



Bill Murray
President & CEO
National Coffee Association of USA
45 Broadway, Suite 1140
New York, NY 10006

June 1, 2017

Seattle City Council
City Hall
600 Fourth Ave. 2nd Floor
Seattle, WA 98104

Dear Members of the Seattle City Council:

In March, I had the privilege to participate in a coffee convention in Seattle, where a major topic was the surfeit of regulations that govern the coffee business – along with the need for industry participation in the legislative process. At the time, I couldn't imagine that only six weeks later, Seattle itself would be proposing a soda tax that could impact some coffee beverages.

As president of the National Coffee Association, I would like to express the U.S. coffee industry's serious concerns about the soda tax provision found in CB 118965. The tax, as proposed, would have a significantly detrimental effect on coffee drinkers and the many local businesses they patronize, including NCA members, as well as Seattle's vibrant coffee economy.

As a regressive tax borne largely by consumers, the proposal can hurt demand that supports hundreds of independent roasters, coffee shops, restaurants, retailers, and allied suppliers. Aimed at promoting a healthy diet, the tax would have the opposite effect if applied to coffee.

There is a vast body of scientific literature associating coffee with significant health benefits – from reducing the risk of diabetes, to protecting the liver against cirrhosis and cancer, to preventing cognitive decline, to living longer. The new U.S. Dietary Guidelines for Americans acknowledges the research by including coffee for the first time in its recommendations – noting that three to five cups of coffee a day may be part of a healthy diet.

Additionally, coffee is distinct from sodas and other targeted beverages. Black coffee contains no sugar. Forty-four percent of coffee drinkers take their coffee black or unsweetened, according to the 2017 edition of the industry's longest consumption tracking study, the *National Coffee Drinking Trends*. Another 45% whiten and sweeten their coffee, while only 11% sweeten it alone. Sweetening includes many non-caloric substitutes and is not intrinsic to coffee, as is sugar to soda and other beverages. For coffee, it's a personal choice that can include widely varying splashes of syrup, flavorings and toppings to suit individual tastes.

Moreover, additives such as dairy and soy ingredients contribute their own share of nutritional value. Because of their health benefits, these ingredients typically shift coffee drinks into a special “milk-based beverages” category, meriting an exemption in other cities’ beverage tax plans.

From a business perspective, the fallout for coffee purveyors could be crippling. Absorbing the tax will be particularly difficult for small local proprietors, while passing the cost along to consumers can hurt demand and alienate value-conscious customers. Whether consumers choose value or indulge in specialty coffee beverages, the tax will negatively impact purchases, along with dependent retailer revenues and tax receipts. Moreover, targeting a 10% decline in sales, as envisioned by the tax proposal, would further diminish business and tax receipts.

The burdens of administering the tax would hit small businesses particularly hard. Significant time and cost will be needed to identify taxable beverages, calculate the tax, and process the receipts. The impact on the bottom line would further exacerbate the revenue hit from reduced customer traffic.


Viewed socioeconomically, Seattle is emblematically associated with coffee – more so than any other U.S. city. Culturally, as well as economically, coffee plays a big role in the city’s identity, which has echoed nationwide. Seattle’s leading example, in fact, has re-energized the U.S. coffee industry, which now comprises nearly 1.6% of the Gross Domestic Product.

We applaud the city’s desire to fund programs related to education and homelessness. But despite the best intentions, levying a soda tax on coffee would have unintended and unanticipated consequences. It would surely have a severe impact on coffee demand and consumption, hurt local businesses, diminish Seattle’s vital coffee economy, and tarnish its iconic cultural identity.

In any case, should the soda tax go forward, coffee should be explicitly exempted, based on the reasons above. I hope the City Council will apply these considerations in its final deliberations.

I’d be happy to discuss these matters further with the City Council prior to its June 5 vote on the proposal, as reported out of the Affordable Housing, Neighborhoods, and Finance Committee. Thank you kindly for your time and consideration.

Sincerely,


William M. “Bill” Murray
President & CEO
National Coffee Association of USA