

## Terms of Reference

### Global Coffee Platform, IDH Sustainable Trade Initiative and Solidaridad Development of a cost and value distribution model for coffee supply chains

September 28, 2022

#### 1. Introduction

IDH Sustainable Trade Initiative (“IDH”) accelerates and up-scales sustainable trade by building impact-oriented coalitions of front running companies, civil society, governments, knowledge institutions and other stakeholders in several commodity sectors. We convene the interests, strengths and knowledge of public and private partners in sustainability commodity programs that aim to mainstream international and domestic commodity markets. We jointly formulate strategic intervention plans with public and private partners, and we co-invest with partners in activities that generate public goods.

Solidaridad works in over 40 countries to create sustainable supply chains. Solidaridad has been working for 50 years with producers and workers to enable them to have a prosperous income, shape their own future and produce in balance with nature. Solidaridad’s coffee programme is its oldest commodity programme and aims to transform the sector.

Global Coffee Platform (“GCP”) is a multi-stakeholder membership association that brings together coffee producers, roasters, retailers, traders, governments, associations, donors, and NGOs to multiply efforts, collectively act on local issues, and scale successful sustainability initiatives across the sector. GCP Members believe that sustainability is a shared responsibility to enhance farmers’ economic prosperity, improve well-being, and conservation of nature. By improving farmer income through advancing sustainable coffee in collective action, GCP aims to achieve transformational change for more than one million coffee farmers by 2030.

Together these Parties form “**the Consortium**”.

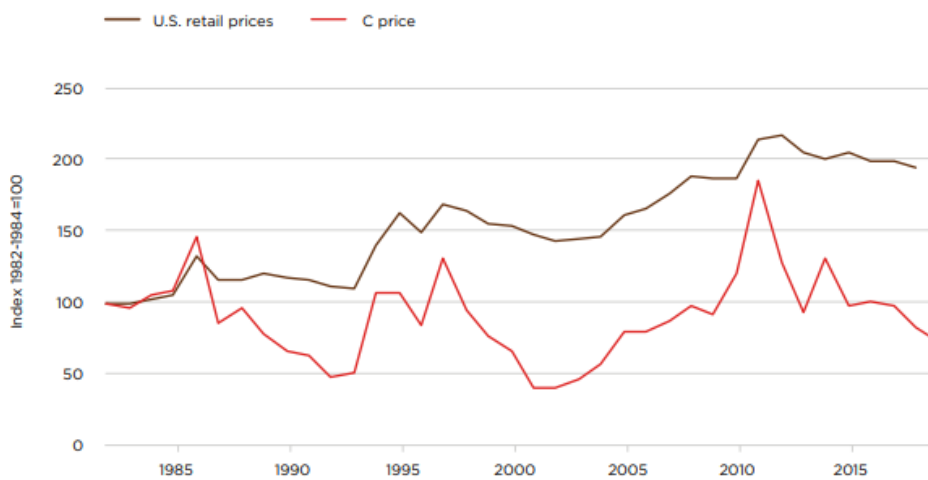
On basis of these Terms of Reference (“**ToR**”) the Consortium aims to select a party **to perform a literature review on cost and value distribution initiatives and data within coffee and to develop an analytical model for the coffee sector based on objective data and information as to advance a dialogue on cost and value distribution. The ultimate objective is to understand if the current market size is sufficient to provide all those working in coffee with a decent livelihood and to inspire additional measures in order to close living income gaps for coffee farmers around the world.**

#### 2. Background

Coffee supply chains deal with high price volatility. In 2019 and 2020 coffee C-market prices were at a decade low, leading the sector to align behind price crises responses. Now, C-market prices are high for several reasons including supply disruptions in key origins and logistics, and consumer prices are expected to rise.

Movement in the C-market does not always have an equivalent effect on consumer or farm-gate prices. Whilst high C-market prices lead to high consumer prices, low C-market prices are typically not translated to lower consumer prices. A similar asymmetric effect also affects farm-gate prices: Low C-market prices typically translate quickly to low farm-gate prices. However, high C-market prices don't necessarily translate to higher farm income. In the past 20 years retail prices have risen significantly, but the C-price did not follow suit (see figure 1 from the TCLI report).

**FIGURE 1: GREEN COFFEE WORLD MARKET PRICE ('C' PRICE) VS. CONSUMER PRICE INDEX: RETAIL COFFEE IN U.S. CITY, ALL URBAN CONSUMERS**



*Figure 1: Green coffee world market price ('C' price) vs. consumer price index: retail coffee in US City, all urban consumers.<sup>1</sup>*

At the same time, sustainability issues both on the social side – poverty and human rights – as well as on the environmental side – climate change and deforestation – are gaining prevalence. Private sector increasingly commits to responsible sourcing, climate neutrality and decent livelihoods targets covering their full supply chains. In parallel, legal frameworks around human rights due diligence and deforestation are gaining traction in consuming countries. To meet commitments, the sector needs to move away from project-based interventions into a comprehensive approach covering the full supply base. Companies alone cannot achieve this. It is crucial to advance a sector-wide dialogue that results in implementation of practical solutions to resolve these issues. Some fundamental underlying questions need to be answered to be able to advance this dialogue into a space where a fact-based discussion can be held, and real solutions be sought true to the complex nature of the challenge. These are questions like: “is the market big enough to sustain a decent livelihood for all those included in it, or do we need to grow the pie?”, “In case the market is big enough, what can be done to shift the balance through increasing farmers net income towards closing living income gaps?”, “How do we make that actionable?”. None of the above questions can be answered without a discussion on how costs, margins and value are distributed within the coffee supply chain.

<sup>1</sup> From: [Strategy Handbook: a Fact-Based Exploration of the Living Income Gap to Develop Effective Sourcing and Pricing Strategies that Close the Gap \(2019\)](#) (p7) – Taskforce on Coffee Living Income, convened and commissioned by IDH.

One key take-away of the [Taskforce on Coffee Living Income \(TCLI\)](#) is that sourcing and pricing archetypes do make a difference in farmer incomes (figure 2 shows the archetypes defined within TCLI). Sourcing relationships and value chain structures play an essential role in transferring value to farmers.

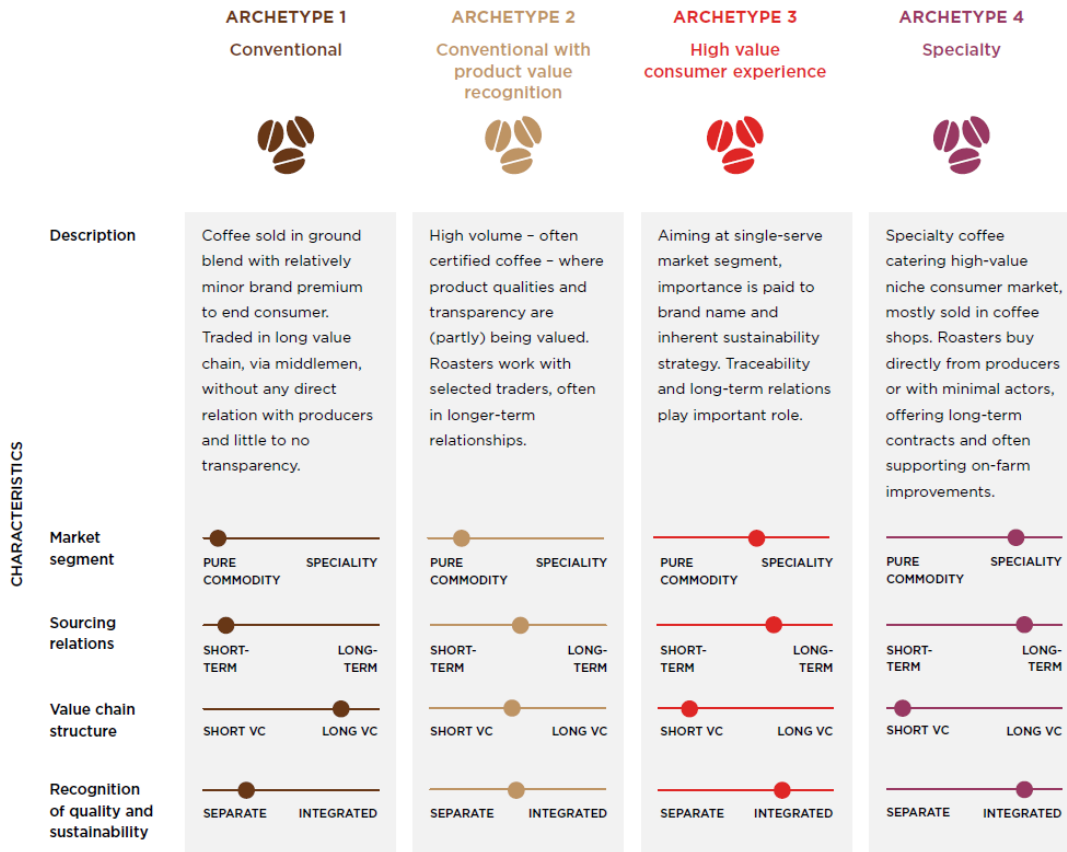
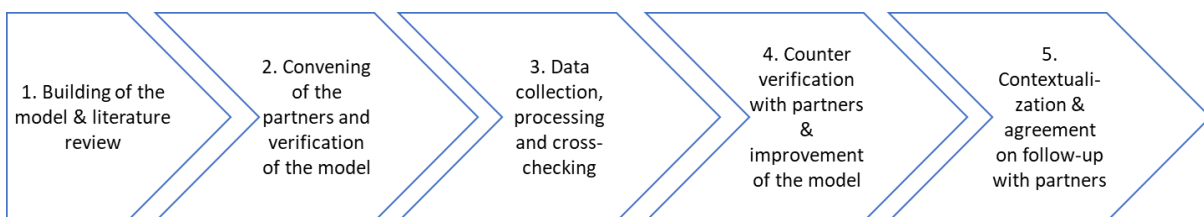


Figure 2: the four coffee sourcing and pricing archetypes as defined within TCLI.

Transparency is crucial in addressing current imbalances in cost, margin and value distribution in global coffee supply chains. By starting from transparency and creating a model on how current cost, margin and value is distributed in a number of coffee value chains the Consortium hopes to engage partners in a larger fact-based dialogue on value distribution as one facet that has the potential to contribute to closing Living Income gaps and increase farmers’ prosperity.

Following the methodology used in the cocoa sector in the *comparative study on the distribution of the value in the European chocolate chains (Basic, 2020)*, the Consortium proposes the following operational framework for the overall program.



The aim of this assignment is to develop a coffee version of the cocoa model build by Le Basic and through the convening effort by the Consortium, under the GCP umbrella. The model will be populated with transactional data from last year from the coffee sector. If need be, this could be complemented by additional data through collection from other sources if the overall quantity or quality of data needs that. This means we do explicitly not aim to model data for the future but build a model that depicts supply chain realities based on past business transactions. This should enable a fact-based dialogue on cost, margin and value distribution within the coffee supply chain and inspire additional action to close living income gaps through a more sustainable distribution of costs, margins, and value within the coffee supply chain.

### 3. Assignment

#### Objectives

The overall aim of this exercise is two-fold: 1) development of an analytical model to kick-start the analysis of cost and value distribution within the coffee supply chain to be complemented by a literature review to build on existing work in the coffee sector 2) populate, verify and present the model to the coffee sector through a convening effort to be led and organized by the Consortium under the GCP umbrella. The two stages interact, where in stage 1 a first analysis of data availability will be made. Based on that the data collection process for stage 2 will be set up. Our first aim is to utilize as much as possible available data provided by “data donors” from within the coffee sector.

For the **model development and verification**, the following sub-objectives apply:

- Build a comprehensive model that identifies and defines for the main supply chains for coffee<sup>2</sup> leading to the German, Dutch and Belgium consumer coffee markets<sup>3</sup>:
  - o An identification of *logical sales channels* to focus on – in-home and out-of-home, offices
  - o An identification of *logical product categories* to focus on – roast & ground, beans, pods, etc.
  - o The types of *modelled products in each category*, based on 5 attributes: 1) type of brand, 2) market segmentation, 3) sales performance of the product and 4) potential type of certification 5) blend vs. single origin.<sup>4</sup>
  - o The *key operational stages within the chain*, from coffee farmers to end consumers.
  - o The *identification and analysis of origins* delivering to the three identified European markets.
  - o The *components of value, costs and taxes* associated with each stage and country within scope, from coffee farmers to end consumers, and the related modes of

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<sup>2</sup> The choice of origins will be defined by the respective share of origin exports in the total coffee imports by Germany, the Netherlands and Belgium. A sufficiently broad supply needs to be reached in order to cover the different product categories and to guarantee sufficient data points. The aim is to have 4 to 5 origin countries considered.

<sup>3</sup> This work draws from, and is inspired by, the study [comparative study on the distribution of the value in the European chocolate chains \(Basic, 2020\)](#). The model originates from this study and more information on how it was operationalized can be found within the study. We would suggest applicants to refer to how they will use this model or develop something similar.

<sup>4</sup> 1) Type of brand: f.e. national brand vs. private label, 2) market segmentation: f.e. specialty, bulk, 100% arabica, blend, 3) f.e. best sellers vs. others and 4) f.e. RA/Utz, 4C, Fairtrade, Organic, Fairtrade Organic. All to be agreed between the Consortium and consultant

calculation for each of them (prices of input + prices of output, cost and tax components, net margins).

- The *main combination patterns* that link all previous elements together (modelled products, operational stages in the chain, countries of operations, associated components of value, costs, taxes and resulting net margins). These patterns allow to map out and model the different value chains attached to each product analysed.<sup>5</sup>
- Organize a meeting between consultant and the Consortium to finalize scope of the assignment based on the data availability and participating stakeholders.
- Verify the model and expected outcomes in one-on-one meetings with critical stakeholders and then present back to the group to create large buy-in into the model. The Consortium will convene these meetings, the consultant will present the rationale and the model to achieve buy-in. The Consortium will guarantee that during the whole process all relevant antitrust laws and regulations will be strictly adhered to.

For the **literature review**, the following sub-objectives apply:

- To understand what earlier work has been performed on cost and value distribution in coffee and other agricultural supply chains that the Consortium can learn from and leverage
  - What has been done in coffee and other comparable sectors, and what data is already available,
  - How it was done and what limitations to anticipate/overcome,
  - Which decisions to be confronted (during the value/cost distribution work and during convening to that end),
  - Who are the most likely partners across supply chain segments
- Recommendations on what is missing and should be the focus of additional work, including how the cocoa model can be applied to coffee and if additional data collection needs to be performed.
- A summary of findings should cover the above topics. This will inform convening, verification and follow-up steps.

For the **model population, verification of results and presentation**, the following sub-objectives apply:

- Participate in convening meetings hosted by the Consortium
  - Provide clear and concise presentations on data needs and data management to the partners during the convening meetings
  - Provide partners with clear and concise information on the proposed model and step-wise approach to populate it
  - Provide content presentations to the convening meetings
  - Verify the model with the partners in convening meetings
  - Present final model and main recommendations to partners
- Collect data to populate the model
  - Host one-on-one meetings with partners who agree to “donate data” for data sharing
  - Develop templates and processes for safe data sharing (to be aligned with the Consortium)

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<sup>5</sup> This work draws from, and is inspired by, the study [comparative study on the distribution of the value in the European chocolate chains \(Basic, 2020\)](#). The model originates from this study and more information on how it was operationalized can be found within the study.

- Liaise with the Consortium if critical data to build the model is required, but missing. In that case, the Consortium will work together with the consultant to find alternative ways to collect this data.
- Verify the model and outcomes in one-on-one meetings with critical stakeholders before presenting back to the group
- Provide results in a clear and appealing report that is easily communicable and in Consortium requested house styles
- Presentation of the results of the analysis in a meeting convened by the Consortium under the GCP umbrella.

### Deliverables

The deliverables of this assignment will be:

Deliverables of assignment	Deadline
An inception meeting with the Consortium team to present the finalized workplan (including a research framework in which research questions are operationalized, suggestions on how to work with partners to access their data and how to collaborate in the convening meetings), a list of relevant literature available and proposed interactions with the Consortium, including expected input moments of the Consortium.	End October
Literature review of cost and value distribution models within coffee clearly summarizing the above-mentioned sub-objectives and clarifying data availability within the sector <sup>6</sup> . A clear overview of what data is missing currently and how this could be collected.	Mid November
A dynamic model to analyse cost and value distribution within the coffee supply chain from farmer to consumer based on the above-mentioned sub-objectives.	End November
Development of templates and tools to collect data, verify data quality and diversity to fill the model.	4 <sup>th</sup> December – ahead of GCP Member Assembly 7-8 December
An in-between meeting to sign off the verified model design after meeting with the Consortium, critical stakeholders.	Mid-End November – ahead of GCP Member Assembly
First convening meeting with the partners based on data availability and stakeholder participation. This leads to a finalized scope of the model.	January-February 2023.

<sup>6</sup> Examples: Strategy Handbook on the Taskforce of Coffee Living Income, Le Basic study “Coffee: the Hidden Story behind the Success Story”, Sachs et. al (2019) “Ensuring Economic Viability and Sustainability of Coffee Production” and Sachs and Cordez (2020) “Making Coffee Sustainable”



Completed data collection with partners to fill the model with real transactional data. If necessary – collect additional data in collaboration with the Consortium partners.	End March 2023
Strong participation and alignment in the convening meetings including clear and concise presentations to the participants on progress made, results and next steps. This leads to a verification of the results of the model and the tool with the Consortium, critical stakeholders and in a convening session.	End April 2023
Final verified model and tool, including a report describing the literature findings and presenting the model for cost and value distribution for coffee.	End May 2023
Fully aligned on and designed report and model including attractive visuals for the model and the actual tool to model different strategies for value distribution	June 2023 – ahead of GCP mid-year Member Webinar and World of Coffee.
Present at launch	June 2023 – GCP mid-year Member Webinar or World of Coffee

#### 4. Selection Procedure

The procedure will be as follows:

1. Inviting services providers to submit a proposal based on this ToR.
2. Option to submit questions regarding the assignment and the ToR. Questions will be answered via an information notice that will be shared with all consultants that indicated their interest in the assignment or submitted questions.
3. Evaluation of the proposals by the evaluation committee. The evaluation committee will evaluate the proposals based on the selection criteria as published in this ToR.
4. Decision on selection of the service provider.
5. Inception meeting with the selected service provider.

The schedule below indicates the timelines for the tender procedure:

Tender process	Timeline
ToR published	14 <sup>th</sup> September 2022
Closing date questions*	23 <sup>rd</sup> September 2022
Publication of information notice	28 <sup>th</sup> September 2022
Deadline for submission of proposals**	9 <sup>th</sup> October 2022
Selection of Service provider	17 <sup>th</sup> October 2022
Start of assignment	19 <sup>th</sup> October 2022

\* Questions received by the Consortium after this date will not be answered.

\*\* Proposals submitted after the deadline will be returned and will not be considered in the tender procedure.

After the deadline to submit a proposal has passed, the evaluation committee will evaluate the proposals.

The proposals will first be tested for completeness:

- The absence of the documents referred to in Section 7 of this document can lead to exclusion from further participation in the tender procedure. This is also the case when minimum requirements listed in this ToR are not met.
- If the proposal is complete, the selection committee will evaluate the proposal based on the criterion as mentioned in section 7.

The assignment will be awarded to the service provider with the most economically advantageous tender. This is determined based on the evaluation criteria price and quality.

The Consortium will reject the proposal if any illegal or corrupt practices have taken place in connection with the award or the tender procedure.

#### Questions

Questions regarding the assignment or the ToR can be submitted until 23<sup>rd</sup> September 2022, by e-mail to [chait@idhtrade.org](mailto:chait@idhtrade.org) and [huijssoon@idhtrade.org](mailto:huijssoon@idhtrade.org). With the express mention: “Questions tender Development of cost and value distribution model for coffee supply chains”. Questions must be submitted in the English language.

The submitted questions will be categorised, anonymized, and combined in an information notice. This notice will be sent to all consultants in a reply to the e-mail in which the questions were submitted.

The responsibility for the timely and accurate submission of the questions lies with the service provider. When the Consortium indicates that questions have not been received by the Consortium before the indicated deadline, the service provider must demonstrate that the questions were sent timely.

#### **5. Proposal requirements**

The Consortium is requesting the service providers to hand in a proposal of maximum 10 pages (excluding company biographies, CVs, sample work and references). The proposal must be handed in a MS Word or PowerPoint version next to a PDF submission to facilitate any copy-and-pasting of content that we may need during evaluation.

The proposal must at least include:

#### Content:

- a. A succinct, well-documented approach addressing the requirements set out in this ToR, including a reflection on the Terms of Reference, approach for the literature review, the proposed methodology to produce the model, process & timeline, risks and limitations
- b. An example of a report done by the consultants
- c. Maximum of three client references and a sample of previous work relevant to the deliverables in this ToR
- d. An overview of the project team, including the CVs of the project team members



- e. Budget presented in Euros (ex VAT) with a break-down of days/rate per project team member
- f. Statement on Ground for exclusion (see section 7 below)

Administrative:

- g. Copy of most recent (audited) financial accounts

The proposal must be submitted to Gabriel Chait at [chait@idhtrade.org](mailto:chait@idhtrade.org) or Marlies Huijssoon at [Huijssoon@idhtrade.org](mailto:Huijssoon@idhtrade.org) before **9<sup>th</sup> October 2022**.

## **6. Consultant/Consultancy profile**

For this assignment we expect a consultant (individual, company or consortium) who brings the following assets/experiences:

- Extensive experience in the coffee sector: strong understanding of the coffee market, i.e., supply chain segments, origins, routes-to-market and product categories.
- Understanding of and ability to capture, analyse and structure the different supply chain structures within the coffee sector and to formulate a clear and logical analytical model for cost and value distribution.
- Strong understanding of cost and value distribution within supply chains (coffee and/or others).
- Neutral and trusted.
- Suitable communication skills and experience.
- Appropriate cost-effective budget.

## **7. Testing and weighing**

The assignment will be awarded to the service provider with the most economically advantageous tender. The most economically advantageous tender is determined on the basis of the evaluation criteria of price and quality.

### Grounds for exclusion

1. Service providers shall be excluded from participation in this tender procedure if:
  - a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
  - b) they or persons having powers of representation, decision-making or control over them have been convicted of an offence concerning their professional conduct by a judgment which has the force of res judicata;
  - c) they have been guilty of grave professional misconduct proven by any means which the Consortium can justify;
  - d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established, or with those of the Netherlands or those of the country where the contract is to be performed;
  - e) they or persons having powers of representation, decision making or control over them have been the subject of a judgment which has the force of res judicata for fraud, corruption, involvement in a criminal organization, money laundering or any other illegal activity.

**Service providers must confirm in writing that they are not in one of the situations as listed above.**

2. Service providers shall not make use of child labor or forced labor and/or practice discrimination and they shall respect the right to freedom of association and the right to organize and engage in collective bargaining, in accordance with the core conventions of the International Labor Organization (ILO).

### Scoring and weighing

The evaluation criteria are compared and weighed according to the procedure below. This concerns a general outline of the scoring methodology and an explanation how the service provider can demonstrate compliance with the requirements.

#### *Step 1 - Criterion Quality*

Evaluation scores will be awarded for each of the components. The evaluation committee will score each component unanimously.

The proposal will be assessed based on the following selection criteria:

Component		Criteria	Max. Grading
1	<b>Proposal overall</b>	The extent to which the proposal meets the requirements set out in Section 3 and 6 above and throughout this document.	<b>5</b>
2	<b>Design and Development process</b>	The extent to which the Service provider demonstrates that a clear design and development process will be followed and the Consortium is adequately consulted for input during the design and development.  The extent to which it is clear what is required of the Consortium in terms of human resources, digital assets and other input to deliver the project without being too onerous on our staff.	<b>5</b>
3	<b>Track record</b>	The extent to which the Service provider presents the required level of expertise and knowledge to fulfil the requirements both at team member and company level.  To extent to which the Service providers gives a clear description of the project team, relevant (delivering similar projects) experience of team members and time allocation per team member.	<b>3</b>

The evaluation committee will score each component by assigning scores from 1 to the maximum grading, with the maximum grading representing optimal performance on the component and 1 representing extremely poor performance on the respective component.

#### *Step 2 - Criterion price*

A combined price in Euros (ex VAT) is to be presented. This is to be broken down by team member rate and hours.

The criterion of assessment is “the best price for the proposed level of quality” with a maximum grading of 5.

#### *Step 3 - Weighting*

The final score will be weighted 70% on Quality and 30% on Price.

If scores of service providers are equal, priority will be based on the total scores that were given for the Criterion Quality. The assignment will be awarded to the service provider that has received the highest score for the Criterion Quality. If the evaluation of the Criterion Quality does not lead to a distinction, the score for the component “Proposal overall” will be decisive. If this does not lead to a distinction, the ranking will be determined by the drawing of lots.

#### Award

Once the Consortium has decided to which Service provider it intends to award the assignment, a written notification thereof is sent to all Service providers participating in the tender procedure.

The Service provider is contracted via a letter of assignment, following IDH’s template.

### **8. Communication and Confidentiality**

The Service provider will ensure that all its contacts with the Consortium, with regards to the tender, during the tender procedure take place exclusively in writing by e-mail to Gabriel Chait [chait@idhtrade.org](mailto:chait@idhtrade.org) or Marlies Huijssoon [huijssoon@idhtrade.org](mailto:huijssoon@idhtrade.org). The Service provider is thus explicitly prohibited, to prevent discrimination of the other Service providers and to ensure the diligence of the procedure, to have any contact whatsoever regarding the tender with any other persons of the Consortium than the person stated in the first sentence of this paragraph.

The documents provided by or on behalf of the Consortium will be handled confidentiality. The Service provider will also impose a duty of confidentiality on any parties that it engages. Any breach of the duty of confidentiality by the Service provider or its engaged third parties will give the Consortium grounds for exclusion of the Service provider, without requiring any prior written or verbal warning.

All information, documents and other requested or provided data submitted by the Service providers will be handled with due care and confidentiality by the Consortium. The provided information will after evaluation by the Consortium be filed as confidential. The provided information will not be returned to the Service provider.

### **9. Disclaimer**

The Consortium reserves the right to update, change, extend, postpone, withdraw, or suspend the ToR, this tender procedure, or any decision regarding the selection or contract award. The Consortium is not obliged in this tender procedure to make a contract award decision or to conclude a contract with a participant.

Participants in the tender procedure cannot claim compensation from the Consortium, any affiliated persons or entities, in any way, in case any of the afore-mentioned situations occur.

By handing in a proposal, participants accept all terms and reservations made in this ToR, and subsequent information and documentation in this tender procedure.