Still brewing: Fostering sustainable coffee production

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ABSTRACT

Coffee sustainability has evolved from a movement led by civil society to become a core business interest of coffee trading companies and roasters. It attracts substantial investment from both individual companies and the coffee industry, acting collaboratively. We analyze this evolution and its effects on how sustainability is applied by coffee farmers, as well as the resultant changes on farms and in producing communities. As companies shift to more sustainable coffee production, we show that while farmers benefit, such benefit is limited by governance factors in the supply chain and by the scope of the companies’ interests. This research draws on evidence from the programs developed by civil society organizations, including those managing standards and certification systems, and the coffee industry. We find that the market approach to sustainable coffee production requires parallel commitments from governments and donor agencies to achieve equitable social participation and environmental conservation. We argue for impact studies, which presently focus on standards and certification, to consider a wider range of market approaches.

1. Evolution of the market approach to sustainability

1.1. Overview

The market approach to sustainable coffee production began with the European initiative at the end of the 1980s to label branded coffee products to recognize their special value for the growers. This initiative drew on pioneering efforts by church groups and charities to sell coffee and other products from organized groups of smallholders, as a means of supporting poor people through the dignity of work, rather than charitable hand-outs (Max Havelaar Foundation, 2013). This concept evolved into a standards and certification system, in which a multi-stakeholder body defines sustainability practices, an independent specialist body certifies their application on the coffee farm, and companies buying the coffee may use a label to demonstrate to customers and consumers their support of the producers. Several certification and verification schemes have since arisen and by 2013 covered 40% of global coffee production in 2013 (Panhuysen & Pierrot, 2014).

Market approaches to sustainable coffee production have recently diversified in two ways. First, major coffee trading and brand companies have developed their own sustainability programs, drawing on lessons learned from the certification systems, and focusing on changes the companies want to promote in coffee production, rather than following the standard body’s definition. Unable to use an independent label, the companies incorporate independent verification of their schemes to boost the credibility of their claims. Examples include Nespresso, which introduced in 2003 its AAA Sustainable Quality™ Program, with the Rainforest Alliance as its key advisor (Nespresso, 2017), and Starbucks, which launched C.A.F.E. (Coffee and Farmer Equity) Practices in 2004, with Conservation International as lead advisor (Starbucks C.A.F.E Practices, 2017). ECOM, the second largest coffee trading company, established the subsidiary, Sustainable Management Services in 2006, to provide technical assistance to coffee growers (ECOM, 2017a,b). All three companies also buy independently certified coffee, so that their own schemes represent a diversification of market approaches, rather than a substitution of one by another.

The second recent trend in market approaches to coffee sustainability, as well as other tropical commodities, has been the development of multi-company initiatives. Companies that compete in the market are working together on an agreed upon set of sustainability activities, seeking to leverage their size and distribution to increase their scale and impact. These multi-company initiatives are often accompanied by support from large donor agencies and the involvement of specialist civil society organizations. The 4C (Common Code for Coffee Communities) Association was launched in 2006 as a public-private partnership, with support from the German development agency GTZ (now GIZ) and the German Coffee Association. 4C introduced a new entry-level code to help producers take their first steps towards certification and brought the industry together to invest in technical assistance, stating that the difficulties faced by coffee producers “threaten the long-term supply of the quantities and qualities needed by the market to meet consumers demand. Therefore, all actors...
along the coffee chain have a vital interest in contributing to a healthy coffee market that benefits all the participants in the chain – today and in the future” (4C Association, 2006). The 2010 Initiative for Coffee and Climate is a further multi-company initiative, bringing together European and North American companies to develop the concept of climate smart coffee, with support from governments in Germany, Netherlands and Sweden, and drawing on expertise from civil society.

These three major market approaches to sustainable coffee—standards and certification, individual company programs, and collaborative industry platforms—have been reinforced by a set of international initiatives outside of any specific sector that promotes responsible social and environmental practices as a core business value. While such international initiatives may not affect the way small and medium companies buy coffee or how producers grow it, they reflect an increased understanding of, and commitment to, sustainability that changes large company behavior, including coffee traders and roasters. The Fair Labor Association, Social Accountability International, and Ethical Trading Initiative, all founded in the 1990s, began providing guidelines and frameworks for participating companies to promote good labor practices in their supply chains. The Global Reporting Initiative was launched in 1997 to guide good practice in company reporting on sustainability. In 2002, following the 2001 decline in international coffee prices, some major companies, including Nestlé, Kraft and Unilever, formed the Sustainable Agriculture Initiative (SAI) Platform, to guide food and drink companies to good practice in sustainable agriculture.

The United Nations has also shaped approaches to sustainable coffee production. In 1995, the World Business Council for Sustainable Development (WBCSD) was founded to develop business solutions for social and environmental issues, with food and land use as a core area. In 2000, the UN Global Compact, a platform to mobilize private sector commitments to sustainable business practices, introduced ten principles to catalyze companies’ support of broader United Nations goals on human rights, labor, environment and anti-corruption. In 2014, it launched a set of principles specifically for food and agriculture companies.

Additionally, the 2015 United Nations Sustainable Development Goals are widely recognized by businesses as a framework for sustainability. Annual company reports almost universally reference how their sustainability efforts contribute to the goals, unlike the 2000 Millennium Development Goals, illustrating how, by 2015, it had become widely recognized that companies can drive sustainable development at scale through their core businesses operations (Nelson, Jenkins, & Gilbert, 2015) Recognizing this, one of the largest coffee trading companies, Olam International, launched the Global Agribusiness Alliance in 2016 to “harness the collective strengths of the global agri-business sector to tackle environmental, social and sustainability challenges to improve the resilience of farmers across the world... and help achieve UN Sustainable Development Goal 2: “end hunger, achieve food security and improved nutrition and promote sustainable agriculture” (Global Agri-business Alliance, 2016).


While the evolution of companies assuming responsibility for sustainability has been described as a way of regulating perceived failures of government policy (Bénabou & Tirole, 2010), this is only perhaps of the first phase of corporate sustainability, when two simultaneous but different movements in coffee sustainability arose, at least partly in response to policy failures that threatened farmer livelihoods and the natural environment where they farm.

Fair trade developed in Europe in response to the collapse in 1989 of the International Coffee Organization’s price management mechanism and subsequent record low world coffee prices (Potts et al., 2014). Several civil society organizations came together to target mainstream markets through developing the standard, certification and labeling system. The concept, pioneered by Max Havelaar in the Netherlands in 1988, and followed by other similar initiatives across Europe in the 1990s, enabled coffee companies to apply the standard in their supply chains and use the fair trade label under a licensing agreement. The standard was based on the concept of paying producers according to the cost of producing coffee, rather than price determined by the international market. By working with the mainstream coffee industry, fair trade aligned the concept with a higher quality of coffee than the earlier church groups and charities. In 1997, Fairtrade Labelling Organizations International (now Fairtrade International) was established in Bonn, Germany to harmonize the standards and certification systems of the national organizations under one umbrella. Fairtrade International now comprises 29 labeling initiatives and marketing organizations, and three producer networks (Barone, Deudg, & Wille, 2017).

The fair trade standard was little concerned with environmental issues. Conversely, when fair trade coffee labeling began in the United States in 1999, conservation organizations had already promoted harnessing market forces to stimulate sustainable coffee production. Two lines of research guided this emerging concept. In 1988 and 1990, an Oxford University scientist, Norman Myers, published two articles identifying biodiversity hotspots as priorities for conservation for their large numbers of endemic species and high level of loss of primary vegetation (Myers, Mittermeier, Mittermeier, da Fonseca, & Kent, 2000). Conserving the hotspots through legal protection was not a feasible strategy, as many were populated by people living in poverty and earning their living from coffee farming.

The second line of research studied the effects of a trend to grow coffee without a traditional shade canopy of native tree species. In the 1980s, governments and international aid organizations began promoting and financing clear-cutting traditional agroforestry systems, which hosted dozens of species, including migratory birds during their seasonal movements, to grow coffee in full sun, using high levels of inputs, believing that this system would increase productivity and stem the spread of a fungal disease threatening coffee plants in Central and South America (Noponen et al., 2017).

The Smithsonian Migratory Bird Center found that coffee trees have a longer life span if grown under shade than under sun. They provide better bird habitat, soil protection and erosion control, carbon sequestration, natural pest control, and pollination. While in the short term, sun-grown coffee has higher yields, shade-grown coffee farms are more sustainable in the long-term for farmers and the natural environment (Perfecto, Rice, Greenberg, & Van der Voort, 1996). Moreover, the traditional coffee growing system provides other products to sustain local communities throughout the year, such as firewood, building materials, fruit and vegetables, medicinal and ritual plants. Traditional shaded coffee systems also deliver social and cultural value to traditional communities (Toledo & Moguel, 2012).

The new research in biodiversity and traditional agroforestry coffee production systems was quickly applied to market approaches. The Rainforest Alliance was founded in 1986 in New York and Conservation International in 1987 in Washington, D.C., home of the Smithsonian Institution. During the 1990s, these organizations, with the collaboration of research organizations in Latin America, pioneered producing and marketing coffee to conserve the world’s biodiversity and critical habitat for species.

The Rainforest Alliance built a network of like-minded non-profit organizations from important coffee producing countries in Central and South America. Together, these organizations launched the Sustainable Agriculture Network and in 1993 published a standard of best management practices for sustainable production of tropical commodities, which contained the three focus areas that characterize the sustainability movement: conserving the natural environment, providing safe, secure and equitable working conditions and applying best practices for production (Noponen et al., 2017). The Smithsonian Migratory Bird Center hosted the First Sustainable Coffee Congress in 1996, which attracted 270 people from 19 countries. The Smithsonian defined
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