

Position paper: Sustainability and Coffee

The positive effects of the cultivation of and trade in coffee

Compared to many alternatives, the environmental and social effects of the cultivation of and trade in coffee are considered **basically positive** by the International Coffee Organization ICO.

However, the international value-added chain extends to developing and emerging countries, where **problems** such as child labour, poorly functioning (or an absence of) public infrastructure or deficient regulation of health and safety and environmental protection are prevalent.

There has been growing interest in Western industrialised countries in recent years in the **conditions under which coffee is cultivated**, with many of today's consumers paying closer attention to the sustainability aspects of the products that they buy.

The three dimensions of sustainability

Sustainability generally consists of an economic, a social and an environmental dimension:

- **Economic sustainability with coffee**

Approximately 70% of the coffee cultivated worldwide is grown by some 25 million **small farmers**, who have an interest in a stable market. The prices that farmers obtain for their coffee should match the size of their respective contributions to the value-added chain, while also assuring a dignified existence. From the point of view of **customers and consumers**, the availability of a sufficient quantity of consistently high quality coffee is of paramount importance, as is the key factor of price stability.

- **Social sustainability with coffee**

Coffee accounts for innumerable **jobs** in the countries where it is produced, and helps to maintain **community structures** in rural areas, although social conditions in growing areas can **vary significantly from country to country**.

The **working conditions** of people employed in the cultivation of coffee are linked to such sustainability-related aspects as compliance with the standards of the International Labour Organisation (ILO), or the avoidance of population hazards associated with substances like pesticides, where these are used.

One important challenge in this respect is the use of **child labour**. There is in principle no problem with children helping out as part of the family, which is something that we are likewise accustomed to. However, the decisive factor is whether children are able to attend school and enjoy sufficient free time, without being exposed to physical exhaustion or danger. Clear guidelines requiring application include:

- the **UN Convention** on the Rights of the Child and
- the **Conventions of the International Labour Organisation (ILO)**, with particular reference to:
 - **ILO Convention 138** (convention concerning the minimum age for admission to employment) and
 - **ILO Convention 182** (prohibition and immediate action for the elimination of the worst forms of child labour).
- **Environmental sustainability with coffee**

As an evergreen shrub, the coffee plant contributes to **CO₂ reduction**. It can also contribute to **soil stabilisation**. Coffee plants traditionally grow in the shade of larger trees, thereby helping to preserve natural habitats. **Biodiversity** can therefore be maintained in the context of coffee-growing.

There are nevertheless certain **negative effects**, the extent of which depends on **location**, the **method of coffee-growing** and the **variety of plant**. Adverse effects are prevalent above all where coffee is grown in a regime of monoculture. This non-traditional method of growing tends to increase the need for pesticides and artificial irrigation. Most coffee is however cultivated by small farmers using traditional methods. The **manner** in which **coffee is processed** can also influence the extent of these environmental effects. The "wet" process used in certain regions, for example, (where the pulp is separated by means of a fermentation process carried out in water-filled tanks) can lead to water pollution.

Promoting sustainability and coffee

Switzerland and the International Coffee Agreement

Switzerland is one of the signatories of the International Coffee Agreement, on which the activities of the **International Coffee Organisation (ICO)** are based. This organisation provides a forum for intergovernmental consultation, trade promotion initiatives and sustainable trade in coffee for the benefit of all stakeholders, with particular reference to small farmers in the growing areas concerned; thereby helping to ensure that the Coffee Agreement is also an instrument of development cooperation.

One important goal of the International Coffee Agreement is to encourage its member-state signatories to develop a **coffee sector** that is economically, socially and environmentally **sustainable**.

- **The economic aspect of the ICO's activities**

The ICO supports efforts designed to improve the quality of coffee by means of projects aimed at delivering improvements in the areas of **cultivation and custodianship of the land, processing, storage, transport and marketing**; while also promoting initiatives that strengthen regional competences in the field of certification and verification.

- **The social aspect of the ICO's activities**

When it comes to the social aspect of its activities, the ICO is deeply committed to **capacity building**, which includes the sustainable development of knowledge, skills, structures and systems within the growing areas concerned. At the same time, the ICO also seeks to provide better access to **financial** and **risk-management** mechanisms with a view to reducing the vulner-

ability of small farmers forced to cope with fluctuating incomes. Another area of action in this respect is the promotion of **equal rights** for women.

- **The environmental aspect of the ICO's activities**

As part of the ICO's efforts to reduce the consumption of water and prevent its pollution, the organisation lends its support, via a series of pilot projects, to farmers in Africa and Latin America in their use of **environment-friendly technologies**.

Multi-stakeholder activities

- **The 4C-Association**

The Common Code for the Coffee Community Association (known as the "4C-Association") (<http://www.4c-coffeeassociation.org>) is a platform that brings together the various stakeholders of the coffee sector in order to address sustainability issues in a pre-competitive way. This global association, which counts on several Procafé companies as members, seeks to improve the economic, social and environmental conditions of people whose livelihood is based on coffee farming. Members all undertake to abide by the **Common Code for the Coffee Community**. This code includes 27 principles that address the economic, social and environmental aspects of sustainability, while defining a list of ten unacceptable practices.

The organisation has more than 320 members from the following sectors:

- Organisations of coffee farmers
- Wholesale importers and exporters
- Industrial-scale roasters, processors and refiners, etc.
- Retailers
- Non-government organisations (NGOs)

- **Sustainable Coffee Program of the IDH**

The Sustainable Coffee Program (www.sustainablecoffeeprogram.com), an endeavour promoted by the Sustainable Trade Initiative IDH, is a global, pre-competitive (i.e. non-competition-based) **public-private initiative** which includes partners from trade and industry, governments, NGOs and standards organisations that are active in the coffee sector. It aims to accelerate the production of sustainable coffee and bring together the efforts of various stakeholders, while improving cooperation with local governments. The program is supported by the **Swiss State Secretariat for Economic Affairs (SECO)**, among others.

- **Projects and initiatives of business organisations**

Most companies with multinational operations have also launched, in parallel with their normal intra-group activities, **own programs** designed to promote sustainability. The most ambitious of these programs make sustainability **part of corporate strategy** by means of measures applied along the entire value-added chain; from cooperation with coffee farmers and the optimisation of transport right up to the management of coffee-waste disposal.

Many companies also work with **international standards**, **industry codes of practice** or **group-wide purchasing guidelines** designed to ensure compliance with high social and environmental standards along their entire value-added chain.

Business organisations' **possibilities of actually influencing** the supply chain vary widely in this respect, depending mainly on the structure and complexity of the supply chain in question and the position vis-a-vis the market of the company concerned.

Several companies have made sustainability an integral part of their value-added chain, albeit **without applying for the right to use the sustainability labels** issued by external certification bodies. Other businesses cooperate with **external organisations**. A list of these external organisations can be found on the Procafé website (About ourselves>Links>Organizations).

Sustainability labelling

Social-responsibility and eco-labels tell the consumer that the product concerned has been manufactured with a sustainable approach to environmental, economic and social criteria. These labels facilitate **consumer choice**, while helping suppliers to **market themselves** on the basis of sustainability.

The key labels in the coffee sector

The following sustainability labels are widely used (without this supposing any claims to completeness) in the coffee sector:

4C-Program – Common Code for the Coffee Community



The 4C Association was initiated in 2003, as the Common Code for the Coffee Community, by the Gesellschaft für internationale Zusammenarbeit GmbH (GIZ) a German organisation dedicated to international cooperation, and the German Coffee Association (DKV), along with representatives from the coffee sectors of the producing and consuming countries, and from civil society in general.

A freestanding organisation since 2006, the 4C Association is now the leading multi-stakeholder platform for sustainable coffee. The aim is to make the whole sector more sustainable, on a broad basis involving the participation of all relevant stakeholders at a non-competitive level. The 4C Association offers a recognised basic standard as a starting point for continuous improvement towards sustainable production. It also cooperates with fellow standards organisations to promote initiatives in the sector, while engaging actively with other wide-ranging aspects of sustainability.

The 4C Association works with an independent system of verification. This implements checks designed to ensure that the production units concerned (4C Units) abide by the 4C code of conduct, and that they have at their disposal the right structures to ensure continuous improvement. As this does not constitute a product-certification process, 4C members do not attach any labels or logos to their packaging. They can instead print a corresponding statement on the packaging to confirm their membership of the organisation.

www.4c-coffeeassociation.org

Fairtrade Max Havelaar



This non-profit organisation was founded in 1992 by the Swiss charities *Brot für alle* ("Bread for All"), Caritas, *Fastenopfer*, HEKS, Helvetas and Swissaid. Coffees bearing the Fairtrade Max Havelaar seal of quality have been cultivated and traded in accordance with the international standards of Fairtrade International (FLO). The independent organisation FLO-Cert carries out regular inspections to ensure that the standards are being maintained. Fairtrade improves the living and working conditions of small farmers and their families and agricultural workers. Fairtrade uses its financial resources to promote professionalism in the coffee sector, while reinforcing democratic organisational structures. Fairtrade coffee is imported from more than 30 countries in Latin America, Africa and Asia. The Fairtrade minimum price and the Fairtrade premium give farmers economic security and provide them with financial resources for investing in coffee production and community projects. Sustainable cultivation in accordance with Fairtrade ecological standards ensures the careful use of resources, and therefore the long-term sustainable existence of the farmers concerned. The effects of Fairtrade have been confirmed by numerous independent studies.

www.maxhavelaar.ch



Rainforest Alliance

The Rainforest Alliance is an international non-profit organisation. Founded in 1987, it is based in New York. Farms that grow coffee in accordance with the Sustainable Agriculture Network-Standard (SAN-Standard) can obtain the corresponding certification. This certification is based on the three pillars of sustainability: environmental protection, social equity and economic viability. One of the objectives of this certification is to conserve the habitats of free wild animals, while protecting the natural resources of coffee plantations. In addition to the protection of forests, water, soil and wild animals, plantations are only granted certification if they pay farmers a fair price for their coffee. Plantation workers are also supplied with proper working equipment, and access to education and medical care. Since 1992, certification has been granted to plantations in some two dozen countries accounting for several hundred thousand hectares of land between them. Sustainably-cultivated coffee is identified by the "green-frog" logo, which also confirms that it is Rainforest Alliance Certified™. More than two million coffee farmers currently benefit from Rainforest Alliance Certification.

www.rainforest-alliance.org



UTZ Certified

UTZ Certified is a program and seal of quality indicating sustainable cultivation. The name "UTZ" is an abbreviation of "Utz Kapeh", an expression in the Mayan K'iche' language which can be translated as "good coffee". UTZ Certified helps farmers, workers and their families to achieve their goals, while also making a contribution to the protection of our natural resources – both now and in the future. The mission of UTZ Certified is to create a world in which sustainable farming is the norm, where farmers apply best agricultural practice and run their farms profitably with respect for people and the environment, where industry invests in and benefits from sustainable production, and where consumers can enjoy their favourite products with a clear conscience.

UTZ Certified works with leading branded manufacturers to implement the UTZ-certified coffee initiative. UTZ Certified has also developed a strict product-specific code of conduct, which takes into account the organisation's established certification criteria. Coffee beans and other UTZ-certified raw materials undergo a long journey from the field to the supermarket aisle. UTZ Certified creates transparency all

along this delivery chain. The UTZ Certified website offers information on the farmers who cultivate raw materials for products bearing the UTZ Certified seal of quality.

www.utzcertified.org

The relative merits of certification labels

The benefits of using certification labels in conjunction with other measures have been recognised. But there are criticisms.

- The organisation of farmers into community structures (such as cooperatives) is a requirement for certification. However, it is estimated that **only about 10% to 25% of small coffee farmers** are organised into such groups of producers. This means that certification tends to cover a relatively small proportion of easy-to-reach "low-hanging fruit", while excluding other coffee farmers.
- A certain **lack of transparency** has also been detected regarding, for example, the effects and benefits of certification. There is potential for improvement in, among other factors, the comparing of certification models and sustainability initiatives on the part of companies without certification.
- **The "leakage effect"**: A proportion of coffee certified at the point of origin is also sold by farmers as non-certified produce. It is estimated that only about half of the coffee produced in accordance with certification requirements, is actually sold as certified coffee. Lack of financial liquidity in particular can cause coffee farmers to sell certified coffee through **conventional channels**. Another source of this leakage lies in **multiple certification**, where farmers' efforts to reduce their dependence on a single customer involve them selling their coffee through various certified channels at once. One outcome of the leakage effect is that farmers lose (in the case of sales via conventional channels) their certification premium, despite their investment in sustainable agricultural practices and the obligatory administrative procedures and audits that they must undergo, which can result (in the case of multiple certifications) in the unnecessary duplication of costs.

Procafé's position

The Swiss coffee sector is interested in obtaining quality coffee from sustainable sources. It thus welcomes **all measures** applied in production regions to encourage the organisation of small farmers and the creation of cooperative structures. It particularly recognises efforts in the field of education and training as important measures designed to prevent poverty and illegal working conditions.

Sustainability is a factor that affects all those involved in the value-added chain, be they coffee growers, traders or end-consumers. In addition to **partnerships** with organisations that promote the sale of sustainably-produced coffee, various prominent players in Switzerland's coffee sector lend their support to sustainability-related efforts along the entire **value-added chain**. There are also **own initiatives** on the part of business organisations that have the same goal of increased sustainability.

When purchasing their green coffee, the member-companies of Procafé focus on **sources** that they are familiar with and whose production conditions comply, as far as possible, with the sustainability expectations of the final consumer.

Sustainability labelling provides a striking alternative to initiatives, projects and activities that function without such visible approval. They can be used in combination with other initiatives designed to create a positive effect. It would however be insufficient to focus only on labels.

The wide variety of interest groups, measures and approaches involved in the field of sustainability reflects the **complexity** of the challenges faced. Measures designed to reinforce economic, social and environmental sustainability therefore require a differentiated approach that involves all relevant public and private interest groups and stakeholders. The members of Procafé in any case strive to continue their commitment to **continuous improvements** in the sustainable sourcing of coffee.