TRANS SUSTAIN POLICY BRIEF

WESTFÄLISCHE WILHELMS-UNIVERSITÄT MÜNSTER

VOCSI:

The Independent Guide to Sustainability Certifications in the Coffee Sector

Executive Summary

Voluntary Sustainability Standards (VSS) have become an increasingly important way for policymakers to support sustainable development where they have limited regulatory power — but the proliferation of different VSS systems and labels has lead to high levels of confusion regarding what each of these labels mean, and what their impact is on the ground. In response to this, TRANS SUSTAIN has developed the VOCSI (Voluntary Coffee Standards Index), the first such independent, in-depth analysis of regulatory topics across all major VSS in the coffee sector to assess their strengths and weaknesses based on their own institutional designs. Our study found that multi-stakeholder VSS developed with NGO participation, such as UTZ, Rainforest Alliance, and Fairtrade USA, consistently out-rank industry-led VSS. These certifications set the bar highest for sustainable supply chain management.

Photo: CGIAR/Neil Palmer

The Coffee Industry and Voluntary Sustainability Standards

The coffee industry is a powerful force in the global economy, and a trailblazing sector in sustainable production initiatives. The European Union is the single largest market for coffee bean imports, accounting for about 40% of global consumption, followed by the United States (USDA FAS, 2017). It is also facing myriad challenges across economic, social, and environmental sustainability indicators.

Soil erosion, roya (coffee rust disease), climate change and water scarcity threaten the environmental sustainability of coffee production. The economic sustainability of the coffee sector is challenged by the notorious volatility of coffee prices, combined with increased production costs that have left many farmers operating at a loss (ICO 2016). In some cases, simultaneous environmental and economic pressures have caused smallholder (SH) farmers to abandon their land, or for large farms to furlough workers, changing the sociocultural fabric of coffee producing communities (Hivos, 2014).

VSS have become an important tool for policymakers who seek to address these myriad challenges across many global supply chains, including palm oil, wood products and textiles, but **the coffee sector is at the center of VSS development.** VSS are broadly defined as standards to which producers voluntarily adhere, requiring them to improve their production practices across a variety of sustainability indicators. In return, producers become certified — helping them gain access to niche markets and higher prices for their products (UNFSS, 2016). They have been developed by the private sector, NGOs, and multi-stakeholder roundtables.

Many countries are depending on the integrity of existing VSS to meet domestic policy objectives, including towards the achievement of Nationally Determined Contributions (NDCs) to the Paris Climate Accord and the **Sustainable Development Goals** (SDGs). VSS can assure governments as well as consumers of the integrity of their supply chains beyond national borders.

In the coffee sector, the market uptake of sustainably produced beans has been notable, and has demonstrated **market willingness to change** or modify production practices outside of direct government intervention. Since 2014, approximately 40% of coffee production worldwide was produced under the standards of at least one sustainability certificate — up from just 15% in 2008 (IIED and IISD, 2014).

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The Challenge

There are pronounced differences between different existing VSS in the coffee sector, which operate independently from one another. Each of the 14 major coffee-sector VSS specialize in a specific sustainability issue in order to appeal to different groups of ethical consumers. As such, there is **no uniform concept of sustainability** across VSS to use as a baseline for analyzing their impact. Some require certified producers to meet a particular percentage of the certificate's requirements, while others utilize time-based mechanisms allowing farmers to transition towards full implementation. Some focus on SH, while others focus on protecting ecosystems. Some use third-party verification, while others use self-assessment. Because different VSS target specific types of sustainability (i.e. Bird Friendly or Fair Trade USA) some coffee is also produced using overlapping certifications.

Additionally, some governments of coffee producing countries are concerned that VSS may become a non-tariff barrier to trade. However, current alternatives to VSS, such as direct trade or mandatory origin labeling may have their own negative environmental impacts, disrupting and fragmenting efficient supply chains and disadvantaging producers in countries with relatively small coffee sectors (ECF, 2017). For consumers in the global north, comparing labels can generate 'label fatigue', leaving space for less sustainable 'greenwashed' products on market shelves in the global north and disadvantaging producers adhering to exacting standards in the global south. **Measuring the individual and collective impact of these VSS** across the three pillars of sustainability — environmental, social, and economic — **is a major challenge.** Therefore, the TRANS SUSTAIN team seeks to understand how these different VSS compare to one another.

VOCSI: The Voluntary Coffee Standards Index

For the first time, we have created a **quantified baseline** for coffee sector VSS against which the efficacy of the 14 major sustainability certifications (with distinctions made for SH) can be compared and contrasted. This allows policymakers and consumers to **understand the strengths and weaknesses** of different certifications against a **consistent baseline**. It also marks an important step on the path to understanding, at regional and global scales, the aims and potential impacts of different VSS on landscapes and local livelihoods.

The VOCSI was developed by analyzing the current institutional design of all major VSS in the coffee sector. First, our researchers reviewed in detail the certification requirements chosen by each separate VSS. These were entered and coded into a database, allowing us to examine all sustainability improvements currently being addressed by VSS in the coffee sector. Once all existing regulations were reviewed, 92 distinct regulatory topics were inductively identified across the four main regulatory areas of sustainable development: environmental, social, economic, and enforcement of standards. These topics were then weighted across different VSS based on the strength of its regulation on a scale from zero (regulatory topic absent from VSS) to three (strong stipulations on this topic in VSS). In order to assess the relative importance of different regulatory topics, we asked 17 experts in the field of sustainable coffee production to weigh them qualitatively on a scale from zero (not relevant at all) to four (highly relevant). The expert weights were calculated and combined with the weighted sub-indices to produce the VOCSI.

Photo: Neil Palmer/CIAT

VOCSI findings in context

Ultimately, we found multi-stakeholder initiatives with third-party oversight to be the highest-ranking VSS overall, as well as across the environmental, social, economic and enforcement sub-indices. This was especially true for multi-stakeholder VSS with NGO participation.

In context, these results reveal that about 60% of sustainable coffee available on the market is certified by VSS at the lower end of the VOCSI, while only approximately 34% of the total volume of certified coffee adheres to VSS on the higher end of the VOCSI. This indicates that, while VSS are not necessarily in direct competition with one another, there is a relative race to the bottom occurring in the sector as VSS-certified coffee becomes mainstream.

Voluntary Sustainability Standard	VOCSI Rank	Environmental	Social	Economic	Enforcement
UTZ	1	65.2	86.8	51.7	73.6
Fair Trade USA	2	50.9	90.4	40.4	71.0
Rainforest Alliance	3	67.0	78.2	24.3	70.2
UTZ (SH)	4	52.8	55.7	51.7	73.6
Rainforest Alliance (SH)	5	67.0	72.9	24.3	70.2
Rainforest Alliance (2010)	6	75.1	61.0	12.3	70.2
Fairtrade International	7	34.4	62.7	59.1	62.9
Fair Trade USA (SH)	8	41.8	60.8	36.0	67.2
Bird Friendly	9	59.8	2.3	12.3	66.1
Nespresso AAA	10	29.3	21.5	12.3	64.2
4C	11	24.8	40.5	12.3	39.1
C.A.F.E Practices	12	9.4	23.8	12.3	64.2
USDA Organic	13	21.4	0.0	12.3	66.1
EU Organic	13	21.4	0.0	12.3	66.1

However, as of 2018, **UTZ and Rainforest Alliance** have announced that they **will merge** to become one VSS. The impact of these impending changes is as of yet unknown, but it may considerably improve their market position and help redirect the mainstreaming of certified coffee towards VSS with stricter standards. Until 2019, when the new certification program will be published, the two will continue to operate with their preexisting standards. Ongoing research in this area will be needed to assess these changes.

Policy Recommendations

Importing countries: **Support multi-stakeholder VSS**. Ensure that publicly procured coffee adheres to the VSS system most in line with your national sustainability goals. Verify that any future regional trade agreements or new agricultural policies facilitate the utilization of VSS, rather than hinder them.

Producing countries: Join multi-stakeholder initiatives and **participate in the development or implementation of VSS** programs in your nation.

Donors: **Increase financial and logistical support** for the development or improvement of VSS, as well as third-party assessments of sustainability outcomes across supply chains and between labels.

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Westfälische Wilhelms-Universität Münster

About TRANS SUSTAIN and more information

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 agri-food marketplace. To learn more about our work please visit us at https://www.uni-muenster.de/Transsustain/ or use the QR code below to go directly to the paper.

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Policy brief by L. Deal.

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