

Three Waves of Sustainability Initiatives in Coffee Value Chains: What's in for Producers and the Environment?

The integration of developing countries in global value chains is controversial. By one side, it can be seen as an opportunity for income growth. On the other, it can be associated to poor working conditions or environmental degradation. In the coffee supply chain, initiatives to improve sustainability, working conditions and economic upgrading have been taking place in the last years. In this seminar, [Charlotte Heyl](#), Sustainability Manager at the German Coffee Association, and [Rocco Macchiavello](#), Associate Professor at the London School of Economics (LSE), presented recent waves of sustainability initiatives in coffee value chains, highlighting the stakeholder leading them, the innovations they introduced and the major challenges still in place.

In the **first presentation**, Rocco Macchiavello explained the functioning of global value chains and introduced the three waves of sustainability initiatives in the coffee chain. To explain how a global value chain works, he gave the example of the stages and key players in the manufacturing value chain. As expected, developed countries, and especially, the United States, are in the last stage of the chain, represented by retailers who are selling final products to consumers. Developing countries, as Bangladesh, Malaysia and China, are present on the manufacturing stages, from the production of materials until the manufacturing of the final goods.

Although value chains can be large, concerns regarding the quality, safety and sustainability of the final products must be addressed at very early stages. Likewise, the sustainability and diligence of the production process, although taking place in different countries, must be a concern for the final retailers and buyers. In the example of the manufacturing chain, working conditions and the wasting of water are important concerns. Applying it to the coffee value chain, Rocco showed similar production stages and associated concerns. While the main retailers are located in Europe, exporters and farmers are mostly located in Latin America and Africa. For this chain, fair prices to farmers, child labour and deforestation are important issues along the production process.

Given this setting, Rocco presented the main initiatives introduced in the last decades to address the posed challenges. The first wave of initiatives, starting around the 1990's, was led by NGOs and was mainly focused on certifications. The Fairtrade System, for example, established a price premium to farmers and producers, ensured they would be paid a minimum price and also, provided a premium which had to be invested in social projects within producers' communities. The Rainforest Alliance, on the other hand, is an international nongovernment organization that certifies agricultural, forestry products, and tourism businesses considering environmental, social and livelihood-based criteria.

The second wave, led by a larger set of stakeholders, mostly coffee importers in developed countries, comprises relational initiatives within the global value chain. In a nutshell, the retailers started assuring higher margins to the suppliers in developing countries, and especially, to the farmers, and passed the related costs to final consumers. The last and more recent wave is led by policymakers, and is centred in multilateral agreements and formal regulations. It takes place both in developing and developed countries, involving producers and importers and it is a crucial step to promote a large scale change in the coffee global value chain. According to Rocco, these recent initiatives have been important to promote efficiency and equity in domestic markets, as well as to contribute to sustainability challenges. Although, he stresses out the importance of further developing these innovations, as well as to produce rigorous evidence on their impacts.

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In the **second presentation**, Charlotte Heyl explained the objectives and the functioning of the German Coffee Association, going deeper in the recent agreements and regulations from the third wave of sustainable initiatives, exposed by Rocco. The German Coffee Association is the largest coffee association in Germany, gathering more than 350 different stakeholders of the industry. Among others, coffee roasters, traders, online shops, sustainability organizations, food laboratories and coffee financing banks are represented in the association. Charlotte showed the relevance of coffee in Germany, where it is the most consumed beverage.

Charlotte presented the new German Act on Corporate Due Diligence Obligation (LkSG), which started being implemented in 2023 and will reach a larger scope of companies in 2024. The main idea of the Act is to pass obligations from the upper to the lower stages of value chains in a cascade effect. Through code of conducts, contractual provisions and questionnaires, companies must assure that their direct and indirect suppliers engage in more equitable and sustainable practices in order to comply with the regulation. The German Coffee Association is one of the early supporters of the LkSG. Assuming that human rights and environmental issues affect the whole value chain, the association adopts a joint approach to the due diligence act, promoting collaboration and learning among organizations.

In order to effectively enforce the LkSG, the German Coffee Association introduced innovative measures. First, the association started producing risk analysis reports, focused on human rights and environmental-related risks in the 18 most relevant coffee producing countries. These reports are based on transparent and systematic methods, and count on the independent assessment of the German Risk Assessment Services (GRAS). When asked by the audience, Charlotte clarified that the idea of these reports is to be a starting point for companies or organizations who aim to work with specific coffee producers. However, they do not provide strict recommendations whether an organization should or should not work with a certain country. The objective is to understand the key challenges in each producer country and to promote initiatives or business designs that can improve those.

The second initiative presented by Charlotte is the Joint Grievance Mechanism of the German Coffee Association, the Ear4U. The idea of this mechanism is to engage organizations and individuals in the coffee industry to promote a more equitable, safer and sustainable environment along the chain. Also, it is a way to incentivize awareness of human rights and environmental risks, as well as to allow for more agile actions to cope with potential violations. Through the mechanism, individuals are able to submit concerns online in an easy way and to access specific country hotlines to share their concerns or complaints. The findings of the joint grievance mechanism are later used as inputs into the yearly risk analysis reports. The Ear4U was adapted and implemented in one of the producer countries, running as a pilot project called “C Conta”, in Brazil. The project was coordinated by the German Coffee Association and was run as a public private partnership, involving different organizations established in the country.

After the presentations, the seminar was followed by a discussion, counting on the engagement of many participants in the audience. Among others, the challenges of enforcing new certifications, the specificities of the risk analysis reports, the costs of the new regulations and the issue of low prices to farmers were discussed. In sum, both Charlotte and Rocco agreed that a series of human rights and sustainability challenges are still in place in the coffee value chain, and that concentration of power is an issue not only between but also within countries. Additionally, the enforcement of new regulations is not simple, especially in settings where the violations to them have been taking place for a long period

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of time. However, both speakers have a positive view on the evolution of these waves of initiatives in the coffee value chain, highlighting that recent regulations and multilateral agreements are very important to consolidate sustainability and human-rights measures developed in the last decades.

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