
Coffee & Codes

Overview of codes of conduct and
ethical trade initiatives in the
coffee sector

Bart Slob & Joris Oldenziel



SOMO, Amsterdam, 2003

Index

Introduction	3
1. Utz Kapeh	8
2. Eurepgap	13
3. Common Codes for the Coffee Community (CCCC)	17
4. Rainforest Alliance / Sustainable Agricultural Network.....	23
5. Corporate initiatives.....	28
5.1. Sara Lee	28
5.2. Starbucks Green Coffee Purchasing Guidelines.....	31
6. SA8000	36
7. FLO Fairtrade Labelling	40

Introduction

This report contains an overview of initiatives on monitoring and verification of codes of conduct in the agricultural sector, with emphasis on the coffee sector. In recent years, many different initiatives have been created with the aim of improving the social and environmental conditions under which products such as coffee, tea, bananas, fruits and vegetables are made. Some of these initiatives are led by businesses, while others are developed in cooperation with different stakeholders, i.e. Non-Governmental Organisations (NGOs), trade unions and business associations. Some initiatives focus on small producers (Fairtrade) while others focus on mainstream traders and plantations (Utz Kapeh, Rainforest Alliance).

The increasing number of initiatives may cause confusion. Therefore, this report provides an overview of some of the key initiatives in the coffee sector, making reference to the main characteristics of each initiative. The following initiatives are assessed in this paper:

- Utz Kapeh
- Eurepgap
- Common Codes for the Coffee Community (CCCC)
- Rain Forest Alliance / Sustainable Agricultural Network
- Sara Lee's Supplier Selection Guidelines
- Starbucks Green Coffee Purchasing Guidelines
- SA8000
- FLO Fairtrade Labelling

The following characteristics of these initiatives will be outlined shortly:

- Goal of the initiative
- Instrument used
- Partner organisations that participate in the initiative
- Requirements to participate
- Span of impact
- Price-premium requirements
- Level of social standards
- Level of environmental standards
- Certification by an independent third party

Critical elements of codes of conduct

In the last decade of the twentieth century, unions and NGOs started to develop codes of conduct¹ because the existent governmental codes did not lead to many practical results. These codes are used mainly as a tool to campaign and lobby towards governments and companies. Issues addressed in these codes are basically human rights (based on ILO Conventions), workers rights and / or environmental issues.

As a result of growing pressure by companies' stakeholders (unions, NGOs and consumers), some multinational companies have decided to develop specific codes of conduct, in which they define their business principles referring to the environment, human rights, worker rights and /or corporate governance (integrity and corruption).² These codes are voluntary and most of them can hardly be taken seriously, while they lack some essential points. Leading codes of conduct create a framework for a whole sector or branch. It is important to emphasize that a good code does not only determine norms, but does also contain mechanisms and principles for its execution. Prominent codes share a range of characteristics³:

1. Labour norms have to be in accordance with the ILO conventions

All state-of-the-art codes have adopted the following eight basic norms:

- No forced labour (ILO conventions 29 and 105)
- No discrimination, for example with reference to the sexes (ILO conventions 100 and 111)
- No child labour (ILO conventions 138 and 182)
- Freedom of association and collective bargaining (ILO conventions 87, 98 and 135)
- A living wage that covers basic needs (ILO conventions 26 and 131)
- No excessive overtime (ILO convention 1)
- Healthy and safe working conditions (ILO convention 115)
- Legal labour contracts (ILO Tripartite Declaration of Principles Concerning Enterprises and Social Policy)

National legislation is always preferred if it establishes higher standards.

¹ SOMO defines a code of conduct as a statement about the social, environmental and executive standards that companies should abide by in its worldwide activities.

² SOMO. *Info pack on the coffee world market, the international coffee supply chain and codes of conduct*. Amsterdam: for the Coffee Working Group, 2001. p. 10.

³ Koffiecoalitie. *Eerlijk is eerlijk*. Amsterdam, no date. p. 7-8.

2. Environmental aspects

Codes of conduct have to specify how their environmental requirements and recommendations can contribute to sustainable development. Clear links should be established between a healthy and clean environment and the welfare of all stakeholders involved. The Aarhus Convention (1998) was the first to link human rights with environmental rights. This Convention includes important clauses on stakeholder participation, transparency and access to justice. A number of general principles have been stated in the EC treaty and the Rio Declaration, designed to prevent adverse effects on safety and the environment:

- The principle of preventive action (Art. 174 (130 R, section 2) EC Treaty)
- The precautionary principle (Rio Declaration, Art.15 and Art. 174 (130 R, section 2) EC Treaty)
- Tackling environmental damage at the source (Art. 174 (130 R, section 2) EC Treaty)
- ‘The polluter pays’ principle (Rio Declaration, Art. 16, Art. 174 (130 R, section 2) EC Treaty)⁴

3. Implementation and monitoring

A code of conduct does not only exist in theory, it also has to be executed. Companies have to develop an internal system to make sure that suppliers follow the code and to be able to assess the progress of this process.

4. Multi-stakeholder influence

The backing of civil society is essential to the credibility of a code of conduct. A state-of-the-art code of conduct is based on the interaction between the stakeholders: companies, labour unions and non-governmental organisations (NGOs). This is relevant to the actual development of the code and to its elaboration on a local level, i.e. when a local community has to decide to which concrete improvements should be given priority.

5. External control

An independent organisation has to verify whether a company actually follows its code of conduct. This is to make sure that stakeholders get an objective guarantee of the company’s actions regarding its code of conduct. Codes of conduct can only be effective if they include solid rules for implementation.

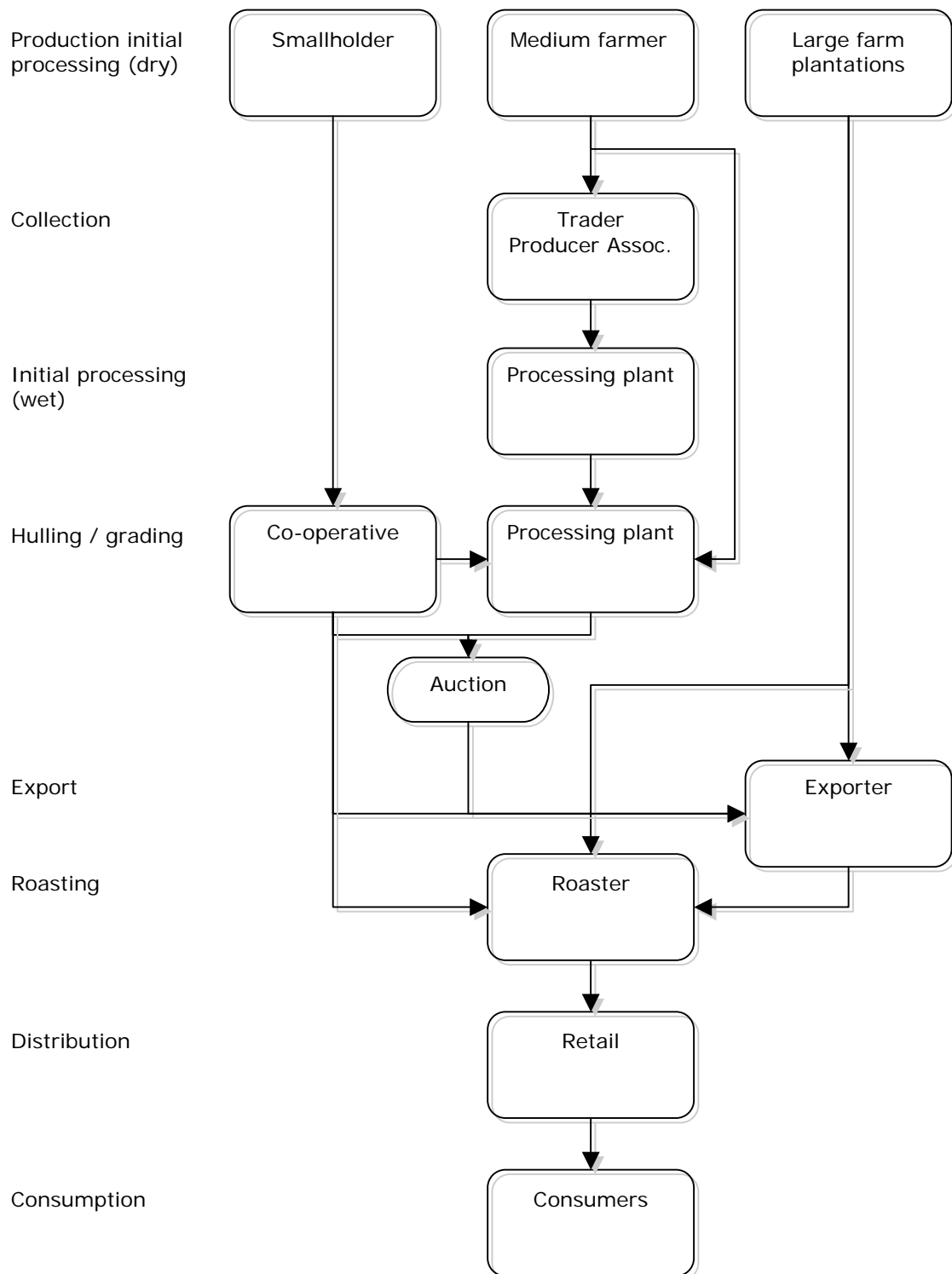
⁴ MVO Platform (Coalition of Dutch CSOs & Trade Unions actively promoting CSR). *The CSR Frame of Reference*. Amsterdam, 2002.

This means that a code has to be integrated into the company's management system and has to be verified externally and independently.

6. Reasonable commercial conditions

A company has to give its suppliers the opportunity to implement the code of conduct without obliging them to make excessive financial sacrifices. This can be done by offering suppliers long-term contracts and fair prices.

General coffee marketing system



1. Utz Kapeh

Goal of the initiative



Utz Kapeh's purpose is to provide credible and transparent means for mainstream coffee brands to embrace sustainability at the producer level. The Utz Kapeh Foundation is a partnership between coffee brands, producers and civil society that aims to improve and protect the economic, social and environmental conditions of coffee growers all over the world.⁵

Instruments used

Utz Kapeh is a package of farm-level, brand-level and financial tools to bring social and environmental performance to the mainstream. The main instruments being used by Utz Kapeh are the Utz Kapeh Code of Conduct and the Sustainability Differential.

The Utz Kapeh Code of Conduct was developed four years ago by a consortium of Guatemalan grower-exporters together with the Ahold Coffee Company. It is based on the Eurepgap Protocol for Fruits and Vegetables. This Protocol was developed by the leading European retailers to provide basic assurance for food safety and environmentally and socially appropriate growing practices. Utz Kapeh translated the Eurepgap Protocol into a specific framework for the production of coffee. Relevant chapters and criteria from the ILO (International Labour Organization) Conventions and the Universal Declaration of Human Rights were added later.

When Utz Kapeh certifies 90% of the coffee in a pack, brands and roasters are authorised to use the Utz Kapeh label. In order to be able to trace the origin of coffee at all times, Utz Kapeh intends to put great emphasis on the development of a reliable chain of custody.⁶

The Utz Kapeh Code of Conduct incorporates social, cultural, environmental, managerial and economical issues. These issues are listed in the following table⁷:

⁵ See <http://www.utzkapeh.org/Utzkapeh/ukwebsite.nsf/portal?Openframeset>, displayed on 27/8/2003.

⁶ A Chain of custody, in the realm of certification and verification, can be defined as "an unbroken trail of acceptability that ensures the physical security of samples, data and records". Cf. American Society for Quality Control. *Quality System Requirements for Environmental Programs*, ANSI / ASQC E4-1993, (1993).

⁷ Utz Kapeh. *Code of conduct*. Version 2003. Available on <http://www.utzkapeh.org>.

▪ Traceability	▪ Harvesting
▪ Record keeping	▪ Post harvest produce handling
▪ Varieties and rootstock	▪ Waste and pollution management
▪ Site history and site management	▪ Recycling and re-use
▪ Soil and substrate management	▪ Worker health, safety and welfare
▪ Fertilizer use	▪ Environment and conservation
▪ Irrigation / fertigation	▪ Complaint form
▪ Crop protection	▪ Internal audits

To buyers and the farmers that produce Utz Kapeh certified coffee, Utz Kapeh recommends the use of the so-called Sustainability Differential. The added value for brands and the real costs of compliance by farmers should lead to this Sustainability Differential. In times of high coffee prices, the full Sustainability Differential is determined between buyers and sellers in the negotiation process. In time of low coffee prices, Utz Kapeh provides guidelines for the minimal recommended height of the sustainability differential to both buyers and sellers, who negotiate the actual Sustainability Differential. In both cases, Utz Kapeh does not interfere in the price negotiations between these parties.

The low price threshold that Utz Kapeh uses for mandating the sustainability differential is:

Arabica Coffee on the New York market ⁸	US\$ 0,70 per lb (pound)
Robusta Coffee on the London market	US\$ 650 per ton (≈ US\$ 0,2948 per lb) ⁹

This threshold excludes normal quality differences. When prices are below this threshold the recommended Sustainability Differential is:

Washed Arabica	US\$ 0,07 per lb (pound)
Unwashed Arabica	US\$ 0,04 per lb (pound)
Washed Robusta	US\$ 100 per ton (≈ US\$ 0,0454 per lb)
Unwashed Robusta	US\$ 60 per ton (≈ US\$ 0,0272 per lb)

⁸ Arabica Coffee is traded on the New York market only, while Robusta is traded on the London Market.

⁹ 1 ton = 2.204,6 lb (pounds avoirdupois) Cf. Merriam Webster's Unabridged Dictionary, 2000, version 2.5.

All Sustainability Differentials are on top of the market prices and normal quality differentials.

Partner organisations that participate in the initiative

Utz Kapeh sees itself as a mainstream initiative for responsible coffee. It is a partnership between coffee brands, producers and civil society and was originally developed by a consortium of Guatemalan grower-exporters together with the Ahold Coffee Company. Solidaridad, a Dutch ecumenical NGO, is one of Utz Kapeh's key sponsors / partners. A Solidaridad staff member dedicates part of its time to develop tools to improve the competitiveness of Utz Kapeh producers.¹⁰ MIVA, another traditional Dutch (catholic) NGO, also sponsors the initiative.

Although Ahold is by far the largest purchaser of Utz Kapeh Certified Coffee, the company is no longer a partner in the initiative.¹¹ Among the participating roasters are, to name a few, the Java Trading Company (USA), Simon Levelt (The Netherlands), AMS Trading (Switzerland) and Andira (The Netherlands). No trade unions are involved in the initiative. The reason for this is that, according to the director of Utz Kapeh, trade unions are not very relevant actors in the coffee sector.¹²

Requirements to participate

In order to be recognized as an Utz Kapeh certified producer, coffee farmers have to comply with the standards set in the Utz Kapeh Code of Conduct. Coffee that is produced in accordance with these standards is considered certified responsible coffee. To get certified, farmers need to comply with 95 percent of the “minor musts” and with all of the “major musts”. Minor musts are requirements of minor importance and major musts are requirements of major importance. The recommendations in the Utz Kapeh Code of Conduct do not count for certification.¹³

¹⁰ In 1988 Solidaridad was the main founder of Max Havelaar, the Dutch Fair-trade Labelling Initiative. Similar initiatives were later implemented in other countries, which resulted in the foundation of the Fairtrade Labelling Organisations International in 1996. Cf. Roozen, Nico; van der Hof, Frans. *Fair trade: het verhaal achter Max Havelaar-koffie, Oké-bananen en Kuyichi-jeans*. Amsterdam: Uitgeverij Van Gennep, 2001. p. 108-159.

¹¹ Interview with David Rosenberg, Director of Utz Kapeh, 1/9/2003.

¹² Ibid.

¹³ Utz Kapeh. *Code of conduct*. Version 2003. p. 3. Available on <http://www.utzkapeh.org>.

Span of impact

Utz Kapeh's major effort is probably its intention to become a generally accepted and mainstream initiative. Unlike the Fairtrade Standards, its code of conduct is also directed towards medium and large-scale farms. Especially for the case of Brazil, world's largest coffee producer, this fact is relevant¹⁴. While Utz Kapeh is directed to all sorts of coffee producers, including small-scale producers, Fairtrade concentrates all its efforts on smallholder farmers.

Furthermore, the Utz Kapeh initiative seems to be very attractive for roasters and traders because of the fact that they are not required nor obliged to pay premium prices. Consumers do not pay a higher price for Utz Kapeh Certified Coffee, while brands are expected to pay a premium price only in times of low market prices.

Until June 30, 2003, Utz Kapeh had certified 620.000 bags (of 60 kg) of coffee worldwide.¹⁵ A total of 24 farmers produced Utz Kapeh certified coffee in Brazil, Bolivia, Guatemala, Honduras, Colombia, Peru, Costa Rica, Indonesia, Vietnam and Uganda.¹⁶

Price-premium requirements

When prices are above \$ 0,70 per lb for Arabica and above \$ 650 per ton for Robusta, Utz Kapeh does not give any recommendations for the Sustainability Differential. When prices are lower than these levels, the recommended sustainability differentials should be paid on top of the actual market price (see 1., Instruments used).

Level of social standards

Utz Kapeh makes reference to the four core labour standards of the ILO (forced labour, child labour, discrimination and freedom of association and collective bargaining). Reference to the ILO is also made with regard to hours of work (ILO Convention 1). With respect to other issues, such as wages and health and safety, only national laws have to be followed. Quite a few health and safety requirements

¹⁴ In 2001/2002, Brazilian farmers accounted for 31,4 percent of the global coffee production. Cf. United States Department of Agriculture / Foreign Agricultural Service. *Circular Series FTROP 4-02*, December 2002. Available on: <http://www.fas.usda.gov/http/tropical/2002/12-02/dectoc.htm>, displayed on 28/8/2003.

¹⁵ Cf. <http://www.utzkapeh.org/utzkapeh/ukwebsite.nsf/AP/About+Utz+Kapeh?OpenDocument>, displayed on 30/6/2003.

¹⁶ List last updated on 7/5/2003.

are included as being minor musts. The code does not make any reference to living wages and only expects companies to pay gross wages that “comply with national and sector legislation”.¹⁷

Level of environmental standards

The environmental criteria as stated in the Utz Kapeh Code of Conduct are based on the Eurepgap code (see chapter 2).

Certification by an independent third party

The Utz Kapeh Code of Conduct is based on the Eurepgap General Regulations for Fresh Fruits and Vegetables. The Eurepgap Protocol is also the normative document for the certification by Utz Kapeh. Utz Kapeh is planning to work with commercial auditors, who usually work in the area of quality of finance (such as SGS and KPMG). Accreditation of these auditors has not been carried out yet, so at the moment Utz Kapeh works with those organisations that are most likely to become accredited when the system is in place.¹⁸

¹⁷ Fundación Utz Kapeh. *Utz Kapeh Code of Conduct*. Version 2003. p. 36.

¹⁸ Interview with David Rosenberg, Director of Utz Kapeh, 1/9/2003.

2. Eurepgap

Goal of the initiative

Eurepgap started in 1997 as an initiative of retailers belonging to the Euro-Retailer Produce Working Group (Eurep). The aim was to agree on standards and procedures for development of good agricultural practice. A normative document for certification, ‘Eurepgap Fruits and Vegetables’ was developed in consultation with various representatives from different stages of the fruit and vegetable sector. Eurepgap wants to develop a system to an EN 45011-based accredited certification system. The Eurepgap is an industry initiative focusing on business-to-business rather than consumer orientation.

Instrument used

The Eurepgap Protocol for Fresh Fruit and Vegetables sets out a framework for Good Agricultural Practice (GAP).¹⁹ This framework is almost the same as the Utz Kapeh framework, with the exception of reference to ILO Conventions.

The following issues are considered:

▪ Traceability	▪ Harvesting
▪ Record keeping	▪ Post harvest produce handling
▪ Varieties and rootstock	▪ Waste and pollution management
▪ Site history and site management	▪ Recycling and re-use
▪ Soil and substrate management	▪ Worker health, safety and welfare
▪ Fertilizer use	▪ Environment and conservation
▪ Irrigation / fertigation	▪ Complaint form
▪ Crop protection	▪ Internal audits

GAP is a means of incorporating Integrated Pest Management (IPM) and Integrated Crop Management within the framework of agricultural production.

Grower organisations or individual growers receive their Eurepgap approval via a Eurepgap Certificate, which is issued by a Certification Body approved by Eurepgap.

¹⁹ Eurepgap Protocol for Fresh Fruit and Vegetables, version of September 2001.

Eurepgap Members established the legal entity FoodPLUS GmbH to reflect the industry control of the standard. It became necessary to establish a limited liability company to enter into legally binding contracts to enable the implementation of the Eurepgap Certification system. The core activity of FoodPLUS as the Global Body of Eurepgap Implementation is:

- to facilitate Eurepgap activities;
- to serve as legal owner of the Eurepgap normative documents;
- to host the EUREP Secretariat.

Partner organisations that participate in the initiative

There are three main membership categories:

- Retailer: for retailers and final distributors/food service only;
- Supplier: any organisation directly growing, producing and/or handling food products;
- Associate: any other service sector organisations like consulting, certification, plant protection and/or fertilizer industry, etc.

NGOs and trade unions do not participate in the initiative.

Requirements to participate

The membership of Eurepgap is independent from an approval as grower or as certifier. Eurepgap is an open system, where anybody can apply and receive approval when complying with the objective criteria set out in the various Eurepgap documents.

All members of EUREP have signed the EUREP Terms of Reference that unite them in their common goal:

“Respond to Consumer Concerns on Food Safety, Animal Welfare, Environmental Protection and Worker Welfare by:

- Encouraging adoption of commercially viable Farm Assurance Schemes, which promotes the minimisation of agrochemical inputs, within Europe and world wide;
- Developing a Good Agricultural Practice (GAP) Framework for benchmarking existing Farm Assurance Schemes and Standards including traceability;

- Providing guidance for continuous improvement and the development and understanding of best practice;
- Establishing a single recognised framework for independent verification;
- Communicating and consulting openly with consumers and key partners, including producers, exporters and importers.”²⁰

Span of impact

From the retailer’s side, 22 retailers from ten European countries participate. At the supplier side, eight African, six American (Latin and North), six Asian, 62 European and four Oceanian suppliers participate. According to Eurepgap, several thousands of suppliers have been certified.

Price-premium requirements

There are no price-premium requirements in this initiative.

Level of social standards

The level of social standards mentioned in the Protocol is very limited. No references are made to the ILO Conventions. It is only mentioned that all employment conditions must comply with local and national regulations, and that growers and packers should be aware of their costumers specific policies.

Level of environmental standards

The environmental standards focus mostly on food safety, such as fertiliser usage, irrigation, crop protection, waste and pollution management. It is explicitly mentioned that food safety will always be the first priority for Eurepgap.²¹ In terms of impact of farming on the environment it is only encouraged to undertake environmental impact assessments.

Certification by an independent third party

Growers or grower associations that want to be certified have to undergo certification by a Eurepgap recognised Certification Body. It is the responsibility of the growers/grower associations to be able to demonstrate their compliance

²⁰ Eurepgap, The Global Partnership for Safe and Sustainable Agriculture

²¹ Eurepgap Questions and Answers, Cf. <http://www.eurep.org>

through verification. Verification takes place on a farm level instead of field or crop level.

Each individual grower has to undergo one announced inspection per annum. Among all registered growers, the Certification Body (CB) will carry out a minimum of 10% of unannounced visits. All registered growers must receive one unannounced inspection in a given period of time.

3. Common Codes for the Coffee Community (CCCC)

Goal of the initiative



The goal of the CCCC initiative is to develop a global code for the sustainable growing, processing and marketing of mainstream coffee. The code is to be set up in a consensual process among the constituent groups.²² The CCCC initiative wants to draw on existing codes and guidelines based on:

- The United Nations human rights covenants²³;
- The ILO conventions²⁴;
- The OECD Guidelines for Multinational Enterprises²⁵;
- International environmental treaties and guidelines;
- National laws.

Furthermore, the CCCC initiative aims to develop implementation guidelines and guidelines for independent monitoring and verification. The code should be feasible and suitable for binding agreements.²⁶

The CCCC initiative is of the opinion that the existing codes of conduct that can be applied to coffee are not satisfactory for the following three reasons:

- 1) The vast majority of codes is not feasible for the mainstream production;
- 2) Most codes refer to specific aspects of the world coffee sector (social conditions, ecological requirements, specific regions etc.);
- 3) Most of the existing codes of conduct were not developed in cooperation with all relevant stakeholders, but devised by companies or civil society organisations.²⁷

²² Cf. <http://www.sustainable-coffee.net/links/index.html>, displayed on 27/8/2003.

²³ See <http://www.unhchr.ch/html/intlinst.htm#cov>

²⁴ See <http://www.ilo.org/ilolex/english/>

²⁵ See http://www.oecd.org/document/28/0,2340,en_2649_34889_2397532_1_1_1_1,00.html and <http://www1.oecd.org/publications/e-book/2002011e.pdf>

²⁶ Cf. Project Paper of the Common Codes for the Coffee Community, elaborated on 10/6/2003.

²⁷ Interview with Carsten Schmitz-Hoffmann of the CCCC Project Secretariat, 28/8/2003.

Instruments used

In order to attain its final objective, the CCCC initiative claims that it has already started a number of pilot projects in cooperation with several stakeholders. Some coffee industry companies will accompany, with their development policies, the first initiatives that will be implemented in existing pilot projects. It is not very clear what these “pilot projects” actually are. According to Carsten Schmitz-Hoffmann, representative of the CCCC project secretariat, the actual goals and activities of these pilot projects have not been defined yet. Several companies and organisations that now integrate the CCCC initiative have some experience with public private partnerships (PPPs), which could be considered preliminary pilot projects. The Neumann Kaffee Gruppe, represented in the CCCC Initiative by its daughter company Bernhard Rothfos GmbH & Co., has vast experience with PPPs. Kraft Foods, a global leader in branded foods and beverages, set up a PPP to improve the competitiveness of Peruvian coffee on worldwide markets. This project, a partnership between Kraft, the United States Development Project (UNDP), a producers and exporters association (*Central de Cooperativas Agrarias Cafetaleras* - COCLA) and the German Corporation for Technical Cooperation (GTZ), attained its objective by providing technical and financial support and workforce training. A project for the implementation of international quality standards was developed in 1999, which later was converted into national Peruvian law.²⁸ These PPP experiences will be used to define standards for the CCCC.

CCCC wants to develop a code of conduct for the whole chain of the coffee sector. The code should contemplate the “social, ecological and economic dimensions of sustainability of the production, processing, and marketing of green coffee through a participatory process”. This process should result in a code of conduct for the mainstream market.²⁹ CCCC understands the term sustainability as “sustainable development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.³⁰

At the moment, it is not easy to grasp how the code of conduct will be developed and what sort of recommendations and requirements will be included. The vast range of stakeholders that intend to endorse the CCCC initiative - who represent all kinds of different interests and political tendencies - gives fair evidence that the

²⁸ Interview with Carsten Schmitz-Hoffmann of the CCCC Project Secretariat, 28/8/2003. See also: CSR Wire. *Kraft Foods' support of Peruvian coffee growers recognized*. 12/11/2002. Available on: http://www.socialfunds.com/news/release_print.cgi?sfArticleId=1441, displayed on 23/7/2003.

²⁹ http://www.sustainable-coffee.net/code_of_conduct/, displayed on 27/8/2003.

³⁰ Common Codes for the Coffee Community. *Questions & answers*. Paper, no date.

elaboration of a truly acceptable and *common* code for the coffee community might be a very slow process, if not a complete utopia (see next paragraph).³¹

Partner organisations that participate in the initiative

The project partners who set up the CCCC initiative are the German Coffee Organisation (*Deutscher Kaffee-Verband - DKV*) and the German Agency for Technical Cooperation (*Deutsche Gesellschaft für Technische Zusammenarbeit - GTZ*). These organisations identified relevant stakeholders and invited them to participate in the initiative. The DKV and the German Ministry of Economic Cooperation and Development (BMZ) - through the GTZ - contribute equal levels of funding up to a maximum of € 500.000 each.

During the constituent meeting of the steering committee of the CCCC initiative, held in May 2003, participants were placed in four subgroups. These subgroups consisted of the following representatives of companies, governmental and non-governmental organisations, and international institutions³²:

Producers	<ul style="list-style-type: none"> ▪ José Aguilar, Mexican Embassy in the United Kingdom ▪ Alivio Franco, EMBRAPA, Brazil ▪ José Angel Lopez, ANACAFE, Guatemala ▪ Jeanne N’Goran, CNRA, Cote d’Ivoire ▪ Diego Pizano, FNC, Colombia ▪ Josefa Sacko, IACO, Angola ▪ Doãn Nhan & Jan Von Enden, VICOFA, Vietnam
Trade and industry	<ul style="list-style-type: none"> ▪ Bernhard Arndt, Bernhard Rothfos GmbH & Co., Germany ▪ Patrick Leheup, Nestlé ▪ Stephanie Miltenburg, Sara Lee / Douwe Egberts ▪ Roel Vaessen, European Coffee Federation, The Netherlands ▪ Annemieke Wijn, Kraft Foods, Germany
Civil society, unions and NGOs	<ul style="list-style-type: none"> ▪ Bert Beekman, Oxfam International ▪ Andreas Bernstorff, Greenpeace ▪ Gertrud Falk, FIAN International ▪ Sue Longley, International Union of Food Workers (IUF), Switzerland
Extraordinary members	<ul style="list-style-type: none"> ▪ Ina Grohmann, Ministry of Economics and Labour (BMWA), Germany ▪ Pablo Dubois & Markus Schlagenhof, International Coffee Organisation (ICO) ▪ Ann Herbert, International Labour Organisation (ILO) ▪ Reinhard Palm, Ministry of Economic Cooperation and Development

³¹ Common Codes for the Coffee Community. *Minutes of the Steering Committee constituent meeting*. May 14th and 15th at Grim’s Dyke Hotel, London. 2/7/2003. p. 2.

³² *Ibid.*, p. 2 / 5.

(BMZ), Germany
▪ Lucas Simons, Utz Kapeh

Except for the ILO, all participating organisations, companies and governments expressed their commitment to participation in the CCCC initiative and the steering committee. The ILO representative affirmed that, although the ILO was positively and strongly interested, it would need “further clarification” regarding the CCCC.³³ Currently, the ILO has an important advisory function to the steering committee.³⁴

Proposals were made for the creation of three working groups that will concentrate on economic, social and environmental aspects. These groups will develop the elements of the code and its guidelines. They will represent various stakeholders: producers, traders and processors, industry, trade unions and NGOs and will be concerned with the specific aspects of sustainability all along the coffee value chain. Experts on specific themes will be invited to participate in these working groups. The invited stakeholders will not necessarily be part of the steering committee. The first meeting of the working group on the ecological dimension will take place in Amsterdam in November 2003. The working groups on the social dimension and the economic dimension will meet in December 2003 in Geneva.³⁵

Requirements to participate

Representatives of other organisations and institutions relevant to the development of the CCCC initiative can be appointed as extraordinary members of the steering committee. They have an advisory function to the constituent groups. The so-called project partners (DKV and GTZ / BMZ) have the right to propose new members of the steering committee, who shall be appointed by co-optation. All decisions concerning the CCCC initiative are taken by consensus by the ordinary members of the steering committee.

³³ Ibid., p. 5.

³⁴ Information provided via e-mail by Carsten Schmitz-Hoffmann of the CCCC Project Secretariat, 3/11/2003.

³⁵ Interview with Carsten Schmitz-Hoffmann of the CCCC Project Secretariat, 28/8/2003.

The CCCC initiative aims to include representatives of all “relevant” stakeholders in the steering committee. The following groups and tendencies should be represented³⁶:

Producers	Consumers	Civil Society
▪ Smallholder	▪ Green coffee trade	▪ Labour rights
▪ Medium-sized organized smallholder	▪ Green coffee trade / roasting industry	▪ Ecology
▪ Plantation	▪ Soluble industry	▪ Social
▪ Producer organisation (non cooperative)	▪ Roasting industry	
▪ Centralised system		

It is surprising that this scheme does not include any kind of organisation or institution that represents final coffee consumers.

Span of impact

Of all analysed codes of conducts and other initiatives to create standards for the production of coffee, the CCCC initiative is by far the most inclusive and ambitious. It is the first initiative that intends to use important international and national guidelines, standards, codes of conduct and laws to create a broadly acceptable code (see 3., introduction). Notwithstanding the well-meaning effort, one has to acknowledge that the CCCC is still a plan that does not seem to be very close to concretion. If all organisations, institutions and companies involved reach consensus and produce a truly common and broadly accepted code, it will probably be the initiative with the widest span of impact.

Price-premium requirements

According to the CCCC Project Paper, the meetings of the CCCC initiative cannot be used to discuss prices, pricing policies or any marketing policy with an indirect effect on pricing. Considering the fact that several global leaders in branded foods and beverages participate in the CCCC initiative, no agreements regarding premium prices can be made due to antitrust legislations in many countries.³⁷

³⁶ Common Codes for the Coffee Community. *Update at the PSCB-meeting of January 29th 2003*, London. DKV / GTZ, 2003.

³⁷ Project Paper of the Common Codes for the Coffee Community, elaborated on 10/6/2003.

Level of social standards

The Common Code for the Coffee Community has not been elaborated yet.

Level of environmental standards

The Common Code for the Coffee Community has not been elaborated yet.

Certification by an independent third party

One of the objectives of the CCCC initiative is to develop implementation guidelines for independent monitoring and verification.

4. Rainforest Alliance / Sustainable Agricultural Network

Goal of the initiative



The Rainforest Alliance is an international conservation organisation. The mission of this fourteen-year old non-profit organisation is to protect ecosystems and the people and wildlife that live within them by implementing better business practices for biodiversity conservation and sustainability. Companies, cooperatives, and landowners that participate in the programs of the Rainforest Alliance must meet standards for protecting the environment, wildlife, workers, and local communities.³⁸

Instruments used

One of the main programs of the Rainforest Alliance is the sustainable agriculture program (formerly known as ECO - OK). It aims to “protect ecosystems and the people and wildlife that live within them by developing and implementing best management practices and standards for commodity crops, providing incentives to farmers to meet those standards, and encouraging the marketing industries and consumers to support farmers who are making on-farm improvements toward sustainability”.³⁹ Farmers, companies, cooperatives, and landowners that participate in this program have to meet standards for protecting biodiversity conservation and sustainability by integrating productive agriculture, conservation, workers, and local communities. The agricultural certification program is managed jointly by the Rainforest Alliance and a network of Latin American partner organisations. Its partners are local conservation groups committed to community-based conservation initiatives and research.

Since 1991, the Network has developed guidelines for the responsible management of export agriculture, certifying bananas, coffee, cocoa, citrus, and flowers and foliage according to environmental and social standards. Farms that meet the Sustainable Agriculture Network standards are “certified” and may use the Rainforest Alliance-certified label in marketing their products.

³⁸ <http://www.rainforest-alliance.org/about/index.html>, displayed on 1/9/2003.

³⁹ <http://www.rainforest-alliance.org/programs/cap/index.html>, displayed on 1/9/2003.

For coffee producers, the Sustainable Agricultural Network (SAN) has developed generic standards for coffee farm evaluation.⁴⁰ These standards include the following issues:

Ecosystem conservation	<ul style="list-style-type: none"> ▪ Conserve ecosystems on and near the farm; ▪ Protect forests and reforest where possible; ▪ Prevent and control fires.
Wildlife conservation	<ul style="list-style-type: none"> ▪ Protect and enrich habitat; ▪ Protection strategies regarding biodiversity and endangered species; ▪ Proper location of farms.
Fair treatment and good conditions for workers	<ul style="list-style-type: none"> ▪ Employment policies should improve the standard of living for workers and their families (compliance with the relevant national legislation, ILO Conventions, other international conventions ratified by the national government and the SAN Standards); ▪ Contracting labour: no discrimination, direct hiring, minimum wages, no child labour and prohibition of forced labour; ▪ Freedom to organise, freedom of opinion; ▪ Occupational health and safety; ▪ Housing and basic services.
Community relations	<ul style="list-style-type: none"> ▪ Consultation of communities; ▪ Respect for community resources; ▪ Community development; ▪ Possession and use of land: obligation to prove ownership or long-term right to use the land; ▪ Shared resources and responsibilities; ▪ Environmental education.
Integrated crop management	<ul style="list-style-type: none"> ▪ Integrated pest management; ▪ Permitted and prohibited agrochemicals; ▪ Transport, storage and application of agrochemicals.
Complete, integrated management of wastes	<ul style="list-style-type: none"> ▪ Reduction, reuse; ▪ Recycle; ▪ Appearance; ▪ Final disposition of wastes.
Conservation of water resources	<ul style="list-style-type: none"> ▪ Protect waterways, rational use, contamination in bodies of water; ▪ Treatment of residual waters, monitoring, aquifer protection.
Soil conservation	<ul style="list-style-type: none"> ▪ New farms: agriculture must be located on suitable lands; ▪ Erosion control, soil management.
Planning and monitoring	<ul style="list-style-type: none"> ▪ Planning: the producer must present a plan of objectives, goals, responsibilities and a calendar of activities.
Monitoring	<ul style="list-style-type: none"> ▪ Implementation of a monitoring system.

⁴⁰ Sustainable Agriculture Network. *Generic Coffee Standards*. Version 14/1/2002, available on <http://www.rainforest-alliance.org/programs/cap/socios/coffee.pdf>, displayed on 1/9/2003.

Partner organisations that participate in the initiative

The members of the Sustainable Agriculture Network are either NGOs or research centres:

▪ Conservación y Desarrollo (Ecuador)	▪ Fundación Interamericana de Investigación Tropical (Guatemala)
▪ Imaflora (Brazil)	▪ Instituto para la Cooperación y Autodesarrollo (Honduras)
▪ Fundación Natura (Colombia)	▪ Nepenthes (Denmark)
▪ Pronatura Chiapas (Mexico)	▪ SalvaNATURA (El Salvador)
▪ Toledo Institute for Development and the Environment (Belize)	▪ The Rainforest Alliance (United States and Costa Rica)

Requirements to participate

It is not clear how other NGOs can join the Sustainable Agriculture Network.

With regard to the certification process, any farmers may request an preliminary site visit by SAN staff to determine what changes must be made to achieve certification.

Span of impact

As of July 2002, the Rainforest Alliance has certified 508 operations and 85.770 hectares in Brazil, Costa Rica, Colombia, Ecuador, Guatemala, Honduras, Nicaragua, Panama, the Philippines, Hawaii, Mexico and El Salvador. In total, the Rainforest Alliance has certified 18.575 hectares of coffee.⁴¹ Producers ranging from large agribusinesses to smallholder cooperatives have joined in the initiative.⁴²

Price-premium requirements

No premium price is paid for Rainforest Alliance certified coffee. While Fairtrade is an alternative marketing system designed to give disadvantaged farmers a guaranteed price for their products and focuses on the ways in which small farmers are organized and on how agricultural products are traded, Rainforest Alliance

⁴¹ Certified area and farm list, 2/7/2003, available on <http://www.rainforest-alliance.org/programs/cap/farm-list.pdf>, displayed on 1/9/2003.

⁴² <http://www.rainforest-alliance.org/programs/cap/san.html>, displayed on 1/9/2003.

standards promote sustainable farm management. The Rainforest Alliance states that: “The certification process benefits farmers by increasing efficiency, reducing costly inputs and improving farm management. Farm workers benefit from a cleaner, safer, more dignified workplace where their rights are respected. Certified farmers have better access to specialty buyers, contract stability, favourable credit options, publicity, technical assistance and premium markets. The Rainforest Alliance and SAN members are not directly involved in the negotiations between farmers and their product buyers. Most farmers are able to utilize their certification to receive a price premium”.⁴³

Level of social standards

All standards on fair treatment and good conditions for workers are in accordance with the relevant ILO Conventions. No reference is made to the payment of living wages.

Level of environmental standards

The environmental standards in the SAN Generic Standards for Coffee are high and focus on sustainable coffee production. The environmental impact of the production process is controlled by standards on community relations and ecosystem conservation.

Certification by an independent third party

The certification process consists of the following steps:

Farmers may request a preliminary site visit by the SAN staff to determine what changes must be made to achieve certification. A detailed report is prepared and sent to the producer within six weeks.

An evaluation is an official visit by two or three SAN technicians. They conduct a comprehensive review of farm operations, including interviews with the farm workers farm managers. The SAN technical field committee prepares a report analysing the farm on all certification criteria. The report is sent to the farm within 6 weeks of the visit.

A committee of representatives of the Sustainable Agriculture Network makes a determination, based on the evaluation report, of whether the farm achieves

⁴³ <http://www.rainforest-alliance.org/programs/cap/faq.html>, displayed on 2/9/2003.

certification. Farms awarded certification will receive written notification of their approval and a certificate.

In order to complete the certification process, the producer must enter into a contract with the Rainforest Alliance, and agree to meet guidelines for labelling certified product and promotional materials with the "Rainforest Alliance Certified" seal. Evaluation occurs once a year. SAN also reserve the right to conduct random audits of the farm.

All packaging and other promotional materials using the certification mark or describing the Project must be approved by the use of seal committee. On-product packaging and off-product materials such as brochures, posters, coupons, etc. must adhere to the criteria listed in a Standards & Guidelines document.⁴⁴

The whole certification process is carried out by SAN members. In view of the fact that the Rainforest Alliance is also a member of the Sustainability Agriculture Network, one should not consider the process to be executed by an independent third party.

⁴⁴ Ibid.

5. Corporate initiatives

5.1. Sara Lee

Goal of the initiative



Sara Lee’s objective is to utilize the corporation’s purchasing power to influence those from whom the corporation procures products and services to carry out their business activities in a socially responsible manner.

Instruments used

Besides its code of conduct, called “Global Business Standards”, Sara Lee has developed specific set of standards called “Supplier Selection Guidelines”, that each supplier is supposed to comply with. These guidelines basically include the following issues⁴⁵:

Ethical Standards	<ul style="list-style-type: none"> ▪ Suppliers should “embrace high standards of ethical business behaviour” and “demonstrate commitment to those standards through rigorous practices”.
Legal requirements	<ul style="list-style-type: none"> ▪ Full compliance with all laws and regulations in the locations where the corporation operates and conducts business; ▪ Sara Lee will not <i>knowingly</i> use suppliers that operate in violation of applicable laws and regulations.
Environmental requirements	<ul style="list-style-type: none"> ▪ Sara Lee expects their suppliers to develop and implement plans and programs and pursue practices that conform to <i>applicable environmental standards</i>.
Employment practices	<ul style="list-style-type: none"> ▪ Working hours: Sara Lee will not knowingly use suppliers who fail to comply with the legal maximum working hours as specified by each country’s standards and laws; ▪ Child labour: suppliers should not employ workers in violation of the local mandatory school, or under the legal employment age in each country. In no case will Sara Lee procure goods or services from firms employing <i>non-family workers</i> under age 15; ▪ Forced labour: the company will not <i>knowingly</i> use suppliers of either raw materials or finished product that have been produced by forced labour, or services provided by such labour; ▪ Discrimination: Sara Lee favours doing business with companies that employ people on the basis of the “ability to do the job”, rather than “on the basis of personal characteristics or beliefs”;

⁴⁵ Cf. Sara Lee. *Supplier Selection Guidelines, rev. 2001*. Sara Lee Corporation, 2001.

- | | |
|--|---|
| | <ul style="list-style-type: none"> ▪ Disciplinary practices: suppliers should not apply any type of corporal punishment, or other forms of mental or physical coercion; ▪ Health and safety: suppliers should demonstrate concern for and commitment to the health and safety of their employees. |
|--|---|

Partner organisations that participate in the initiative

Actors involved are Sara Lee, contractors, joint venture partners and suppliers of goods and services, including raw material suppliers.

Requirements to participate

All suppliers are required to comply with the company's guidelines.

Span of impact

In theory, the Supplier Selection Guidelines should affect all of Sara Lee's suppliers. However, the absence of an adequate monitoring and independent verification system does not enable the company to prove the impact of its guidelines. Almost each one of the Supplier Selection Guidelines contain the adverb "knowingly" (see the table under § 5.1.: instruments used). Hereby Sara Lee indirectly affirms that if the company has no information on possible violations or breaches by its suppliers, it simply supposed that these infringements do not exist at all. This seems to be a very ingenious way of not taking any responsibility. One could suppose that Sara Lee works with several suppliers that infringe the company's guidelines categorically. If Sara Lee does not undertake any initiative to monitor these suppliers, it will never obtain any information on these violations and will continue to do business with transgressing suppliers. For these reasons, the span of impact of the Supplier Selection Guidelines is probably very limited.

Price-premium requirements

The Supplier Selection Guidelines do no refer to any kind of price-premium requirements. Sara Lee is only willing to pay the world market price for commodities.

Level of social standards

The level of social standards as stated in Sara Lee's Supplier Selection Guidelines is not very high. The guidelines seem to have been revised by a team of legal advisors in order to avoid the creation of extra liabilities to the company. Sara Lee could dismiss any kind of allegations regarding the violation of the guidelines by stating that it was simply not aware of the fact that, for instance, a certain supplier employed children or applied corporal punishment to its workers. Furthermore, the guidelines do not make any reference to the ILO Conventions and do not even allude to the freedom of association and the right to organise.

Level of environmental standards

The Supplier Selection Guidelines lack specific references to environmental standards. Sara Lee affirms that the company and its supplier should "pursue practices which conform to applicable environmental standards", without mentioning to what sort of environmental standards the company refers. The guidelines are very unclear when it comes to this matter.

Certification by an independent third party

Sara Lee's suppliers do not have to be certified.

5.2. Starbucks Green Coffee Purchasing Guidelines

Goal of the initiative



In 2001, the Starbucks Coffee Company launched its Preferred Supplier Program to “encourage continuous improvement in sustainable coffee production”. Its ultimate goal is to create “a fully sustainable coffee production supply chain”. The Preferred Supplier Program supports Starbucks’ mission statement. Starbucks defines sustainability as “an economically viable model that addresses the social and environmental needs of all the participants in the coffee supply chain from producer to consumer”.⁴⁶

Instruments used

The preferred supplier program is not a code of conduct, but a flexible point system by which performance in five sustainability categories is rewarded. The preferred supplier status will be awarded to producers that achieve a score of 100 points on a scale of 100. As more points are earned, producers obtain a higher level of purchasing preference, until the preferred supplier status is reached.

⁴⁶ Starbucks Green Coffee Purchasing Program. *Pilot program for preferred suppliers*. 2001. Available on http://www.starbucks.com/aboutus/preferred_supplier.pdf, displayed on 4/9/2003.

The point system is based on the following guidelines:

Quality criteria	▪ Quality varieties	Prerequisite
	▪ Flavour characteristics	Prerequisite
	▪ Defect-free beans	Prerequisite
Environmental impacts (50 points)	▪ Soil management	5 points
	▪ Water reduction	5 points
	▪ Clean Water	5 points
	▪ Water buffer zone	5 points
	▪ Forest and biodiversity conservation	5 points
	▪ Use of shade	5 points
	▪ Energy use	5 points
	▪ Pest management	5 points
	▪ Accepted agrochemical	5 points
	▪ Waste management	5 points
Social conditions (30 points)	▪ Wages and benefits	10 points
	▪ Health and safety	10 points
	▪ Living conditions	10 points
Economic issues (20 points)	▪ Long-term relationships	No points
	▪ Incentives	No points
	▪ Economic transparency	20 points

During the two years of the pilot program, Starbucks committed itself to paying a premium up to 10 cents per pound (lb) based on the aforementioned point system. This equals roughly one cent per pound for each 10 points earned. Producers and vendors that reach the preferred supplier status would therefore receive a premium of 10 cents per pound.

The pilot program for preferred suppliers started in 2001 and has not presented any results yet. In its annual report on Corporate Social Responsibility over 2002, Starbucks stated that it had received 50 applications by the end of fiscal year 2002. It does not mention if there are already suppliers who have been awarded a preferred status.⁴⁷

To a query on the provisional results and the current status of the pilot program, No Starbucks representative was found prepared to respond.⁴⁸

⁴⁷ Starbucks Coffee. *Corporate Social Responsibility Annual Report, fiscal 2002*. USA: The Starbucks Coffee Company, 2003. p. 6.

⁴⁸ Telephone inquiry, Starbucks Coffee Company, Customer Relations, 3/9/2003.

According to Bill Clifford, Asia bureau chief of CBS.MarketWatch.com, up until May 2002 no vendors had attained the preferred supplier status.⁴⁹

According to Justin Word, of the Centre for Environmental Leadership in Business, a division of Conservation International, the project is still in a preliminary phase and therefore probably no premiums have been awarded on the basis of the point system. Although Conservation International and Starbucks are partners in the pilot program, Conservation International does not seem to have sufficient information on concrete results.⁵⁰

Partner organisations that participate in the initiative

The guidelines that are used for the Preferred Suppliers Program were developed in conjunction with the Centre for Environmental Leadership in Business, a division of Conservation International (CI).⁵¹ Conservation International is a U.S.-based, international non-profit organization. The criteria for the guidelines are based on the Conservation Principle for Coffee Production, which were elaborated by jointly by the Consumers Choice Council, Conservation International, the Rainforest Alliance and the Smithsonian Migratory Bird Centre.⁵²

Requirements to participate

All interested suppliers of Starbucks can submit a special “supplier information form”. Through this questionnaire, Starbucks aims to obtain information on which standards the producers currently meet. Together with the completed form, producers have to submit all relevant documentation by which current practices can be verified. Moreover, producers have to indicate which standards they propose to meet and by what date.⁵³

⁴⁹ Clifford, Bill. Program to aid coffee growers off to slow start. 2/5/2002. Available on <http://cbs.marketwatch.com/news/default.asp?siteid=&avatar=seen>, displayed on 4/9/2003.

⁵⁰ Interview with Justin Word, of the Centre for Environmental Leadership in Business, a division of Conservation International, Washington DC, 4/8/2003.

⁵¹ Cf. <http://www.starbucks.com/aboutus/sourcingcoffee.asp>, displayed on 4/9/2003.

⁵² Starbucks Green Coffee Purchasing Program. Pilot program for preferred suppliers. 2001. Available on http://www.starbucks.com/aboutus/preferred_supplier.pdf, displayed on 4/9/2003.

⁵³ Ibid.

Span of impact

All registered producers for Starbucks are allowed to apply for the preferred supplier program. According to Starbucks, 50 applications had been received by the end of fiscal year 2002.

Price-premium requirements

See § 5.2.: instruments used.

Level of social standards

The point system based on the Starbucks Green Coffee Purchasing Guidelines emphasises environmental aspects and transparency rather than social conditions. Whereas producers can earn up to 50 points when complying with all environmental standards, they can only earn 30 points when abiding by all social criteria. Economic transparency seems to be almost as important as the social aspects, while in this category producers can earn up to 20 points.

Although social aspects weigh less than environmental aspects, the purchasing guidelines refer to “applicable international conventions” (without naming specific conventions), minimum wages, the right to organise, measures to ensure workers’ health and safety and proper living conditions.⁵⁴

Level of environmental standards

The point system based on the Starbucks Green Coffee Purchasing Guidelines focuses on environmental aspects. The environmental criteria clearly outweigh the social criteria. All aspects of sustainable farming seem to be contemplated in the chapter on environmental impacts.⁵⁵

Certification by an independent third party

Starbucks has only developed an outline of a system for independent verification. In its Pilot program for preferred suppliers, Starbucks states that “the detailed design of the verification system will be developed during the coming year [2002] in consultation with growers, vendors and other stakeholders”. Since then, Starbucks and Conservation International have jointly organised several meetings in

⁵⁴ Ibid.

⁵⁵ Ibid.

Latin America with coffee farmers, millers, NGOs, traders and other stakeholders to discuss the point system. A definitive verification system has not been developed yet.⁵⁶ Starbucks does not intend to create a new certification and labelling program within the coffee industry, although the verification system for the purchasing guidelines will probably have some elements in common with third-party verification.

In 2001, Starbucks suggested the following organisations with verification expertise⁵⁷:

▪ Conservation International	▪ Rainforest Alliance
▪ ECO - OK	▪ OCIA
▪ International Labour Organisation	▪ Scientific Certification Systems
▪ QAI	▪ EcoLogica
▪ Icafe, Costa Rica	▪ Cicafe, Costa Rica
▪ Anacafe, Guatemala	▪ Colombian Coffee Federation
▪ Cenicafe	

⁵⁶ Interview with Justin Word, of the Centre for Environmental Leadership in Business, a division of Conservation International, Washington DC, 4/8/2003.

⁵⁷ Starbucks Green Coffee Purchasing Program. Pilot program for preferred suppliers. 2001. Available on http://www.starbucks.com/aboutus/preferred_supplier.pdf, displayed on 4/9/2003.

6. SA8000

Goal of the initiative



Social Accountability 8000 (SA8000), is a voluntary multi-sectoral standard for auditing and certifying corporate responsibility, developed by the US-based Social Accountability International (formerly the Council on Economic Priorities Accreditation Agency) in 1997. This standard is primarily intended for use by manufacturers and suppliers. SA8000 standards are based on ILO conventions and the Universal Declaration on Human Rights. The SA8000 system is modelled on the ISO 9000 system used by companies to ensure quality control. SAI trains and accredits social auditing firms and individual auditors, who then are hired by companies to certify their and / or their suppliers' compliance with SA8000 standards.

Instruments used

The SA 8000 standard is the main instrument that is used. Suppliers are audited against this standard. After the company has been audited and approved, they receive the SA 8000 certificate. A Guidance Document has been developed for the use of auditors, which contains a checklist of elements that needs to be assessed by the auditors in order to establish whether there is compliance or a violation of the standard. The Guidance Document is being revised every now and again and a publication is planned in 2003.

In 1998, SAI conducted three pilot audits, analysing the feasibility of using the SA 8000 standard to verify working conditions in the agricultural sector. The pilots covered five different crops in three countries and demonstrated the adaptability of SA 8000 to the agricultural sector.

SAI takes part in the SASA project (Social Accountability in Sustainable Agriculture), a cooperation network between SAI, FLO, the Sustainable Agriculture Network (SAN), The International Federation of Organic Agriculture Movements (IFOAM). Cooperation between certification systems should improve access and performance and reduce producer and consumer confusion and frustration. The SASA project will focus on how to improve social auditing practice.

Partner organisations that participate in the initiative

SAI has an advisory board that include business, NGO and trade union representatives. Members of the board are: two NGOs, one lawyer and three companies. Members of the Advisory Board: five NGOs, two unions, one member of the UNO, one New York City and three companies.

Requirements to participate

The SA 8000 standard is intended for manufacturers/suppliers, but retailers can also adhere to it. There are two options, certification to SA8000 and involvement in the Corporate Involvement Program (CIP).

Manufacturers/suppliers adopt a programme to pursue SA8000 certification. Companies that operate production facilities or plantations can seek to have individual facilities certified to SA8000 through audits by one of the accredited certification bodies.

SA8000 Corporate Involvement Program: Companies that focus on selling goods or that combine production and selling can join the SA8000 Corporate Involvement Program. The CIP is a two-level program that helps companies evaluate SA8000, implement the standard, and report publicly on implementation progress.

- SA8000 Explorer (CIP Level One): Evaluate SA8000 as an ethical sourcing tool via pilot audits.
- SA8000 Signatory (CIP Level Two): Implement SA8000 over time in some or all of the supply chain through certification. Communicate implementation progress to stakeholders via SAI-verified public reporting.

Span of impact

The emphasis in the SA 8000 system is on the factory or farm level.

As of 15 August 2003, the number and sort of facilities certified include:

Total facilities currently certified:	259
Total industries represented:	35
Total countries represented:	36

The abovementioned programme (CIP) for the retailers was launched in late 1999 and has attracted a number of well-known international brands such as Amana SA, Avon, Cutter & Buck, Dole, Eileen Fisher, Otto Versand, Tex Line, Toys “R” Us, UNOPS, and Vögele Mode.

Price-premium requirements

There are no price-premium requirements in this scheme.

Level of social standards

The SA 8000 standard includes all the core labour standards of the ILO, as well as standards on:

Child labour	<ul style="list-style-type: none"> No workers under the age of 15; minimum lowered to 14 for countries operating under the ILO Convention 138 developing-country exception; remediation of any child found to be working.
Forced labour	<ul style="list-style-type: none"> No forced labour, including prison or debt bondage labour; no lodging of deposits or identity papers by employers or outside recruiters.
Health and safety	<ul style="list-style-type: none"> Provide a safe and healthy work environment; take steps to prevent injuries; regular health and safety worker training; system to detect threats to health and safety; access to bathrooms and potable water.
Freedom of association and collective bargaining	<ul style="list-style-type: none"> Respect the right to form and join trade unions and bargain collectively; where law prohibits these freedoms, facilitate parallel means of association and bargaining.
Discrimination	<ul style="list-style-type: none"> No discrimination based on race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation, or age; no sexual harassment.
Discipline	<ul style="list-style-type: none"> No corporal punishment, mental or physical coercion or verbal abuse.
Working Hours	<ul style="list-style-type: none"> Comply with the applicable law but, in any event, no more than 48 hours per week with at least one day off for every seven day period; voluntary overtime paid at a premium rate and not to exceed 12 hours per week on a regular basis; overtime may be mandatory if part of a collective bargaining agreement.
Compensation	<ul style="list-style-type: none"> Wages paid for a standard workweek must meet the legal and industry standards and be sufficient to meet the basic need of workers and their families; no disciplinary deductions.
Management systems	

Level of environmental standards

The SA 8000 system is currently only focusing on labour standards.

Certification by an independent third party

Certification of facilities is done by auditing bodies accredited by SAI. SAI accreditation ensures that auditors have the procedures and resources needed to conduct thorough and objective audits. There are currently nine organizations accredited to do SA8000 certification, most of them commercial auditing firms. There is currently a lot of debate on the question whether the system of SA 8000 guarantees enough stakeholder involvement in the monitoring and auditing process.

7. FLO Fairtrade Labelling

Goal of the initiative



The goal of the Fairtrade Labelling Organisations International (FLO International) is to improve the position of the poor and disadvantaged producers in the developing world, by setting fair-trade standard and by creating a framework that enables trade to take place at conditions favourable to these producers.

Instruments used

Besides the Generic Fairtrade Standards, FLO International has specific standards for coffee. This complete set of standards applies to small farmers' organisations only. FLO International's policies regarding the trade of coffee focus exclusively on smallholder farmers. The instrument that refers to small coffee producers consists of three parts:

- A. Generic Fairtrade standards for small farmer's organisations;
- B. Product specific standards for coffee;
- C. Trade standards for coffee.

FLO International follows several internationally recognized standards and conventions, especially those of the International Labour Organisation (ILO). Each item in the Fairtrade Standards for Coffee is formulated in general terms, and, when applicable, reference is made to the external standards that FLO adopts. The standard is then followed by requirements that serve as parameters for verification. These requirements are divided into:

- Minimum requirements, which all producer organisations must meet from the moment they join Fairtrade, or within a specified period;
- Progress requirements, on which producer organisations must show permanent improvement.

FLO also requires that producer organisations abide by national legislations, which prevail in case they set higher standards on particular issues than FLO.⁵⁸

⁵⁸ Fairtrade Labelling Organizations International. *Fairtrade Standards for Coffee*. Version January 2003, p. 2.

The following issues are addressed by the Fairtrade Standards for Coffee:

Social development	<ul style="list-style-type: none"> ▪ The producer organisation should need the revenues of Fairtrade to be able to promote social and economical development of small farmers; ▪ Members of the producer organisation should be small farmers; ▪ Requirements on democracy, participation and transparency; ▪ Non-discrimination requirements.
Economic development	<ul style="list-style-type: none"> ▪ The producer organisation must have the commitment and capacity to administer the Fairtrade Premium in a way that is transparent for beneficiaries and FLO; ▪ Export ability: the producers must have access to the logistical, administrative and technical means to bring a quality product to the market; ▪ Economic strengthening of the organisation.
Environmental development	<ul style="list-style-type: none"> ▪ Environmental protection: producers have to implement a system of Integrated Crop Management (ICM) and minimise the use of fertilizers and pesticides.
Labour conditions	<ul style="list-style-type: none"> ▪ Forced labour and Child labour (in accordance with ILO Conventions 29, 105 and 138); ▪ Freedom of association and collective bargaining (in accordance with ILO Conventions 87 and 98); ▪ Conditions of employment (in accordance with ILO Conventions 110, 100 and 111); ▪ Occupational health and safety (in accordance with ILO Convention 155).

All certified producers receive price premiums and have the right to pre-financing (see § 7: price-premium requirements).

Partner organisations that participate in the initiative

According to FLO International, the participation of traders, producers and other stakeholders in the Standards development is crucial. Each three years, producers and traders elect new representatives to the FLO board. The national labelling organisations also elect their representatives to the board every three years. There are labelling organisations in the following countries: Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, The Netherlands, Norway, Sweden, Switzerland, United Kingdom and the USA. The board is composed of six representatives of the national labelling organisations, four representatives of the producer organisations certified by FLO and two representatives of FLO registered traders.⁵⁹

⁵⁹ Data provided by Anneke Theunissen, information officer at FLO International.

Requirements to participate

Smallholder farmers can only join the Fairtrade initiative if they form organisations, such as cooperatives or associations, “which are able to contribute to the social and economic development of their members and their communities and are democratically controlled by their members”.⁶⁰ Large-scale producers are not allowed to participate. For further requirements, see § 7.: instruments used.

Span of impact

The span of impact of the FLO Labelling initiative is limited to a specific type of producers, namely smallholder farmers worldwide. FLO does not aspire to work with medium or large-scale producers. For this reason, in 2001 no fair-trade green coffee was bought from world’s biggest coffee producer, Brazil, a country where large-scale plantations are predominant.⁶¹ In 2002, due to new demands, Fairtrade started to buy coffee from smallholder farmers in Brazil.

At the other end of the value chain, FLO wants to reach a vast group of consumers by selling labelled brands in supermarkets. This indicates that FLO’s strategy is to sell non-mainstream coffee to a mainstream public.

Since the beginning of the Fairtrade movement, enormous successes have been achieved. Although market shares in the countries where FLO is present are usually small, the initiative has shown that it is possible to do business on the basis of confidence, quality management, long-term relationships and fair prices. In view of its limited span of impact, however, one could say that the FLO initiative regarding coffee is neither the definite answer to the *malaise* on the world market, nor to the everyday problems of bulk coffee producers.

⁶⁰ Fairtrade Labelling Organizations International. *Fairtrade Standards for Coffee*. Version January 2003, p. 2.

⁶¹ Data provided by Anneke Theunissen, information officer at FLO International.

Price-premium requirements

Labelled fair-trade farmers are guaranteed a premium over the coffee price on the world market. The idea behind the payment of premium prices is that smallholder farmers should be able to afford basic healthcare, education and housing improvements for their families and further sustainable business development of their farms.⁶²

The fixed minimum prices vary according to the type and origin of the coffee. The minimum prices in the following table include quality differentials, the fixed FLO-international premium of US\$ 0,05 per lb (pound) and an organic premium of US\$ 0,15 per lb. All prices are in US dollar per pound.⁶³

Type of coffee	Regular		Certified organic	
	Central America, Mexico, Africa, Asia	South America, Caribbean Area	Central America, Mexico, Africa, Asia	South America, Caribbean Area
Washed Arabica	US\$ 1,26	US\$ 1,24	US\$ 1,41	US\$ 1,39
Unwashed Arabica	US\$ 1,20	US\$ 1,20	US\$ 1,35	US\$ 1,35
Washed Robusta	US\$ 1,10	US\$ 1,10	US\$ 1,25	US\$ 1,25
Unwashed Robusta	US\$ 1,06	US\$ 1,06	US\$ 1,21	US\$ 1,21

A special feature of the Fairtrade initiative is the pre-financing agreement. The buyer makes available up to 60 percent of the (estimated) contract value and pays this amount at harvest to the producer organisation. The remaining 40 percent is paid upon delivery of the coffee.

Level of social standards

The social standards in the Fairtrade Standards for Coffee are very pertinent and complete. A division is made between social development standards and standards related to labour conditions. All standards in the latter category refer to ILO Conventions, but are only applicable if the producer organisation employs a *considerable* amount of workers. It is not explained what one should see as a “considerable amount”. As only organisations of smallholder farmers can join Fairtrade, it is likely that the labour standards do not apply very frequently. Most smallholder farms are run by families and hardly have anything to do with hired

⁶² SOMO. *Info pack on the coffee world market, the international coffee supply chain and codes of conduct*. Amsterdam: for the Coffee Working Group, 2001. p. 23.

⁶³ Fairtrade Labelling Organizations International. *Fairtrade Standards for Coffee*. Version January, p. 10-11.

labour. When these standards are applicable, producer organisations have to comply with one of the most complete set of requirements in the area of coffee certification and labelling (see § 7.: instruments used).

Level of environmental standards

The Fairtrade Standards for Coffee is essentially a set of social standards. The environmental development standards are not as comprehensive as the social development standards. Nevertheless, the minimum and progress requirements cover some basic aspects. Producers have to live up to national and international legislation regarding the use of pesticides, handling pesticides, the protection of natural waters, virgin forest and other ecosystems of high ecological value, erosion and waste management. By implementing a system of Integrated Crop Management (ICM), producer organisations should establish a balance between environment protection and business results. FLO encourages producers to work towards organic certification. According to Simen Sandberg, product manager for FLO, a lot of producers already produce “organic” coffee because they simply cannot afford pesticides or fertilizers - the prices for these products are high. These producers do not sell “certified” organic coffee, although they cause little or no harm to the environment.⁶⁴

FLO is in the process of integrating generic environmental standards in the FLO standards.

Certification by an independent third party

FLO makes a difference between certification and registration. Certification is granted to producers for the production of specific products, while registration is issued to traders (processors, exporters, importers and manufacturers).

A special Certification Committee (CC) has the overall responsibility for the certification of producers in accordance with the FLO Standards. It is also responsible for the registration of the processors, exporters, importers and manufacturers that are authorised to trade under FLO Trade Conditions. Although the Certification Committee is formally not responsible to any organ or body within FLO, the members of the CC are appointed by the FLO board for a period of two years. The FLO board cannot, however, interfere in the decision-making process and correct decisions taken under the responsibility of the CC.

⁶⁴ Interview with Anneke Theunissen and Simen Sandberg, Fairtrade Labelling Organisations International, 25/8/2003.

The CC must include representatives of all interested parties: producers, traders and FLO member organisations. Initial certification can only be granted for a maximum of two years. After this period, the certified producer has to be inspected again. Renewal of certification is also possible for a maximum of two years.⁶⁵

According to data provided by its information officer, FLO is in the process of changing the CC into an independent company, totally separated from FLO International. The intention is to obtain ISO 65 accreditation for this limited company, provided that it can continue to serve FLO's target group - disadvantaged small producers and workers - and does not have to provide certification services to larger coffee plantations or other agro businesses. An external consultant is doing a research into this, while the Standards and Policy Committee and the FLO Board are discussing it internally.

⁶⁵ Fairtrade Labelling Organisations International. *Terms of reference for the Certification Committee*. Internal document, 25/5/2002.

s o m o



SOMO

Stichting Onderzoek Multinationale
Ondernemingen
Centre for Research on Multinational
Corporations



Keizergracht 132
1015 CW Amsterdam
The Netherlands
Tel.: 020-6391291
Fax: 020-6391321
info@somo.nl
www.somo.nl

