Mainstreaming sustainable coffee

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MAINSTREAMING SUSTAINABLE COFFEE

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ABSTRACT

This overview article examines the various dimensions of sustainable coffee as well as the actors involved and their perceptions on how to advance the market from niche to mainstream. The issues at hand are very complex, with different types of coffee producers, manufacturing/roasting companies and consumers, and a variety of standards, all with their own peculiarities and views on what is the best approach, and characterised by a divergent potential for 'scaling up'. Policy-makers, managers and NGOs thus face difficult choices as to which path to pursue as there is no clear consensus on a concrete 'solution' to this 'wicked problem'. The article analyses the market for sustainable coffee, the different types of certified coffee available and their peculiarities considering production and supply perspectives, in relation to consumers who buy the final product. Implications are discussed as well, in the context of complexity and confusion, and the need for more complementarity.

KEY WORDS

Coffee; certification; fair trade; supply chain; corporate social responsibility; multinationals; consumers; sustainability; standards

INTRODUCTION

In the past two decades, many changes have taken place on the international coffee market. The year 1989 saw the end of a regulated quota system that ensured stable prices (Gilbert, 1996; Ponte, 2002). Subsequently volatility has become inherent to the coffee market, and so has income and market vulnerability for producers. A reordering of the coffee sector has taken place, with trade and industry in the consuming countries gaining power to the detriment of producing-country governments, farmers and local traders. Coffee thus transformed into a more buyer-driven commodity chain (cf. Gereffi, 1999), and public attention has increased for the large roasting and instant manufacturing companies (Nestlé, Kraft, Sara Lee and Procter & Gamble) and their

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responsibility as powerful buyers on the market (Kolk, 2005). Non-governmental organisations (NGOs) linked these multinational companies (MNCs) to the fate of farmers, their declining income levels, poor working conditions and social situation, and to poverty in developing countries in general as this is where coffee is grown (Oxfam, 2002). They highlighted the fact that smallholders supply 70% of the world's coffee, and that approximately 125 million people are estimated to depend on this commodity for their incomes (RIAS, 2002; UNCTAD, 2003, p. 69). MNCs have taken steps in response, including more specific corporate social responsibility policies, involvement in industry activities, and purchasing of certified coffee.

Over the years, the coffee sector has seen the emergence of various voluntary standards for sustainable coffee production, drawn up by NGOs and sometimes industry (jointly), accompanied by concomitant certification programmes and labels. The four main standards that include independent monitoring and certification are Fairtrade, Organic, Rainforest Alliance and Utz Certified. Foci and requirements have differed considerably, reflecting the divergent origins and objectives of the organisations involved. And while there is growing demand for sustainable coffee, and quite some actors, including MNCs, state to aim at 'mainstreaming', the market share of sustainable coffee is still limited and thus embodies rather a niche overall. The issues at hand are also very complex, with different types of producers, manufacturers, and consumers (see Figure 1), and a variety of standards, all with their own peculiarities and views on what is the best approach to 'scaling up'. In this context, policy-makers, managers and NGOs thus face difficult choices as to which path to pursue as there is no clear consensus on a concrete 'solution' to the 'problem'. This complicates, for example, the formulation and implementation of sustainable purchasing guidelines.

How to realise a mainstream sustainable coffee market seems to be an example of a so-called 'wicked problem', a concept which has received attention in public policy in particular (e.g. APSC, 2007; Head, 2008). Seen as the opposite of 'tame', not in the connotation of 'evil', wicked problems are difficult to solve because of social complexities, including interdependencies, multi-causalities, divergent perceptions, involving a multitude of stakeholders; they also evolve over time and steps taken may have unintended outcomes. This concept adds an explicit focus on the various ways in which problems and solutions are framed and understood, so as to bring a common understanding closer. Another peculiarity of wicked problems is that they tend to cross (organisational) boundaries (e.g. different government agencies, frequently involving local, national, regional and/or international levels) and that their 'solution' usually requires behaviourial change (APSC, 2007; Head, 2008). This has relevance for sustainable coffee, inter alia because consumers are frequently regarded as 'responsible' for generating sufficient demand and thus driving mainstreaming. Concurrently, changes in consumer behaviour must take place in this same context of complexity and divergence, including a range of different labels with companies and NGOs following distinct approaches.

This overview article aims to shed some more light on the peculiarities of this wicked problem by examining the various dimensions of sustainable coffee as well as the actors involved and their perceptions on how to advance the market. It thus does not aim to provide a 'solution' but rather contribute to a better understanding of different perceptions and options by outlining the complexities. In addition, it will put forward some thoughts as to next steps. Before doing that, however, the article

provides more detail on the sustainable coffee market, on the different sustainability standards, their (potential) role in realising a sustainable (mainstream) coffee market as well as those of major coffee roasters and instant manufacturing companies. Considering Figure 1, first some insight will be given in terms of the market (demand) for sustainable coffee, to subsequently move to the types of certified coffee available and their peculiarities to consider the production and supply perspectives, relating this to consumers who buy the final product.

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MARKETS FOR (SUSTAINABLE) COFFEE

Figure 1 distinguished between different types of markets relevant to the coffee sector: institutional (the so-called 'out of home' market), which includes restaurants, vending machines, offices; and retail, which can be subdivided into the more 'mainstream' market channel consisting of groceries and super/hypermarkets, and specialty shops (cafes, specialist coffee and tea shops, fair trade and organic shops). Obviously price-quality requirements differ depending on the specific set of customers involved, but more intangible aspects such as the degree of sustainability of coffee production have started to play a role as well in the past decade. This applied to the mainstream retail channel to a limited extent in the early years, and much more to the out-of-home market (offices and vending machines more than restaurants initially). Here demand for sustainable coffee became noticeable, and so did interest in specialty coffees produced under better circumstances than 'conventional' coffee (for an overview of the situation in the early 2000s in different countries, see Giovanucci and Koekoek, 2003).

In the US, for example, in addition to the more specific world shops (specialised in 'alternative trade' products to further change) and online/mail-order channels oriented to organic and Fairtrade coffee, a company such as Starbucks started to meet speciality sustainability coffee demand in its own shops, while one of the larger MNCs (Procter & Gamble) over the years began to target mainstream grocery stores with its Millstone sustainable brands. For P&G this was an attempt to capture a share of increasing US customer interest in specialty coffees, with certified coffee amongst the fastest growing segments. Sara Lee, for example, whilst relatively small in the US as far as coffee is concerned, concentrated on foodservices, started to include some Fairtrade and later Utz coffee in its out-of-home assortment in response to customer demand. These approaches were adopted by other MNCs as well (see below). Certified coffee accounted for approximately 8% of all coffee imported in the US in 2006 (Giovannucci et al., 2008, p. 36), but these special types show much larger growth rates than conventional coffee, where hardly any increase but rather stabilisation can be seen. This development is not just notable in the US, but represents a global phenomenon (Giovannucci et al., 2008, p. 47).

In general, the US is the largest coffee consuming country, with between 15-20% of world consumption, Brazil is second (around 13%), Germany third (around 7%) and Japan fourth, followed by Italy and France; the European Union as a whole accounts for approximately 30% (derived from ECF, 2010, p. 4). Per capita consumption differs considerably between countries: in 2006 it was 6.39 kg in Canada,

4.95 kg in the EU, 4.09 kg in the US and 3.38 kg in Japan (Giovannucci et al., 2008, p. 36). Within the EU, consumption habits diverge, with France, for example, at 5.48 kg, Germany at 6.3 kg, the Netherlands at 7.1 kg, Spain at 4.0 kg and the UK at 3 kg (2008 figures, ECF 2009).

Illustrative of the varying pattern of certified coffee consumption in recent years are the markets in Germany and the Netherlands, which are respectively the largest consumers of coffee and one with relatively high consumption levels per capita, yet their certified coffee consumption varies widely from 5% (Germany) to 25% (the Netherlands) of national markets in 2008 (TCC, 2009). In Germany, different certified coffee types are being sold and are also available at specialty coffee shops. In the Netherlands, certified coffee, especially Fairtrade, has a long history (as it is where the Max Havelaar label originated in 1989), and in the early years only Fairtrade/Organic was sold and accounted for around 3% (CC, 2006). In 2002, the situation changed, with other types of certified coffee (particularly Utz) becoming more prominent. Certified coffee was gradually included in supermarkets' own brands, and Sara Lee started to buy Utz for its DE brand, which has a market share of more than 50% in the Netherlands. In addition, demand for sustainable coffee in the out-of-home market (government agencies, NGOs but also companies for use in their offices/vending machines) grew as well.

It should be noted that there are many developments in the past few years that may not be visible in the figures yet. Increasingly chains such as McDonalds, Ikea and Sodexo want to make offerings in their restaurants/food services sustainable, and this also applies to mainstream supermarkets such as Wal Mart, which thus gives a considerable impetus to the demand for certified coffee. For these companies, corporate social responsibility has started to include sustainable coffee offerings as well, overall leading to the inclusion of certification in all market channels now. Interestingly, approaches differ considerably, as only a few chains adopt a global strategy (i.e. selecting one type of certified coffee to offer everywhere); Ikea, with Utz-certified coffee, is a prominent example. Others show a large variety, including selecting different roasters and their brands, or developing an own brand and then with several certified coffee suppliers depending on price, market and structural peculiarities (e.g. franchising or not); retailers' overarching strategy concerning the global standardisation – local adaptation continuum also plays a role (e.g. Kolk and Margineantu, 2009; Vrontis et al., 2009). For example, BP's cafe outlets Wild Bean offer, under their own label, Utz in the UK and the Netherlands, Fairtrade in Australia and New Zealand, while no visible certification could be found in some other countries. McDonalds has, for example, Rainforest-certified coffee in the UK and Germany (where it cooperates with Kraft) and Utz-certified coffee in the Netherlands (supplied by Sara Lee).

This brief overview of the sustainable coffee market in terms of demand already shows a range of different types of certified coffee, which will be given more attention in the next section considering characteristics and volumes.

MAIN STANDARDS FOR SUSTAINABLE COFFEE PRODUCTION

As already indicated in the introduction, the standards that include independent monitoring and certification are Fairtrade, Organic, Rainforest Alliance (RA) and Utz

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Certified (Utz). Each has its own distinct background and history (see Table 1). Fairtrade, for example, is the oldest, and supporting small producers has been its starting point, while for RA and Organic this has been protection of ecosystems and biodiversity, and for Utz market-based mainstreaming of sustainability (see below; cf. Raynolds et al., 2007).

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If we compare some main peculiarities, then Fairtrade[1] stands out for the minimum guaranteed price for producers and a fixed premium that is always assured; this premium should be used to enhance social, economic and environmental development. Other standards are more market driven, with price being negotiated between buyer and seller, and they do not pay an assured premium, although in practice certified coffee generally receives a higher price. The idea, as made explicit by particularly Utz and RA, is that quality improvement of production and processing helps realise a market-determined quality premium for the farmers adopting these practices (higher price for a better product).

With these divergent underlying principles comes a different system of accepting farmers: entry barriers for RA and Utz are low; for Fairtrade entry barriers are also low as far as registration is concerned, but high for actual participation, and there are limits to numbers of farmers and volumes of coffee that it can include in practice (Muradian & Pelupessy, 2005).[2] This is a direct result of the market-based approach versus those of the guaranteed minimum price plus fixed premium. Obviously, RA and Utz are also restricted in a sense as long as supply of certified coffee is larger than demand (which is still the case), as this limits the number of farmers that can profit from 'a higher price for a better product'. However, they have no in-built restrictions as they accept all kinds of farmers (individual or in groups, producer organisations, contract farming).

Fairtrade focuses on small coffee farmers who do not hire permanent labourers and thus are family-based, and who spend most of their time working on the farm with most of their income originating from agriculture. Moreover, they should be organised in formal, democratic cooperatives composed of a majority of small producers. Limitations as to total numbers and market size to be covered by Fairtrade also stem from preconditions imposed on roasters that buy the coffee, such as the fact that Fairtrade requires them to offer pre-financing to producer organisations and that they have to pay a license fee amounting to $0.10/lb of certified coffee.[3] To participate in Utz (2010), roasters only pay an administrative fee which is considerably lower at $0.012/lb.

The volume of these four major standards on the market has grown over the years, but is still limited, with sales approximating 4% of total world production. Table 2 shows the division over the four categories (where 'purchases' indicate the sustainable coffee bought by roasters and eventually coffee consumers), and also gives information about available volumes (which is the coffee produced and certified according to the sustainability standards). Considering the purchased volumes, it is noteworthy that Utz and RA show large growth rates: both more than doubled in 2008 compared to 2006; this applies to Utz as well in terms of supply, i.e. the amounts of Utz certified coffee available on the market. In available volumes, Utz has by far become the largest certification standard in recent years.[4] As to organic coffee, the

reliability of the figures is unclear as they are apparently "difficult to find and interpret" (TCC, 2009, p. 19), and so are estimates about growth rates (Giovannucci et al., 2008).

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Other standards have emerged as well, but they are labelled verification systems instead of certification to reflect their different approach. Two are corporate in origin, i.e. Starbucks' own Coffee and Farmer Equity Practices (CAFÉ), and AAA Nespresso (Nestlé), a third one, 4C, the Common Code for the Coffee Community, identifies – via internal monitoring – coffee that is compliant with its Code (see below). If we add the coffee verified according to these other standards to those identified in Table 2, then the total volume in terms of purchased coffee is estimated to be around 6% of the total coffee market (TCC, 2009). It should be noted that even if guesstimated available volumes of all certified/verified coffee are compared to total world production, that this adds up to 14% at best.[5]

IS THERE A 'BEST' STANDARD: WHAT DO WE KNOW ABOUT IMPACT?

While there have been studies on the impact of different certification standards, a definite conclusion cannot be drawn. One of the reasons is that most publications have focused on just one standard, generally Fairtrade, and usually in a qualitative manner (case studies) without using good baselines; the few quantitative studies tend to rely on (self-)reported perceptions via surveys, with their own complexities in rural settings involving small farmers. Another problem is that analyses generally do not include costs and benefits for all participants in the value chain as a whole, and do not include control groups. In comparing different standards, there is also the complexity that Fairtrade farmers often sell only a small portion of their coffee on Fairtrade conditions (see footnotes 2 and 3), that producers can have multiple certifications and that there are short-term as well as long-term impacts including a range of environmental, social and economic dimensions (including aspects such as capacity building as well), which are difficult to capture in just one one-off study.

With these caveats, it can be said that reports that focus on Fairtrade (3ie, 2010; Nelson and Pound, 2009) generally give a positive assessment of the impact on several, though not always all, dimensions, with other things remaining inconclusive. Taylor et al. (2005), for example, found a significant contribution of FT in Mexico and Central America for living conditions and the emergence of governance arrangements, but also noted problems in formal structures related to communication and representation. Arnould et al. (2007) compared FT coffee farmers to non-participants in Nicaragua, Peru and Guatemala, with data showing "modest but measurable" better scores on some indicators, though on others there was no difference. And Ruben et al. (2009), who analysed Fairtrade and non-Fairtrade, found that non-Fairtrade coffee farmers had higher net household incomes in both Peru and Costa Rica, while on some other aspects, particularly organisational capacity, wealth and access to capital, Fairtrade scored better. However, impacts varied between product type - coffee versus bananas – and by country.

There are only few studies that offer a larger comparative perspective, and

include farmers working on the basis of multiple approaches or certified according to different standards. Using a variety of data sources, Parrish et al. (2005) compared FT to a free-market based business development (TechnoServe) approach for coffee farmers in Tanzania, and reported beneficial effects for both, albeit in different ways, with FT scoring better on some points, and TechnoServe on others. FT, for example, generated substantial value for producers/communities as a whole, but not so much as the level of individual farmers' incomes, where TechnoServe made a much larger contribution. Parrish et al. (2005, p. 188) concluded that both seemed complementary, and that "conditions requiring increased supply-side production efficiency would be well served by TechnoServe's approach, while conditions requiring demand-side market creation are well suited to a Fairtrade-styled approach". Kilian et al. (2006) analysed FT and organic farming in Latin America, using data directly collected from different market participants, showing that organic received higher price premiums than FT. However, higher costs for organic farming and losses due to constraints of the standard were not counterbalanced by additional income, except if farms were highly efficient. Moreover, FT/organic certification alone did not yield a price increase, as quality was a crucial precondition that farmers could not always meet. While the overall conclusion was that organic and especially FT could increase income for farmers in the short run, the longer-term perspective was doubtful given expectations of oversupply of organic coffee in particular, with productivity and quality improvement as the best way forward.

A broader comparison including more sustainability standards was carried out on behalf of COSA, a sector initiative to develop impact assessment tools, and a report resulting from a pilot study showed substantial differences for producers due to certification (Giovannucci and Potts, 2008). Certified farmers were better off in general, and results differed per standard, but these remained unnamed, so no conclusions can be drawn from that. The only study that compared Fairtrade, RA, CAFÉ and non-certified openly (Ruben and Zuniga, 2010) concluded that, while Fairtrade coffee farmers obtained a somewhat higher price, the net effect was small because certification according to other standards helped producers to improve quality and productivity, with better yields and quality performance. The authors suggest that while Fairtrade may be useful in an early stage, for farmers to get access to the world market, in the somewhat longer run other standards work out better for them. In an interview (Koch, 2010), Ruben alludes to a relationship with the guaranteed price as that may remove incentives for improvement with farmers also tending to stick to one crop only instead of diversifying and spreading risks. A final aspect he mentioned is that while pre-financing is helpful to provide access to capital, this was not always funded from the Fairtrade system as such but derived from NGOs, so public/non-profit rather than private money.

More generally, a minimum price, if above the market price, is seen as at best suitable for a market niche, in view of the effect of stimulating (over)production and its incompatibility with a market-based mainstream approach given the restrictions as to the (types of) farmers that can be included and limits to the coffee volumes they can produce. Moreover, while a fundamental pillar of FT, a minimum price is less relevant if market prices for coffee are higher than the minimum, which has been rather common, and something that is expected to continue, while quality is an important factor as well (Kilian et al., 2006; Solidaridad, 2010a). The premium offered by FT, aimed at community development programmes, goes to the collective rather than the

individual, and said to be not always fully utilised due to difficulties in finding or agreeing on the most appropriate spending purpose (Koch, 2010).

RA and Utz coffee have, due to higher quality, generated a 3%-5% premium above the market price for participating farmers, often paired with greater efficiencies and cost reduction, from which the individual famer benefits (Solidaridad, 2010a). Organic coffee farmers also receive a premium, that used to be 20% on average (Giovannucci et al., 2008), which should compensate for the higher costs of production according to this standard, and reward better quality. However, this seems increasingly insufficient to justify organic farming on economic grounds (Giovannucci and Villalobos, 2007; Kilian et al., 2006). Fieser (2009) recently reported that many small farmers in Latin America (the continent that produces three quarters of the world's organic coffee), consider transitioning back to conventional coffee as price differentials are too low to justify the restrictions and the lower yields due to the ban on the use of chemical fertilizers and pesticides.

So the situation is more complex than what a "guaranteed minimum price plus assured premium" versus "market price plus quality premium depending on circumstances" suggests at first sight. There may be multiple ways towards a more sustainable coffee market; we lack evidence to back up divergent statements in what is sometimes a heated debate between those who support Fairtrade versus other standards. This is something to be taken into account in further developing sustainable coffee policies, also for companies operating in the coffee sector.

MAJOR ROASTERS AND SUSTAINABLE COFFEE

Moving from the details on sustainable coffee as consumed and produced according to specific standards, to the pivotal 'intermediaries', the main roasters, Table 3 gives an overview of the largest roasters with regard to their purchasing volumes. It shows total amounts of sustainable coffee, divided over the various sources. The largest four companies, on which Oxfam had concentrated in its 'Make Trade Fair' campaign and that resulted in a 2002 report called 'Mugged. Poverty in your coffee cup', differ considerably in terms of current approaches and shares of sustainable coffee purchased. The situation in that sense diverges from Oxfam's (2002) judgement at the beginning of the decade, when P&G scored highest and Sara Lee lowest. Nevertheless, while there is a clear upward trend, the overall share of sustainable coffee in the MNCs' purchased volumes is still fairly low.

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Looking at the different sources, amounts of Fairtrade coffee are generally small; only Nestlé and Smucker's (who took over P&G's coffee business in 2008) buy a little bit. P&G/Smucker's is the smallest of the large roasters, and mainly oriented at the US market, especially with its Folgers and Millstone brands. Table 3 does not distinguish between the company's purchases of Organic, RA and Fairtrade coffee, which are all three used in concomitant Millstone coffee blends. As to Nestlé, most of its sustainable coffee approach consists of its AAA Nespresso programme, developed together with RA and the Sustainable Agriculture Network, and which is limited to this premium brand.

Sara Lee has the largest share of sustainable coffee of the largest four roasters, with a clear focus on Utz-certified coffee. A distinct approach also applies to its expressed commitment to move to 100% sustainable coffee, although a time line has not been given. Kraft is second in terms of share of sustainable coffee, and first when looking at volumes, although the latter has also changed since 2008 due to Sara Lee's increase in Utz coffee purchases from 20,000 in 2008 to 30,000 tonnes in 2009 and 40,000 tonnes in 2010 (Sara Lee, 2010). In contrast to Sara Lee, Kraft has chosen RA certified coffee, an approach started in October 2003 when it announced the purchase of 5 million pounds of RA-certified coffee (Sara Lee announced a similar amount for Utz in March 2004) (Kolk, 2005).

Overall, the picture that emerges is very different from the one painted by Oxfam almost a decade ago, a change which seems at least partly due to campaigns by NGOs and to industry dynamics (Kolk, 2005). In the Netherlands, for example, considerable pressure was exerted by the Coffee Coalition, consisting of seven development organisations and two trade unions (its successor, the Tropical Commodity Coalition, which extended its focus to include tea and cocoa in addition to coffee, had a largely similar composition with eight NGOs and two trade unions) (CC, 2006: TCC, 2009). It targeted Sara Lee in particular in 2003, when the 250th anniversary of its main coffee brand DE was used as an opportunity to emphasise that "there was nothing to celebrate". This wave of attention had a clear influence on the company, as its most well-known brand was attacked in the country where it had the largest share of the coffee market and that was home to its international headquarters (Kolk, 2005).

Sara Lee, Nestlé and the European branch of Kraft played an active role in the creation of Common Code for the Coffee Community, a multi-stakeholder initiative of the main players in the coffee sector as a whole, although MNC participation particularly originated from European locations. Hence, P&G/Smucker's has not been involved. 4C was created in 2002 to increase sustainability in the (mainstream) coffee sector, and brought together producers (federations from a range of coffee producing countries), trade and industry (including Kraft, Nestlé, Sara Lee and the European Coffee Federation), NGOs and unions from both developed and developing countries, and others (international organisations such as the International Coffee Organization and the World Bank, ministries and other labelling, research and action groups) (4C, 2006). Legal advice was also sought to ensure that competition rules would not be infringed.

The main focus was the creation of a code of conduct, involving an internal monitoring system (i.e. not external, different from the four standards mentioned before) that verifies farm practices according to standards derived from inter alia international conventions. This way, '4C compliant' coffee could be identified from 2007 onwards, with growing quantities: total available volumes were 275,945 tonnes in 2008 and 569,886 tonnes in 2009 (calculated from 4C, 2009). However, purchases of 4C coffee only amounted to a very small portion of the available supply of 4C coffee, i.e. 4.2% in 2008 and 5.2% in 2009 (or in tonnes, 11,638 respectively 29,541).[6] If these figures are linked to those in Table 3, then it seems that almost all of the 2008 4C compliant coffee has been bought by two members, Nestlé and Tchibo (in total 11,000 tonnes). As the price for 4C compliant coffee equals those of conventional coffee (i.e. without a sustainability label) the added value on the market seems to be limited so far.

Membership in the so-called 4C Association (created in 2006 when the initial

project aimed at formulating a code of conduct ended) has grown to over 130, in different categories: producers, trade and industry, civil society, individual members and associate members (4C, 2010a). Some of the initial members are no longer involved; these include international organisations, Utz, unions, some civil society groups, and Sara Lee. Of the ten largest roasters included in Table 3, four were members of the 4C steering committee until December 2006 (Kraft, Nestlé, Sara Lee and Tchibo). These same four companies have actively participated in the coffee platform of the Sustainable Agriculture Initiative that was created in 2003 to help further sustainable green coffee practices. As to the 4C Association, current members include Aldi, Kraft, Melitta, Nestlé and Tchibo, while Sara Lee, Smucker's, Starbucks, Lavazza and Segafredo are no members. Amongst the current 4C members, the only company that has committed itself to a fully sustainable future path, and that buys a relatively high percentage of such coffee, is Tchibo.

Considering the amounts of sustainable coffee purchased as well as future commitments in Table 3, this suggests that Sara Lee, like Starbucks, has taken their own route separate from 4C, while the other three large MNCs have a very limited (or no) strategy in this area. Starbucks clearly focuses on its own CAFÉ standard. Sara Lee has chosen for Utz, a decision in which several factors played a part. One is that only this standard could accommodate the mainstream demands of Sara Lee in terms of a large number of available origins, and coverage of all types of coffee and farms/production systems, so as to ensure maximum flexibility and the same quality of its products (RA originally focused on rainforest countries, limiting origins/types, and Fairtrade accepts smallholders in cooperatives only). Sara Lee also wanted to have a clear market-based system, i.e. use of the market mechanism for pricing, with rewards based on higher quality, thus avoiding major price increases of its coffee. Considerations regarding specific Utz characteristics also played a role; in addition to the system's transparency and its more limited costs, this included the fact that Utz certification would support Sara Lee's DE brand rather than submerging it, as FT was seen to do with its all-encompassing logo and trademark.

The points above highlight inherent limitations related to mainstreaming sustainable coffee and that, despite various activities, coherent approaches are lacking as most roasters buy very small amounts of sustainable coffee, usually also from different certified standards, and sometimes even using multiple labels. Some implications will be explored in the final section.

DISCUSSION AND CONCLUSION

It is obvious that a route towards a sustainable coffee market is accompanied by complexity, divergence and uncertainty, which are identified as key characteristics of a wicked problem by Head (2008). There is great divergence concerning types of coffee farmers and their peculiarities (see Figure 1), with a range of certification/verification standards that influence their production methods, incomes and market opportunities. With increased attention to the mainstreaming of sustainable coffee, market-based systems have become more dominant. This has been accompanied by a move from, as Raynolds (2009) labels it in the case of some FT buyer-producer relations, 'partnership' to 'traceability'. Direct relationships between buyers and producers are being replaced by looser market-driven ties, with purchases via conventional traders and reliance on

certification. As an illustration, Utz, the most mainstream standard, has been characterised as most advanced in traceability compared to other standards, with its adherence to rigorous requirements and its focus on linking all coffee to its origin (Raynolds et al., 2007). Traceability presents many challenges, not only for farmers who see changing relationships and conditions, but also for (mainstream) buyers, especially considering the long chain from bean to cup, and the information required throughout, from initial production to final consumption.

For MNEs that purchase enormous quantities of coffee, and handle bulks, it adds further complexity through the need to keep streams of coffee (conventional and certified coffee types) logistically separate from beginning to end. Besides benefits, traceability also brings costs (cf. Golan et al., 2004), including those involved in recordkeeping, separating supply and product(ion) lines, or creating additional ones, and packaging and labelling. In the process towards gradually increasing amounts of sustainable coffee in addition to conventional coffee, MNEs also need to figure out how to position various types of coffee in different markets / market channels, or have (even multiple) labels on packages to meet (perceived) customer requirements. For roasting and manufacturing companies, facing multiple channels and markets around the world, varieties in origins and quality matter, and standards' requirements should fit into that. Besides such complex coordination and control issues, that are in a sense inherent to international business, also when it comes to corporate social responsibility (Kolk and Van Tulder, 2004; Muller, 2006), there are political and strategic decisions as well.

These involve the question as to which standard to chose given that it is unclear which is 'best', that scaling up seems difficult with some certification systems, Fairtrade in particular, and that FT's own marketing approach and organisation (for which roasters pay a substantial fee) may inhibit companies' own branding strategies. At the same time, FT is the best-known standard and seen by many as synonymous with a sustainable ('fair') way of production, trade and consumption. Moreover, it is difficult for companies to navigate through a spectrum of often passionate but quite disparate views, especially between the NGOs involved in the various initiatives (cf. Solidaridad, 2010a). But even within the FT movement different voices can be heard, as noted by Laine and Laine (2009) who distinguished alongside the more traditional NGO actor, an 'anticapitalist' and an 'entrepreneurial' stream. Policymakers face somewhat comparable problems when they aim to further sustainable coffee, for example via purchasing guidelines, exacerbated by the fact that (implicitly) choosing one standard or system over the other may infringe competition / free market rules.

The ultimate 'problem', however, rests with the consumers, found at the end of the chain from bean to cup (Figure 1). If the issues are so complex, as outlined in this paper, and can at best be grasped by those well-informed about the subject, then information asymmetry vis-à-vis consumers is likely to be huge. It is the case that just a limited percentage of consumers is conscious of social and environmental issues, often around 30% is mentioned, and that only a small portion of them, generally less than 5%, translates that into their buying behaviour, often referred to as the 'attitude-action' or 'values-behaviour' gap (Kennedy et al., 2009; Young et al., 2009). Studies have paid attention to those consumers willing to pay a premium for 'fairer' products (e.g. Doran, 2009; Loureiro and Lotade, 2005), which indicate that personal values play a considerable role. However, to understand the drivers for sustainable consumption for broader sets of consumers, not only values, norms and moral concerns, but also

cost-benefit considerations, habitual behaviour and contextual factors should be taken into account (Jackson, 2005; Steg and Vlek, 2009).

In general, only those consumers that are involved and aware, are knowledgeable, and they are also much more affected by information on labels (e.g. Grankvist et al., 2004). Third-party environmental labels have also been found to increase credibility for consumers (D'Souza et al., 2007). However, even in these cases, there can easily be too much information, more than consumers can digest due to bounded rationality (Cseres, 2008). The concept of 'consumer confusion proneness' has been used in this regard as well, distinguishing different dimensions, including (perceived) similarity of products, information overload and ambiguity in relation to misleading or conflicting claims (Walsh and Mitchell, 2010). These factors turn out to have a negative effect on the trust and satisfaction of consumers, and their interest in recommending products or companies to others. Especially given the complexity in the coffee market with the range of different standards and their divergent, intricate peculiarities, policies that could lead to more clarity and less diversity of labels and approaches appear to be needed.

Hence, expecting the solution from consumers in this context seems too much, even leaving aside broader criticisms on whether commercialisation and consumption can bring about desired societal change (e.g. Shaw and Black, 2009). The wickedness of the situation may mean that the best approach would be one of complementarity, as came to the fore in some of the studies on the impact of different standards; it has been noted in the framework of FT coffee as well, where 'blending' of social and commercial marketing was recommended (Golding and Peattie, 2005). In a sense this resembles the 'pyramid of change', as brought forward by an NGO involved in fair trade and sustainable agriculture (Solidaridad, 2010b), although not an uncontroversial one, in which different standards and activities each play their own role in moving the issues forward. Some standards may be raising the bar on social and environmental dimensions of coffee production, while others will be rather holding it (Raynolds et al., 2007) – with all still doing more than in the 'conventional' system (cf. Mohan, 2010). Such a diversity also characterises roasters' current approaches towards sustainable coffee in their actual activities, although so far it has all been niche-oriented rather than becoming mainstream yet.

Nevertheless, steps in the direction of 'complementarity' require a major breakthrough towards collaboration rather than competition, at least in terms in how proponents of the various standards communicate their own approach and those of others. An earlier attempt to realise convergence, 4C, has not really worked out so far, as explained in this article. Still, the European setting seems to offer more potential perhaps than other countries or regions in view of the large involvement of major roasters as well as NGOs, and the range of mutual interactions. What might help is a widely shared recognition that some standards operate in what is by definition, given their requirements, more a niche market, tailored to realising particular objectives, while other approaches are better suited to mainstreaming, with divergent effects in terms of raising or rather holding the bar. The fact that producers often have their coffee certified according to multiple standards may point the way here, by indicating that controversies on the ground in developing countries may be less, with pragmatism focused on the ultimate aims prevailing.

Perhaps this represents the behaviourial change needed to tackle this wicked problem, not so much on the part of the consumers to start with, but first concerning

other parties on the market and the way in which they communicate amongst themselves and towards consumers and the public more broadly. This seems a formidable task for those public, private and non-profit actors interested in pursuing a more sustainable coffee market, but perhaps an inevitable one given the current, highly complex situation. Lessons learned from the salient coffee case, with its large number of private certification standards, may be useful for other areas in which we can see a balancing act between public and private (corporate and NGO controlled) regulatory systems.

NOTES

[1] In this article Fairtrade is used to refer to the label, while fair trade is used as a generic term to indicate the nature of trade (cf. Davies et al., 2010).

[2] Producer groups pay a fee for certification which ranges between $2,500-$10,000 depending on size and time needed <http://www.transfairusa.org/content/resources/faq-advanced.php#fees>, last consulted 2 April 2010. Being certified does not include a guarantee that producers can sell their coffee to the Fairtrade market on Fairtrade terms, and in reality, most producer groups only sell part of their coffee under these conditions (see e.g. Arnould et al., 2007; Taylor et al., 2005). Estimates based on an international source of the umbrella Fairtrade Labelling Organisations indicate that this is just 10%-20%, with the rest being sold for regular market prices (Slob, 2006, p. 32).

[3] <http://www.transfairusa.org/content/resources/faq-advanced.php#fees>, last accessed on 2 April 2010. Pre-financing for 60% of the contract value must be offered to producer organsiations to help them build up some working capital and improve their access to credit (Slob, 2006). This is deemed to be essential given that most producers only sell a small portion of their coffee as Fairtrade (see footnote 2).

[4] In 2004, total estimated volumes were much smaller for all standards, in the range of around 20,000-30,000 tonnes (with Organic and FT as largest, followed by RA and Utz) (Raynolds et al., 2007, p. 158).

[5] Calculated from figures provided in TCC (2009). In addition to the fact that the numbers provided by them are estimates, some coffee may have been double counted as sustainable given that producers often have multiple certifications (see also Kilian et al., 2006).

[6] Like in the case of FT, noted earlier in the article, this means that there is more certified/verified coffee available than purchased on the market. In the case of FT, this means that farmers can only sell this coffee for non-FT prices; in the case of 4C, there are no real price differentials compared to conventional coffee.

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Figure 1. An overview of the coffee supply chain from bean to cup
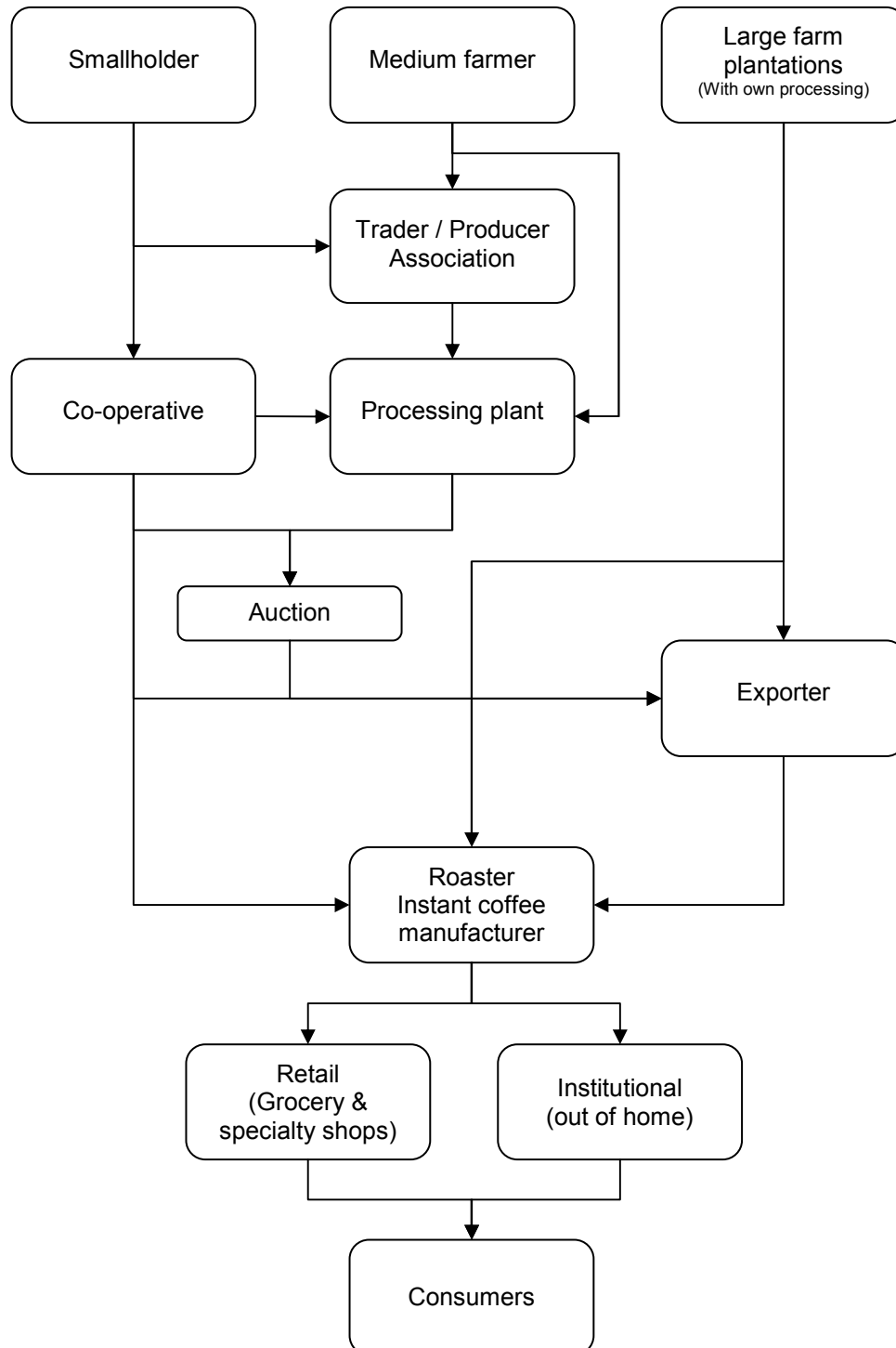
Source: Adapted from Slob & Oldenziel (2003), p. 7; TCC (2009), p. 2.

Table 1. Comparison of four main coffee certification standards

	Fairtrade	Organic	Rainforest Alliance	Utz Certified
*Mission**	Ensure equitable trading arrangements for disadvantaged smallholders who are organised into co-operatives	Create a verified agriculture system that produces food in harmony with nature, supports biodiversity and enhances soil health	Integrate productive agriculture, biodiversity conservation and human development	Implement a global decency standard for responsible coffee growing and sourcing
*History**	Began in 1970s in the Netherlands as Max Havelaar, now several national organisations under the umbrella of the Fairtrade Labelling Organisation (FLO). Coffee first labelled product in 1989.	Began in early 1970s as farming movement and developed into internationally recognised system	Began in 1992 by Rainforest Alliance and a coalition of Latin American NGOs. First coffee farm certification in 1996.	Founded in 1997 with criteria based on scientific fieldwork. Utz Kapeh Foundation started in 2002.
*Commercial conditions***	Pre-financing and long-term relationship. Assurance of a Fairtrade premium, internalisation of social and environmental costs. Contribution to balance demand and supply.	High assurance of demand, with a market price premium	Good balance between production and demand. Price premium depends on market demand.	Strategic balance between supply and demand. Price premium depends on market demand.
*Supply chain coverage and traceability***	Coverage focused at producers' level, trader standards applicable	Separate criteria on processing and handling	Coverage of standards focused at producers' level, transactions registered at electronic marketplace	4 inspection levels (producer, certificate holder, nursery, storage); separate chain of custody code. High traceability, web-based
*External control***	Certification centralized through FLO-Cert in Germany, based upon check list of local inspectors	Accreditation and certification, by private and governmental bodies	Certification by Sustainable Agriculture Network (SAN) members	Independent third-party control by approved bodies, local and international
*Multi-stakeholder participation***	Revision of governance structure, to balance stakeholder participation from producers' side. Difficult to enter for new producer groups	Federation of 750 member organizations ranging from organic producers, retailers, NGOs, to (large) companies with indirect influence on Standards Bodies	Standards developed by environmental NGOs of the SAN network, together with local stakeholders and international experts	Two-yearly evaluation of standards in multi-stakeholder consultation process. At local level there is a weak relationship with labour unions
*Consumer communication***	B2C concept with active communication	B2C message by 95% organic	2 types of B2C communication: 1) Label 100% RA coffee; 2) Label minimum 30%-90% RA coffee with a seal indicating the exact percentage	B2B communication. Assurance label used on pack when at least 90% is Utz certified

Source: *CC (2006), p. 5; **TCC (2009), pp. 6-7.

Table 2. Estimated available and purchased volumes of certified coffee in tonnes

Type of certified coffee	Available on the market			Purchased		
	2006	2007	2008	2006	2007	2008
Utz Certified	154,000	216,000	306,000	36,000	52,600	77,500
Fairtrade	?	?	165,000	52,000	62,200	65,800
Rainforest Alliance	77,000	91,000	124,000	27,000	41,500	62,000
Organic	?	?	78,000	52,000	67,000	78,000

Note: Standards overlap (i.e. producers can have multiple certifications) and some figures (as also noted by TCC, 2009) are estimates (especially those not obtained from the organisations directly)
Source: Fairtrade purchased figures derived from its annual reports; available 2008 figure from TCC (2009), p. 8; RA and Utz figures obtained from the organisations themselves; Organic 2006 and 2007 figures are estimates in Giovannucci et al. (2008), p. 37, those for 2008 from TCC (2009), p. 9, although it is strange that supply would be equal to demand.

Table 3. Basic information about largest roasters as to (sustainable) coffee purchases

Company	Total coffee purchased in tonnes, 2008 (if available, 2005 figures between brackets)	Certified coffee purchased in tonnes, 2008 (if available, 2005)	Certified coffee per source in tonnes, 2008	As % of total in 2008 (2005)	Future commitments
Nestlé	780,000 (780,000)	21,000 (1,500)	AAA: 13,000 FT: 2,000 4C: 6,000	2.7 (0.2)	?
Kraft	740,000 (780,000)	30,500 (11,300)	RA: 29,500 4C: 1,000	4.1 (1.5)	?
Sara Lee	450,000 (450,000)	20,400 (7,500)	Utz: 20,000 4C: 400	4.5 (1.7)	100% sustainable (no time specified)
Smucker's (P&G)	280,000 (288,000)	1,500 (1,500)	RA/FT/O: 1,500	0.5 (0.5)	?
Starbucks	175,000	134,000	CAFÉ: 120,500 FT: 9,000 O: 4,500	76.5	100% sustainable 2015
Tchibo	170,000 (204,000)	10,500 (1,500)	RA/FT/O: 5,500 4C: 5,000	6.2 (0.7)	12% 2012; 15% 2015; 100% no time specified
Aldi	145,000	?	?	?	?
Melitta	145,000	?	?	?	?
Lavazza	140,000	1,400	RA: 1,400	1.0	?
Segafredo	120,000	0	-	0.0	?

AAA: Nespresso standard; CAFÉ: Starbucks standard; 4C: Common Code for the Coffee Community; coffee seen as complying with the Code; FT: Fairtrade; O: Organic; RA: Rainforest Alliance
Source: 2008 figures from TCC (2009), pp. 10-11; 2005 figures from CC (2006), except for Sara Lee's total purchasing and certified coffee volumes which were derived from the company as both numbers in the report were too high.