business Internationalization Professor at the University of Azuay	Diego Arévalo <i>Ilescas</i>	Expert in Specialty Coffee Owner of a Specialty Coffee Shop in Cuenca, “Slow Brew”
Margarita Carpio <i>Tena</i>	Technologist in Foreign Trade Chamber of Commerce Ecuador – Shanghai, China	Xavier Ortega <i>Villacamba</i>	Commercial Engineer Master's in Business Administration Professor at the University of Azuay	Sebastián Maldonado	Engineer in Agribusiness Administration Owner and Manager of “GUAMBONA COFFEE ESTATE”

Results

The quantitative demand projection for coffee in China

Figure 28

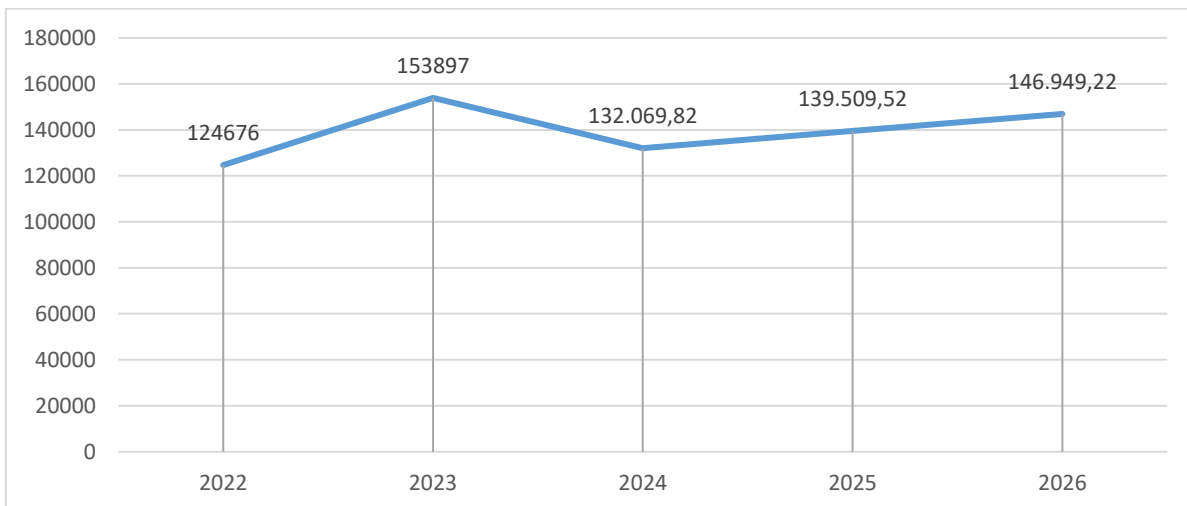
The trend of the value in thousands of dollars of Chinese coffee imports from 2024 to 2026



Note: Taken from the International Trade Centre 2024. Prepared by the Author

Figure 29

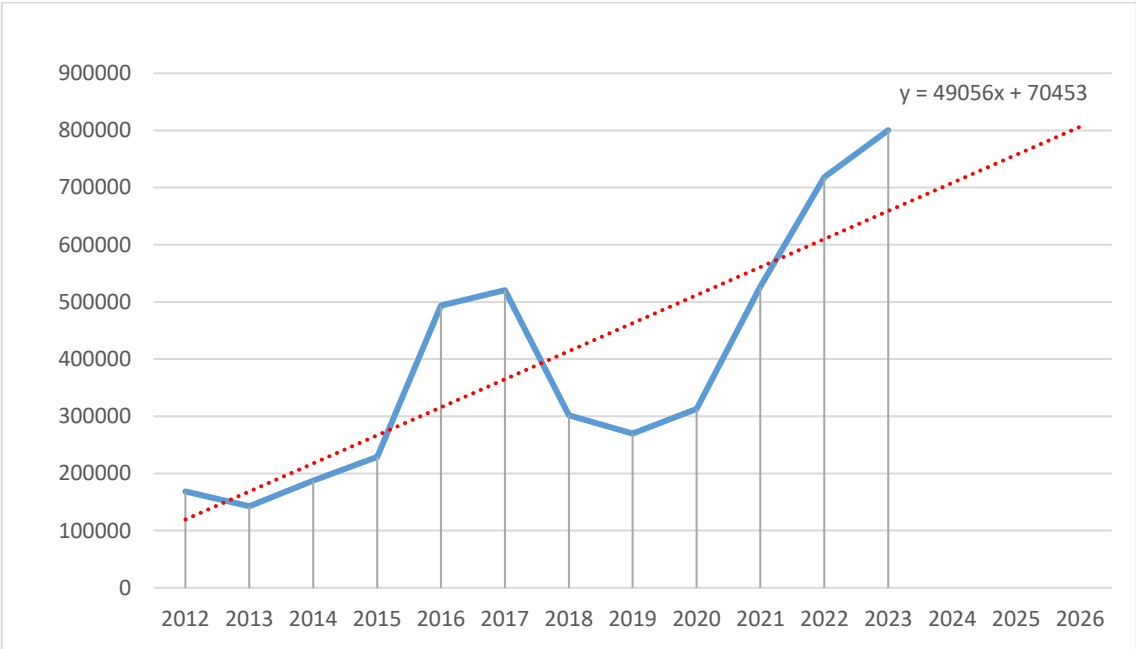
Projection of the value in USD of Chinese coffee imports 2024/2026



Note: Taken from the International Trade Centre 2024. Developed by the Author.

Figure 30

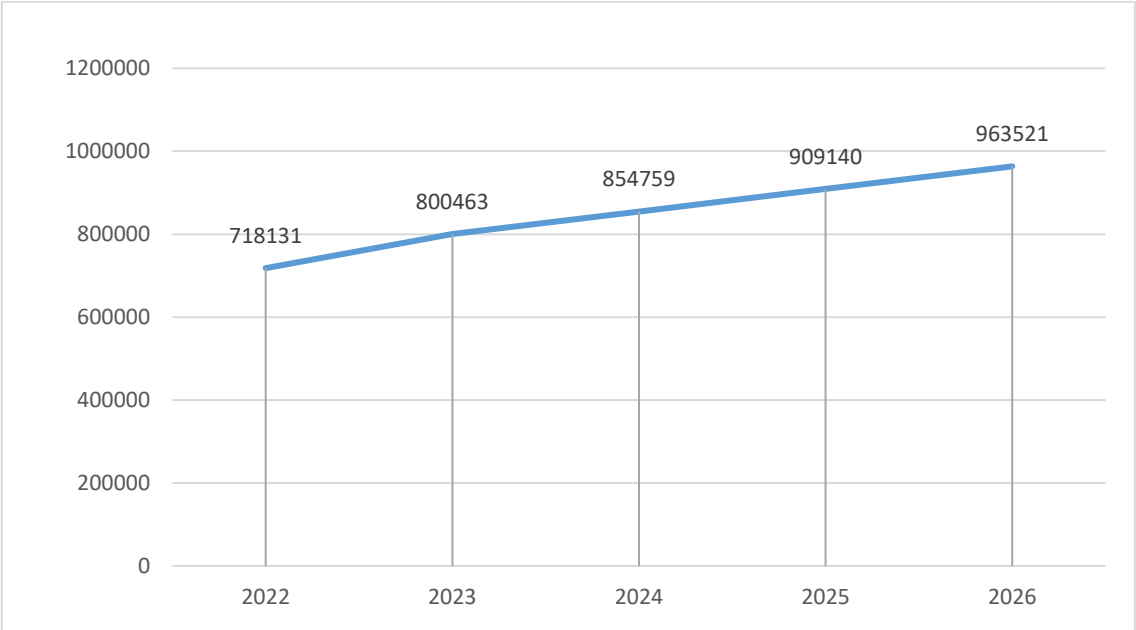
Trend of the quantity in Metric Tons of coffee imports by China 2024/2026



Note: Taken from the International Trade Centre 2024. Developed by the Author.

Figure 31

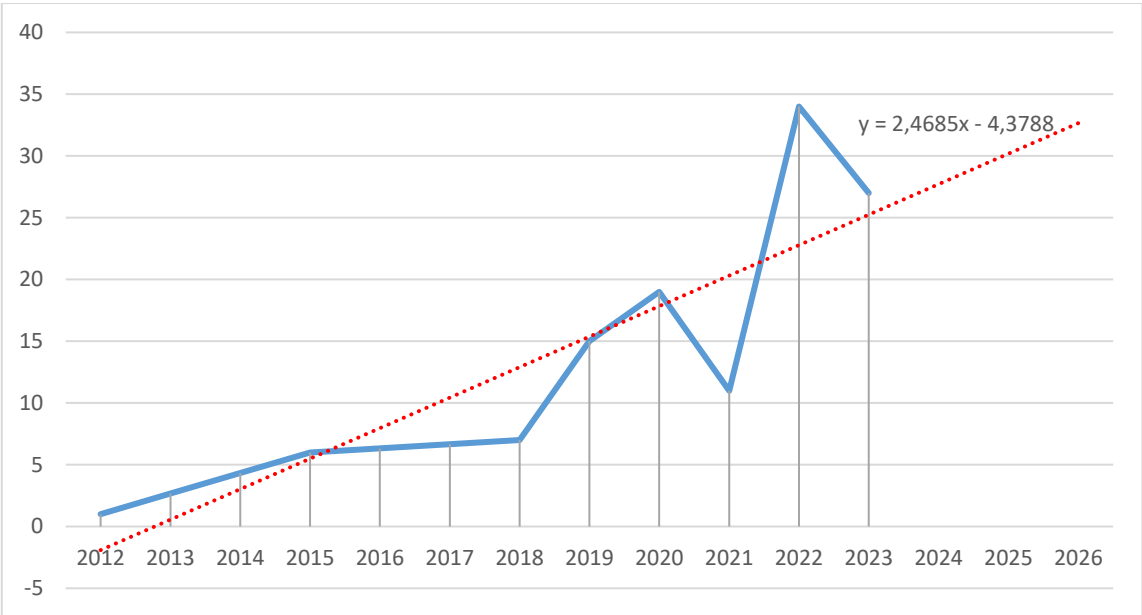
Projection of the quantity in Metric Tons of Chinese coffee imports 2024/2026



Note: Taken from the International Trade Center 2024. Developed by the Author

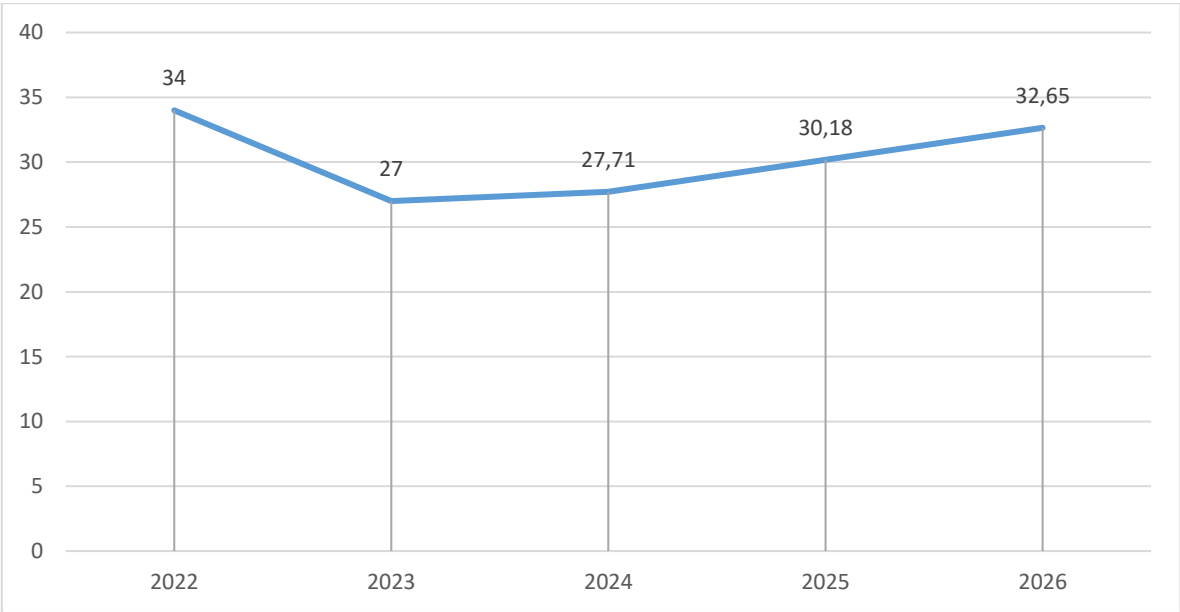
Projection of coffee demand from China to Ecuador

Figure 32
Trend in the quantity of metric tons of coffee imports from Ecuador to China 2024/2026



Note: Taken from the International Trade Centre 2024. Compiled by the Author

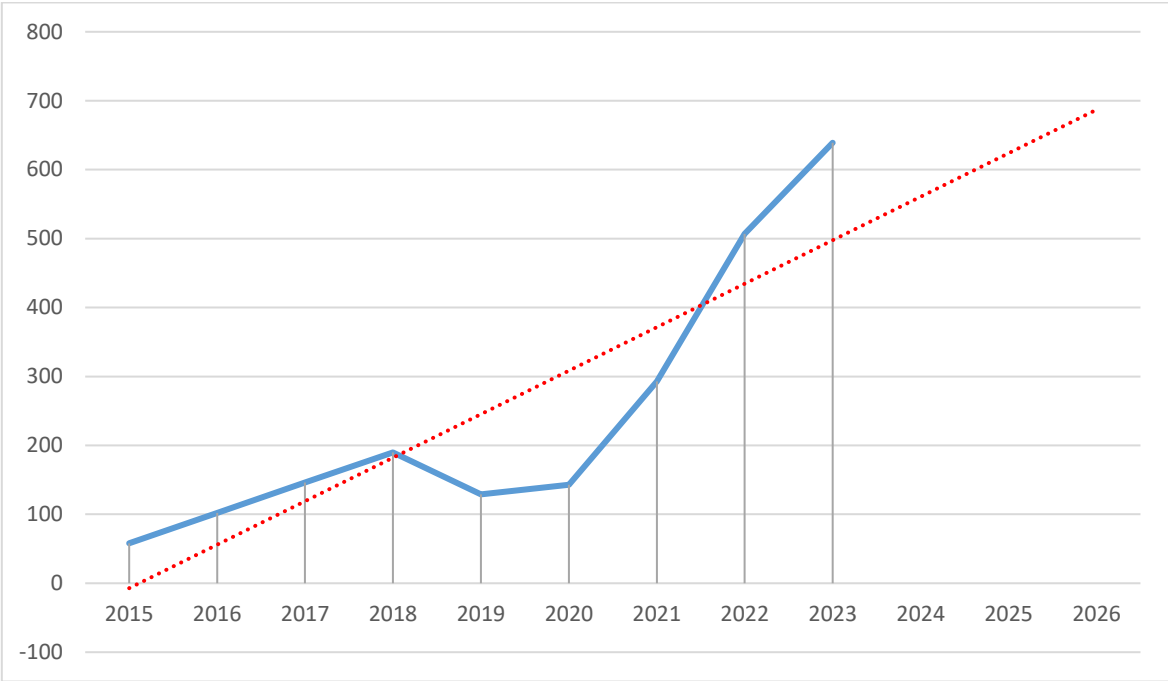
Figure 33
Projection of the quantity in Metric Tons of coffee imports from Ecuador to China 2024/2026



Note: Taken from the International Trade Centre 2024. Compiled by the Author

Figure 34

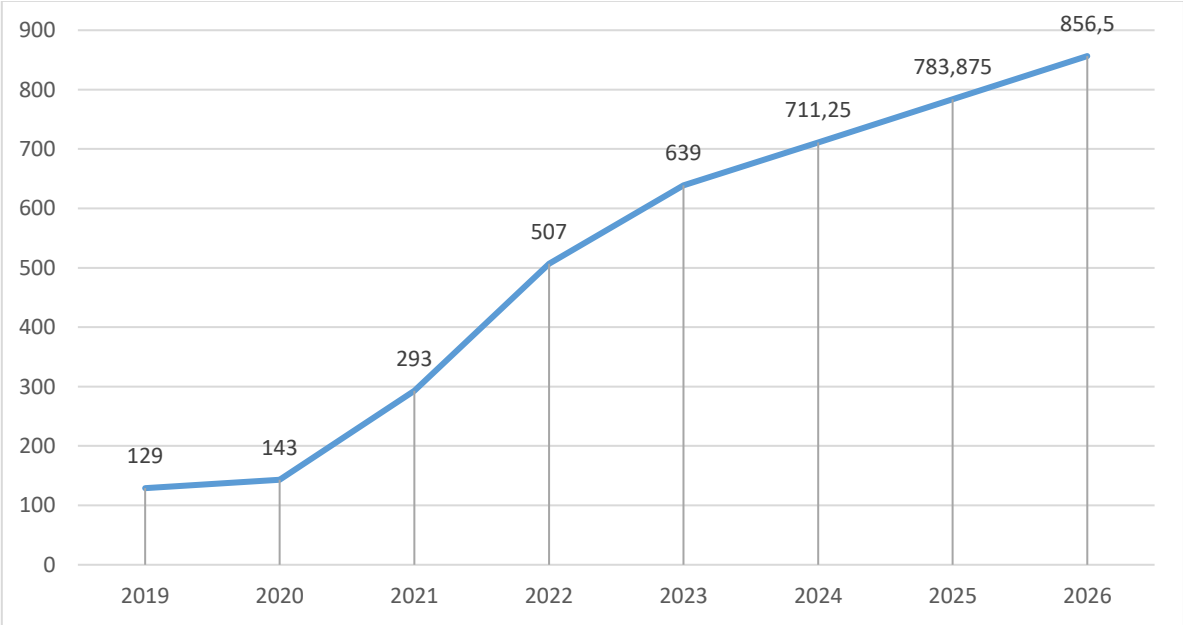
Trend in the value in USD of Chinese imports of coffee from Ecuador 2024/2026



Note: Taken from the International Trade Centre 2024. Compiled by the Author

Figure 35

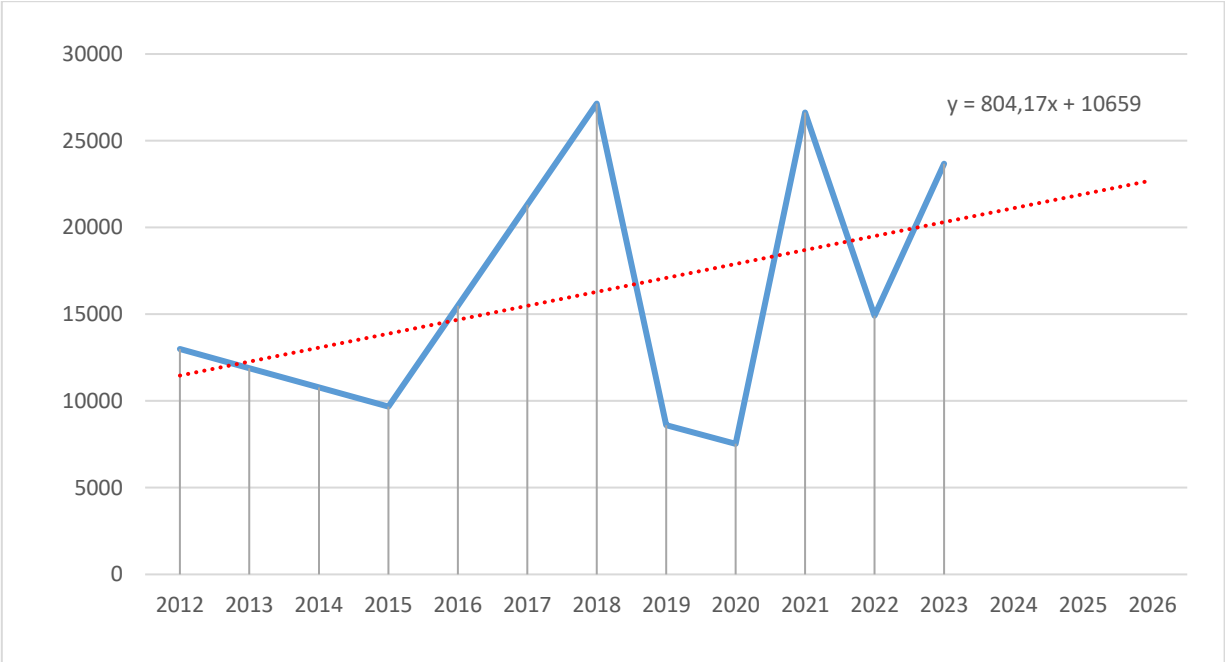
Trend in the value in USD of Chinese imports of coffee from Ecuador 2024/2026



Note: Taken from the International Trade Centre 2024. Compiled by the Author

Figure 36

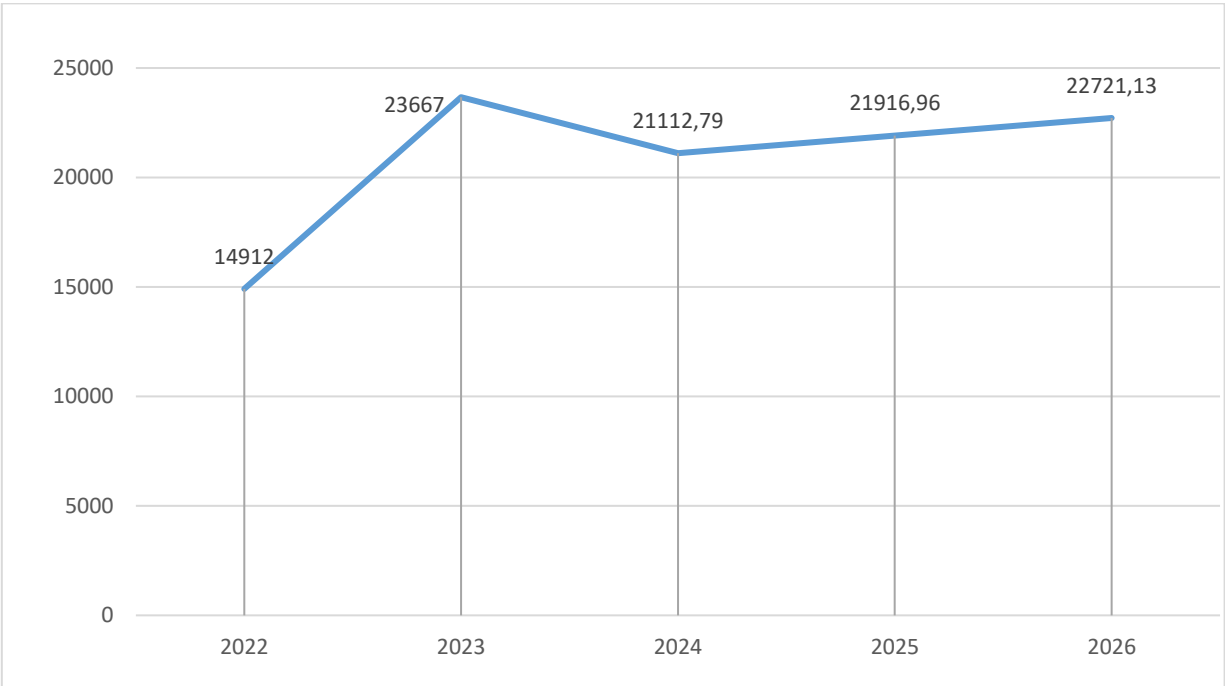
Trend in the unit value (Tons/Thousand dollars) of Chinese imports of coffee from Ecuador 2024/2026



Note: Taken from the International Trade Centre 2024. Compiled by the Author

Figure 37

Projection of the unit value (Tons/USD) of Chinese imports of coffee from Ecuador 2024/2026



Note: Taken from the International Trade Centre 2024. Compiled by the Author

Key Points Identified by Adrián Alvarado

Opportunity:

This word is frequently mentioned and is directly related to the opening of a vast market full of new customers for Ecuadorian coffee, as well as suppliers with more affordable costs to improve production.

Production:

The word "production" is directly associated with the expected quality for Ecuadorian coffee in this new market, which must be improved through investment in the productive sector.

Exportation:

This concept goes hand in hand with the expert's warnings about Ecuador's deficiency in exporting goods focused on quantity. Instead, the focus should be on gaining an advantage in the quality of the product. Additionally, non-tariff barriers, permits, and certifications that Ecuadorian producers must consider when entering this demanding market should be taken into account.

Association:

Association is a key point in seizing opportunities. Both public and private enterprises, along with academia, must join forces to understand the needs of the new markets opened up by the FTA.

Specialization:

Specialization in coffee production, both in terms of organic and sustainable practices, as well as brand management, is crucial. Highlighting the quality of Ecuadorian coffee in fairs and competitions around the world and seeking attractive certifications for the Chinese market are important strategies.

Trade:

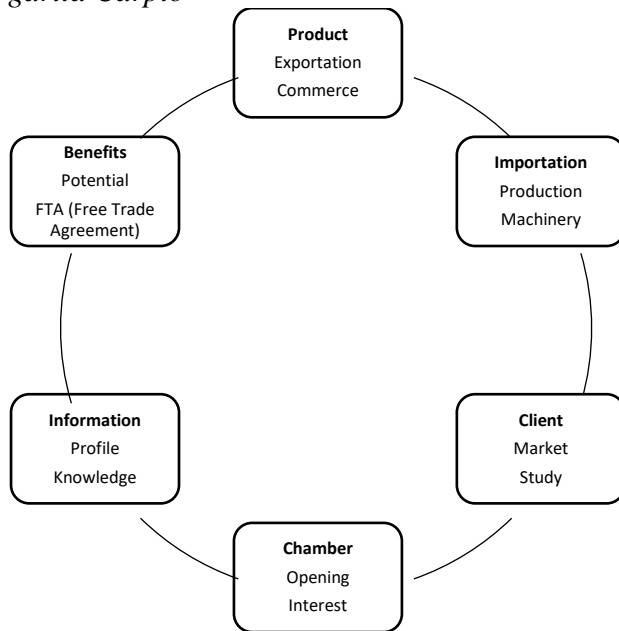
As an expert in foreign trade, one of his main recommendations is training in exportation and the use of association strategies such as consolidation and clustering to strengthen negotiation as a conglomerate and mitigate deficiencies in production quantity.

Figure 40
Semantic Network Margarita Carpio



Note: Developed by the Author using Atlas.ti

Figure 41
Word Analysis of Margarita Carpio



Note: Developed by the Author using Atlas.ti

Key Points according to Margarita Carpio

Product

The repetition of this word in the interview comes from the expert's focus on improving the presence of our product in the foreign market and expanding our export capacity.

Importation

The duty-free importation of tools and machinery is a strong support for improving the production of the coffee sector.

Customer

Understanding this new market and its customers denotes a need to deepen studies on the Chinese market.

Chamber

There is an openness from the country's Chambers of Commerce to promote export training for producers who show interest in expanding.

Information

Understanding the profile of both the producer and the consumer is key to finding the right market niches where product landing can be improved.

Benefits

Mentioning the benefits and the opening of the Chinese market indicates that there is recognition of opportunities arising from the FTA between Ecuador and China

Expertos en Estrategias de Internacionalización

The expert's focus on coffee is to enhance quality and add value by leveraging the unique characteristics of coffee varieties in Ecuador.

Market

The term "market" is frequently used to discuss niches and trends that must be thoroughly examined and understood to ensure the success of coffee exports to China.

Innovation

Innovation efforts should be directed towards differentiation and adding value to Ecuadorian coffee. Investing in academic studies ensures not only a better supply chain and distribution but also a stronger presence in new markets.

Competitiveness

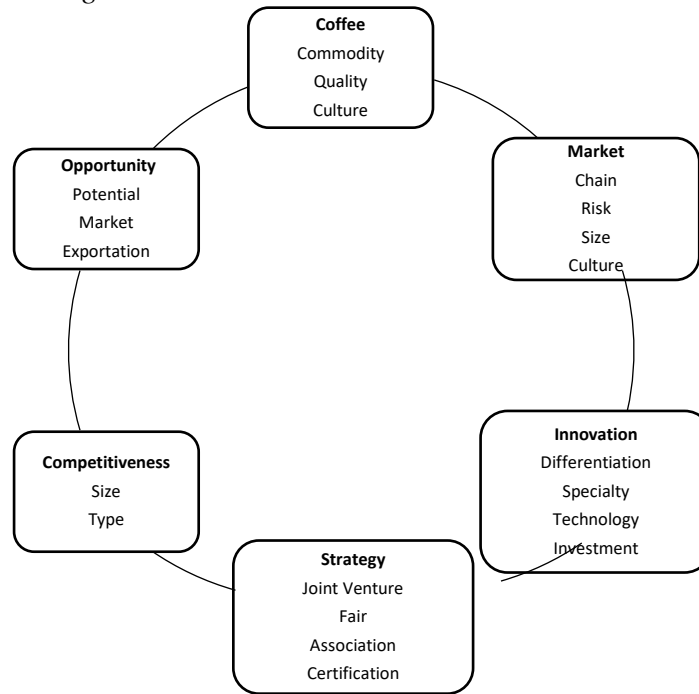
“Competitiveness” is commonly used to highlight the disadvantage of Ecuador in trading large quantities due to its production volume. The expert cites Colombia as an example, which has established a reputation for its coffee, positioning it among the best globally not only for its quality but also for the marketing efforts behind it.

Figure 44
Semantic Network Xavier Ortega



Note: Developed by the Author using Atlas.ti

Figura 45
Word Analysis Xavier Ortega



Note: Developed by the Author

Key Points according to Xavier Ortega

Coffee

Coffee should no longer be sold as a commodity but transformed into a premium quality product in line with the demands of the new specialty coffee culture.

Market

The main risks of the new market are the size of the demand, cultural differences, and the capacity of local distribution and production chains. However, these are areas where improvement is possible.

Innovation

Regarding innovation, the expert advocates for the differentiation of specialty and origin coffee as a competitive advantage. Additionally, he mentions that technology, which is our weak point, can be addressed through China's investment and the machinery that will benefit from tariff reductions under the TLC.

Strategy

The expert addresses the need for a partnership strategy to strengthen the sector's capabilities. He also emphasizes participating in fairs and competitions and seeking certifications and quality recognitions to enhance the value of Ecuadorian coffee in the market.

Competitiveness

Regarding competitiveness, a word that repeatedly appears in his interview, he acknowledges the disadvantage of our country's production size. However, he believes in the differentiation and quality of coffee provided by our microclimates as an advantage that should be leveraged through strategic alliances between sectors and producers.

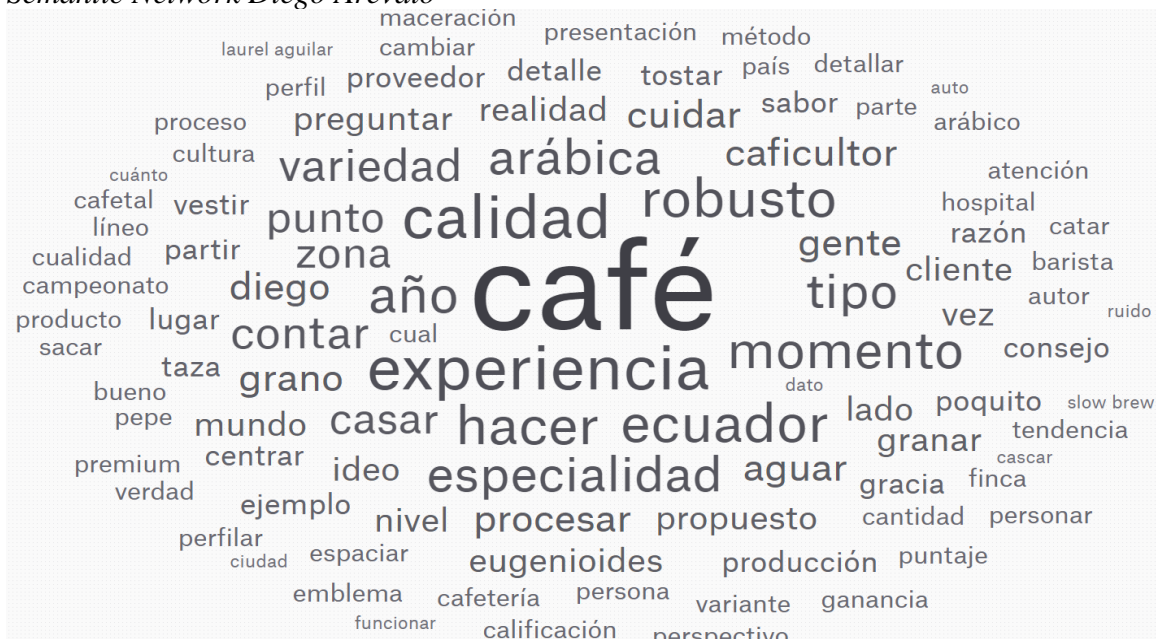
Opportunity

The constant use of the word "opportunity" when discussing the potential of this new market for coffee exports and other Ecuadorian products confirms that, in his experience, there are advantages thanks to this trade agreement and the current demand for coffee in China

Coffee Experts

Figure 46

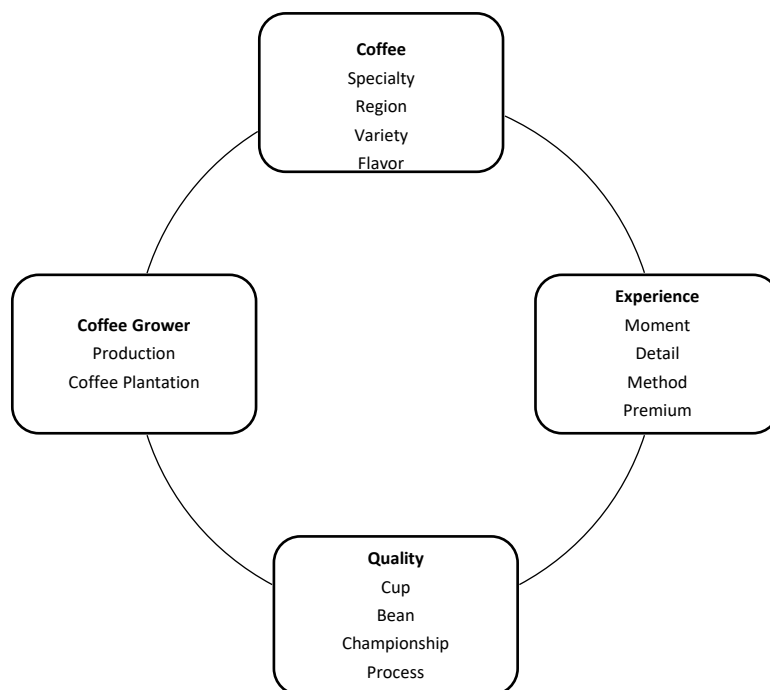
Semantic Network Diego Arévalo



Nota. *Note:* Developed by the Author using Atlas.ti

Figure 47

Word Analysis of Diego Arévalo



Note: Developed by the Author

Key Points according to Diego Arévalo

Coffee

The word "coffee" is the most repeated, highlighting the expert's focus on the different qualities of coffee depending on its specific zones, varieties, and care. This sheds light on an advantage of the Ecuadorian coffee sector, which can generate different flavor and aroma profiles and gain relevance in the market.

Experience

Emphasizing experience is vital for reaching new customers and markets. Attention to detail regarding different production methods, drying, and coffee-based product elaboration allows maximizing not only the organoleptic qualities but also reaching the customer at a deeper level.

Coffee Grower

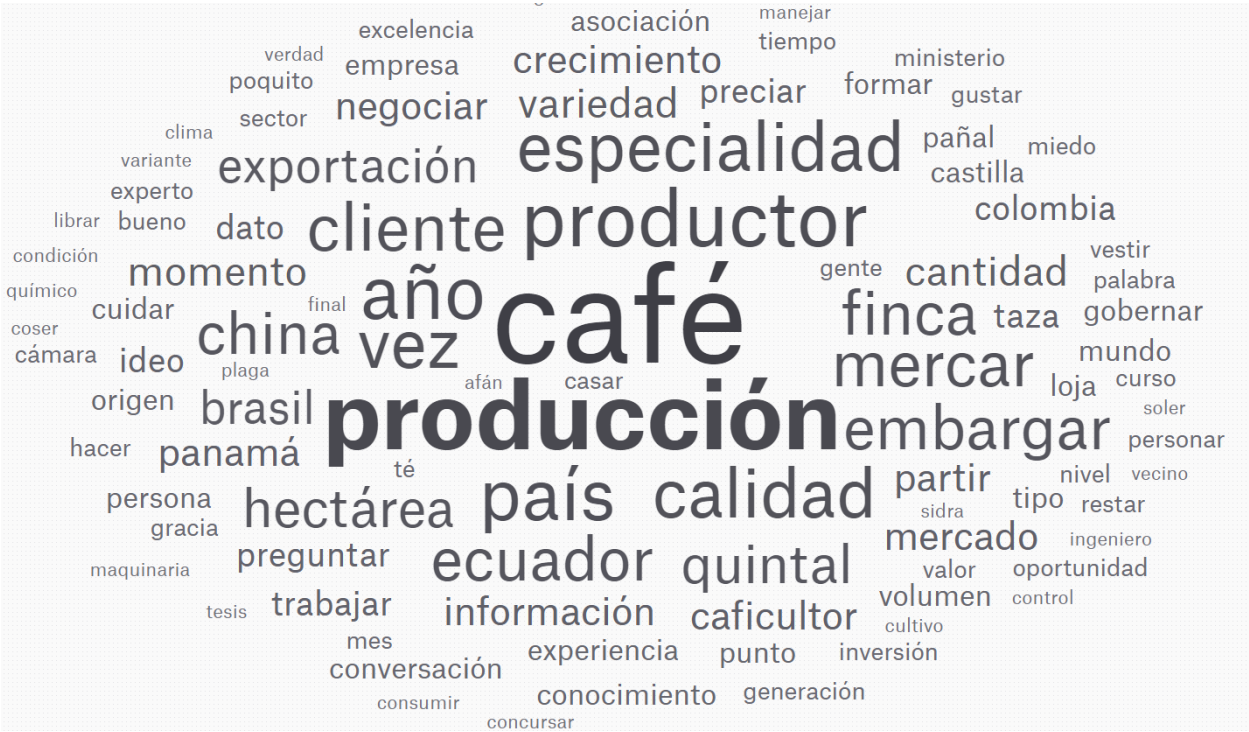
The expert emphasizes the role of the coffee grower in the production chain, as they guarantee the quality of the product. However, for this to happen, they should also receive fair treatment in a sustainable and ethical production chain.

Quality

Quality is crucial for expanding opportunities in new markets and with new customers. Therefore, it's important to participate in training, competitions, and championships, not only to share knowledge among coffee growers but also to provide greater visibility to Ecuadorian producers

Figure 48

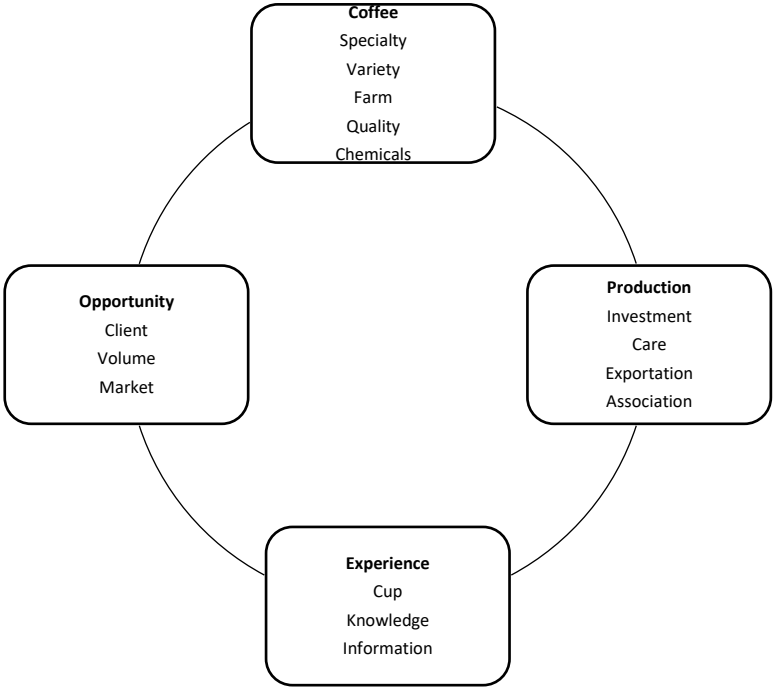
Semantic Network Sebastián Maldonado



Note: Developed by the Author using Atlas.ti

Figure 49

Word Analysis Sebastián Maldonado



Note: Developed by the Author

Key Points according to Sebastián Maldonado

Coffee

Coffee is the central theme of the expert, who explains the different varieties on his farm and in Ecuador. With the various varieties, there are also differences in quality. The producer is aware that one of his strengths is the production of organic farm coffee, so he rejects the use of chemicals to increase production quantity and prefers to invest in eco-friendly processes that do not sacrifice product quality.

Production

Regarding production, which is another central axis of Sebastián's interview, there is an investment to improve the value chain, but it should be rewarded at the moment of payment to the producers. He seeks to establish new chains and partnerships with local producers to strengthen the community of coffee growers by sharing his experience and export opportunities, for which consolidation among several producers is necessary to achieve the required figures.

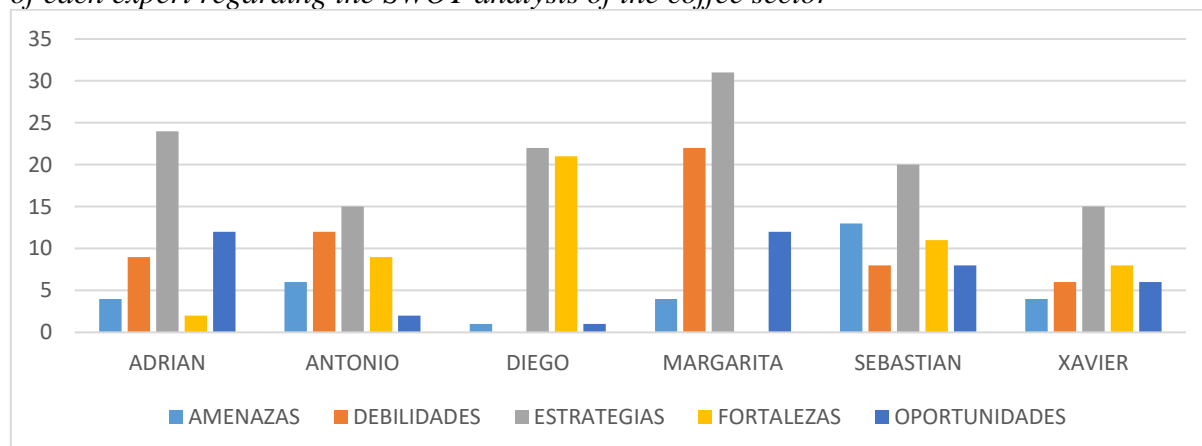
Experience

In his experience, contests conducted honestly are beneficial. He also attests to the incentives and training provided by the national government, which has been present in training the coffee production sector in Ecuador.

Opportunity

This market is mentioned as an opportunity for the coffee sector, with new customers and new markets to which the correct strategies must be adapted. It is necessary to improve the national quality of coffee because, as other experts affirm, Ecuador cannot compete in quantity but can in coffee quality

Figure 50
of each expert regarding the SWOT analysis of the coffee sector



Note: Developed by the Author using Atlas.ti

Table 3
Repetition of codes in the expert interviews SWOT analysis

	ADRIAN	ANTONIO	DIEGO	MARGARITA	SEBASTIAN	XAVIER
THREATS	4	6	1	4	13	4
WEAKNESSES	9	12	0	22	8	6
STRATEGIES	24	15	22	31	20	15
STRENGTHS	2	9	21	0	11	8
OPPORTUNITIES	12	2	1	12	8	6

Note: Developed by the Author using Atlas.ti

The graphic "Focus of each expert on the SWOT analysis of the coffee sector" illustrates the perspective of six experts (Adrian, Antonio, Diego, Margarita, Sebastian, and Xavier) on the different dimensions of the SWOT analysis: Threats, Weaknesses, Strategies, Strengths, and Opportunities. It can be observed that Margarita and Diego have significantly emphasized on Strategies, with 30 and 20 mentions respectively, indicating a strong focus on planning and strategic actions to improve the sector. On the other hand, Adrian and Antonio have highlighted Strengths with 25 and 20 mentions respectively, suggesting an optimistic view on the current positive aspects of the sector. Sebastian and Diego present a balance between Strengths and Strategies, showing a balanced perspective. In terms of Opportunities, Margarita and Diego also stand out, reflecting their focus on the potential for growth and expansion of the sector. Weaknesses and Threats are less mentioned compared to the other dimensions, although Antonio and Adrian have pointed out several weaknesses and threats, indicating a concern for the challenges and vulnerable points of the sector.

Conclusions

Based on the collected data, the growth of coffee demand in China is imminent.

I. Evolution and Perspectives of Coffee Demand in China:

In the last 10 years, the demand for coffee in China has shown a remarkable increase, and projections indicate that this trend will continue. This growth is primarily driven by a greater preference for premium products and a more Westernized lifestyle.

II. The ideal consumer profile for Ecuadorian coffee:

The profile of the most suitable Chinese consumer for Ecuadorian coffee corresponds to the latest wave of the coffee market in China. These consumers are young, students, and professionals from developed cities, seeking high-quality products and willing to pay a higher price for them.

III. Opportunities from the Free Trade Agreement (FTA) between Ecuador and China:

The FTA offers numerous opportunities for Ecuadorian producers:

- Access to a vast market without tariffs.
- Facilities for importing machinery that improves production.
- Opportunities to attract foreign investment from China.
- Opportunities to create a national brand and position high-quality Ecuadorian coffee in the global market.
- Active participation of chambers of commerce and the government in training and disseminating quality standards for new markets.

RECOMMENDATIONS

- I. **Strengthening the Coffee Sector Strategy:** It is crucial to develop well-defined strategic plans that allow the coffee sector to anticipate market changes and seize emerging opportunities. This includes diversifying products, implementing sustainable practices, and exploring new markets.
- II. **Capitalizing on Existing Strengths:** It is recommended to consolidate and maximize the already present positive aspects, such as the quality of coffee and sustainable agricultural practices. This can be achieved through effective marketing campaigns that highlight the uniqueness and quality of Ecuadorian coffee in the global market.
- III. **Innovation and Development of New Opportunities:** Encouraging innovation within the sector by promoting research and development of new coffee varieties, cultivation methods, and processing techniques can open up new market niches and enhance competitiveness.
- IV. **Mitigating Weaknesses and Threats:** Implementing measures to reduce sector vulnerabilities is essential. This may include improving infrastructure, access to financing, and training programs for producers to strengthen their management capacity and adapt to climate and market changes.
- V. **Collaboration and Strategic Alliances:** Fostering collaboration among different stakeholders in the coffee sector, including producers, cooperatives, government, and academia, is recommended. Strategic alliances can provide the resources and knowledge necessary to address challenges and seize opportunities more effectively.
- VI. **Promoting Sustainability:** In line with the need for sustainable strategies, it is essential for the coffee sector to adopt agricultural and business practices that are environmentally and socially responsible. This not only improves the image of Ecuadorian coffee but also ensures the long-term viability of the sector by protecting natural resources and improving the living conditions of workers.

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APPENDICES

Appendix 1

Informed Consent: Adrián Alvarado Guzmán

CONSENTIMIENTO INFORMADO

Título del Estudio: Estudio del Mercado Cafetalero en China: Oportunidades para el Café Ecuatoriano con el Tratado de Libre Comercio Ecuador - China

Investigador: Geovanny Sebastián Crespo Chuchuca

Director del Estudio: Ingeniero Juan Francisco Álvarez Valencia

Institución: Universidad del Azuay

Programa: Licenciatura en Estudios Internacionales con Mención Bilingüe en Comercio Exterior

Propósito del Estudio: El objetivo específico de este estudio es evaluar las oportunidades que brinda el Tratado de Libre Comercio (TLC) entre Ecuador y China a los productores del sector cafetalero de Ecuador. La información recopilada se utilizará con fines académicos y está dirigida a exponer a los exportadores y productores ecuatorianos de café a un nuevo mercado potencial.

Participación Voluntaria: Su participación en este estudio es completamente voluntaria. Usted puede decidir no participar o retirarse en cualquier momento sin necesidad de dar explicaciones ni recibir ningún tipo de sanción.

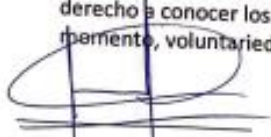
Confidencialidad y Uso de Datos: Los datos obtenidos serán públicos y se utilizarán exclusivamente con fines académicos para el desarrollo de informes y la elaboración del trabajo de titulación. Los datos estarán bajo la custodia del investigador y el director del estudio. No se utilizarán para ningún otro propósito sin su autorización previa y por escrito.

Seguridad y Riesgos: La participación en este estudio no implica ningún riesgo para su salud física o mental.

Contacto: Cualquier pregunta que Usted desee hacer durante el proceso de investigación podrá contactar a Geovanny Crespo, Autor, Teléfono: 0997740982, correo electrónico: gcrispi@es.uazuay.edu.ec Juan Francisco Álvarez, Docente de la Universidad del Azuay, Teléfono: 0992694265, correo electrónico: falvarez@uazuay.edu.ec

Yo, Adrián Ramón Alvarado Guzmán, cédula de identidad 0105934117, de nacionalidad ecuatoriano, consiento en participar en la investigación denominada: Estudio del mercado cafetalero en China. Oportunidades para el café ecuatoriano con el Tratado de Libre Comercio Ecuador – China.

- He sido informado de los objetivos de la investigación.
- Corresponde a la sección en donde se firma el Consentimiento.
- Incluye información clara y precisa de la investigación, relativa al propósito del estudio, modalidad de participación, riesgos y beneficios, voluntariedad, derecho a conocer los resultados, derecho a retirarse del estudio en cualquier momento, voluntariedad, derecho a conocer los resultados y confidencialidad.


Firma

20-05-2024

Fecha

Appendix 2

Interview Adrián Alvarado Guzmán.

Author [00:00:01]: Good afternoon, Adrián. This interview is for the International Trade thesis on Market Analysis for the Export of Ecuadorian Coffee to China. From your prominent position at the Chamber of Commerce of Cuenca, Ecuador, what are your comments regarding the advantages or possible challenges that Ecuador may face under the current treaty with China?

Interviewee [00:00:28]: Well, good afternoon. Firstly, based on the official data from the Ministry of Production, the Ecuador-China Free Trade Agreement is complementary. Therefore, we will export food products, essential raw materials for Chinese manufacturing, and likewise, import essential raw materials for Ecuador's industry, as well as finished products. In this sense, the FTA becomes an opportunity for Ecuador but also a challenge. A challenge for the internal industry in certain sectors, especially the industrial sector, for products that already seek to have a slightly higher added value. But in the case of coffee, it is an opportunity since it is a large market, a market that appreciates coffee, and above all, they see South America as a more organic, more natural zone, and we have to take advantage of that opportunity to enter. 99.6% of Ecuadorian exports will enter China duty-free, which is good news for Ecuador. I am almost certain that coffee is among those products that will enter duty-free. This must also be seized. Now, what needs to be considered are the non-tariff barriers that must be met to bring coffee to China. Care must also be taken in that aspect, not just the tariff part.

Author [00:01:57]: Thank you very much. What services can the Chambers of Commerce of Ecuador provide? And what work do they do with associations of products such as coffee, associations of local and origin producers? What work could be done as a Chamber of Commerce to present this new market option, this new giant that is at our doorsteps? Perhaps not everyone is prepared, or perhaps many exporters still do not recognize the opportunity that this market could represent.

Interviewee [00:02:33]: Socialization is vital. Firstly, the work of the chambers and our obligation is to show the benefits of the agreement and what tools are available to use the Free Trade Agreement. So here, chambers and private guilds can organize trade missions to China, attend international fairs with the aim of finding suppliers and potential clients for Ecuadorian products. The public-private-academic fusion is crucial for it to work and not just remain as a free trade agreement signed on paper but to use the allocations exempted for Ecuador within China.

Author [00:03:11]: In this market, there is a lot of competition. The origin coffee sector and in Ecuador, it is quite competitive. Perhaps it presents us with two variants that we have discussed with some producers. Should we consolidate and unite among coffee growers or invest and stand out in the Chinese market separately?

Interviewee [00:03:34]: I think both options are important, but I believe that if we want to strengthen production, in production capacity, clusterization must come into play. I think there is a great deal of study and application of clusters here because many producers have the best coffee, but sometimes the Chinese demand can be overwhelming, and there may come a point where the Chinese are no longer willing to receive small quantities. And there may be producers

from countries where they do have this production capacity, and there we would lose competitiveness. So, I would go for unity, training, specialization, but led by a cluster.

Author [00:04:10]: Perhaps, also, these tariff advantages that we now have in terms of machinery, chemicals, and production enhancers could represent a change in the game not only for the coffee sector but perhaps for other productive sectors in Ecuador.

Interviewee [00:04:30]: Absolutely, especially for the food processing industries. Let's say jellies, jams, pulps, canned goods, are very important. It is a market of more than 1.5 billion people who appreciate these types of foods that are consumed quickly due to the little time they have in this society, the pace of life they have, spending time at work and having little time to cook. So, it is a specific opportunity for Ecuador to make itself known and reach out, but with quality products, as we have been characterized.

Author [00:05:12]: Thanks to these approaches we have had with the Republic of China, could it also be said that foreign investment from China can be a factor within the Ecuadorian productive sector that could generate change? Are mechanisms opening up to seek this investment?

Interviewee [00:05:33]: Mechanisms are opening up. The first thing is to bring Chinese investors closer to Ecuador to see the opportunities there are also to invest in Ecuador and to achieve greater productivity in companies with greater knowledge, technology, capital, which unfortunately we do not have here. Likewise, Ecuadorian investors can travel to China to get to know the market well, to get to know the customer well. Culture is very important to be able to adapt and offer a product according to the needs.

Author [00:06:08]: Thank you very much, to wrap up, perhaps any comments for people who are looking for opportunities in this new market? What should be the first steps, the first approaches that exporters should take to know this market and be able to land well in it?

Interviewee [00:06:31]: The first thing to do is to get information from official channels, use the Ministry of Production website, Pro Ecuador, and see all the tools that exporters have. That would be my main advice, approach guilds like the Chamber of Commerce, where we can guide them step by step on how to carry out an export process. After that, analyze your business well, see if you have the logistical production capacity to meet the needs and demands of the Chinese market, which ultimately is the second power in the world. So, get informed a lot, educate yourself a lot, and know that an FTA in itself does nothing. We are the people, the companies, who make use of the FTA.

Author [00:07:14]: Thank you very much, Adrián. And the last question. Does this Free Trade Agreement benefit only large Ecuadorian companies, or does it also present opportunities for medium and small coffee growers from communities and associations of small producers?

Interviewee [00:07:31]: It can present an opportunity for both, as long as they are organized and trained because a product to be exported must go through different quality processes, phytosanitary requirements must be met. These registrations are necessary to reach markets as demanding as the Chinese. So, therein lies the opportunity. But organization, knowledge, and continuous education on internationalization processes are needed.

Author [00:08:02]: Alright. Thank you very much. That would be all

Appendix 3

Informed Consent: Margarita Carpio Tapia

CONSENTIMIENTO INFORMADO

Título del Estudio: Estudio del Mercado Cafetalero en China: Oportunidades para el Café Ecuatoriano con el Tratado de Libre Comercio Ecuador - China

Investigador: Geovanny Sebastián Crespo Chuchuca

Director del Estudio: Ingeniero Juan Francisco Álvarez Valencia

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Participación Voluntaria: Su participación en este estudio es completamente voluntaria. Usted puede decidir no participar o retirarse en cualquier momento sin necesidad de dar explicaciones ni recibir ningún tipo de sanción.

Confidencialidad y Uso de Datos: Los datos obtenidos serán públicos y se utilizarán exclusivamente con fines académicos para el desarrollo de informes y la elaboración del trabajo de titulación. Los datos estarán bajo la custodia del investigador y el director del estudio. No se utilizarán para ningún otro propósito sin su autorización previa y por escrito.

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Contacto: Cualquier pregunta que Usted desee hacer durante el proceso de investigación podrá contactar a Geovanny Crespo, Autor, Teléfono: 0997740982, correo electrónico: gcrispi@es.uazuay.edu.ec Juan Francisco Álvarez, Docente de la Universidad del Azuay, Teléfono: 0992694265, correo electrónico: falvarez@uazuay.edu.ec

Yo, Jameth Margarita Carpio Tapia, cédula de
identidad 0105494024, de nacionalidad Ecuatoriana, consiento en participar en
la investigación denominada: Estudio del mercado cafetalero en China. Oportunidades para el
café ecuatoriano con el Tratado de Libre Comercio Ecuador – China.

- He sido informado de los objetivos de la investigación.
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Jameth Carpio

Firma

16/05/2024

Fecha

Appendix 4

Interview of Margarita Carpio Tapia

Foreign Trade Technologist

Ecuador Chamber of Commerce - Shanghai, China

Author [00:00:00]: Good afternoon Margarita, this is an interview for the thesis Study of the Coffee Industry in China. Where there is currently a great opportunity in the coffee market, especially for specialty and origin coffee. According to the information gathered, the Chinese market is growing significantly for premium products. This phenomenon has benefited the demand for high-quality products, including coffee. So, the question that arises is: What role do chambers of commerce and associations play in joining efforts, increasing productivity, and consolidating the presence of Ecuadorian coffee as a relevant product in the Chinese market?

Interviewee [00:02:21]: Well, when I have had the approach, I try to provide them with information about the benefits, because obviously the export issue favors us as a country. As a country, when exports grow, job opportunities begin to increase, it will go very well for them and it will open many doors, and for us as a country as well. But the problem of why they are not promoting exports much is mainly due to lack of information and internal divergences. When I approached a moderately large producer, she told me that she is open to negotiations, but they fail to reach an agreement. I think that one of the ways to promote this is to present them with a preliminary plan for them to consider, and especially that all have a benefit, that's what is wanted, isn't it? So, cooperation is really needed, and if that happens in the coffee sector as a product. Well, I think presenting a plan could be like a first step for them to be able to boost themselves because in exportation. It is much better to move in terms of volume and more to large countries like China, for example. In fact, what is coffee, broccoli, now pitahaya, which with the FTA broke one of the strongest barriers it had before this product.

Author [00:03:50]: So, are these products making their way to becoming potential export products?

Interviewee [00:04:12]: But they need a lot of support. From my part, I feel they need a lot of support because many exporters are not aware of the benefits that Customs offers them. Like expediting certain processes so that they have a more agile process, so I think it lacks a little bit of information more than knowledge, information so that they can handle these processes.

Author [00:05:48]: The union of academia with the public and private sector is vital to make information accessible to all producers. Market studies and other research presenting these new Asian markets, especially China, as a great advantage. In the topic of information. The next question comes in. How to access this information? Where can you review mainly the phytosanitary requirements and others demanded by China? Which is a large country, but also has certain limitations that, although now, not tariff-related due to the Free Trade Agreement, but also has its steps, its requirements, the issue of where to know this so that the Ecuadorian product meets the requirements of the Chinese market.

Interviewee [00:06:36]: Let me see. What we have done as a Chamber is to provide a lot of openness on the subject of workshops. We have conducted free workshops, stronger

congresses here in person, not only in Cuenca but also in Loja, Quito, Guayaquil, also in Manta, about all the processes of both importation and exportation. So, from our part, we have tried to open these congresses with the aim that people interested in both areas can access this information. I had a request from jewelers from Chordeleg. Many of them need information on the subject of supplies, supplies for what they develop, the issue of machinery, and all that. But when I approached them, they told me that they have no idea how to bring something from China, let alone how to export something from the country. So, I think one of the ways and in which we have tried to promote both small and large importers, as well as exporters, is through the congresses and workshops we have conducted, because all of them have been free of charge, sometimes establishing a payment, maybe affects. Maybe the person does not want to or does not have the money, right? This is precisely why the chamber does not charge for this type of workshops. So, of course, I have the approach with the part that requests this support.

Author [00:08:15]: From the Chamber of Commerce, there is always openness.

Interviewee [00:08:18]: Yes, it is that, for example, if you tell me that we can organize with a group of people to whom I would like to expose the issue, then how the export and import process is managed. What happens when there is that approach? A congress or a workshop can be organized, etc. For us to be able to present in a more profound way all the information so that it is within their reach. So, yes, we have that openness to collaborate in this way. Together with some colleagues and also part of the team of what is the Chamber in Quito to provide support and support from them. But yes, there is that openness in us to, if it is requested, we give all the collaboration possible from our side to be able to provide them with information in this case and also to comment on the potential that China has as a country both as a supplier and to send products.

Author [00:09:19]: The approaches, perhaps, should be directly with the producers or distributors? Which can be a bit more complex because they are much more dispersed or can be a bit more heterogeneous in terms of knowledge level and so on. Or maybe with associations? For example, like ANECAFE or FAPECAFES and others. Perhaps they can play a leading role in approaching chambers of commerce so that these can provide strategies for their associates?

Interviewee [00:09:55]: In fact, we have no problem providing information and tools. You know that in ten minutes or 20 minutes we cannot discuss all the benefits that the export issue can contemplate. The approach of this group of people who are interested allows us to know what the doubts are and what things can be potentiated or improved in this case. So, that's the good thing about having a face-to-face workshop, for example, where everyone asks questions and we can all know about the export side. Our first process, as a chamber, is to analyze the exporter's profile, see the production capacity, the issue of requirements, the exporter's registration, and all that. We give them that collaboration in processing those permits, as well as what is phytosanitary and all the permits that come from that because it depends a lot on the type of product, there are products that need laboratory review, for example, and the issue of labeling purely, at least for China, will depend on each product, but in our case, we do review and make the label format so that there are no problems with entry into China.

Author [00:11:14]: Does this have a cost for exporters?

Interviewee [00:11:16]: As far as I know, no, because it is really a part that the Chamber seeks to promote and that is why it reviews the exporter's profile a lot to see the production capacity. We are also trying to promote in this case small exporters. Like, for example, fruit

producers. Here in Cuenca, I have approached many fruit farmers to whom I have presented the issue of exporting to another country, I have approached the fruit growers who have mangoes, strawberries, etc. And there was a person who, I told him if he had an idea of the requirements that the country demanded, and he told me that no, that he did not have it. So, I told him that it is not a matter of knowledge, but rather of information that is needed. We need to know where to go to access this information. We as a Chamber can provide all that collaboration so that they can have the information at their disposal, so that they can process it themselves, that is why we have given them that information, the Chamber and what is the group of CONGOPE and in this case Pro Ecuador, they gave us information, and they told us to pass it on. And that's what we have done. So, there is no cost.

Author [00:12:37]: That's interesting. How many exporters did you have in that workshop?

Interviewee [00:12:42]: We were a good group. I would not know if there were 15 or 20 people in that group. It's hard to tell, but there was a good group.

Author [00:12:53]: In that sense, it's pretty good. Because if there are that many people interested, it's because there's also that many interested in it. Right? Like the opportunity exists.

Interviewee [00:13:09]: Exactly. That is why it is good that they tell us where the need is, in order to approach those sectors. Because we as a chamber are always willing to support that sector that really wants to boost themselves in terms of volume and also in terms of process. Because, in this case, there is a lot of information. We are also talking about the logistics issue, which also depends on the need of each exporter because there are some who have been able to present problems, but we have to understand that we are talking about export, which is a more bureaucratic process than the usual. But as a chamber, we seek to promote more the export issue. Because if a product is brought from another country, it is brought at a higher price, and it is cheaper if it is produced here, that is why it is always sought to promote the issue of export.

Author [00:14:18]: Excellent. Perfect. Margarita, thank you very much for your time and for your words. They have been very enlightening and I hope that soon we can coordinate to do some other activity with more depth on the subject.

Interviewee [00:14:31]: Of course, any further queries you have, you know that I am always willing to help you. And here we are to collaborate in whatever is needed.

Appendix 5

Informed consent Antonio Torres Dávila

CONSENTIMIENTO INFORMADO

Título del Estudio: Estudio del Mercado Cafetalero en China: Oportunidades para el Café Ecuatoriano con el Tratado de Libre Comercio Ecuador - China

Investigador: Geovanny Sebastián Crespo Chuchuca

Director del Estudio: Ingeniero Juan Francisco Álvarez Valencia

Institución: Universidad del Azuay

Programa: Licenciatura en Estudios Internacionales con Mención Bilingüe en Comercio Exterior

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Confidencialidad y Uso de Datos: Los datos obtenidos serán públicos y se utilizarán exclusivamente con fines académicos para el desarrollo de informes y la elaboración del trabajo de titulación. Los datos estarán bajo la custodia del investigador y el director del estudio. No se utilizarán para ningún otro propósito sin su autorización previa y por escrito.

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Contacto: Cualquier pregunta que Usted desee hacer durante el proceso de investigación podrá contactar a Geovanny Crespo, Autor, Teléfono: 0997740982, correo electrónico: gcrispi@es.uazuay.edu.ec Juan Francisco Álvarez, Docente de la Universidad del Azuay, Teléfono: 0992694265, correo electrónico: falvarez@uazuay.edu.ec

Yo, ANTONIO TORRES DAVILA, cédula de identidad 2102114626, de nacionalidad ECCUATORIANO, consiento en participar en la investigación denominada: Estudio del mercado cafetalero en China. Oportunidades para el café ecuatoriano con el Tratado de Libre Comercio Ecuador – China.

- He sido informado de los objetivos de la investigación.
- Corresponde a la sección en donde se firma el Consentimiento.
- Incluye información clara y precisa de la investigación, relativa al propósito del estudio, modalidad de participación, riesgos y beneficios, voluntariedad, derecho a conocer los resultados, derecho a retirarse del estudio en cualquier momento, voluntariedad, derecho a conocer los resultados y confidencialidad.


Firma

20-05-2024
Fecha

Appendix 6

Interview of Antonio Torres Dávila

Azuay Bachelor of Business Administration

Master in Business Internationalization

Professor at the University of Azuay

Author [00:00:01] Good afternoon, Antonio. My first question would be, do you think the Free Trade Agreement is beneficial for Ecuador's productive sector? To what extent?

Interviewee [00:00:14] Well, the trade agreement with China must be analyzed from various perspectives. Yes, in other words, both imports and exports because it's a two-way street.

The Chinese market is very extensive, which in itself can cause some issues regarding supply and quality. For example, in the shrimp export market, the shrimp industry was growing steadily in the pre-pandemic era, 2017, 2018, 2019. When we entered the Chinese market, which is also a significant challenge due to its restrictive and protectionist nature, it was a significant achievement. Consumption began to soar, and Ecuadorian shrimp exports skyrocketed exponentially, which was very positive. Having access to one of the world's largest markets is excellent to a certain extent because shrimp production has now collapsed, and we can no longer keep up with the growing Chinese market. The same applies to cocoa and coffee.

The prospects opened up by the trade agreement with China are very good, with high expectations, but not for mass production but rather for differentiated, gourmet products targeting specific market niches. Attempting to cater to the entire Chinese market would exceed Ecuador's production capacity. Therefore, we must differentiate and give special characteristics to our product, not only for the Chinese market, the specific focus of this thesis, but also for the rest of the international market. For example, what Colombia did to differentiate its coffee, giving it a brand, an image, a story, a book, right? A series of characteristics to an excellent type of coffee; Colombian coffee is undeniably of very high quality. Ecuador can do the same. In fact, when Colombia signed the Free Trade Agreement with the United States, there was a shortage of coffee in the Colombian market, which was filled by Ecuadorian coffee production, and nobody noticed. This is evidenced in the statistics. Colombian coffee exports grew following the FTA with the United States, and Ecuadorian coffee exports to Colombia also grew. It's in the statistics.

Author [00:03:29] It has always intrigued me how our main buyer had been Colombia for a long time, despite being a producer.

Interviewee [00:03:37] Exactly.

Author [00:03:38] Now, the next question is, what differentiation strategies could be adopted for Ecuadorian coffee to stand out in a new market like China?

Interviewee [00:03:46] Well, first of all, the quality of the coffee. In other words, not marketing mass-produced coffee but rather a very selective coffee. Second, not only endowing the product with quality but also with its image. What Colombia did is quite interesting, and we could replicate certain things in certain market niches.

We need to start differentiating the coffee, for example, organic coffee, coffee from a particular region. Coffee can have added value through its history, legends, discounts, product restrictions, not mass-marketing but rather being a difficult-to-obtain product, a somewhat elite product, right?

Another thing we can do is to give the coffee characteristics like organic coffee, fruity coffee, a range of features that set us apart from mass-produced coffee, which often sees its price lowered by large multinationals like Nestlé or similar brands targeting a different market. We must give it specific characteristics. For example, last weekend, I was drinking whole bean coffee because that's another point, not powdered coffee but whole bean coffee. That's what the gourmet market wants to ensure coffee quality. The package said "gourmet coffee with certain chocolate notes". So, it starts to have certain flavors, colors, and tastes that differentiate it from mass-produced coffee.

Author [00:05:55] This represents a challenge for the production side; we need to promote current coffee production, which has declined significantly. That's a concerning issue, not only due to climate change but also investment. I spoke with a coffee specialist; he explained to me that if we want to fill this production gap, we would need to start using more machinery and sometimes chemical or organic elements, which may compromise the "100% organic" label but would significantly improve production. So, I don't know how good it would be, I mean, to sacrifice this 100% organic label to increase community production. Should it?

Interviewee [00:07:12] Yes. Well, I think we need to change the overall business model. So, that's what you're indicating. But why change the business model? Because coffee exports are currently quite reactive. Yes. That is, we react to demand, but we haven't delved into proper market research to identify trends in various types of coffee. Whether it's gourmet coffee, Arabica coffee, Robusta coffee, etc.

What are the consumption trends? We don't have in-depth specialized studies of these markets. Second, we haven't invested in designing a coffee product. We allow coffee to be quite spontaneous, quite farm-based, but we haven't designed a product, an image, an added value of a specific type of coffee. So here, what could be done is to design a specific product.

As for sacrificing product quality for quantity, I disagree. Because then we enter a game where we can't compete, which is the cost, the price issue. Here we already fall into a matter even of the type of currency with which we are not competitive due to the use of the dollar versus the Colombian peso, the Peruvian sol, the Brazilian real. We can't compete against that.

So what do we have to do? Give our product a series of characteristics that differentiate it from mass production. Of course, cooperative production should not be seen as a matter of quantity but rather of quality. Because what is the trend when buying a differentiated product?

Additionally, organic production is expensive.

We need to be realistic; real organic production is expensive. But I have a type of production that is not industrial, where many chemicals and other substances are not used. It's a type of production that is quite natural or naturalized, where I don't reach the high costs of organic production, but the use of chemicals can be reduced, industrial aspects can be reduced to give added value to the local product.

So, the issue of community production, natural farm production. Yes, these are concepts that we must incorporate into the design of a specific product, specializing the product. For

example, the concept of farm-made by the concept of zero chemicals or those kinds of things. Which isn't necessarily organic. Another example is "Fair Trade" and other added values that can indeed help with specialized marketing.

Author [00:10:56] The last question, Antonio, what role should both the private sector and the government, as well as academia, play in achieving product specialization?

Interviewee [00:11:07] That's the cooperation issue. The government cannot assume all responsibilities at once. There are certain things that, for example, academia can do, such as research, development, innovation.

The issue of studies should be addressed by academia, investment by the private sector, while the government should play its role as a guarantor of competitiveness. Note that the state is not competitive.

What the state does is ensure the competitiveness of companies and function. There's a triple helix scheme where academia, the public sector, and the private sector collaborate in seeking competitiveness in sectors by providing added value to products.

Author [00:12:07] Thank you very much. You've been incredibly helpful.

Appendix 7

Informed consent Xavier Ortega Vázquez

CONSENTIMIENTO INFORMADO

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Xavier Ortega Vázquez

Firma

17-05-24

Fecha

Appendix 8

Interview of Xavier Ortega Vázquez

Commercial Engineer

Master's in Business Administration

Author [00:00:00] Xavier, good morning. This is an interview for the Foreign Trade thesis on the study of the coffee market in China. This interview is meant to assist Ecuadorian producers who want to export.

As someone knowledgeable and expert in the area of marketing, business strategy, and strategic management, your opinion would complement the part on possible strategies for the international trade of this product from our country well.

The first question would be, What differentiation strategies could be adopted for Ecuadorian coffee to stand out in the Chinese market against other international competitors? Given the context that the Chinese market has been increasing both demand and specialization in its consumption in terms of quality, they are much more demanding. In the current wave of coffee consumption, the focus is on origin and specialty coffee. So, considering this, what could be the differentiation strategies?

Intervieww [00:01:13] Perfect. Thank you for the opportunity, Sebastián. In the specific case of coffee product to the Chinese market, which has an interesting and large economy. There are two ways that Ecuadorian coffee could position itself and enter this market. First, through differentiation. And what is differentiation? Trying to position high-altitude coffee, a coffee that comes from the Andes and from the middle of the world. So, we should take advantage of our geographical location. It's not a comparative competition when it comes to speaking, but in terms of competitive advantage, differentiation would be high-altitude coffee.

The second possibility is the great potential we have in terms of flavor. Apart from seeking high-altitude coffee, I believe that what China is proposing through a consumption culture like that of tea, and now not only China but the world is moving towards coffee consumption. It would be to give it a unique flavor, and here would be the unique value proposition through flavor. Those would be the two strategies that I would propose knowing that it's a commodity. Right? Coffee is a commodity, but ultimately what is being consumed is not the commodity, it's the coffee experience. So, theoretically, those two variables would be handled appropriately.

Author [00:02:33] Ecuadorian coffee in terms of production, perhaps, in mass, is not as competitive. So, if we compare it with Brazil, Panama, or Colombia or South Africa, perhaps in terms of size and quantity, we don't have it easy. But in specialization, there is an opportunity for competitiveness.

So, there are these two options, one competitiveness by standing out among small producers, or growth together. A country brand that stands out or the construction of an image as such, as a country.

Would it be better for each to work separately and seek greater competitiveness within the country so that the product improves internally or continuous and grouped work within coffee associations?

Intervieww [00:03:29] Well, the issue is interesting, and there is only one answer. It's what Café Valdez did, for example, Café Valdez. Juan Valdez. We know that it's a matter of selling coffee based on the association that gives results and it's good, that would be the best.

Obviously, the best alternative is to associate, but unfortunately, in our country, that type of association does not occur. If it occurs, it should be just like the Juan Valdez model. You gather, you look for all the producers. It's a collaborative issue, but in reality, there hasn't been a joint work on that scale, and we'll take it from a separate perspective because I can't achieve economies of scale and compete with my strong Brazilian, Colombian competitors in the Chinese market. But yes, with gourmet coffee, and that gourmet coffee, due to the size of our economy, can be achieved through both. If the association doesn't work, the producer is left alone. It would be ideal to achieve economies of scale, but I could also associate with small coffee growers and generate gourmet coffee where you can no longer sell just a \$10 or \$12 coffee, you'll sell an \$80 or \$90 coffee, which is what is paid today on a smaller scale. So, the theoretical answer would be to associate with the rest. But the reality is not that. I would make my coffee brand.

Author [00:04:45] What would be the most effective market entry model for the Chinese market? Following the examples of some other companies that have landed well in the market, perhaps direct export? Franchise, perhaps like "Sweet & Coffee," which already has a considerable size in Ecuador? Or could a combination be possible? What would it be?

Intervieww [00:05:07] There is a way to understand a little and adapt to the strategic cultural issue that China handles, and it's the strategic alliance, the alliance where you have the State as China, as such, and that is called Joint Venture, it would be attractive for the Chinese to manage one part and me the other part because their market is enormous and also because it reduces investment, mitigates risk, and improves strategic location, distribution, because China is too large, I wouldn't do what Juan Valdez does alone, but rather I would make a union. In fact, basically a shared investment.

Author [00:05:45] Perhaps separating the roasting and packaging processes from the export of the raw product. The coffee can leave Ecuador and associate with Chinese companies that work on the rest of the process.

Intervieww [00:05:54] Also take advantage of their cheap labor. Of course, yes.

Author [00:05:58] Now, what would be the most effective marketing and promotion strategies to build a strong Ecuadorian coffee brand?

Intervieww [00:06:07] Well, there we have to first go to an important website management, with a diagram, with a chromatic, with interactivity and attack through new communication alternatives such as social networks. But fundamentally, there are international fairs. It should be considered, within the fundamental strategies, to visit these fairs to reach the Chinese market. The Chinese market has the best fairs in the world, and obviously, if it's the

destination where you're looking to export, it's ideal that we start moving through fairs, which is what sells the most and has better coverage.

Author [00:06:45] Now, to optimize the coffee value chain. What recommendations do you have on the subject? Perhaps now with the ease of foreign trade, thanks to the Free Trade Agreement, many machines will be much cheaper for Ecuador. How important would it be to invest in this sector?

Intervieww [00:07:01] Well, you say something very clear the Free Trade Agreement and the conditions it puts on these two markets where the market size is large with the small there is a great advantage for both.

One has the natural resource, the potential cultivation of coffee, which we have in an area in the middle of the world and the equatorial zone and the Andean zone.

On the other hand, they have a market as large as it can be 1.5 billion potential customers.

Obviously, in that value chain, you can see which parts are done here and the other parts that can be done in China together. That's why I'm going towards that Joint Venture type of alliance.

Author [00:07:44] What would be the main risks of this market for Ecuadorian producers?

Intervieww [00:07:54] For us, there are three significant risks.

The market risk, the economic risk, and the technological risk because ultimately, and we don't develop technology, we don't sell like Ecuador with technology, yes, there is a risk, but we have China that could evidently mitigate this impact. The market risk is a new market and totally unrelated to coffee. There's a risk of consumption and it should be worked on not trying to change a culture, but reaching an alternative culture of consumption of another beverage other than tea for them. You have to adapt. And the third is also an economic issue. That is, there are many entry barriers, investment issues, where you have to invest a lot, and the difficulty of having the capacity to recover that investment, or, in the short to medium term. So, those are the main risks that I would see for this coffee operation at the market level, specifically Chinese.

Author [00:09:00] Almost to finish. How to ensure that expansion into new markets such as China contributes positively to sustainable development and the welfare of coffee producers? Small communities of origin and specialty coffee producers as such. How to protect these small sectors?

Intervieww [00:09:22] Well, one is to open fair trade. That fair trade, which doesn't remain in theory, is an important part, it's an alliance with them. That the benefits are also for them because you know, since you start generating the traceability of the product, you have to start being very responsible. Quality certifications, training to guarantee that the product is of extraordinary quality. Since it's an international market where we already have competitors who are in the world market of origin, who are very good, but you never lose faith and hope that Ecuador can stand out. Because if we have all the opportunities, but we have to work together on a communication chain, a chain of alliances, fair payments, fair deals, and above all, reach the international market with the conditions of international quality. And that has to be

determined, as I said, with certifications and quality controls, production management, supplier certifications, clean channels, and also social responsibility. And from that point of view, we obviously have to be very careful.

Author [00:10:28] It is through private and public investment, as well as from academia, that plays a decisive role.

Intervieww [00:10:34] A triangle, a favorable factor, of course. It has to be green, it has to be really a green and responsible model.

Author [00:10:41] Alright. Thank you very much, Xavier.

Appendix 9

Informed Consent Sebastián Maldonado Argudo

CONSENTIMIENTO INFORMADO

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Investigador: Geovanny Sebastián Crespo Chuchuca

Director del Estudio: Ingeniero Juan Francisco Álvarez Valencia

Institución: Universidad del Azuay

Programa: Licenciatura en Estudios Internacionales con Mención Bilingüe en Comercio Exterior

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Yo, Ernesto Sebastian Maldonado Argudo, cédula de identidad 0706247020, de nacionalidad Ecuatoriana, consiento en participar en la investigación denominada: Estudio del mercado cafetalero en China. Oportunidades para el café ecuatoriano con el Tratado de Libre Comercio Ecuador – China.

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Firma

29-05-2024

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Appendix 10

Interview of Sebastián Maldonado Argudo

Bachelor's in Agribusiness Administration.

Owner and manager of GUAMBONA COFFEE ESTATE.

Author [00:00:00]: Good evening, let's begin then. Sebastián, I'd like to start by asking about your experience with coffee. How do you produce it? Since when have you been producing? If you're comfortable with the question, also your location, and what types of coffee you are producing? Approximately, in what quantities?

Interviewee [00:00:40]: Let me introduce myself. I'm Sebastián Maldonado, an agronomist. Currently, I am the owner and manager of a coffee farm located in the Alamor sector, Puyango Canton, in the Loja province, situated at an altitude of 1600 meters. At the moment, we have four varieties planted and three in production. We are producing the Castilla variety, which is a hybrid of caturra and another mix, primarily developed for resistance to rust, one of the most concerning coffee pests. We have Geisha, one of the most sought-after varieties worldwide for specialty coffee, and Sidra, also known as Bourbon Sidra, a variety that originated here in Ecuador from Nestlé, I believe, and it is currently in high demand. As producers, our farm aims for specialty coffee, and we also manage Castilla, which is more of a bulk coffee. The three varieties we have in production are *Coffea arabica*, known for being a specialty coffee with a good aroma and flavor, unlike the bulk coffee varieties used in other countries like Brazil, where robustas are common. Another variety we have planted and producing is improved Typica. Do you have any other questions?

Author [00:02:48]: Perfect. If at any moment a question makes you uncomfortable, let me know. Regarding hectares, how many do you have, and how much are you producing per hectare? What is the annual production you can expect from these varieties?

Interviewee [00:03:06]: This will vary a lot. It varies greatly by producer, type of management, soil type, and location because, as agronomists say, we can manage everything except the climate unless we have intensive cultivation under cover, like greenhouses, which is not the case for coffee. These are extensive crops that cannot be managed or at least not that I know of globally. Maybe there are some. There are many variants; I can speak specifically about our three crops. Our farm has been operating for about eight years, but we bought it two years ago, and we are working on it. Regarding Castilla, with excellent care, it can yield around 30 quintals per hectare per year, with regular care, 15 to 20 quintals, and with poor care, 5 to 10 quintals. This year, as we have been improving the farm, we plan to produce around 20 quintals per hectare of Castilla coffee. We have about two hectares. Now with Geisha, we have about one hectare. This year it blossomed wonderfully, thank God, and we expect a harvest of around 20 to 25 quintals. For Sidra, we have very poor plants that we have been improving, but honestly, we might reach 10 quintals per hectare. We have about two hectares of Sidra.

Author [00:05:32]: Thank you very much for that information. I now have an idea of the production quantities. Well, it's something that needs a lot of care, and as you said, predicting weather conditions can be complicated as they are often beyond even expert control. Now, for the next question, still focused on production but regarding investment.

Talking about other aspects of coffee, based on the data from my thesis, origin and specialty coffees are highly appreciated in the Chinese market, as you mentioned. It's a market with strong purchasing power that has been specializing its coffee consumption over the years. A specialized barista in origin coffee told me that with adequate investment, pest control, possibly with chemical or organic methods, and more controlled production with measures and machinery, production could improve. What do you think about investing in machinery and soil supplements to generally improve production as coffee growers across Ecuador?

Interviewee [00:07:23]: Improving production in Ecuador is definitely possible because we are still in the early stages. The truth is, as a country, we are still in the early stages of specialty coffee production. We have a neighboring country, Colombia, which is very strong, and Panama, which, from my perspective and many others, is the best coffee producer in the world. They have the Best of Panama competition, which is their way of showcasing and excelling, where coffee growers participate in tastings, and the highest-scoring coffee wins. In Panama, coffees have sold for over \$3,000. I know a farm that sold a micro-lot, 7 hectares, for \$7,000 per pound.

That's why I say we are still in the early stages in Ecuador. The highest price last year in Ecuador was \$119 per pound in the Cup of Excellence. So, I believe that with the right investment and development, especially in the nutritional aspect of coffee, we could achieve much higher productions with good quality.

From my experience as an agronomist, I don't recommend using chemicals on coffee because many studies show it negatively affects coffee quality. And since we are talking about specialty coffee, this is contradictory to our business. So maybe we could significantly increase production by five to ten quintals per hectare per year, but the quality would decrease. So, we must balance and see what weighs more: producing five to ten more quintals or getting a coffee that scores two to three points higher in tastings.

At the moment, I don't live off coffee, so what interests me is having a specialty coffee that I can eventually live off without needing to produce hundreds or thousands of quintals, but instead, a very good coffee that is recognized. I consider myself a fan of specialty coffee; I have taken some barista courses, which is where my passion for producing good coffee comes from.

Author [00:10:23]: Perfect. So, not only as an agronomist and coffee grower but also as a coffee enthusiast, which we share, you wouldn't sacrifice organic practices for more production. In the end, as you said, even producing five more quintals might not make a difference compared to countries like Brazil or Colombia with larger extensions and mass production. So, in terms of production quantity, we might not compete with them, but with specialty coffee, we could stand out through specialization. Would you sacrifice organic practices for more production? What would you say?

Interviewee [00:11:19]: It depends entirely on the business and quality focus. As a coffee grower, I don't recommend it. Why? Because if we are going to sell coffee at the market price, which is mainly controlled by Brazil due to their massive production, it wouldn't be profitable to depend on someone else. However, if I depend on myself, my effort, my coffee quality, the associated companies, and the care I put in, then I see it as more economically viable. Because, as I said, we have a small farm of 14 hectares, with only six planted and five in production, so the farm size and focus matter a lot.

Author [00:13:06]: Indeed. Based on the data, it's better to sell specialty coffee and seek the highest possible quality and scores within these standards, aiming for higher value rather than sacrificing it for quantity. This makes sense in your response. Regarding competitions, you mentioned one in Panama and one in Ecuador, the Cup of Excellence, or others like the Golden Cup. What role do these competitions play in the quality of Ecuadorian coffee? Have you participated in any of these competitions?

Interviewee [00:13:59]: Well, in Ecuador, we are still in the early stages, and there's a lot of unhealthy competition and animosity, which prevents us from growing until someone says we need to work together and develop as a country to grow. My farm has two awards in the Cup of Excellence, one before I owned the farm, I think it was 7th place if I'm not mistaken, and 9th place. Last year, we participated, but my coffee was disqualified due to supposed pesticide residues, which I find strange because I don't use pesticides. This year, we competed in the Loja competition, where we placed 5th and 4th with scores of around 87.8 and 81.1, if I'm not mistaken. So, I think it's a good platform, but we need to improve our target clients. We don't have many clients in the U.S., which is a weak market for specialty coffee with low pay. With better management, we could improve a lot. This is my personal perception; I can't speak for everyone, but from my short time working in Ecuadorian coffee, this is what I've perceived.

Author [00:16:15]: So, for the market, it's quite... Maybe it's not always a healthy competition. Sometimes it requires more support. Even international trade experts I've spoken to say that exporting as a group, as a country, is much better, giving it a national identity, as Colombia and Panama have done. Hearing these names is synonymous with quality because they have created this mystique and perception of quality among international clients. What role do coffee grower associations play? Are you associated with any like FAPECAFES? Are you aware of these associations? Do you seek to be part of them?

Interviewee [00:17:22]: No, I haven't been part of any association. As I mentioned, I've been in this for only two years in Ecuador, so I haven't had the opportunity. I've heard of some, but I'm not convinced by their methods. I'm not a big fan of how they operate. I'm in regular conversations with Finca La Florida, friends I've met, and we've discussed these topics several times as we are colleagues from the same university. When I have a stable client, I plan to work with them to continue growing and show others that we can grow together, not just in Loja and its surroundings but also in Puyango, one of the largest producing cantons in the country. The issue is a lot about closing doors, thinking "this is mine, and I don't want to lose it." That's the problem I perceive in the country. Some associations have invited me, but I don't see it as a good business because they work with clients I've worked with, who might not be the best clients. They may pay a bit more than the market, but they don't value the coffee as they should for the type of coffee we have.

Author [00:19:43]: Finding good clients is quite complicated. Other experts also mention that the fair price for coffee might be a barrier to investing more in production and improving it because producers aren't paid fairly. Regarding export, have you exported or have plans to? Are your clients national, international, or a mix? Do they buy the production before planting, or do they purchase percentages of the production when it comes out?

Interviewee [00:20:49]: To sell pre-harvest, I need to have a name; the world needs to know who I am. We are growing at the moment. This year, we managed to sell a batch by buying from various producers at a fair price. We, as a farm, exported with a producer from Bahía de

Caráquez to New Zealand with a batch of about 3,000 quintals, if I'm not mistaken. I think it was 3,000 quintals. We are in talks with them to see if they can increase the purchase. We did a test; let's see how it goes. It's complicated because people don't want to invest, as you said, due to years of not recovering investments and being in losses. People are afraid, and I understand that because if I lived off coffee, I would be afraid to invest. Today, I can maintain the farm with my income, but I haven't seen profits. So, I understand the fear of risking everything for something uncertain.

Author [00:22:29]: Of course, it's quite understandable. Congratulations on exporting to New Zealand! Opening markets is great, even testing them. Perhaps new opportunities will arise, and sometimes countries abroad appreciate the quality of Latin American coffee more. The next question is: Have you ever considered China as an export destination, or are you aware of the Chinese market? What are the options there? Does it interest you?

Interviewee [00:23:09]: Actually, I work with someone who taught me much of what I know and whom I worked with for a few months in Panama, named Ratibor Hartmann. I worked with him for about four months there. He helps a lot with connections, mainly in China, Germany, Switzerland, and Australia. China has seen a significant growth in the specialty coffee market. Data shows how new generations are shifting away from the famous Chinese tea, historically famous worldwide. These new generations are changing a lot. I see a bridge... I don't know if you've ever tried it, but Chinese tea is spectacular; it's a culture, a passion, and I understand and share it a lot because what we experience with coffee, they have historically with tea. So, seeing this since 2020, since the pandemic, there has been growth in specialty coffee consumption, among other related areas to taste and...

Author [00:24:45]: Preferences.

Interviewee [00:24:46]: Preferences, like: I want to indulge myself. I'll have a coffee of X or Y value because it's my luxury, my life. We lived through a time where we didn't know who would survive; today, we are alive, but tomorrow we might face a disease we don't know how to fight. This has driven growth in many markets, coffee, tobacco, cigars, and habanos. Globally, this thought of: It's my life, I want to live it well, regardless of saving for the future, is more prevalent. So, this has opened a market for specialty coffee. Currently, we are talking to a Chinese buyer, but not for specialty coffee. We are negotiating prices; he seeks cheaper coffee, which I understand because we can't demand the market adapt to us. We need to adapt to the markets to grow. I can only provide about 650 quintals, but I know several producers willing to share and sell to this new company, which already has clients in China. The buyers are of Chinese origin living here in Machala, and we are in talks with them.

Author [00:26:54]: Perfect. Congratulations! As you mentioned, specialty coffee in China has grown significantly. New generations are indulging and seeking new experiences. Other producers want to join, so it's not a far-fetched idea. With the tariff advantages of the Free Trade Agreement with China now in effect, regarding export training, have you received any from an institution, or have you learned through courses or consultancies? You have a mentor, but is this information available to other producers? What is the export situation for others?

Interviewee [00:28:05]: We haven't exported directly; we've worked with exporting companies. My degree is in Agribusiness Management Engineering, which covers export and economic topics. I believe the Ministry of Agriculture, with the previous and current ministers, who are my colleagues from the same alma mater, is working on supporting small and medium

producers who need it the most. Someone producing 3,000, 4,000, 5,000 quintals will find a market because they can fill a container, but it's harder for small producers who live off coffee and often have to work elsewhere to survive. So, the focus should be on these small producers. We are discussing creating or joining an association to seek new buyers with interesting volumes. I must thank the current Vice Minister of Agriculture, Francisco Minuche, for his support to the coffee sector. We've received information on exports and related topics.

Author [00:30:40]: It's encouraging to know that the Ministry is supporting small producers, as the decline in coffee production in Ecuador is evident, partly due to climate change, which is uncontrollable. But it's good to know that producers feel supported by the government. I recently interviewed the Ecuador-China Chamber of Commerce in Cuenca, and they are interested in communicating with exporters and small producers, offering free courses and seminars to better understand production for export and the necessary processes. The Chamber of Commerce Ecuador – Shanghai – China has a strong presence in the Asian country, which might open new markets.

Unfortunately, not everyone is aware of the benefits and facilities of exporting and might be discouraged by the risks. As you said, it's risky when one depends on production, but there might be opportunities not well-known that could reactivate coffee production in Ecuador. Academia and the work from universities also play a role in presenting this information publicly for more people to know and grow together. Hopefully, more people, like you, will seek new markets, and there will be more business opportunities and distributors willing to pay fairly, improving conditions for coffee growers.

Interviewee [00:34:21]: That's the idea. We are working with around 20 to 30 producers on an important project. However, the change in government disrupted it a bit. We are open to cooperating and sharing our knowledge with more producers, without hiding anything, sharing knowledge, ideas, temperatures, hours, experiments, and all production processes. We aim to grow together, develop the country, provide employment, and support. It will benefit us economically because no one enters a business without economic motives.

Author [00:36:00]: I share your view. It's good to know there's a desire to produce together, making it a business for everyone, raising the quality of the country's coffee, generating more opportunities for all. I believe that's all. Any final comments or advice?

Interviewee [00:37:00]: I think that's all. I recommend checking the latest census of coffee producers. I believe the Ministry of Agriculture has this information.

Author [00:37:56]: Thank you very much for that.

Appendix 11

Informed consent of Diego Arévalo Illescas

CONSENTIMIENTO INFORMADO

Título del Estudio: Estudio del Mercado Cafetalero en China: Oportunidades para el Café Ecuatoriano con el Tratado de Libre Comercio Ecuador - China

Investigador: Geovanny Sebastián Crespo Chuchuca

Director del Estudio: Ingeniero Juan Francisco Álvarez Valencia

Institución: Universidad del Azuay

Programa: Licenciatura en Estudios Internacionales con Mención Bilingüe en Comercio Exterior

Propósito del Estudio: El objetivo específico de este estudio es evaluar las oportunidades que brinda el Tratado de Libre Comercio (TLC) entre Ecuador y China a los productores del sector cafetalero de Ecuador. La información recopilada se utilizará con fines académicos y está dirigida a exponer a los exportadores y productores ecuatorianos de café a un nuevo mercado potencial.

Participación Voluntaria: Su participación en este estudio es completamente voluntaria. Usted puede decidir no participar o retirarse en cualquier momento sin necesidad de dar explicaciones ni recibir ningún tipo de sanción.

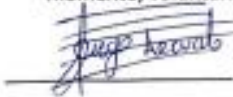
Confidencialidad y Uso de Datos: Los datos obtenidos serán públicos y se utilizarán exclusivamente con fines académicos para el desarrollo de informes y la elaboración del trabajo de titulación. Los datos estarán bajo la custodia del investigador y el director del estudio. No se utilizarán para ningún otro propósito sin su autorización previa y por escrito.

Seguridad y Riesgos: La participación en este estudio no implica ningún riesgo para su salud física o mental.

Contacto: Cualquier pregunta que Usted desee hacer durante el proceso de investigación podrá contactar a Geovanny Crespo, Autor, Teléfono: 0997740982, correo electrónico: gcrispi@es.uazuay.edu.ec Juan Francisco Álvarez, Docente de la Universidad del Azuay, Teléfono: 0992694265, correo electrónico: falvarez@uazuay.edu.ec

Yo, Diego Andrés Arévalo Illescas, cédula de identidad 0101563763, de nacionalidad Ecuatoriano, consiento en participar en la investigación denominada: Estudio del mercado cafetalero en China. Oportunidades para el café ecuatoriano con el Tratado de Libre Comercio Ecuador – China.

- He sido informado de los objetivos de la investigación.
- Corresponde a la sección en donde se firma el Consentimiento.
- Incluye información clara y precisa de la investigación, relativa al propósito del estudio, modalidad de participación, riesgos y beneficios, voluntariedad, derecho a conocer los resultados, derecho a retirarse del estudio en cualquier momento, voluntariedad, derecho a conocer los resultados y confidencialidad.



Firma

15 / Mayo / 2024

Fecha

Appendix 12

Interview of Diego Arévalo Illescas

Specialty Coffee Expert.

Owner of a specialty coffee shop in Cuenca. SlowBrew.

Author [00:05:45]: Diego, how are you? Good evening. Let me introduce myself. I am Sebastián Crespo from the University of Azuay, and I am currently working on my thesis. It's about foreign trade, studying the Ecuadorian coffee market in China, leveraging the advantages provided by the Free Trade Agreement that is now in effect between the Republic of Ecuador and China. So, are you the owner of SLOW BREW?

Interviewee [00:06:26]: Yes, I am.

Author [00:06:27]: Excellent. This means you are one of the ideal people to discuss this topic. Thank you very much for your time and for having this conversation.

Interviewee [00:06:42]: Great, great.

Author [00:06:44]: For educational purposes, this meeting will be recorded. I also have to present the transcript to my thesis advisor and committee. This is to ensure transparency. Do I have your authorization?

Interviewee [00:06:59]: Yes, no problem.

Author [00:07:00]: Thank you.

Interviewee [00:07:02]: Yes. I just have a small issue. Well, not really an issue. I just need to take some brief pauses because I have a big coffee order, and I'm roasting right now.

Author [00:07:19]: I understand, it must smell wonderful.

Interviewee [00:07:22]: Exactly. I have my roaster here at home. But as I said, it won't take more than ten minutes of waiting. I didn't have other times available. But it's fine, no problem.

Author [00:07:45]: Thank you very much. So, regarding SLOW BREW, Diego, how long has it been in operation?

Interviewee [00:07:54]: The coffee shop has been operating for over four years.

Author [00:08:03]: And where is it located? Is it in the city center?

Interviewee [00:08:08]: No, actually, it's in a slightly more peaceful area outside the urban core. There is a reason I chose this location. The main reason is that whenever I looked for coffee, I also wanted the place to be very peaceful, without a lot of people running around or car noise. So, I chose Laurel Aguilar, next to the Benigno Malo school, which is a quieter spot. Additionally, it's near hospitals and banks, not too far from the center, but not too close either.

Author [00:09:04]: It's well-located, isn't it?

Interviewee [00:09:09]: Yes, indeed. Even though it's not too far from the center, being near hospitals and other amenities has helped us gain acceptance from people looking for good coffee and a different offering of higher quality coffee.

Author [00:09:38]: Certainly, the location, the number of doctors, and people there might have a higher level of knowledge and appreciation when trying coffee, seeking new flavors, new presentation proposals, and experiences.

Interviewee [00:10:06]: Exactly. Yes, that's the idea.

Author [00:10:10]: Perfect.

Interviewee [00:10:11]: That's precisely our proposal.

Author [00:10:14]: As a student conducting this thesis, I've realized that in some parts of Asia, there is a shift towards Western practices. Thus, it's not just about selling coffee by the spoonful, grams, or sacks but offering consumers from different countries a new experience, one they can enjoy, making it more than just about drinking coffee but sharing coffee culture.

So, I believe I have found the right contact, Diego, as you understand the importance of offering an experience beyond just serving a cup of coffee, providing customers with something more, a new cultural experience.

Interviewee [00:11:15]: Yes, indeed. Coffee has been subdividing for quite some time now, and I think the specialty coffee topic... there are certain biases and aspects that people or customers need to understand about specialty coffee. It's about offering a totally different experience from regular coffee. What I'm trying to say is bringing different origins, different varieties, or especially different benefits. In Ecuador, there are various coffee competitions highlighting areas like the north and south, such as Loja, Pichincha, and Imbabura.

Author [00:12:21]: Those from AACRI, of course.

Interviewee [00:12:23]: Yes, indeed. Pepe, who is a good friend of ours, won Best Producer in 2023, or maybe this year, if I'm not mistaken, just two months ago. Juan Peña, an Ecuadorian, also won in previous years. All of this has created a different perception of specialty coffee in Ecuador and its quality. So, that's the main point, I believe, to make a change. From a barista's perspective, understanding the specialty coffee process is not just about naming a

coffee shop as a specialty coffee place but providing that same quality service, offering high-quality coffee, and providing an experience not just by serving the coffee but also by being both an advisor and a communicator of coffee. It's about understanding the process perfectly, including different benefits like natural or anaerobic processes that have been trending for a few years.

And most importantly, creating a link between the coffee grower, the roaster, the barista, and ultimately the customer, who needs all this information to connect more deeply with the coffee process.

Author [00:14:36]: Thank you very much for that explanation. Now, just to follow up on what you mentioned about specialty coffee, the varieties to consider. I understand that both robusta and arabica varieties are produced here and their respective subdivisions. Which variety do you work with? Is it a blend of both? What's your favorite?

Interviewee [00:15:11]: Ecuador produces both varieties. Arabica, especially, is found in higher altitudes, typically above 1,000 meters and up to 1,700 meters above sea level. There are also excellent robustas here. For example, Manabí is one of the regions that produces the most robustas, and there is very good quality. A friend, Denise Bustamante from Hacienda Legrand, has an excellent robusta I've only tried once, which I found amazing.

Additionally, there is another coffee family called Eugenioides. If I'm not mistaken, it's being grown at a farm called Perla Negra, now in its first year of production. This variety has won several world barista championships in recent years. I haven't tried it yet, but its profile interests me.

To answer your question, we mostly consume arabica coffee. The most demanded varieties are Sidra, Geisha, and Typica, which I find to be some of the best and most recognized in Ecuador.

Author [00:17:40]: You got me thinking about Eugenioides, it's the first time I've heard of this variety, and I'll pay more attention to it. I'm a fan of trying different coffees and have been sharpening my palate for different coffee types and their variants in Ecuador.

Interviewee [00:18:41]: Great. The idea is to open up perspectives, right?

Author [00:18:46]: Absolutely.

Interviewee [00:18:47]: But beyond just trying it, I think there's something even more important: being able to communicate it. When you have a good coffee, being able to communicate its details can enhance your customer's experience significantly.

Author [00:19:14]: Absolutely.

Interviewee [00:19:15]: That's why we always maintain this line, staying at the forefront with methods, techniques, and processes to enhance the experience. When we have a new coffee

or method, we love to experiment with different types of water, improving its quality. We currently use four filters to enhance our water quality, lowering its ppm (Parts per million) to improve the coffee. We always aim to be a step ahead, not just selling an exotic coffee but showing the care we put into the water, roasting, and preparation. We are always calibrating and staying informed to provide solid answers to customer questions.

Author [00:20:54]: Diego, following this, I'm very impressed with the attention to detail. From what I understand, the arabica variety offers more sensory satisfaction compared to robusta. Correct me if I'm wrong, but as you explained, the roasting and preparation processes greatly impact the final product. These details are crucial for premium export quality, right?

Interviewee [00:21:40]: Yes, two points. First, arabica does have a superior flavor profile compared to robusta. Arabica contains more citric compounds, more carbohydrates, and less caffeine, making it more in demand globally for its diverse flavor and aroma profiles.

Not to downplay robustas, as there are high-quality robustas too. Ecuador stands out because of its microclimates, allowing us to produce exceptional profiles with varieties like Sidra, an emblem of Ecuador.

Regarding the second point, coffee tasting, or cupping, is critical for premium quality. We first analyze green coffee for defects, which affect its grading. Post-harvest, coffee is lightly roasted for cupping, evaluated by the SCAA (Specialty Coffee Association of America) guide. Specialty coffee scores above 85 points. Last year, a coffee scored 92 points, a very high score, leading to higher market prices.

This quality results from the hard work of the coffee grower, considering soil type, watering, plant health, and harvest timing. Post-harvest processes like washing or natural fermentation add unique qualities. Experimental methods like oak barrel aging or carbonic maceration are also gaining popularity. It's a complex process, but it's about more than just having a coffee farm; it's about dedication and understanding.

Author [00:27:57]: That's a very insightful perspective, Diego, well summarized for such an extensive topic. Thank you. Continuing along this line, how do you approach choosing your suppliers? Given the detailed attention to factors like water quality and processing, how do you select your beans, producers, farms, and regions?

Interviewee [00:29:58]: First, if I were to advise someone starting in specialty coffee, my first suggestion would be to go for a sure bet. Start by talking to award-winning or highly experienced coffee growers. You can't just dive into competition without solid backing. Working with someone passionate and continuously improving is essential for success.

Author [00:30:02]: Thank you very much, Diego.