

TRANS SUSTAIN Policy Brief

Combining Sustainability Certifications to Improve Livelihoods: Lessons from Colombian Coffee Cooperatives

Executive Summary

Increasingly, coffee farmers seek certification of multiple Voluntary Sustainability Standards (VSS) in order to diversify their sales channels. However, due to the current oversupply of VSS-certified coffee it is unclear to what extent holding multiple certifications truly makes economic sense for smallholder farmers. Our study compared the economic outcomes of holding multiple private and industry-led VSS certifications, namely Nespresso AAA, Starbucks C.A.F.E. Practices, and 4C in addition to Fairtrade, for over 600 households across two coffee cooperatives in Colombia. We found that the addition of private and industry-led certifications makes minimal difference to smallholders' economy, and thus do not offer a viable path out of poverty for coffee farmers. Accordingly, policymakers should promote initiatives that enhance economic and institutional support for smallholders' cooperatives directly, and encourage the implementation of other livelihood diversification strategies that help shield producers from the negative effects of environmental and economic shocks in the coffee sector.

THE COFFEE CERTIFICATION LANDSCAPE

For the approximately 25 million coffee farmers worldwide, certification through Voluntary Sustainability Standards (VSS) have been proposed as triple-win pathways through which farmers can improve their livelihoods while navigating the coffee sector's myriad economic, social, and environmental challenges (Giovannucci 2004). The uptake of VSS has been especially dynamic in the coffee sector, where now approximately 40% of coffee is produced under at least one VSS (Potts 2014, 163). Industry- and privately-led VSS, such as Nespresso AAA, Starbucks C.A.F.E. Practices, and 4C, account for a large portion of VSS growth, with 4C associated production alone now accounting for 42 per cent of certified production (Potts 2014, 167). Yet, many producers are unable to sell much of their harvest as certified. Despite rapid uptake by producers, VSS-certified sales account for only 10% of the global market (Potts 2014, 167).



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Thus, many producers, having met the requirements of one VSS, seek to diversify their sales channels by participating in multiple VSS simultaneously. However, little is known about the economic impact of multiple certifications on the lives of smallholder farmers. Impartial third-party research is scarce—most previous studies have either focused on Fairtrade and Organic labels, or have been backed by the VSS themselves. Given that each additional certification still adds implementation and administrative costs, it is crucial to gain a clearer understanding of the extent to which the adoption of multiple certifications, especially private and industry-led VSS, makes economic sense for cash-strapped farmers.

THE COLOMBIAN CASE: OUR APPROACH AND RESULTS

Our study, published in the *Journal of Development Studies*, addresses this question by examining how the utilization of four additional private and industry-led VSS have impacted two cooperatives in Colombia's coffee belt, which we refer to as cooperatives A and B. As a baseline, we conducted surveys of 612 randomly sampled households with Fairtrade certification, 375 of which held multiple certifications. Members of both cooperatives held Nespresso and C.A.F.E Practices certification. Only cooperative A also held the Rainforest Alliance/Nespresso AAA certification, while cooperative B held 4C certification. We first assessed whether these certifications helped improve smallholders economy through common 'pathways,' such as lowering production costs, increasing productivity and providing price premiums. Subsequently, we analyzed how membership in each cooperative, as an underlying local governance structure, impacts VSS performance.

Cooperative A faced weaker market access, fewer value chain partners, and lower coffee quality than Cooperative B. Theoretically, because Cooperative A received lower prices for conventional coffee, the price premiums garnered through additional VSS should provide a greater economic impact than in Cooperative B. However, with some exception, the received price premiums are too small to translate into significant economic improvements for smallholder coffee producers.

Cooperative B had relatively more well-developed organizational capacities, especially in terms of productivity and marketing, and their conventional coffee prices were 8 per cent higher than those of Cooperative A. This has left little room for improvements through certifications' price premiums. However, many farmers could still benefit from improved record-keeping and implementation of good agricultural practices (GAP), which the additional VSS did not appear to facilitate.

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For both cooperatives, our study found the impact of additional VSS on productivity to be non-significant. 32 per cent of farmers surveyed with multiple VSS remained unprofitable, falling below the break-even point. This was only a 3 per cent improvement over our control group of only Fairtrade-certified producers.

RECOMMENDATIONS FOR POLICYMAKERS

- ◆ Caution producers against over-certification.
- ◆ Bolster initiatives that enhance economic and institutional support for smallholders' cooperatives directly, especially in lowering production costs.
- ◆ Support farmers in developing livelihood diversification strategies outside of coffee. This can assuage the effects of shocks to coffee production such as pests and diseases, extreme weather conditions, and market price volatility.



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ABOUT TRANS SUSTAIN

TRANS SUSTAIN is a research group based at Westfälisches Wilhelms-Universität Münster and funded by the Ministerium für Innovation, Wissenschaft und Forschung des Landes Nordrhein-Westfalen. Our project seeks to understand the connections between transnational governance, international supply chains, and sustainable development in the global agrifood marketplace.

To learn more about our work please visit us at <https://www.uni-muenster.de/Transsustain/>. To read the paper on which this policy brief is based, please visit <https://tinyurl.com/yjo8ddlj>

ADDITIONAL SOURCES

Giovanucci, D., Lewin, B., & Varangis, P. (2004). *Coffee markets: New paradigms in global supply and demand*. Washington DC: The World Bank.

Potts, J., Lynch, M., Wilkings, A. et al. (2014). *The State of Sustainability Initiatives 2014: Standards and the Green Economy*. Winnipeg: International Institute for Sustainable Development.