

Supply chain of coffee

[Literature](#), [Russian Literature](#)



1. Supply chain of coffee. Plantation phase. The plantation encompasses cultivation of the green coffee which involves various methods and management practices. This include management of soil, fertilizer use, pest management and harvesting phase. The factors above are influenced by methods of harvesting, topology of plantation and cultivation practices.

Coffee is processed by two methods;

Dry method; this is done to Robusta coffee, though has been used over a long period of time.

Wet method; Arabica type of coffee is processed using this method, it produces better quality as compared to the dry one and hence fetch a high market value (Cairncross, 1966).

Production stage.

At this processing and packaging is done. It includes cleaning and weighing, grinding, roasting, blending and storing. Depending on the process applied various qualities are obtained which are then packed then packed as either secondary or primary.

Distribution

The processed coffee is distributed to the consumers through various depots in accordance to the marketing strategy and capacity of the firm.

Consumption Stage.

Depending of taste of consumers, nationality, brand and type of process, coffee is consumed on different levels by different individuals.

Waste management.

Reuse, recycling and land filling is used as methods of waste management strategist.

2. Supply and determinants of coffee supply.

Supply refers to the quantity of goods that producers willingly produce at a given price while constantly holding other factors.

Determinants of coffee supply are;

Input cost: The input cost are inversely proportional to coffee supply. For instance on a high price of raw materials the supply reduces.

Production cost: The cost of production is directly proportional to supply.

Incorporation of technology in production reduces the production cost consequently increasing the supply.

Price of substitute: price of an alternative product is directly proportional to the supply. If price of the substitute is low the supply of the coffee will be low.

Expected future price: if the future price is expected to shoot the supply will go down due to hoarding for the future price.

3. Demand and determinants of demand

Demand refers to the quantity of goods a consumer is capable of purchasing at a given price.

Determinants of demand include;

Disposable income of the consumer: This is directly proportional to the demand of the product for instance if the income of the consumer rise the demand of products increases.

Consumer preference: The consumer preference is directly proportional to the demand in that consumers tend to have a higher demand to products which they prefer over others.

Price of related good: if the price a related good increases the demand of the

product increases while if the prices drop the demand will decrease due to the cheaper goods in the market.

Expected future prices: if the future price of goods is expected to shoot in the future the demand of the product increases due to the fear of price shooting. If it's expected to decrease the demand drops for better prices in future (Johansson, and Kristrom, 2011)

4. Time graph of world coffee prices for the last 5 years

For the last five years there has been varying trends of coffee prices. The price rose steadily for the first two years from 137.5 USD to 241.5 USD and has been in the decline for the latter two years and increased last year as illustrated in the table below (Snider, 1967).

YEAR

2010

2011

2012

2013

2014

PRICES(in USD) millions

137.5

241.5

217.6

149.1

187.05

Prices are declining hence have the quantity demanded increasing, this exerts pressure on the supply curve causing it to make a downward shift in

attempt to meet the demand.

References

Cairncross, A. (1966). Introduction to economics. London: Butterworths.

Snider, D. (1967). Introduction to international economics. Homewood, Ill.: R. D. Irwin.

Johansson, P. and Kristrom, B. (2011). Modern Cost-Benefit Analysis of Hydropower Conflicts. Cheltenham: Edward Elgar Pub.