Columbia Center
on Sustainable Investment
A JOINT CENTER OF COLUMBIA LAW SCHOOL
AND THE EARTH INSTITUTE, COLUMBIA UNIVERSITY

RESPONSIBLE COFFEE SOURCING:

TOWARDS A LIVING INCOME FOR PRODUCERS

REPORT JULY 2021

Columbia Center
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The report was originally written in English.

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Robusta coffee plantation.
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EXECUTIVE SUMMARY

Coffee company sourcing practices are a key tool for improving coffee producer and farmworker well-being.

Companies are not the only actor responsible for addressing living income and living wages, and sourcing practices are not the only relevant tool. Governments and other stakeholders must use policies, programs, and other levers to address the structural factors that contribute to producers' and farmworkers' impoverishment. Yet the role of other actors and interventions should not be an excuse for company practices that contribute to producer and worker poverty. Credible options exist for roasters and retailers to improve producer and farmworker well-being through sourcing practices.

This report provides: an overview of the coffee sector and responsible sourcing; a comparison of living income to producer income in 10 coffee-producing countries; descriptions of common voluntary sustainability standards (VSS) used in coffee; and assessments of the sourcing practices of 10 coffee companies, coupled with recommendations for those companies.

COFFEE SECTOR OVERVIEW AND RESPONSIBLE SOURCING OF COFFEE

Coffee has long been one of the most popular beverages worldwide. Globally, retail value is estimated at over $200 billion.

Coffee is produced in more than 30 countries by an estimated 12.5 million coffee producers. There are two main coffee species grown commercially: Arabica and Robusta. Coffee farming and processing are labor-intensive and tend to be the primary source of livelihood in producer communities. Agronomic and labor dynamics create barriers for producers to enter or exit production, and an inelastic supply base that is relatively slow to respond to price signals.

"Responsible sourcing" is sourcing (decisions and actions related to procurement of coffee beans) that enables economically, socially, and environmentally sustainable production, including producer and farmworker well-being. Despite the many responsible sourcing efforts in the coffee industry, trends illustrate the continued disconnect between procurement priorities and sustainability commitments within many companies and within the sector at large.

COFFEE FARMING, LIVING INCOME, AND LIVING WAGES

The ability of coffee producers to earn a living income or a prosperous income is a critical component of responsible sourcing. A living income is the net income necessary to afford a decent standard of living in a specific place; it can be earned through both farming and non-farming activities. Many producer representatives assert that living income sets the bar too low. They want to be able to earn a "prosperous income" that enables true prosperity. Living income can be viewed as an important milestone along the pathway to prosperity.

Living wages are critical for farmworkers' ability to live in dignity. Living wages are the wages (paid within an employment relationship) needed to afford a decent standard of living. They are generally higher than the minimum wage. In the coffee sector, farmworker living wages are largely ignored; this is a gaping hole in responsible coffee sourcing efforts.

Coffee companies have a responsibility to enable producers in their supply chains to achieve a living income and to ensure that farmworkers receive a living wage. They face substantial challenges meeting this responsibility, including from structural factors that contribute to poverty, complications around paying higher prices, and a lack of traceability that limits control over farm-gate prices and enforcement of wage requirements. Despite these challenges, company sourcing practices are a critical part of closing the living income gap for producers and ensuring living wages for farmworkers.

Our research compares net annual income from coffee farming with living income reference values for coffee producers in ten countries that collectively represent 89% of coffee exports and 62% of producers worldwide. Key takeaways from our comparison include:

- In 8 of the 10 countries, the average coffee income (not household income) is at or below the poverty line. On average, only producers in Vietnam and Brazil earn enough from coffee to place them above the poverty line.
- Brazil is the only country profiled where the average producer earns a net coffee income that is above some living income estimates.
- Uganda has the largest gap to living income, with an average coffee producer earning $88 per year from coffee, relative to living income reference values that range from over $2,000 to nearly $6,000.

RESPONSIBLE SOURCING STANDARDS

Of all commodities, coffee has the most widespread adoption of products that are certified or verified under a Voluntary Sustainability Standard. VSS allow producers and companies to show that their product meets particular sustainability criteria. The field of VSS has rapidly expanded, and now includes third-party certifications, second-party verifications, and first-party assurances.

Evidence shows mixed impact from VSS. They are best understood as tools that can help in advancing and monitoring certain sustainability objectives, but with significant limitations. VSS also have been undermined by insufficient demand and purchasing commitments from companies. In general, only around 50% of coffee produced on certified production areas is sold as certified.

When it comes to living income, there is no evidence that the use of any VSS alone would enable most producers to achieve a living income. This means that 100% responsible sourcing commitments that rely on the use of VSS are not a complete solution for enabling living income. However, promising efforts are emerging from Fairtrade (to develop a Living Income Reference Price) and Rainforest Alliance (a new requirement to track sustainability payments made to producers). It remains too early to say whether such efforts will have impact, and their success will depend on companies' willingness to pay those prices and significant premiums.

COMPANY SOURCING PRACTICES

Company sourcing practices have impact. This is true even in countries where the gap between average coffee income and the living income is too significant for any specific company to overcome on its own.

There are multiple sourcing practices that companies use or could use to help close the living income gap. These include interventions within supply chains on: prices and premiums; changes in business practices; producer support; and traceability. While the right mix of interventions may vary by company, our research indicates most companies should integrate interventions in all of these areas. Companies should also make time-bound commitments on living wages for farmworkers.

In the report, we look at sourcing practices by Nestlé, JDE Peet's, Smucker, Starbucks, Lavazza, Tchibo, Keurig, Costco, Tata, and Unilever. While all of the companies have established sustainability commitments or projects relevant to producers, none are able to guarantee that all viable producers in their supply chains earn a living income. All could do more within their sourcing practices to positively influence producer prosperity. Along with our descriptions of relevant sourcing practices, we thus offer plausible next steps for each company.

Coffee plantation in the Guatemalan highlands. © Shutterstock/Lucy.Brown

Coffee plantation workers selecting raw coffee beans in Banyuwangi. Indonesia, one of the major coffee producers of the world.
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INTRODUCTION

How do coffee company sourcing practices affect coffee producer and farmworker well-being?

The answer to this question may help explain an uncomfortable predicament for the coffee sector: after decades of sustainability projects, hundreds of sustainability reports, and hundreds of millions of dollars of sustainability premiums, nearly half of all smallholder coffee producers (i.e., farmers) continue to live in poverty.[1] For producers—the people at the heart of coffee production—the overall return on investment appears low.

This report focuses on coffee company sourcing practices (including pricing, business approaches, and support to the producers who supply coffee) and implications for sector sustainability. We pay particular attention to how sourcing practices influence living income for producers and, where relevant, living wages for farmworkers.

This topic is timely. The recent low-price "crisis" of 2017-2019 caused renewed attention on how the coffee sector has failed at lifting producer incomes and set in motion new efforts to achieve a living income for all producers. As we write this report, prices have climbed from their nadir. However, most of the world's 12.5 million coffee producers still struggle with economic viability.

Clarifying and addressing the impacts of company sourcing practices is in the interests of companies and their investors. Sourcing practices that improve producer and farmworker well-being can help to:

- **Mitigate reputational risks**, by helping to narrow the gap between company claims and producer realities.
- **Navigate emerging legal risks and related harms** arising from mandatory human rights and environmental due diligence requirements that are being established in relevant jurisdictions.[2]
- **Increase long-term sector sustainability**, including by helping coffee production remain viable in a diversity of origins.[3]

There is no single solution to the complicated sustainability challenges plaguing the coffee sector and found within all coffee supply chains. Coffee is produced in more than 30 countries, and the root causes of poverty in producing countries are complex. Structural factors that are outside the control of individual companies often contribute significantly to producers' and farmworkers' impoverishment.

At the same time, common approaches to sourcing also contribute to producer and worker poverty. Although companies tend to ignore this link, credible options exist for them to improve producers and farmworker well-being through sourcing practices.

This report starts with a brief overview in Section I of the coffee sector and responsible sourcing. In Section II, we take a closer look at living income and living wages, including a comparison of living income to producer income in 10 coffee-producing countries. Section III provides an overview of common voluntary sustainability standards (VSS) used in coffee. In Section IV, we review the sourcing practices of ten coffee companies, and include recommendations for what those companies can do to enhance producer and worker well-being.

A view of the landscape in one of Colombia's coffee-producing regions.

Coffee plantation.
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PART I

COFFEE SECTOR OVERVIEW AND MAIN ISSUES IN RESPONSIBLE SOURCING OF COFFEE

"There is a lack of market acceptance to pay for social and environmental costs. … Everyone is talking about impact, impact, impact, but if you do not pay for it, it's hard to have impact." - Coffee industry expert.[4]

COFFEE SECTOR OVERVIEW

Coffee has long been one of the most popular beverages worldwide. Demand has grown by 2% annually over the past two decades. Europe and North America have historically been the leading markets for coffee, although their growth has slowed to 1% annually and their consumption has fallen from around 60% of the global total in 2000 to less than 50% in 2019.[5] Brazil is another top consumer, the result of a successful national effort to boost consumption and reduce dependence on exports.[6]

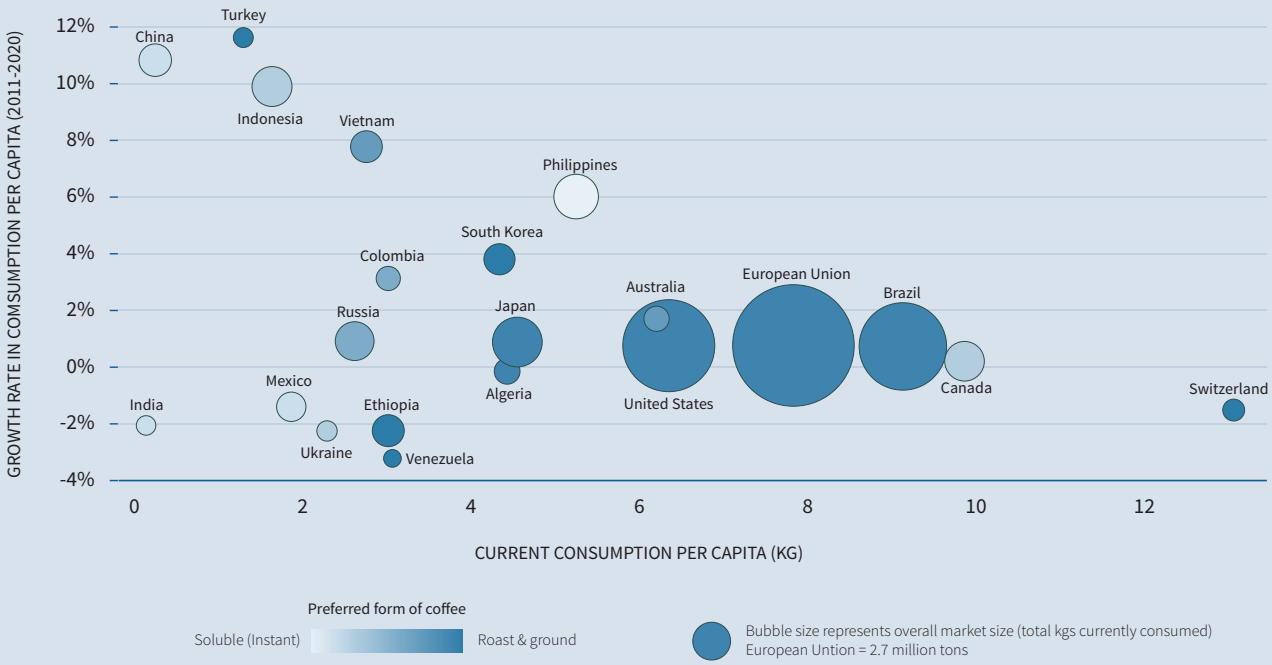
More recently, the fastest growing markets have been in Asia and the Middle East. There remains significant potential for future growth: average per capita consumption is currently 2 kg worldwide, compared to 7 kg in mature markets.[7]

In established markets, most consumers still buy their coffee in supermarkets and consume it at home in "roast & ground" form. However, retail dynamics are changing rapidly. Consumers are willing to pay a premium for single-serve products such as Nespresso capsules, Keurig K-Cup pods, and ready-to-drink coffee (e.g., bottled cold brew and flavored coffee beverages). At the same time, there has been a proliferation of specialty coffee cafes, led by Starbucks, which increased its number of stores by 84% between 2011 and 2019.[8] The net effect is that consumers are spending a larger portion of their coffee budget out of home[9] and on higher-margin coffee products. In the United States, the retail value of the coffee sector has increased from $57 billion to $82 billion (+40%) over the past decade, while the value of coffee imports has remained flat at around $5 billion. Globally, retail value is estimated at over $200 billion.[10]

Coffee is cultivated in dozens of countries by an estimated 12.5 million coffee producers.[11] Coffee trees are indigenous to the forests of Ethiopia and Central Africa but were established throughout the tropics by European colonizers. Coffee trees take several years to reach maturity and only thrive in specific agro-climatic conditions. There are two main coffee species grown commercially: Arabica and Robusta. Arabica is more widespread and generally considered to be higher quality, but also lower yielding and more susceptible to disease. The coffee fruit is highly perishable and must be processed and dried soon after harvesting to prevent spoilage. Coffee farming and processing are labor-intensive and therefore tend to be the primary source of livelihood in producer communities. These agronomic and labor dynamics create barriers for producers to enter or exit production, and an inelastic supply base that is relatively slow to respond to price signals.

The international coffee trade deals mostly with "green" (unroasted) coffee. There are well-established futures market to facilitate the trade of both Arabica and Robusta coffees and

FIGURE 1: COFFEE CONSUMPTION TRENDS IN LEADING MARKETS



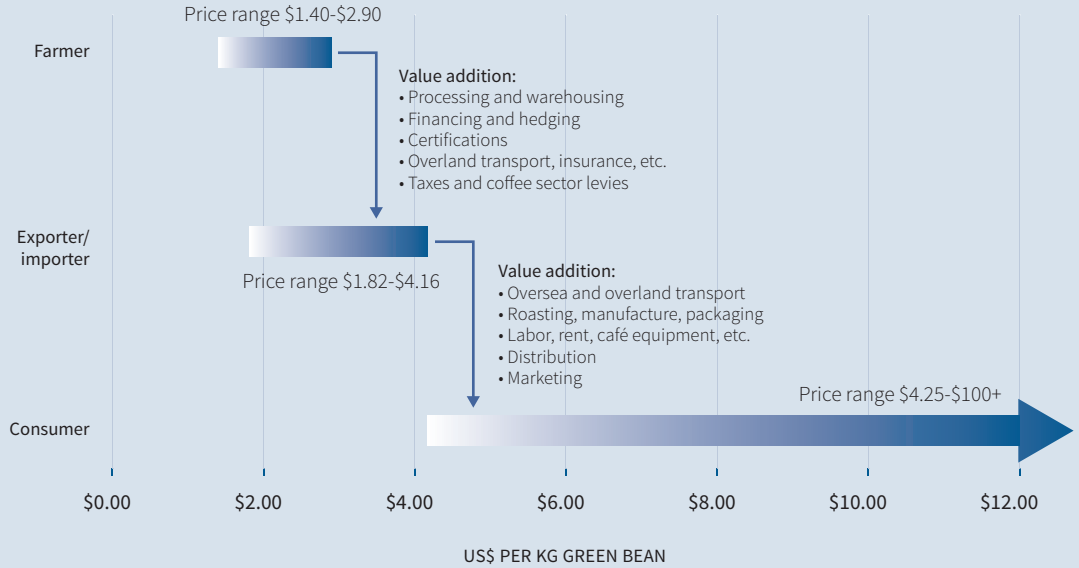
Note: Consumption estimates are from the USDA statistical database (http://www.fas.usda.gov.commodities/coffee). Population estimates (ages 15 up) are from the World Bank (https://data.worldbank.org). Consumption per capita is calculated by dividing total consumption by the adult population.

to mitigate price risk; however, few producers outside Brazil have access to futures markets. Multinational trading houses and private local companies handle most of the import-export business. In 2019, the average cost of imported green coffee worldwide was $2.57 per kg ($1.17 per pound).[12]

Roasters frequently blend coffee from different countries, both for quality purposes and because there are seasonal differences in the supply available from each country. Green coffee is relatively stable and can be warehoused for over a year while still maintaining quality, whereas roasted coffee has a more limited shelf-life. For these reasons, companies prefer to import green coffee and roast it close to their customers. Soluble (instant) coffee is an exception, and many producing countries have local manufacturing capacity for this. A large share of Nescafé and several brands in JDE Peets' portfolio are roasted in producing countries.

Analysts often compare the value of green coffee paid at export with the retail price paid by the consumer. Such analysis can be misleading because there are substantial differences in serving sizes and cost structures at retail, and because this approach does not account for the frequent discounting that companies do through wholesale.[13] One kilogram of green coffee yields 80-150 servings of coffee.[14] In 2019, each kilogram of green coffee in the United States generated up to $240 in out-of-home sales versus $9-10 in at-home sales.[15] For companies that derive most of their revenue from out-of-home and single-serve coffee sales, the cost of coffee sourcing is a much smaller percentage of their total spend. Coffee companies with higher operating margins have tended to invest more in responsible sourcing and sustainable sourcing initiatives in their supply chains.

FIGURE 2: PRICES AND VALUE ADDITION AT DIFFERENT STAGES OF THE COFFEE VALUE CHAIN



Note: Average farmer and exporter/importer prices for 10 countries are shown in the annex. Prices paid by consumers vary greatly and include on the lower end, instant coffee manufactured in producing countries, and on the higher end, coffees that are sold by the cup in speciality cafés. The costs and value addition activities shown at each stage are not intended to be exhaustive and may not be applicable to all participants in the coffee value chain.

RESPONSIBLE SOURCING

In this report, we use "sourcing" to refer to the decisions and actions related to procurement of coffee beans. We define "responsible sourcing" as sourcing that enables economically, socially, and environmentally sustainable production, including producer and farmworker well-being.[16] Our focus in this report (the impacts of sourcing on producers and farmworkers) means that critical coffee sustainability issues are outside the scope of our analysis.[17]

Responsible sourcing as a concept seeks to address the limitations of conventional sourcing. Conventional sourcing has fewer requirements with regards to product provenance, traceability, or compliance against a code of conduct or sustainability standard. Rather, it is primarily concerned with product quality, quantity, consistency, and shipment terms. Settlement and arbitration terms for conventionally sourced coffee are well-established, making it easier for buyers to exchange or substitute product and to hedge price-risk.

Responsible sourcing efforts in the coffee industry can be generalized as follows:

- Specialty coffee companies more often:[18]
  - Focus on quality, as a rationale for paying higher prices. This has evolved to include an understanding that committing to purchase producers' lower-quality coffee can be equally important.
  - Establish direct trade, which implies a direct long-term purchasing relationship between roasters and producers.[19]
  - Increase pricing transparency to minimize reliance on commodity prices for price discovery.[20]
- Mainstream coffee companies more often:
  - Focus on compliance with a Code of Conduct or on labeling through certifications and standards (either internal or external), sometimes compensated with a small price premium.
  - Provide technical support to producers (e.g., provision of trainings to increase producer productivity)—either focusing primarily on producers within their supply chain or offering such support separately, in a way that is more akin to a corporate social responsibility (CSR) program.
  - Offer additional programs to encourage investment in smallholder crop production.
  - Aim to improve traceability, as a necessary step towards strengthening sustainability throughout supply chains.[21]

An additional sustainability trend in the coffee sector is the increasing use of multi-stakeholder initiatives and efforts, such as the Global Coffee Platform, the Sustainable Coffee Challenge, and the International Coffee Organization (ICO) Coffee Public-Private Task Force. These initiatives are often billed as enabling "pre-competitive" collaboration, although they arguably have been less grounded in concrete actions compared to precompetitive efforts in other industries.[22]

Despite these responsible sourcing efforts, two overarching trends within the coffee industry show the limits of such efforts. The first trend is the increasing transfer of risk to producers and away from other supply chain actors. The second is the growing expectation that sustainable production will occur at the farm level without roasters and retailers covering the associated costs. These trends illustrate the continued disconnect between procurement priorities and sustainability commitments within many companies and within the sector at large.

MAIN SUBSTANTIVE ISSUES RELEVANT TO RESPONSIBLE SOURCING

Responsible sourcing enables socially, environmentally, and economically sustainable coffee production. These three components are often complementary, but sometimes in tension. Below, we briefly note key sustainability issues falling within each of these components.

Social sustainability

Social sustainability considers the impacts of production on people. This includes the avoidance of harms—for example, no child labor—as well as positive steps, such as increasing food security.

Key social issues include:

- **Eradication of child labor and forced labor** from supply chains.[23] Child labor is prominent in coffee production,[24] with children as young as 5 years found working on coffee farms.[25] Forced labor is much less common, but still exists in some places.[26]
- **Decent working conditions for farmworkers.** Factors such as limited worker organization, reliance on exploitative labor brokers, and weak labor law enforcement often contribute to poor working conditions.[27]

- **Gender equality** for women producers and for women farmworkers, who confront multiple challenges and discrimination.

Environmental sustainability

Environmental sustainability focuses on the continued availability of resilient ecosystem services, as well as the maintenance of conserved nature.

Key environmental issues at the production level include:

- **Avoiding deforestation.** Coffee production has already resulted in deforestation in multiple producing countries;[28] climate change will likely increase pressures on forests.[29]
- **Good agricultural practices** that avoid or minimize negative impacts on water and the environment, and that support biodiversity and soil health. This includes **regenerative agriculture** practices[30] and practices that support **climate resilience.**
- **Reduction of greenhouse gas emissions** linked to coffee production. This includes among other practices the use of shade trees, reduced chemical inputs, and changes to coffee processing methods.[31] These efforts tie into two trends likely to increase in the coffee sector: (1) increasing roaster/retailer commitments to "net zero emissions" or "carbon neutral" coffee,[32] and (2) efforts by companies to use "carbon insetting" as a way of achieving carbon neutrality.[33]

Economic sustainability

Economic sustainability is concerned with the ability of producers and farmworkers to earn sufficient income from their respective roles in coffee production to live dignified lives. Farm-level economic sustainability has proved particularly challenging for the coffee sector.

Key economic issues include:

- **Producers' economic viability,** and their ability to achieve **a living income.**
- **Farmworkers' fundamental labor rights,** such as freedom of association, collective bargaining, and non-discrimination,[34] and payment of a living **wage.** The challenge of farmworker labor rights and living wages (for employed workers on larger plantations, as well as for those who work on smallholder farms) has not received nearly as much attention as the topic of producer income.
- **Land rights,** which may be increasingly at risk as coffee production shifts geographically to accommodate climate change impacts.
- **Food security** for producers, farmworkers, and their households, given that "hunger seasons" and "thin months" are common in coffee-producing regions.[35]

Given the focus of this report, we now turn to a more in-depth discussion of living income and living wages.

Picking coffee beans in Southeast Asia.
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Coffee seedlings.
© Shutterstock/Alf Ribeiro.

PART II

COFFEE FARMING, LIVING INCOME, AND LIVING WAGES

"There is not enough value flowing upstream to make everyone whole."
– Coffee company representative[36]

The ability of coffee producers to earn a living income or a prosperous income is a critical component of responsible sourcing. If producers are unable to earn a living income, it is unrealistic to expect sustained progress on most other responsible sourcing objectives. Yet living income is one of the coffee sector's most persistent challenges.

In addition, although living wages are critical for farmworkers' ability to live in dignity, there is even less sustained effort around living wages in the coffee sector. Research suggests that farmworkers in the coffee sector do not earn sufficient wages to meet their needs.[37] This inattention to farmworker living wages is a gaping hole in responsible coffee sourcing efforts.

This section briefly discusses living income and living wages, and the challenges companies face in meeting their related responsibilities. To further highlight living income challenges, we compare coffee producer income to living income in 10 countries, accompanied by analyses of income drivers in those countries that can be affected by sourcing practices.

WHAT IS A LIVING INCOME?

A *living income* is the net income necessary to afford a decent standard of living in a specific place.[38] A living income goes beyond covering basic needs, and enables all household members to live with dignity. This means that people can afford a healthy diet, good quality housing, critical elements of health care, education, and transport, and that they can have a margin for savings and emergencies. Living *income* is different from a living *wage*. In the context of smallholder agriculture, household income may be earned through a variety of sources, including both farming and non-farming activities.[39]

Many producer representatives assert that living income as an end goal sets the bar too low.[40] Producers want to be able to earn a "prosperous income," which goes beyond a living income to one that enables true prosperity for producers.[41] The ICO's ten-year roadmap defines living income as a critical milestone along the pathway to prosperity and economic resilience.[42]

The harsh reality is that without major structural changes—both to sourcing practices and to enabling environments in almost all coffee-producing countries—a significant proportion of coffee producers will remain far from either a living income or a prosperous income. Subject to the whims of the market and constrained by structural barriers, those producers and their families will continue to confront hunger, poverty, and non-decent standards of living.

WHAT IS A LIVING WAGE?

A *living wage* is the wage "received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker" and their family.[43] A living wage enables a worker and their household members to live with dignity. Because minimum wages set by governments are not necessarily based on how much a worker needs to afford a decent standard of living, a living wage is often higher than the minimum wage. A critical difference from living income is that living wages focus on remuneration within an employment relationship.

WHAT ARE CHALLENGES COFFEE COMPANIES FACE IN MEETING THEIR RESPONSIBILITY ON LIVING INCOME AND LIVING WAGES?

Companies have a responsibility to enable producers in their supply chains to achieve a living income and to ensure that farmworkers receive a living wage.[44] With this responsibility comes an expectation that companies should:

- Ensure that producers within their supply chain, who are producing on a minimum viable plot of land, are able to achieve a living income.[45]
- Concretely support the poorest producers within their supply chain, whose economic viability as a coffee producer may be limited by farm size or other factors, in getting closer to a living income. Commitments to living income should not exclude the poorest producers.[46]
- Ensure that workers within their supply chain are paid a living wage. This includes farmworkers on plantations and on smaller farms, as well as other workers within the supply chain.

Although a few food and beverage companies have made commitments towards the achievement of living income and wages in their supply chains,[47] such commitments are not yet widespread.

Coffee companies face substantial challenges meeting this responsibility. These include:

- Structural factors outside the control of individual companies significantly contribute to producers' poverty. Such factors include small farm sizes, poor enabling environments, climate impacts, and limited options for off-farm income. For example, producers whose land is below a minimum viable size will never achieve a living income from coffee production alone.
- Although price is an important income driver, it is not straightforward for companies to simply pay a higher price. Non-specialty coffee is a fairly interchangeable commodity,[48] and there is not one "fair" global price.[49] There is also not yet consensus on what would constitute a "living income reference price" in most coffee-growing regions.[50] In addition, most large roasters and retailers do not—and realistically cannot—source directly from individual producers; they often have low traceability to the farm level, and limited control over farm-gate prices.
- Producer income generally derives from a number of on- and off-farm sources, and companies rarely purchase all of a producer's products. This complicates the understanding of how companies in practice can ensure that producers in their supply chains earn a living income.[51]

- There is not enough traceability, visibility, or enforcement when it comes to wages for farmworkers. Farmworkers are often in particularly precarious situations. They are often exempt from certain legal protections or benefits provided to other workers, and most jurisdictions lack sufficient labor inspectors to enforce the protections that do exist. Many farmworkers are temporary migrant workers, providing informal seasonal labor; this creates significant risks of exploitation, and also renders it more difficult for companies to ensure compliance with wage requirements.

Responsible sourcing practices alone cannot guarantee that all current coffee producers earn a living income; significant policy interventions by governments (in both producing and consuming countries), as well as sector-level initiatives, are also needed. In many producing countries, necessary policy interventions include efforts to strengthen infrastructure (both physical and institutional) and to improve efficiencies (at the farm and farm-group levels and within supply chains). Necessary interventions also include more sensitive and politically challenging ones, such as helping economically unviable producers to exit coffee and to benefit from other livelihood options.[52]

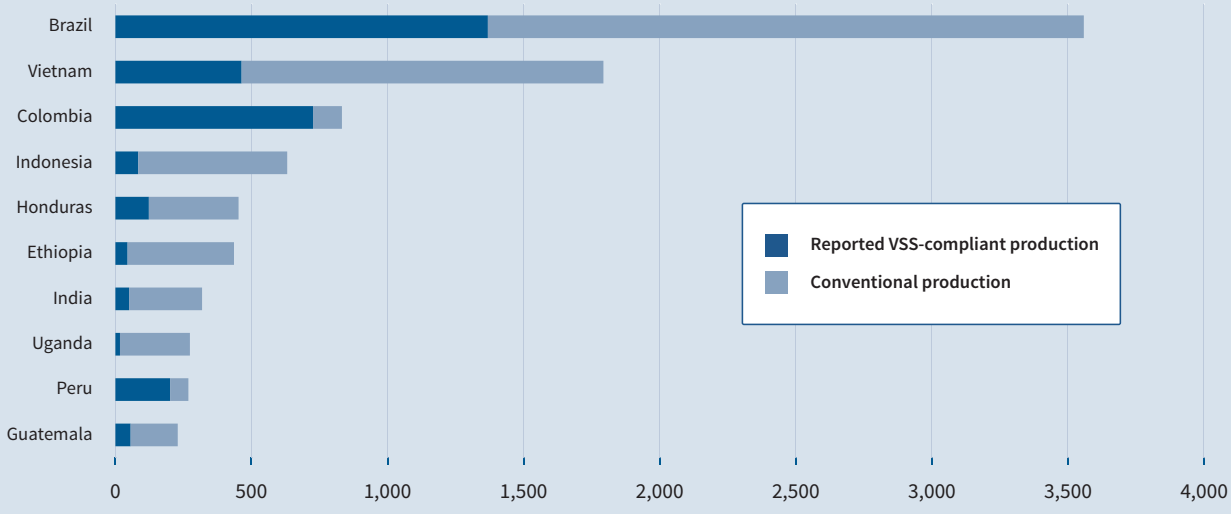
Despite these challenges, company sourcing practices still have significant impacts on producers' ability to achieve a living income. Improving roaster and retailer sourcing practices, along with increasing their broader sustainability investments, is a critical part of closing the living income gap for producers.

CLOSING THE LIVING INCOME GAP: ANALYSIS FOR TEN MAJOR PRODUCING COUNTRIES

Below, we compare net annual income from coffee farming with living income benchmarks for coffee producers in ten countries. The ten countries selected represent 89% of coffee exports, 87% of production,[53] and 62% of producers worldwide.[54] For each country, we provide analysis on drivers that influence coffee income and that can be affected through the sourcing practices and engagement efforts of coffee buyers.

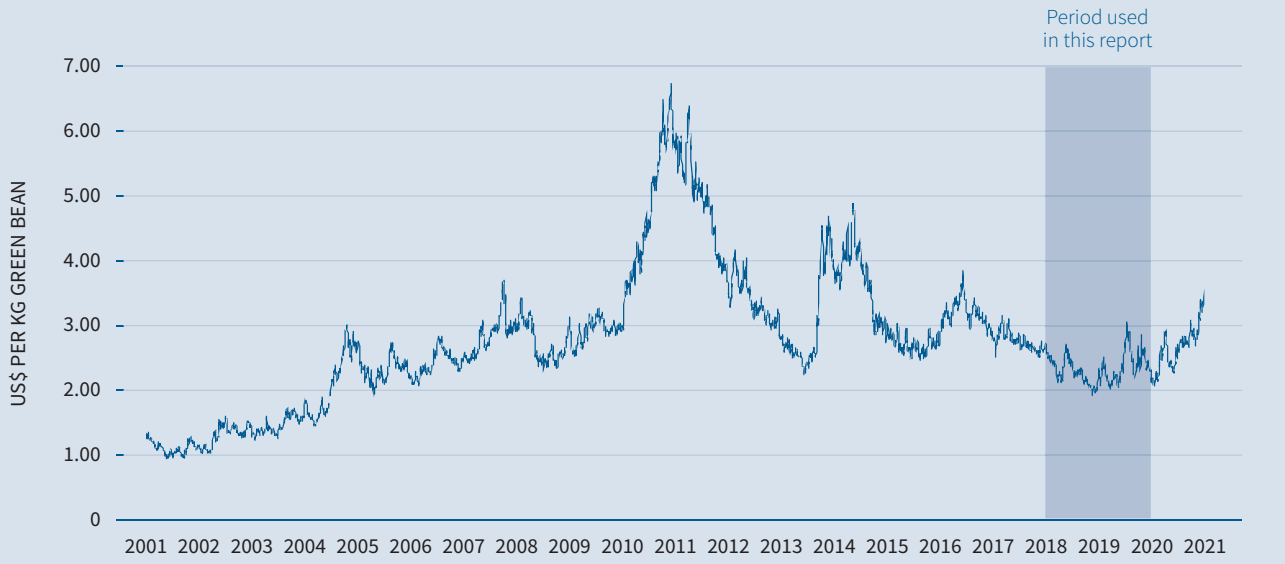
Although the number of living income and living wage benchmarks for coffee regions is growing, there is still no complete set of living income benchmarks for each coffee-producing region.[55] We have used multiple publicly available reference numbers and benchmarks that, taken together, paint a picture of how average coffee farming income in a country relates to estimates of living income and wages, as well as whether that income is above or under the poverty line. An important caveat is that the low end of the living wage ranges shown below are lower than what would actually amount to a living income for most people in those countries. Annex I explains our approach and the sources and methodologies used for each reference number and benchmark.

FIGURE 3: COFFEE PRODUCTION IN SELECTED COUNTRIES



Note: All estimates are from the period 2018-2019.

FIGURE 4: INTERNATIONAL COFFEE PRICES (FUTURES MARKET)



Our analysis uses prices and other assumptions from the period 2018-2019. As shown in the chart above, coffee commodity prices were stable during this period and comparable in nominal terms to historic averages of $2.00 to $3.00 per kg green coffee.[56]

The comparisons shown below should be understood as rough approximations of how an average producer might fare within each country. In all countries, there are producers who will perform several standard deviations better or worse than the averages imply. Producers who benefit from better sourcing practices are generally in a position to earn a higher income than the average producer. In addition, our country averages do *not* account for household income from sources other than coffee. Many coffee producers have multiple sources of income. Even when coffee is the predominant source of household income, other sources of income and livelihood strategies (such as food produced on farm) may be significant; this can result in a total household income that is 10-40% higher than coffee income alone.

Key takeaways from our comparison include:

- In 8 of the 10 countries, the average coffee income is at or below the poverty line.
- Brazil is the only country profiled where the average producer earns a net coffee income that is above some living income estimates.
- Uganda has the largest gap to living income, with an average coffee producer earning $88 per year from coffee, relative to living income reference values that range from over $2,000 to nearly $6,000.

The first chart on the following page shows how average coffee income compares to living income estimates. The second chart shows key drivers of coffee income in those countries. We include an additional country summary table comparing a wider set of data in the Annex.

FIGURE 5: COMPARISON OF AVERAGE COFFEE INCOME AND ESTIMATED LIVING INCOME LEVELS BY COUNTRY

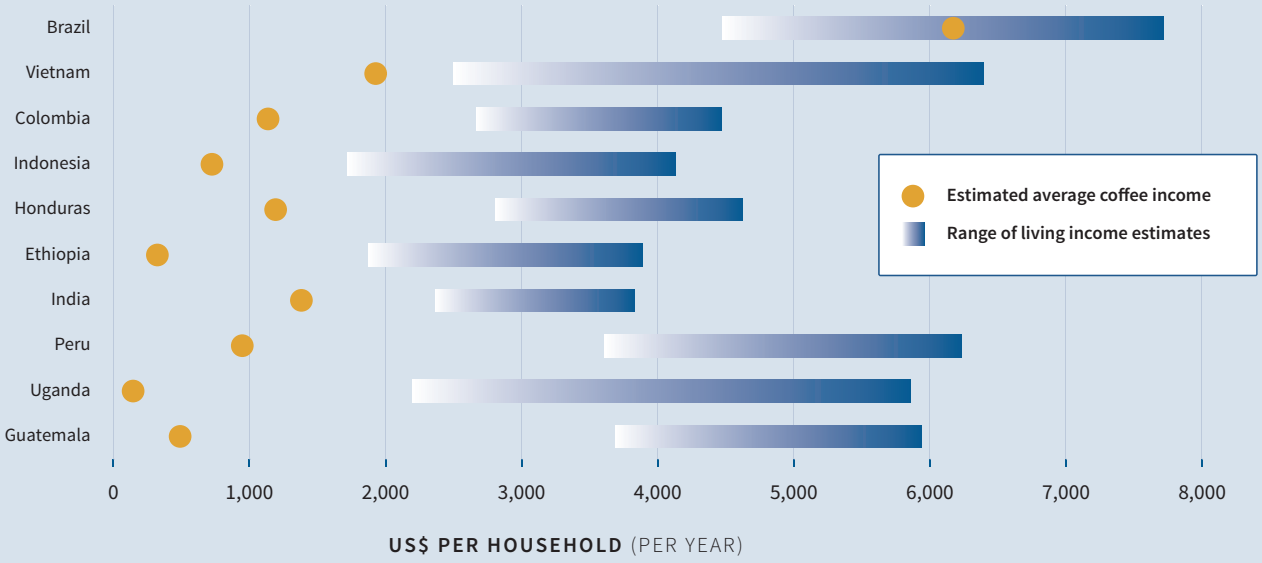


FIGURE 6: COMPARISON OF COFFEE INCOME DRIVERS BY COUNTRY

	Production drivers		**Price & cost drivers**		
	Median coffee farm size (hectares)	Median farm yield (tons green bean per hectare)	Average export price (per kg green bean)	Average farmgate price (per kg geen bean)	Average production cost (per kg green bean)
Brazil	5.1	1.7	$2.48	$2.15	$1.43
Vietnam	1.0	2.5	$1.82	$1.68	$0.97
Colombia	1.4	0.7	$3.68	$2.90	$1.84
Indonesia	0.9	0.5	$3.01	$2.12	$0.60
Honduras	2.2	1.1	$2.83	$1.92	$1.43
Ethiopia	0.5	0.3	$3.63	$2.28	$0.34
India	1.4	1.0	$2.41	$2.05	$1.10
Peru	1.4	0.6	$3.21	$2.43	$1.34
Uganda	0.3	0.4	$2.05	$1.40	$0.62
Guatemala	1.1	0.5	$4.16	$2.76	$1.93

Relative benefit to farmer incomes

Lower

Higher

Note: All estimates are from the period 2018-2019. All figures are in US$.
See annex for more information about sources and methodology.

Green Coffee Production (tons)	3,558,000
Coffee Farmers	288,000
Coffee Income Estimate (US $)	$6,128
Living Income Estimate (US$, avg. of available estimates)	$6,051

Coffee harvesting in Brazil. © Shutterstock/Alf Ribeiro

Brazil

Brazil is the world's largest coffee producer, with 35% market share. It produces both Arabica and Robusta, although most Robusta is only sold in the domestic market. Brazilian Arabica typically trades at a significant discount to the commodity market coffee and is a core component of most large roasters' blends. The country has a cost-efficient supply chain, transmitting on average 86% of the export price back to the producer. Several larg¬e cooperatives have a strong market position and are often the preferred suppliers of VSS-compliant coffees to major roasters.

The average coffee producer in Brazil attains a living income and is larger and more productive than in other origins. Brazilian coffee farms are very diverse, however, ranging from large-scale mechanized farms to small family farms for which mechanization is not feasible. Many larger farms are vertically integrated—growing, processing, and exporting their coffee—and have made significant capital investments in technologies such as mechanized harvesting to lower their cost of production. Certain coffee-producing regions of Brazil are uniquely situated for mechanization because the land is relatively flat; this is different from most other coffee-producing countries, where coffee is mainly grown in more mountainous areas that are difficult to mechanize.

Producers in Brazil also have access to price-risk management services and government support to smooth out commodity market and currency fluctuations.[57] The major coffee-growing states in Brazil have large extension programs, which complement more specialized training services provided by cooperatives and agro-input suppliers.

Brazil has higher worker wages and stricter social and environment requirements than most other coffee-producing countries. Yet it is also the only major coffee-producing country that is listed by the U.S. Department of Labor as likely to produce some coffee with forced labor.[58] In recent years, a small number of verified farms supplying to Starbucks and Nespresso have been found to have "slave-like" labor conditions; Starbucks and Nespresso have cut ties with farms where such conditions are found.[59] In addition, Jacobs Douwe Egberts (now part of JDE Peet's) admitted in 2016 that "beans from Brazilian plantations using slave labor may have ended up in their coffee."[60] Brazil is also listed as producing coffee with child labor.[61] Many buyers sourcing from Brazil remain concerned about worker treatment, high pesticide use, and deforestation in their supply chains. Companies' engagement efforts have tended to focus more on collaborating with the public sector on these types of issues and less on issues related to farm profitability. In the decades ahead, as Brazil is likely to remain the global leader in production and R&D investment, some roasters are interested in ensuring a diverse supply base outside of Brazil.

Green Coffee Production (tons)	1,791,000
Coffee Farmers	601,000
Coffee Income Estimate (US $)	$1,874
Living Income Estimate (US$, avg. of available estimates)	$4,265

Coffee drying, Vietnam. © Shutterstock/Nguyen Quang Ngoc Tonkin

Vietnam

Vietnam is the world's second largest coffee producer. It is also the largest producer of Robusta coffee, the primary ingredient in most soluble (instant) coffee blends. Vietnamese Robusta is viewed as the least expensive widely-available coffee in the commodity market. Vietnam is a major supplier of 4C certified coffees. Vietnam has a relatively young coffee industry and did not become a major exporter until the early 2000s. Its rapid entry into the market, combined with large coffee harvests elsewhere in the world, produced an excess of coffee supply and an extended period of low prices known as the "coffee crisis" from 2001-2003.

Although Vietnam's presence as a low-cost producer has made it harder for other countries to compete, Vietnamese coffee farms are similar in many respects to smallholder coffee farms elsewhere in the world. The average farm is small (about 1 ha) and relies primarily on family labor for harvesting and other farming activities. Vietnam's competitive advantage is the result of exceptionally high farm yields and an efficient supply chain from farm to port.

These factors enable Vietnamese coffee producers to earn approx. $1800 per hectare from coffee—50% more per hectare than in Brazil and more than double farms in India and Indonesia. No other country, even among Robusta producers, has been able to match the yield of Vietnam's smallholder farms.

Despite high income per hectare, it will remain challenging for Vietnamese producers to achieve a living income solely from coffee production, unless there are new yield breakthroughs or major changes in land allocation. Most producers already have land title, but the government is not encouraging expansion of coffee area or consolidation of smaller plots. Water is also an increasing challenge for producers in Vietnam. Producers frequently use twice as much water as necessary, which can threaten water tables;[62] in recent years, severe droughts have affected tens of thousands of hectares.[63] Public sector and company-led engagement efforts in Vietnam have tended to focus on reducing coffee's environmental footprint[64] and diversifying producers' incomes with crops that are complementary to coffee, such as rubber and pepper.

Green Coffee Production (tons)	831,000
Coffee Farmers	577,000
Coffee Income Estimate (US $)	$1,084
Living Income Estimate (US$, avg. of available estimates)	$3,776

Arabica coffee plants, Colombia. © Shutterstock/Marek Durajczyk

Colombia

Colombia is the world's largest producer of high quality, washed Arabica. It has a highly diverse *terroir* base, yielding flavor profiles that are prized by the market and hard to substitute. Because of its inherent quality, most Colombian coffee is exported at a significant price premium to the commodity market. The supply chain is highly dynamic and has good representation from multinationals, local companies, and producer-owned cooperatives. It is also reasonably efficient at transmitting price premiums back to producers. Colombia's National Federation of Coffee Growers (FNC) administers an export tax of $0.13/kg and reinvests it back into farmer extension and coffee research. Colombia's unique position as a large, differentiated supplier with strong institutions has encouraged some roasters to make long-term investments and commitments to responsible sourcing from the country.

We estimate an average farm-gate price in Colombia of $1.90/kg, the highest of the ten countries considered in this study. Farm-gate prices have been bolstered in recent years by a strong US dollar. At the time of writing, the Federación Nacional de Cafeteros (FNC) reported a domestic reference price of 1,350,000 pesos per bag (over $3.50/kg)—the highest ever in nominal terms and the highest in real terms since 2014.

Despite relatively high prices, most Colombian coffee producers still earn well below the living income threshold. Farms are small and have modest yields. The cost of production is higher than most other countries, which largely offsets the benefits of price premiums. Farms that hire workers often struggle to pay minimum wage, creating a tension between producers' economic goals and legal compliance. Colombia is also on the list of countries producing coffee with child labor.[65] Natural factors, including rugged terrain and bimodal rainfall, make it difficult to introduce more efficient production methods.

These are formidable headwinds—and make responsible sourcing efforts focused on living income in Colombia especially susceptible to market and currency risks. Should the peso strengthen, or coffee prices fall, then coffee producers will face even greater levels of poverty. To mitigate this risk, companies' engagement efforts in Colombia should focus on price stabilization and risk management, and helping producers achieve higher levels of productivity and efficiency.

Green Coffee Production (tons)	630,000
Coffee Farmers	1,343,000
Coffee Income Estimate (US $)	$673
Living Income Estimate (US$, avg. of available estimates)	$2,766

Roasting coffee beans, Indonesia.. © Shutterstock/Miet Astlen

Indonesia

Indonesia is best-known in the market for its distinctive Arabica coffees, but it is also a major Robusta producer and the second largest Robusta exporter after Vietnam. Indonesia has a fast-growing domestic market and soluble coffee industry, which consumes nearly half of the country's production. A large share of Indonesia's Arabica is sold to the United States at specialty premiums for use in "single origin" SKUs. Starbucks and KDP are both leading buyers with VSS-compliant supply chains. Indonesia's Robusta is much less differentiated and lags behind Vietnam in terms of 4C and other certified supplies. Both local and multinational exporters are present, although there are few producer cooperatives outside of the Arabica regions.

Indonesia is a low cost, low yield producer. The supply chain is far less efficient than Vietnam, but is comparable in terms of price transmission to Honduras and Uganda. Although net coffee income remains low ($673 per year), the less intensive farming system makes it more likely for producers to have additional sources of income apart from coffee.

The gap to living income is still considerable—3 to 4 times current income—and would require sustained improvements in farm output and prices to close. In addition, an estimated 91% of farmworkers in coffee are paid below the legal minimum wage.[66]

Most companies have producer support programs underway in Indonesia, but the scale and nature of activities are hard to determine. Indonesia could be an important origin for future productivity and seedling distribution work, along with efforts to limit negative environmental impacts of coffee production. Coffee production in Indonesia has been linked to deforestation and degradation of high conservation value forests, resulting in biodiversity loss and GHG emissions. Company and multi-stakeholder efforts have thus focused in part on reducing deforestation and lowering carbon emissions in coffee production.[67] While coffee production effects on the environment and biodiversity are being monitored, especially near high conservation value forests,[68] it is unclear what impact these efforts have had to date.

Green Coffee Production (tons)	432,000
Coffee Farmers	2,242,000
Coffee Income Estimate (US $)	$269
Living Income Estimate (US$, avg. of available estimates)	$2,878

Ethiopian coffee beans drying in sun. © Shutterstock/TJOGR

Ethiopia

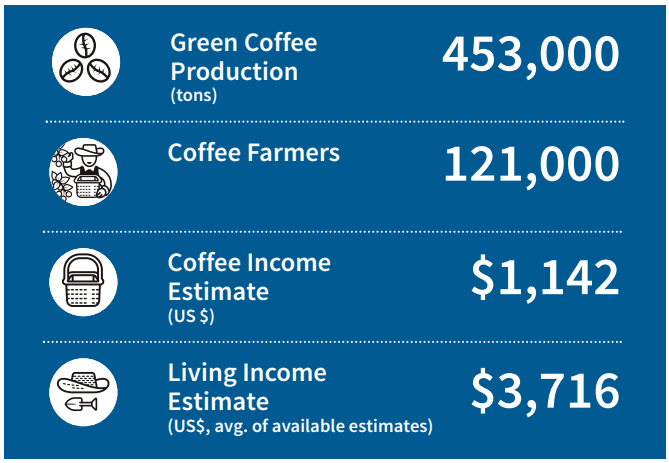
Ethiopia produces exclusive specialty coffees as well as commercial grade Arabica. It is a leading supplier of organic and Fairtrade certified coffees. Ethiopia's top 5-10% of exports receive substantial premiums, whereas the bottom 50-60% of exports are typically sold at a discount to the world market. Ethiopian coffee is considered to be of high intrinsic quality, so differences in export prices typically reflect upstream issues in the supply chain, namely inconsistent harvesting and primary processing methods. Roughly 60% of the export price is transmitted back to producers, a lower share than other countries covered in this report.

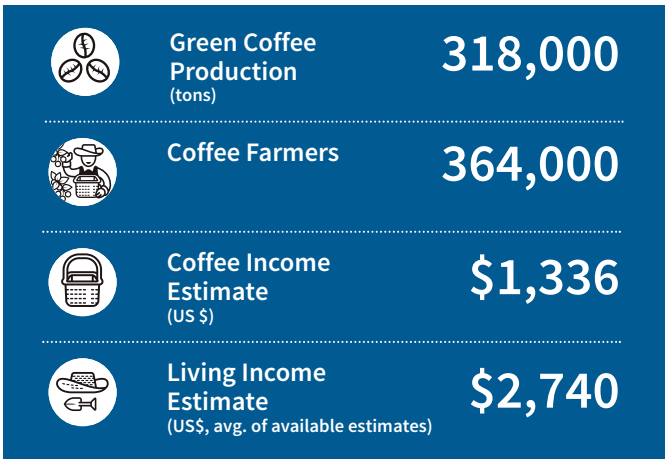
Coffee regulations have changed considerably over the past two decades, including a period where vertical integration was prohibited and all coffee had to be traded through a central commodity exchange. Ethiopia has a closed currency and coffee is the primary source of foreign exchange. When there are forex shortages, coffee exporters face pressure to buy and sell their product as quickly as possible. This phenomenon causes Ethiopian prices to regularly de-link from global prices and makes it difficult for buyers and producers to enter into long-term agreements or price-risk management strategies.

Ethiopia also has a big domestic market, absorbing roughly half of total production, which helps to keep export prices firm.

Ethiopia has a very large population of coffee producers (estimated at over 2 million). The average producer faces a six-fold gap between current income and living income. Although there is considerable potential to improve quality, export prices, and supply chain efficiency, it will be difficult to close the living income gap without addressing farm productivity. Ethiopian farms are small and have very low yields. Most are "organic by default," meaning they do not use chemical fertilizer but also that they do not pursue organic alternatives to boost plant nutrition. Producers do, however, tend to grow other crops in addition to coffee.

Engagement efforts in Ethiopia have focused on producer livelihoods and economic issues; such efforts tend to work through NGOs rather than through the trade (e.g., exporters). Further investment in higher yielding seed and agronomy training may unlock productivity gains while keeping Ethiopia's environmental footprint minimal. Sustainable sourcing initiatives should also monitor working conditions, given Ethiopia's low wages.





Honduras

Honduras has steadily increased production over the past two decades and is now the top exporter in Central America. Honduran coffee is attractively priced relative to other Arabica producers in the region (Colombia, Guatemala, and Peru), but is still sold at a premium to Brazilian Arabica. The export market is competitive and has balanced representation from both local and multinational companies. Honduras is an important supplier of VSS-compliant coffees, with good representation across the major schemes.

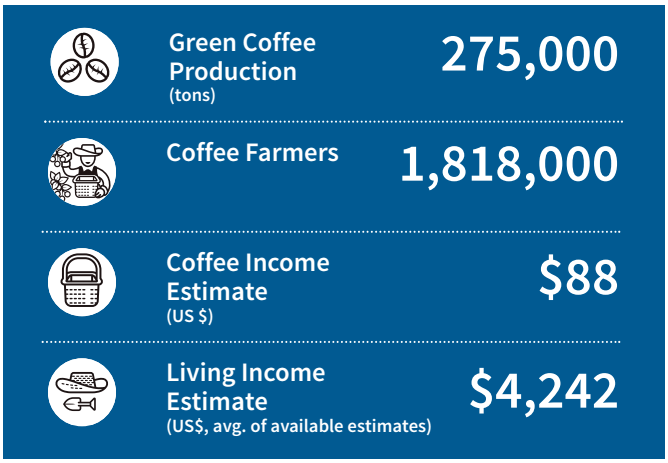
Honduras has larger farm sizes and higher yields than its regional peers. The country also has a lower cost of production, but this advantage is offset by significantly lower farm-gate prices. For example, Honduran producers have a 30% lower cost of production but receive a 50% lower price than Colombian producers. Coffee harvesting is labor intensive, and the Honduran coffee sector has received increased scrutiny over its labor practices, particularly its high levels of child labor.[69]

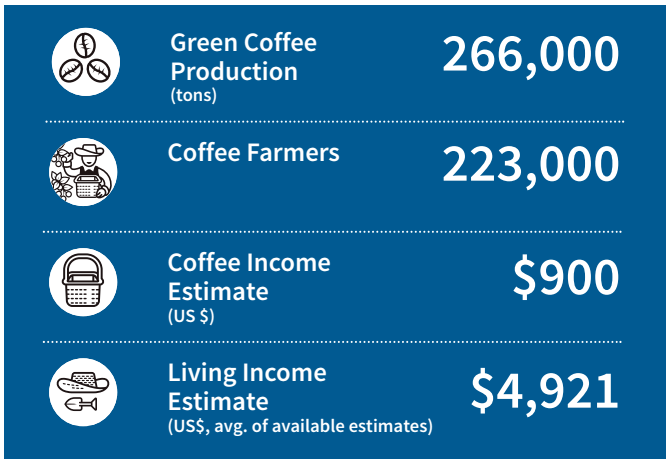
A typical Honduran producer earns a net income of just over $1000, versus a living income target of approximately $3000. This gap could be bridged through a combination of higher yields (+50%) and higher farm-gate prices (+50%). At the same time, engagement efforts will need to mitigate issues related to labor scarcity and children being drawn into the workforce.

India

India has maintained stable production levels over the past two decades. About 70% of India's coffee is Robusta and 30% is Arabica. India has a reputation for premium Robusta production and a large share is exported to Italy for use in espresso blends. India consumes roughly one-quarter of its total production, but its domestic industry has not grown as rapidly as other markets in Southeast Asia. Of the companies covered in this report, Tata, Nestlé, and Unilever (HUL – Hindustan Unilever) are the only ones with a large buying footprint in India. Collectively, they represent three of the leading domestic buyers of Indian coffee. The supply chain is efficient and returns a high share (85%) of the export price to producers.

Most of India's coffee is produced in the Western Ghats on a mix of small-scale farms and mid-sized plantations. The Indian coffee sector is not as competitive as Brazil or Vietnam, but compares favorably relative to all other countries covered in this report in terms of productivity, price, and cost of production. The average coffee income of $1336 is two times higher than the national minimum wage, and the same as the poverty line. It is reasonably close to living income benchmarks in the country.





Uganda

Uganda has doubled output over the past 20 years and now vies with Ethiopia as the top coffee producer in Africa. Most of Uganda's coffee is Robusta, typically trading at a small premium to Vietnamese Robusta. Uganda is also a modest supplier of higher-quality and commercial-grade Arabicas. The export sector is dominated by several multinational trading houses. Although exporters have constructed VSS-compliant supply chains in both Robusta and Arabica regions, the sale of certified coffee is only a small fraction of total exports. This may be because the cost of developing VSS-compliant supply chains is estimated to be substantially higher in Uganda than in other markets.[70]

Coffee plots in Uganda are extremely small (averaging 0.3 ha). Tree density is also lower than in other countries, as Ugandan coffee farms are often interspersed with food crops and fruit trees. Uganda's low input, low yield mode of production is similar to Ethiopia's, although fertilizer use is more common. Producers earn less from coffee than in any of the other countries considered in this report, but they are more likely to be diversified in terms of overall income. Uganda is also on the list of countries producing coffee with child labor.[71]

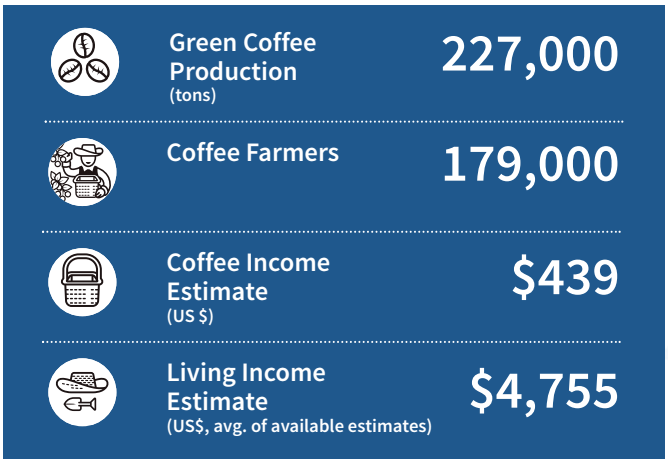
There is a stark difference between annual coffee income ($88 per year) and living income. It will be hard to bridge this distance through coffee production alone. Even controlling for farm size, the potential income per hectare in Uganda is considerably lower than elsewhere because of low productivity and farm-gate prices. Engagement efforts in Uganda focus primarily on farm productivity and are complemented by government efforts to expand access to planting material. Roasters could also develop more stable supply chains and consistency in their purchases from Uganda.

Peru

Peru has tripled its coffee output since the early 2000s and is now a major supplier of higher quality, commercial-grade Arabica. Peruvian coffee generally trades at a discount to Colombian coffee. Several large exporters and cooperatives hold a concentrated market position, but transmit a higher share of value back to producers than other countries with similar dynamics (e.g., Honduras, Indonesia). Peru is a leading producer of Fairtrade and Organic certified coffees.

We estimate that a typical producer earns less than $1000 in net income from coffee, or nearly 1/5 the living income benchmark. Yields are low despite farms being relatively new. Deforestation is also a concern in some of the newer coffee zones close to the Amazon. Cost of production is lower than elsewhere in Latin America mainly because fertilizer use is less common. Peru was heavily affected by a coffee leaf rust outbreak between 2012 and 2015, and production has yet to rebound to pre-2015 levels.

The coffee sector in Peru faces many of the same challenges as Colombia and Honduras, while the living income gap is even greater.



Guatemala

Guatemala is a mid-sized Arabica producer with a strong reputation for quality and an important position in the specialty market. Guatemala has the highest average export price of the countries considered in this report. The country has a diverse producer base that includes sophisticated estates, mid-sized farms with on-site processing facilities, and many small-scale family farms. It lags behind other producers in the region in terms of VSS supply.

Guatemala is among the countries feeling the hardest squeeze from low-cost entrants into the coffee market. As a result of high production costs and low yields, producers' income from coffee farming is lower than elsewhere in Latin America and just 1/10 of the living income benchmark. Farming coffee currently generates less income than a job paying minimum wage.[72]

Sustainability efforts in Guatemala often focus on poverty, producer livelihoods, and labor issues. A recent undercover probe revealed child labor at farms linked to Starbucks and Nespresso supply chains; both companies conducted investigations and implemented corrective action plans.[73] Guatemala's coffee sector was hard hit by a major outbreak of coffee leaf rust between 2012 and 2015, which reduced production by 20% nationally and increased farming costs. Most farms have yet to rejuvenate their tree stock, making it an important origin for agronomic research and support.

Coffee beans, Kerala, India.
© Shutterstock/Hari Mahidhar

PART III

RESPONSIBLE SOURCING STANDARDS

"No one wants to make anyone feel bad about drinking coffee."
– VSS representative[74]

Of all commodities, coffee has the most widespread adoption of products that are certified or verified under a Voluntary Sustainability Standard (VSS).[75] VSS serve as a form of "market-based regulation" that producers and companies use to show their product meets particular sustainability criteria.[76]

Traditional VSS programs offer certifications issued through independent third-party standard-setting organizations. However, as supply chain actors (buyers and traders) have gotten more involved with designing their own sustainability metrics, the field of VSS has rapidly expanded, to also include external second-party verifications (in

which a "related or interested party assures compliance with the scheme requirements") as well as "first-party assurance" or "self-assessment."[77]

This expansion of VSS has resulted in an even greater volume of coffee produced (and sold) as "sustainable" over the last decade. In large part, this volume increase has been driven by one program, 4C (discussed below).

Additional volume increases are linked to the increased use of second-party verification schemes run by major traders. These schemes often offer support packages for producers, intended to increase farming efficiency through close collaboration with first buyers who provide technical and financial support, along with access to credit.[78] In some contexts, this can be an important approach to increase farmer income. One risk, however, is that producers may become more dependent on first buyers, making it harder for them to sell elsewhere. Trader-led programs also pose challenges to external monitoring.

The use of VSS is a common corporate sustainability strategy, even though evidence shows that their impact is mixed. This is true of even the more robust certification programs. VSS are thus best understood as tools that can help in advancing towards and monitoring certain sustainability objectives (particularly environmental objectives), but with limitations that require the use of other sustainability tools as well.

The impact of VSS may be particularly limited when it comes to producer income. Some of the certification programs offer limited additional payments for producers or producer groups (whether through premiums, minimum prices, or sustainability differentials), yet these are often minimal, and do not significantly increase the price that producers receive for coffee.[79] Of the studies that have been conducted on the effect of VSS on producers and poverty reduction, results are varied[80] and highly context dependent.[81] Although there is some evidence that coffee certifications "can have moderate positive effects,"[82] many studies find only marginal improvements to producer incomes, due in part to the costs of attaining and maintaining such certifications.[83] In general, evidence suggests that VSS are not sufficient to significantly improve producer income or to enable them to achieve a living income.

Two broad criticisms often levied against VSS are that they do not benefit the poorest producers, and that much of the additional retail costs of certified products are captured by roasters and retailers, rather than producers. Both are generally true, although these issues also replicate power and profit structures within the industry. The poorest smallholders are unlikely to be able to afford compliance with standards; they may also be less likely to benefit from other sustainability interventions undertaken by companies. Research also shows, for example, that only one-fifth of the additional price that US consumers pay for Fairtrade-certified coffee reaches producers or producer groups;[84] this is still a higher proportion than producers' share of profit in a typical cup of coffee.

While the limitations of VSS are clear, they also have been significantly undermined by insufficient demand and purchasing commitments from companies. In general, only around 50% of coffee produced on certified production areas is sold as certified.[85] This means that producers confront an uncertain market for certified products, and may struggle to recoup their costs of achieving certification.

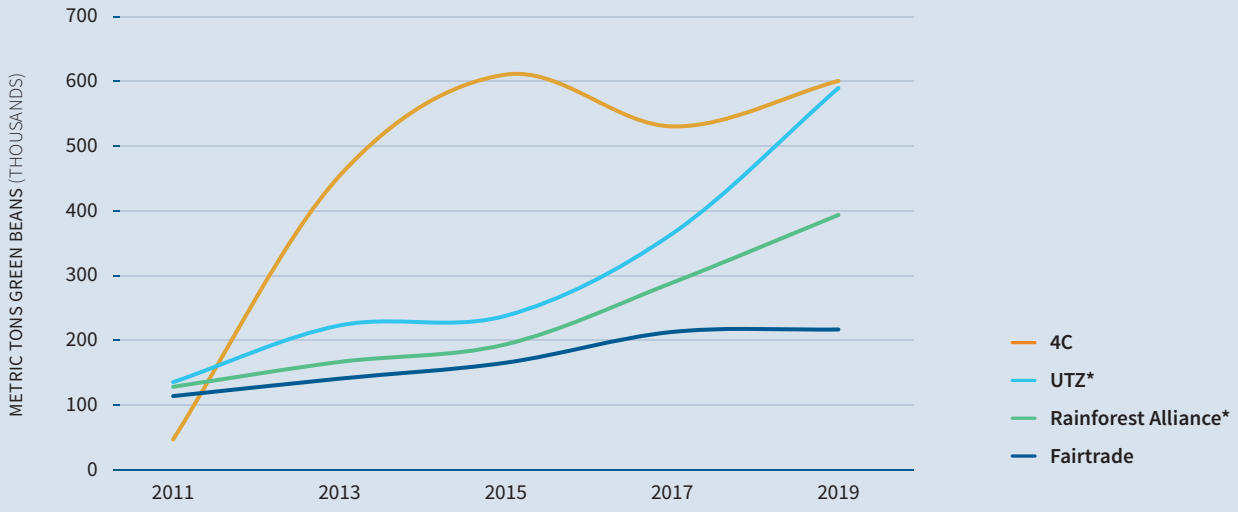
Moreover, tensions exist within and between standards. Some certification programs have evolved towards more complex requirements that producers must meet, even while associated price benefits have appeared to shrink.[86] At the same time, the creation of less robust standards have threatened to erode VSS impact (while also forcing the traditional VSS to innovate). This aligns with a broader sector-wide trend of roasters seeking increased "sustainability" for the least cost; corporate commitments to achieving 100% responsible sourcing are often accompanied by use of less rigorous standards.

In summary, when considering VSS and living income, key takeaways include:

- There is no evidence that the use of any VSS alone would enable most producers to achieve a living income.
- 100% responsible sourcing commitments that rely on the use of weaker standards to achieve full coverage do not offer a credible solution for achieving living income.
- However, nascent efforts within two of the longest-standing certifications—Fairtrade and Rainforest Alliance—to more concretely address living income are promising. It remains too early to say whether such efforts will have impact; their success may partly depend on companies' willingness to make long-term purchasing commitments.

Below, we briefly discuss three of the largest external third-party VSS used in the coffee sector: Fairtrade, Rainforest Alliance/UTZ, and 4C. We also provide short descriptions of four verifications that provide 2nd party assurance: SMS Verified, Enveritas Gold, NKG Bloom, and AtSource.

FIGURE 7: VOLUME OF CERTIFIED GREEN COFFEE SALES TO ROASTERS



** UTZ and Rainforest Alliance merged in January 2018 and now provide mutual recognition of certified coffee sales.*

FAIRTRADE

Fairtrade aims to improve trade relationships and share trade benefits through certifications, producer support, and advocacy.[87] Fairtrade International, the NGO that creates the international Fairtrade Standards, is the only certification with significant producer decision-making power: producers have 50% of the vote within Fairtrade's General Assembly.[88] Producers and traders are inspected by the independent certifier FLOCERT.[89] Fairtrade is currently in the process of revising its coffee standards; a new version is expected for release in 2021.[90] Fairtrade-certified coffee is traceable to the producer group level and kept separate from non-Fairtrade certified goods from farm to store shelf.[91] Only 30% of coffee produced on farms belonging to Fairtrade-certified cooperatives is sold as such; coffee sold as Fairtrade-certified represents 6% of coffee sold in the global market.[92]

Of all the major VSS in coffee, Fairtrade is the one most focused on coffee prices and producer income. Fairtrade requires both a minimum price ($1.40/lb. for washed Arabica) and a premium ($0.20/lb.) paid to cooperatives for each pound of coffee purchased.[93] The minimum price, established at its current level in 2011, aims to cover the average cost of producing coffee sustainably and to provide a safety net during periods of low prices. If market prices are higher than the minimum price, buyers must pay the higher market price. The minimum price does not necessarily reach producers fully intact, because cooperatives generally average out all returns (both conventional and certified) before paying producers. The premium is paid to the cooperative, and producer members vote on how the premium is spent and distributed (largely to fund projects that benefit the group). Evidence on Fairtrade's impact on producer incomes is mixed. Some studies have found a benefit, others found a benefit only for Fairtrade-Organic, and others have found that the cost of certification largely wipes out its economic benefits.[94]

A common criticism of Fairtrade is that its price floor incentivizes producers to sell their poorer quality coffee as Fairtrade and their higher quality coffee to non-Fairtrade buyers.

In recognition that the minimum price may not enable a living income, Fairtrade is working to develop a Fairtrade Living Income Reference Price for coffee, among other crops.[95] The living income reference price is calculated based on costs to support a decent living, costs of sustainable production, and productivity benchmarks. The reference price indicates the price needed for a full-time producer, meeting targeted yield, to earn a living income. Fairtrade is currently working to

develop this reference price in several coffee origins,[96] with the hopes that it will be in use by 2022. This will rely on companies' willingness to purchase at that price.

Fairtrade requires decent working conditions and bans forced labor, child labor, and discrimination. However, studies in Ethiopia and Uganda have found that Fairtrade farms sometimes pay workers less than uncertified farms, and that Fairtrade focuses more on the rights of cooperative members (producers) rather than those of workers.[97]

RAINFOREST ALLIANCE / UTZ

Rainforest Alliance's mission is "a world where nature and people thrive together." In 2018, Rainforest Alliance merged with UTZ. This merger led to a new Sustainable Agriculture standard in 2020,[98] which is mandatory as of July 2021. Rainforest Alliance uses independent, third-party auditors to evaluate producers against standards on climate, forest protection, human rights, and livelihoods.[99]

Rainforest Alliance is developing a new traceability system to the producer level.[100] In addition, the new standard requires that coffee sold with the Rainforest Alliance seal must be traceable and have at least 90% certified content.[101] This is a significant change, as Rainforest Alliance had previously allowed its seal to be used on coffee products that only contained 30% actual certified coffee.[102]

In the new standard, the Rainforest Alliance premium has been replaced by a Sustainability Differential (to the producer) and a Sustainability Investment (to the certificate-holder).

- The Sustainability Differential is a "mandatory additional cash payment to certified farms over and above the market price."[103] As of now, the Sustainability Differential will be set in the same way as the former Rainforest Alliance premium was set: by companies, based on supply and demand for certified coffee. This means that, as with the premium before, the Sustainability Differential could remain negligible. The main difference relates to traceability: while premiums had not been tracked, the Sustainability Differential must be registered, audited, and tracked to ensure that it flows to producers.
- The Sustainability Investment is "cash or in-kind investments to farmers based on the needs identified in their own investment plans."[104] The Sustainability Investment is intended for the certificate holder (e.g., the producer association) to cover the costs of sustainability investments, calculated in an amount per kilogram of green coffee. While buyers are eventually expected to pay the full sustainability investment amount/kg, they are only required to pay a share of the sustainability investment during the first year (2021).

Sustainability investment calculations are meant to include the cost of paying living wages to farmworkers. However, under the standard, producers are not required to pay a living wage if companies do not provide financial support for it.[105] Producers without long-term purchasing commitments from buyers may be wary of offering a living wage that could not be sustained in the absence of continued Sustainability Investment payments.

According to Rainforest Alliance, producers applying their agronomic practices can experience a slight reduction of income for two to three years, but then their incomes increase as the regeneration process starts. Productivity also becomes more stable with less extreme changes in volume every other year, while the afforestation required by the criteria helps to keep soil humid and supports resiliency to climate change. Evidence from studies shows that even under the old standard, Rainforest Alliance could have positive impacts on producer income and worker welfare. This income improvement has been linked to multiple factors, including: higher prices, likely due to the quality of the coffee; shorter supply chains; fewer coffee rejections due to trainings on quality control; and increased yields.[106]

4C

The Common Code for the Coffee Community (4C) was established in 2007. It was originally designed as an entry-level standard to include more producers and to help mainstream minimum sustainability requirements.[107] The early versions of 4C were considered significantly less stringent than other VSS.[108] Since its inception, 4C has gone through major revisions in 2015, 2018 and 2020, and has taken steps to increase the standard's rigor.

4C has significant market share. Currently, 25% of the total amount of certified green coffee is traded as 4C. The amount of 4C coffee purchased by buyers increased by 11% in 2019 and by 18% in 2020, with Nestlé, JDE, and Melitta as large clients.

4C is traceable to the producer group level.[109] Segregation is required, meaning 4C-certified coffee cannot be mixed with non-certified coffee. 4C does allow for mass balance sourcing by intermediary and final buyers, so long as records of mixing are available and prove that at no point has more 4C coffee been sold than has actually been bought as 4C certified.[110]

Premiums are not required by the 4C Code. 4C does not track whether or not producers receive premiums for their 4C-certified coffee. Any premiums received by producers are based on market negotiations with the buyer.[111]

The 4C Code of Conduct explicitly requires a living wage for workers, but excludes smallholders (who make up 90% of 4C producers) from having to comply. Many other 4C audit checkpoints related to working conditions are deemed not applicable for smallholders, given their more limited use of workers. 4C conducts audits during the harvest season, which allows them to check the situation of temporary workers.[112]

In 2018, 4C began efforts to improve its database, implement better controls, and start collecting geo-coordinates of production areas. In 2020, 4C Certification debuted its new standard, which included "applying new audit risk assessment procedures and a strengthened compliance and integrity programme."[113] Producers must now comply with 100% of the major checkpoints on the audit and demonstrate an upgraded level of compliance every 3 years. 4C's website states that the changes mean that "it is not possible to consider 4C as a 'low barrier to entry' standard without visibility anymore."[114] 4C states that it also is currently developing deforestation-free supply chains using satellite image monitoring, which is integrated in the audit.

From a livelihood perspective, it is too early to understand the true impact of 4C's improved standard. Some academic research has been critical of 4C's impact under the earlier standard, and has found worker wages lower on 4C farms.[115] Under the new standard, premiums are still not required, not tracked, and, if provided at all, likely minimal. There is also not yet clear evidence that producer income is strengthened through participation in the standard. It is possible that 4C may give some producers access to dedicated buyers and agronomic support, which could help increase producer income. For example, Nestlé serves as the certificate-holder for some 4C units, and has put considerable resources towards upskilling those units over the long-term. Yet this type of access and support is not a guaranteed benefit of participation in 4C (and Nestlé only provides this support to a portion of 4C producers in its supply chain).

SECOND-PARTY VERIFICATION/ASSURANCE

Below, we describe four 2nd party verification/assurance schemes. We include these because of their increasing prominence and use. As there is less research regarding their impact to date, it is difficult to state at this point their likely effect on coffee producers and the industry, although some small studies show promising outcomes for improving producer incomes.[116] Here, we limit our focus to brief descriptions of what they offer, and suggest that they are a development to be watched carefully.

SMS Verified

The global commodity merchant ECOM provides second-party verification through its Sustainable Management Services division's SMS Verified label.[117] The division, which was founded to provide agricultural extension to farmer groups seeking certification, designs customized, high quality input packages to improve yield, available on credit with payment at harvest. It works closely with buyer sustainability departments, who pay an undisclosed premium in sourcing contracts that go through SMS Verified.[118] SMS Verified coffee is produced and audited against the SMS Code, which is a continuous improvement program.[119] SMS tracks the coffee and cocoa data of over 300,00 farmers in 16 countries through the SMS Integrity platform.[120] SMS employs 1,100 agronomists, surveyors, and staff that work at origin, working across commodities with 650,000 farmers in 23 countries,[121] and also manages large farms in Latin America and Africa.[122] In 2004, ECOM and the French agricultural institute CIRAD partnered to form the Agrictech laboratory in Nicaragua, which works with World Coffee Research and develops new coffee varietals. SMS raises and multiplies these seedlings at its own commercial nurseries, producing 20 million seedlings in 2019.[123] Beyond inputs and technical support, SMS also offers financial support: it provides cash loans, savings accounts, pensions, and insurance products, and offers over $100 million in prefinancing to producers annually.[124] In addition, SMS runs its own wet-mills.

Enveritas Gold

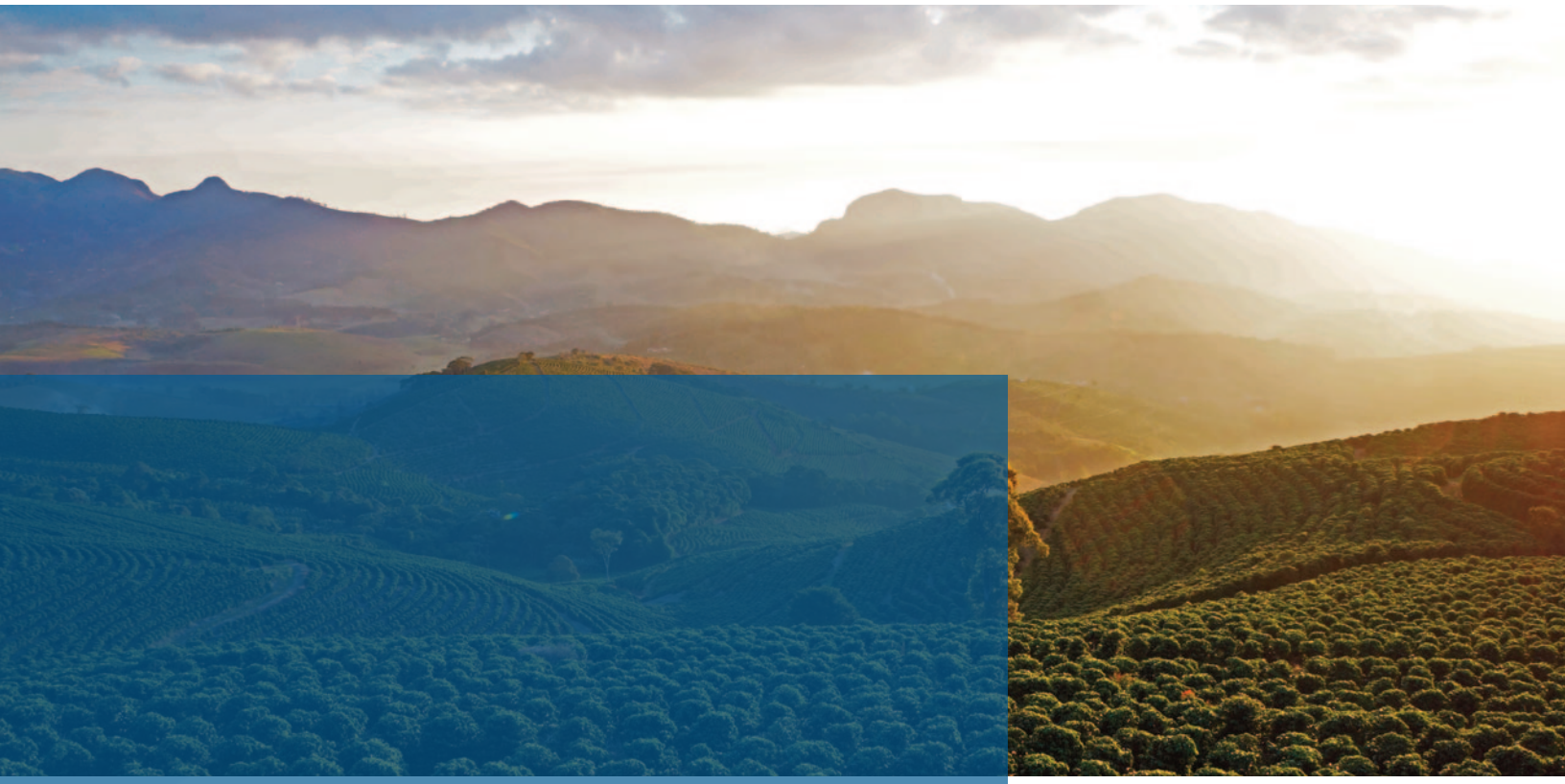
Enveritas Gold is the highest level of verification provided by the sustainability assurance nonprofit Enveritas, which evaluates and independently verifies buyer claims regarding traceability, sustainability, and improvement.[125] Enveritas designates coffee purchases as complying with Enveritas Gold when "the highest level of traceability and sustainability performance is met and any unmet, non-critical requirements are being addressed through a time-bound improvement plan."[126] Enveritas Gold coffee is fully traceable to each producer. Enveritas conducts geospatial analysis and performs fieldwork to create score cards to evaluate sustainability practices in specific supply chains or sourcing regions, which are shared with companies so they can make accurate public claims and address problem areas within their sourcing. Not all coffee sourcing evaluated by Enveritas meets the Enveritas Gold standard. More generally, Enveritas verification services are offered to roasters and retailers at no cost to producers, which enables a more inclusive approach for producers with fewer resources and connections. As of 2020, Enveritas's verification (not just Enveritas Gold) covered more than 50% of production and one-third of global coffee farms.

NKG Bloom

NKG Bloom is the verification program run by coffee trading conglomerate Neumann Kaffee Gruppe, which runs "50 companies in 26 countries," handling "farming, export, import, specialties, and services."[127] NKG Bloom is active in four of those countries: Honduras, Kenya, Mexico, and Uganda. 257 farmer groups have benefited from the program, along with 4,725 producers outside of those groups.[128] NKG Bloom identifies its specialty as helping producers with less than 30 hectares improve their farm productivity and to exit poverty, while meeting sustainability requirements. It does this through Permanent Farmer Services Units, part of NKG export companies, which provide farmer groups and producers in the supply chain with access to financing, inputs, and agricultural extension. Soil analysis and provision of hardy varietals are often part of the program. Producers are not required to have already achieved sustainable practices to participate. Digitized traceability standards are in place to track coffee purchases, NKG Bloom participation, and yield improvements. NKG Bloom was created to operationalize the Coffee Smallholder Livelihoods Facility, which provides US $25 million financed by three banks in revolving credit for 300,000 smallholders, with first losses backed by IDH and NKG and second losses backed by USAID.[129] This blended finance program provides access to funds early in the season to smallholder producers who would usually be seen as a high-risk investment; it precedes the broader Farmfit Fund.

AtSource

AtSource Verified, AtSource Plus, and AtSource Infinity are run by the commodity trader Olam International. The AtSource digital platform shows buyers how their sustainability indicators are being met throughout their Olam supply chains, aims to improve performance, and aggregates impact narratives, for use in sustainability claims. AtSource monitors 9 major sustainability topics that link to 12 UN SDGs, across both smallholder farms and Olam-owned estates around the globe. Coffee that is AtSource Verified conforms to the Olam Supplier Code, and country-level sustainability data is provided to buyers. Olam considers 97% of its coffee that is sourced at origin, rather than traded or bought on the commodity exchange, to be AtSource Verified.[130] AtSource Plus is traceable to the farmer group or Olam estate, and is accompanied with supply-chain specific sustainability data, including Scope 3 emissions.[131] AtSource Infinity also includes "net-positive" data and landscape projects designed with community participation.[132] This is a smaller program: the first Olam coffee project to reach this status is a collaboration with JDE Peet's, Cooperative Cuencas de Hullega, Solidaridad, and the Peruvian National Forestry Division SERFOR.[133] 37% of Olam coffee sourced at origin is either through AtSource Plus or AtSource Infinity.[134] Olam provides sustainability support to a reported 773,000 smallholders, with 309,200 smallholders participating in the more rigorous levels of verification, AtSource Plus and AtSource Infinity.[135] Producers in AtSource Plus and Infinity programs receive GAP training and seedlings. Some also receive training in alternative income-generating activities that can supplement their coffee income.



Arabica coffee in the state of Minas Gerais, Brazil.
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PART IV

COMPANY SOURCING PRACTICES

"It takes courage and willingness to absorb some risk. That's what it is – taking some of the risk [off] of producers. The reality is that most buyers don't want to take on that risk."
- Coffee industry expert.

As buyers, companies provide producers with income, and can influence farm profitability through their sourcing practices. In this section, we discuss sourcing approaches by 10 major companies.

We recognize the significant constraints that companies confront in addressing living income. As noted above, producer income is constrained by farm size, production efficiency, and government support, among other factors. In most countries we reviewed, the gap between average coffee income and the living income is large, and

too significant for any specific company to overcome on its own. Governments and other stakeholders also have a role to play in supporting producer livelihoods, including through policies and programs that reduce risk, improve efficiency, and support resiliency.

After considering these constraints as well as company practices within and outside of the coffee sector, we have identified multiple sourcing practices that companies use or could use to help close the living income gap. These include interventions within supply chains on: prices and premiums; changes in business practices; producer support; and traceability (see box). While the right mix of interventions may vary by company, our research indicates most companies should integrate interventions in all of these areas.

BOX 1: WHAT SOURCING PRACTICES CAN HELP CLOSE LIVING INCOME & LIVING WAGE GAPS?

- **Prices and premiums.** Prices are the living income lever that is most ignored by companies. Suggested interventions include:
  - Revise internal incentives for coffee buyers to limit efforts to push down prices/differentials.[136]
  - Pay meaningful sustainability differentials/premiums to producers for sustainable production practices, either through an external VSS or separately, and track and disclose the prices and premiums that producers receive. While the premiums and prices received through VSS will almost never be enough to close the living income gap, this approach would result in companies paying for more of the sustainability that they require, while at least marginally increasing the prices that producers receive.
  - Provide a transparent costs-plus margin pricing model for at least certain subsets of producers. Under this model, companies can use the regional costs of production plus a margin as the reference for pricing coffee, rather than using the market price as a reference.[137] One method to establish regional costs of production is through producer surveys every two or so years to determine the local average costs of production and average farm size; another way is through reference to a set of relevant input and production costs. This pricing model can also be used to offer a minimum price, rather than a fixed price, which can avoid the risk of side selling if market prices rise above the costs-plus margin price. This pricing approach may be particularly appropriate to use with producers participating in company-specific programs, those selling directly to the company via buying stations or other means, and those selling coffee that will be processed in the same country (as it may be easier to create more stable and traceable supply chains in which to use this pricing model).
  - Develop a mechanism to ensure that producers within the supply chain can cover their costs of production, even during a low price crisis. This could be through minimum prices and contracts, through an emergency relief fund, or through some other mechanism.
  - Ensure that the ultimate price that producers receive for their coffee equates to a Living Income Reference Price or better. A Living Income Reference Price is calculated based on costs to support a decent living, costs of sustainable production, and productivity benchmarks. The reference price indicates the price needed for a full-time producer, meeting targeted yield, to earn a living income.
- **Changes in business practices.** Suggested interventions include:
  - Build longer-term buying relationships with producers, which can provide some stability and risk mitigation that producers need to invest.
  - Offer long-term contracts coupled with price risk management tools used for the benefit of producers. When feasible, long-term contracts can be used to provide commitments around volume and pricing. Fixed-price contracts are one option; another option is for long-term contracts to offer a *minimum* price and to use price risk management tools, such as call options, to ensure that buyers can pay the market price if market prices rise above the contract's minimum price.[138]

BOX 1: *CONTINUED*

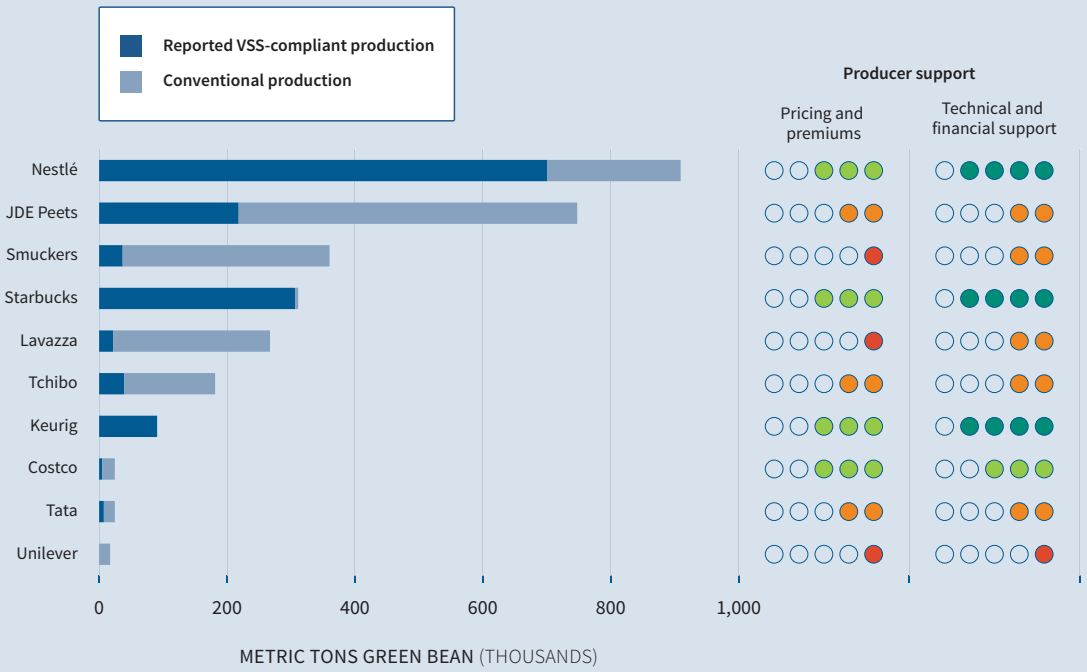
- **Producer support.** The majority of relevant company efforts described below can be categorized as technical support to producers. Suggested interventions include:
  - Increase the percentage of producers in the supply chain receiving technical support, and combine technical support with longer-term relationships and purchasing commitments.
  - Offer financial support along with technical support, including through collective or multi-stakeholder efforts.
- **Traceability.** Traceability is a critical prerequisite for most other sustainability interventions around living income and living wages. Companies should ensure sufficient traceability within their entire coffee supply chains.
- **Commitments around living wages for farmworkers.** None of the companies reviewed are able to ensure that farmworkers receive living wages. Most cannot even guarantee that farmworkers receive minimum wages. An appropriate first step is to make a specific time-bound commitment on living wages for farmworkers.

Coffee warehouse in Ethiopia. © Shutterstock/Sunshine Seeds

Beyond individual sourcing practices, the coffee sector would benefit from increased pre-competitive investments and collective action that supports sustainability within specific landscapes and within the sector more broadly. This includes multi-stakeholder efforts within specific regions, as well as pre-competitive support for research and development related to climate resilient crops, such as the approach of World Coffee Research. While this was not a specific focus of our research, pre-competitive action can be an effective tool in addressing root causes that go beyond individual supply chains.

The figure below provides an estimated breakdown of company sourcing of VSS-compliant and conventional purchases, as well as our rough assessment of how the companies compare in their support to producers on two important sets of interventions: pricing/premiums, and technical/financial support. The volume estimates are drawn from and informed by publicly available information. For pricing and premiums, we focus on pricing approaches that go beyond pure market-based prices; the assessment of "premiums" focuses on evidence of non-negligible premiums or sustainability differentials (discussed further below). For companies with very different approaches for major percentages of sourcing (such as Nestlé, due to the differences between Nescafé and Nespresso, and Costco, because of the divergent sourcing practices for Kirkland Signature), the visual attempts to capture an average of sorts; it is not precisely weighted. None of the companies receive the highest score shown in the key. As discussed below, all of them should do more.

FIGURE 8: PROFILES OF SELECTED COFFEE COMPANIES



Pricing and premiums	Technical and financial support
VSS purchases <10% and no public evidence of premiums or other pricing interventions	No public evidence
VSS purchases >10% but no public evidence of premiums or other pricing interventions	Isolated programs in select countries/supply chains; generally seperate from procurement
Fairtrade purchases >10% or some public evidence of premiums or other pricing interventions	Programs covering 25-50% of countries/supply chains
Public evidence of premiums or other pricing interventions covering 50-90% of purchases	Programs covering 50-90% of countries/supply chains
Costs-plus margin, Living Income Reference Price, or other model covering >90% of purchases	Programs embedded in all countries/supply chains (reaching most producers supply chain)

The below table shows company commitments on responsible sourcing and living income/wages, as well as their engagement with living income initiatives. While a few companies have committed to 100% responsible sourcing, and two state that they have achieved it, these responsible sourcing commitments are not linked to metrics on producer income or farmworker wages. And although more than half of the companies have engaged with living income initiatives, none of those companies have made a time-bound commitment on living income or living wages. The only company reviewed in this report that has made a time-bound commitment on living income and wages is Unilever, but it appears to have no plans to implement this commitment in its coffee supply chain.

These companies have different sustainability journeys, philosophies, and constraints. The ones with higher operating margins clearly have more room to maneuver. While they all have established sustainability commitments or projects relevant to producers, none are able to guarantee that all viable producers in their supply chains earn a living income.

All of the companies reviewed could do more within their sourcing practices to positively influence producer prosperity. In our suggestions, we focus on plausible next steps for each company, rather than the full universe of possible interventions that could be taken.

TABLE 1: COMPANY COMMITMENTS ON RESPONSIBLE SOURCING AND LIVING INCOME/WAGES

	100% responsible sourcing commitment by at least 2025	100% responsible sourcing commitment achieved	Engagement with living income initiatives	Time-bound commitment on living income/wages for producers
Nestlé	●		●	
JDE Peet	●		●	
Smuckers				
Starbucks	●	●	●	
Lavazza			●	
Tchibo			●	
Keurig	●	●	●	
Costco				
Tata				Note **a.**
Unilever	●			Note **b.**
	Not linked to income metrics.	Not linked to income metrics.	Based on participation in multi-stakeholder efforts focused on living income, or similar sustained engagement on living income for coffee producers.	**a.** No commitment, but TCL appears to pay living wages for farmworkers on its estates. **a.** Company-wide commitment, but no evidence that Unilever commitment will be applied to coffee producers/workers.

The companies below are discussed in order of volume purchased.

NESTLÉ

Nestlé processes more coffee than any other company in the world; in 2019, it sourced 909,983 metric tons (MT).[139] It has two major coffee divisions, Nescafé and Nespresso. It also owns the rights to market Starbucks Consumer Packaged Goods and Foodservice coffee and tea products outside of Starbucks coffee houses and excluding Ready-to-Drink products.[140] Approximately 40% of Nescafé coffee is processed within coffee-producing countries, rather than exported as green coffee.

At Nestlé, responsible sourcing sits within procurement for all agricultural commodities.[141] The Nescafé Plan governs Nescafé sourcing, while Nespresso uses the Nespresso AAA Sustainable Quality Program, its own in-house 2nd party verification. Nespresso has significantly higher margins for its single-serve, quality coffee, and AAA works intensively with dedicated supply chains: in 2020, it worked with 120,000+ producers on 320,000 hectares.[142] While Nespresso's sourcing volume is not publicly disclosed, we estimate it comprises around 10-15% of Nestlé's total sourcing volume. Nescafé is a more mainstream product with more conventional sourcing practices, although the division works relatively closely with producers in just under a fifth of its supply chain.

Living income

Nestlé takes the position that "every farmer should have access to an income that meets their basic needs," noting that "living income is their right."[143] Nestlé analyzes farm economics and rural development in coffee-producing communities. The company does not have a current commitment on living income, but states that it is preparing to measure living income, looking at total household income, not just coffee income. Cocoa and coffee are the first supply chains where Nestlé is focusing on living income, with more work currently underway in cocoa.[144] Nestlé has measured producer hunger in the past; it acknowledged in 2015 that producers within the Nescafé Plan have an average of one month of food insecurity a year, which was less than a control group of similar producers.[145]

Premiums and pricing

- 75% of Nescafé coffee is sourced through 10 sustainability standards[146] —primarily 4C—and is traceable to the farm group level. Besides 4C, Nescafé also works at scale with Olam AtSource verified and Rainforest Alliance. This makes Nescafé the largest buyer of VSS coffee by volume in the world. Nescafé has made a commitment to buy 100% responsibly sourced coffee, traceable to the farm group level, by 2025.
- However, Nescafé does not disclose how much more it pays for VSS-label coffee compared to conventional coffee, or the prices or premiums that producers receive for this coffee.[147] The amount that makes its way to producers may not be significant: 4C does not track producer group premiums, which are not required and are often negligible.[148]
- 15,000 metric tons of Nescafé coffee is bought directly from producers via buying stations in China and Thailand. In addition, Nescafé operates local coffee roasting facilities in its major sourcing countries.
- 93% of Nespresso coffee is sourced through its AAA program, which has high traceability standards. Over 85% of Nespresso coffee is traceable to the farm level through direct supply chains; the exception to farm-level traceability in AAA are purchases in East Africa, which are traceable to only the cooperative level.
- Nespresso pays high prices and premiums relative to the market for similar grades, and maintains long-term buying relationships with producers.[149]
- 48% of Nespresso coffee is purchased through a third-party certification: Rainforest Alliance (41%) and Fairtrade (7%).

Technical and financial support

- 18% of producers supplying Nescafé participate in Farmer Connect, active in 15 countries,[150] which provides access to agronomy assistance and plant materials. The Farmer Connect program supports long-term relationships between Nestlé and producer groups, often 4C Units that Nestlé operates as certificate-holder. Nestlé has worked with some of these producer groups as 4C units for nine years.
- The Nestlé Plant Science Research Unit breeds new varietals, and Nescafé distributed 235 million coffee plantlets between 2010-2020.
- To increase producer incomes and nutrition, Nestlé also encourages intercropping and agroforestry, analyzing which crops will smooth the annual income streams of producers throughout the year. In Vietnam, for example, Nescafé agronomists partner with the Provincial Agricultural Extension Centers to train producers, and 4C producers that implement advised intercropping have seen 30%-100% income gains.[151]
- Nescafé has undertaken intensive assessments of farm economics in 4 countries, implementing supply chain interventions in response to findings. Nescafé estimates that these interventions have led to: yield increases of

90%-150% in Mexico from 2014-2019; increased yields of 10% in Cote d'Ivoire from 2015-2019; 10% higher prices paid in Honduras due to quality improvements; and 15% cost-savings in Vietnam through water conservation.

- Nespresso AAA agronomic programs focus on transitioning producers to the production of higher quality coffee.[152] Nespresso invested USD $638,995,500 in sustainability programs from 2014-2020, 49% of which went towards coffee operations.[153] Above the price paid for beans, USD $43,692,000 goes directly to AAA farmers annually, in the form of technical assistance and premiums.[154]
- Nespresso has piloted two initiatives related to smallholder income stabilization: weather-indexed crop insurance in Colombia, and retirement savings in Colombia and Indonesia. These programs leveraged the Fairtrade premiums paid to cooperatives. Nespresso states that it plans to scale the crop insurance initiative to smallholders in other countries.
- The Nespresso Reviving Origins program identifies and sources from regions facing challenges related to conflict, the environment, and/or poverty. Currently the regions in this program are within Colombia, Cuba, Democratic Republic of the Congo, Mozambique, Puerto Rico, Uganda, and Zimbabwe. Around 8,000 producers participate in this program.

Living wage

Nestlé does not have a commitment to living wages for farmworkers, although it does identify living wages as a salient issue in coffee production, and states that working with suppliers on "continuous improvement" towards reducing the living wage gap is a priority.[155] The company monitors minimum wage compliance via third parties. Child labor and forced labor have been found in some Nestlé supply chains in Guatemala and Brazil.[156] When child labor was found in 2020 at 3 farms in Guatemala that supplied Nespresso, the farms were removed from AAA until the situation was corrected.[157] Nestlé participates in multi-stakeholder initiatives through the Global Coffee Platform and InPacto. Nescafé works with partners such as Catholic Relief Services and Verité to enhance adherence to international labor norms in its supply chains. Since farmworkers are often paid by volume of beans picked, Nespresso defines annually what local prices for coffee baskets will be in accordance with minimum wage compliance. 100% of AAA farms are internally audited for minimum wage compliance, and a sample are externally audited. If producers are found to pay under these set levels, it is considered a "critical non-conformity," leading to further communication and audits until corrected.

Summary and engagement points

Nespresso's sourcing practices provide important interventions in almost all key areas: higher prices, significant technical and financial support for producers, strong traceability, and support for origin diversity. It arguably has more room to do this than most companies reviewed, given its higher margins for its single-serve, quality coffee. Given its position, Nespresso could do even more, especially to integrate business practices or pricing approaches that support producers' ability to earn a living income. Concretely, Nespresso should:

- Offer long-term contracts coupled with price risk management tools used for the benefit of producers; and
- Ensure that the ultimate price that producers receive for their coffee equates to a Living Income Reference Price or better.

Nescafé's sourcing practices[158] are less robust than those of Nespresso. Nescafé does provide significant technical support through longer-term relationships to just under 20% of producers in its supply chain, and it can claim traceability to the farm group level for the 75% of its coffee sourced through sustainability standards (set to increase to 100% in a few years). Nescafé falls short, however, when it comes to pricing: there is no guarantee that most of its "responsibly sourced" coffee offers any meaningful price benefits to producers, or that producers are consistently able to cover their costs of production. To help close the living gap for producers in its supply chain, Nescafé should:

- Track and disclose the prices or premiums that producers receive for "responsibly sourced coffee";
- Increase the sustainability differentials that it pays producers for certified or verified coffee;
- Increase the percentage of producers receiving support through its Farmer Connect program; and
- Provide a transparent costs-plus margin pricing model for Farmer Connect producers, as well as for coffee bought directly from producers via buying stations coffee and for coffee sourced for in-country processing and roasting.

In addition, Nestlé should:

- Measure and disclose coffee income, household income, and living income gaps for producers in its coffee supply chains;
- Make a time-bound commitment on living income for producers; and
- Make a time-bound commitment on living wages for farmworkers.

JDE Peet's

JDE Peet's sources 9% of global coffee production by volume; in 2019, it sourced 747,744 MT.[159] Approximately 20% of this is sourced locally for the Brazilian market.[160] JDE merged with Peet's in 2020; it went public in May 2020, but a majority stake is still owned by JAB Holding Company. 85% of JDE Peet's revenue is provided by coffee sales.[161] Brands include Bravo, Cafax, Café Pelé, Douwe Egberts, Friele, Gevalia, Intelligentsia, Jacobs, Kenco, L'Or, Marcilla, Moccona, Old Town, Owl, Paloma, Peet's, Pilão, Senseo, Super, Stumptown, and Tassimo.[162] There is a range of sourcing practices amongst these brands. Intelligentsia and Stumptown, for example, are acquired specialty brands, both of which source via a direct trade model, paying high prices for high-quality coffee. They represent only a very small fraction of JDE Peet's sourcing, however. The summary below focuses on Common Grounds, which is JDE's major sourcing program; it also touches on Peet's sourcing program.

Living income

JDE Peet's took part in the Taskforce for Coffee Living Income.[163] However, JDE Peet's does not have a specific commitment to living income. Its pricing and premiums are not publicly disclosed. It does provide some monitoring of its supply chains, which can identify practices for improvement and serve as a first step towards enhanced traceability. All suppliers to JDE Peet's must agree to the company's Supplier Code of Conduct, and the JDE Peet's Speak Up policy provides stakeholders with a route to anonymously report violations.[164] Under JDE's Common Grounds program, suppliers providing coffee sourced from smallholders are asked to provide an estimate of the gross coffee income per hectare for smallholder producers.[165] The Common Grounds program also provides some producers with technical support, which can improve yield and income.

External and internal oversight of supply chains; premiums and pricing

Common Grounds has committed to sourcing all of its coffee responsibly by 2025.[166] It will do this in two ways, via external VSS and through its own Common Grounds supplier self-assessment program.

- In 2020, 29% of JDE Peet's coffee (all brands) was sourced with third-party certification and verification, an increase of 8% from 2019.[167] The external VSS programs that JDE Peet's sources through include 4C, Enveritas, Fairtrade, and Rainforest Alliance. Peet's verifies 80% of its total coffee supply through the second-party verification Enveritas, which monitors supply chain risks during the harvest season, at no cost to participating producers.[168]
- JDE's Common Grounds sourcing program, produced with the support of Rainforest Alliance, is active in 15 countries.[169] This program focuses on smallholders in the supply chain, aiming to evaluate and mitigate risks while improving agricultural practices and farm profitability.[170] For the majority of purchases, Common Grounds does not use third-party certification or verification of suppliers. Instead, Common Grounds uses supplier self-assessments together with country-wide third-party Origin Issue Assessments to evaluate local risks.[171] This first party verification is a much lower level of oversight than provided by external verifications. In 2019-2020, 33% of conventional coffee purchases in the Common Grounds program were from origins where Rainforest Alliance has not conducted an origin issue assessment, and 5% of conventional coffee purchases were not accompanied by a supplier self-assessment.[172]

Technical and financial support

- By 2025, JDE Peet's aims to support 500,000 smallholder coffee producers through projects funded by the company.[173] In partnership with suppliers, development agencies, and NGOs, JDE Peet's has 40 ongoing projects in 19 countries that engage smallholders. This includes, for example, work on lowering chemical use and promoting strategic intercropping in Vietnam, where JDE participates in a Verified Sourcing Area (VSA) program overseen by IDH. Producers in the VSA have 20% higher income than similar producers in neighboring districts.[174] Common Grounds also works with partners to provide extension services in origins like Uganda, and responds to crises like hurricanes and the coronavirus pandemic.[175] Coffee Alliance projects with USAID and suppliers in Honduras and Peru have focused on improving producer livelihoods.[176]
- From 2018-2020, 40,000 smallholders in Uganda participated in the Coffee Community Based Facilitators program presented by JDE, IDH, and Café Africa Uganda. This program pays extension officers, who are integrated into the public agricultural extension services.[177]
- JDE asks Common Grounds suppliers to provide training "where needed" to producers on soil and water management, and economic and environmental metrics;[178] it does not specifically require or proactively offer such support.

- JDE is a founding member and funder of the IDH Farmfit Fund, which blends public and private monies to encourage commercial investment in smallholder agriculture. Through the Fund, USAID covers 40% of private investment losses. This makes it easier for banks and traders to provide loans, services, and materials to smallholders, and thus increases producer access to financing.

Other

- Several years ago, JDE Peet's and other JAB Holding companies switched to extended payment terms for traders, moving from 30 days to 300 days. This does not change payment times for producers, and traders have managed these terms at least in part through the use of third-party financing. However, these terms still impose a cost that can create downward price pressure, outside of the direct trade model component of the JDE Peet's portfolio, and have received criticism from producers and the trade.[179]

Living wage

JDE Peet's does not have a commitment to living wages for farmworkers. The Common Grounds program asks employers to pay not a living wage, but the highest of three wage levels: the minimum national wage, the minimum regional wage, or the wage set by a relevant collective bargaining agreement. Employers are asked to track minimum wages paid and to keep records of all paid wages.[180]

Summary and engagement points

While there is significant variation in sourcing practices amongst the range of brands in the JDE Peet's portfolio, the vast majority of JDE's sourcing is essentially conventional sourcing and is unlikely to significantly close living income gaps. JDE Peet's flagship sourcing program, Common Grounds, does not appear to offer any price benefits for producers, does not emphasize traceability with embedded producer support, and does not focus on longer-term relationships with producers. In addition, while Common Grounds has committed to sourcing all of its coffee responsibly by 2025, its reliance on supplier self-assessments makes it less reliable than external certifications/verifications.

To help close the living gap for producers in its supply chains, JDE should:

- Increase traceability within Common Grounds, and move away from supplier self-assessments to a more rigorous verification approach;
- Focus on building longer-term relationships, coupled with targeted technical and financial support and purchasing commitments, to producers and producer groups that sell through Common Grounds;
- Commit either to paying meaningful sustainability differentials to producers supplying to Common Grounds or to providing a transparent costs-plus margin pricing model for Common Grounds producers;
- Provide a transparent costs-plus margin pricing model for coffee sourced for in-country processing;
- Track and disclose the prices or premiums that producers receive through Common Grounds for their "responsibly sourced coffee"; and
- Measure and disclose coffee income, household income, and living income gaps for producers supplying to the Common Grounds program.

In addition, all brands within JDE Peet's should:

- Make a time-bound commitment on living income for producers; and
- Make a time-bound commitment on living wages for farmworkers.

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The J.M. Smucker Company

Smucker sourced 360,000 MT of coffee in 2019.[181] Smucker coffee is traceable to the export mill, but not to the producer group or farm. Smucker has a Global Responsible Sourcing Program that is meant to "ensure all Smucker products are produced ethically and in accordance with local laws and standards."[182] This Responsible Sourcing Program hinges primarily on a Global Supplier Code of Conduct.[183]

Living income

Premiums and Pricing

- Smucker states that it pays differential premiums according to quality, availability, commercial terms, and other supplier programs and conditions. It does not disclose what those premiums are.
- 10% of Smucker coffee is bought through VSS programs, implying some level of premium to producer groups.[184] Smucker does not disclose what premium, if any, reaches producers.

Technical Support

- Smucker does not run its own agronomy programs, but the company participates in several multi-stakeholder projects intended to upskill producers and increase their coffee yields and incomes. These include Technoserve-implemented projects in the Americas, and public-private partnerships with the USDA and USAID. The USAID-led project Better Coffee Harvest, run from 2014-2019, led to 50% yield increases and 18% income increases for participating producers in El Salvador and Nicaragua. A project with Hanns R. Neumann Stiftung and International Coffee Partners in Indonesia, "Strengthening the Smallholder Robusta Sector," led to 55% increases in yield and 75% increases in profit from 2014-2019 for 7,780 smallholder producers; it will be expanded by 2024 to 20,000 households.[185] These projects provide participating producers with training on agricultural practices; some also provide additional organizational training, as well as farm management services and financing. Smucker leverages development funding to scale projects.
- Smucker supports research into new coffee varietals as a founding member and top supporter of World Coffee Research, a precompetitive initiative that supports smallholder resilience to climate change.

Living wage

Smucker's Global Supplier Code instructs suppliers to comply with minimum wage laws, and notes that "where minimum wage requirements are not sufficient to meet basic needs, employers should strive to pay a living wage to all employees."[186] It is not clear whether suppliers ever do this.

Summary and engagement points

Smucker sourcing is essentially conventional. Smucker has supported useful sustainability initiatives and producer-oriented projects—including in regions where it sources—but these efforts are not embedded within its supply chains. While Smucker highlights its work "improving coffee sustainability from farm to cup,"[187] there is little evidence that its green coffee procurement strategy monitors production practices or has implemented assurances that producers receive better prices for more sustainable production.

To help close the living gap for producers in its supply chains, Smucker should:

- Revise internal incentives for coffee buyers to limit efforts to push down prices/differentials and any subsequent downward pressure on prices;
- Increase technical support to producers linked to its supply chains, and start building in longer-term commitments to those producers;
- Commit to paying non-negligible sustainability differentials to a larger percentage of producers for sustainable production practices; this could be done in part by increasing the percentage of coffee bought through VSS programs;
- Track and disclose the prices or premiums that producers receive for coffee bought through VSS, as well as any other sustainability differentials paid to producers;
- Make a time-bound commitment on living income for producers; and
- Make a time-bound commitment on living wages for farmworkers.

Starbucks

Starbucks sourced 310,000 MT of coffee in 2019.[188] Starbucks has implemented traceability to the farm level through its ethical sourcing verification program, Coffee and Farmer Equity (C.A.F.E.) Practices, which was founded in 2004 and is administered by Scientific Certification Systems Global Services (SCS).[189] Starbucks can trace transactions to the producer level, tracking sales from farmgate to export. C.A.F.E. Practices verifies the performance of supply chains: producers, producer support organizations, and mills.[190]

Living income

Starbucks has not made a specific commitment to living income for producers within its supply chain, but says in its Global Human Rights Statement that it is "committed to pursuing sustainable livelihoods within our Supply Chain to achieve a decent standard of living."[191] However, Starbucks' own data shows that food insecurity remains a significant problem for some producers that supply to it under C.A.F.E. Practices, although food insecurity has decreased over time, from over 37% of all producers in 2014 to 16% of all producers in 2018.[192] Among the countries discussed in this report with public KPIs from Starbucks, producers in Peru have the most persistent levels of food insecurity: 39% of respondents reported food insecurity in 2015, and 38% in 2018.[193] In contrast, farms across Africa have shown a large decrease in food insecurity, from 47% of farms reporting challenges in 2014 to 9% in 2018.[194] Starbucks offers multiple programs to support producers in coffee-growing regions, and sources coffee from diverse origins. It participates in a number of multi-stakeholder initiatives focused on coffee income, including as a founding member of the Sustainable Coffee Challenge.

Premiums and Pricing

- Starbucks sources C.A.F.E. Practices verified coffee; for that coffee, it pays premiums that vary by origin and are determined by quality, conformance to the C.A.F.E. Practices standards, and market dynamics. 98.6% of Starbucks coffee in 2020 was sourced from C.A.F.E. Practice-verified farms.[195] Premium amounts are undisclosed. Some C.A.F.E. Practices supply chains also participate in other VSS, like Fair Trade (8% in 2011) and Rainforest Alliance.[196] Although Starbucks used to publicly disclose the average price paid per pound and the volume sourced through external VSS, it stopped disclosing this data after 2014. In 2014, Starbucks paid an average price of $1.72 per pound and 8.6% of Starbucks coffee purchases were via Fairtrade.[197]
- Starbucks also pays a one-time premium to suppliers that reach strategic status, the highest level of sustainability compliance within the C.A.F.E. Practices system; supply chains can be eligible for additional premiums if their sustainability practices improve significantly at reverification.[198] There is not public visibility into how this premium is distributed within supply chains (comprised of producers, producer support organizations, and mills), or how much of it is received by producers.
- Through C.A.F.E. Practices receipts, Starbucks has insight into producers' costs of production as well as the prices that producers receive for their coffee beans, and can identify when producer income falls below costs. During the low-price crisis in 2018, Starbucks identified priority countries where prices fell below the cost of production and opened the Emergency Farmer Relief Fund to producers with "price-to-be-fixed" contracts in El Salvador, Guatemala, Mexico, and Nicaragua. In 2019 and 2020 combined, Starbucks distributed a total of $22 million in secondary payments to 8,000 producers using this fund. Starbucks states that it continues to consider this approach for future use.

Technical and financial support

- Starbucks operates nine farmer support centers worldwide, which are open to any coffee producer seeking technical advice, not only to producers selling to Starbucks. By 2020, Starbucks had provided agronomic training to 200,000 producers.
- In El Salvador, Guatemala, and Mexico, Starbucks has made a commitment to distribute 100 million coffee plantlets (50 million distributed to date), and disperses coffee seedlings to producers through various suppliers.
- Starbucks has identified lack of access to financing as a barrier. The Starbucks Global Farmer Fund ($100 million with $42.9 million already distributed) provides loans for producers. In total, Starbucks states that it has invested over $150 million in producer and farmworker programs and initiatives.

Community support

- The Starbucks Foundation provides grants to organizations for programs in coffee producing-countries that support women and girls, with a commitment to impact 250,000 women and girls by 2025.

Living wage

Starbucks does not have a time-bound commitment to ensure living wages for farmworkers. Starbucks requires the payment of minimum wages. In C.A.F.E. Practices evaluations, supply chains receive extra points if they pay farmworkers above the minimum wage. According to the 2018 Impact Assessment Report prepared by Conservation International, more than 2 million workers were earning above the minimum wage in Starbucks supply chains, which also include mills.[199] In addition, Starbucks states that all identified minimum wage violations go through further auditing until the minimum wage is paid, often with backpay. However, the most common "zero tolerance" issue found in C.A.F.E. Practices supply chains is paying temporary workers below the minimum wage. According to the most recent impact assessment, this problem is greatest in Colombia, Peru, and Honduras.[200] On large C.A.F.E. Practices farms, a majority of permanent and temporary workers are paid benefits; on medium farms, a majority of permanent workers receive benefits. On small C.A.F.E. Practices farms, a minority of both permanent and temporary workers receive benefits.[201] In recent years, a small number of farms certified under C.A.F.E. Practices in Guatemala and Brazil have been found to use child labor and forced labor.[202] Starbucks suspended business with these farms and launched investigations into the allegations.

Starbucks participates in three labor multi-stakeholder initiatives in Brazil, convened by the Global Coffee Platform, the Rainforest Alliance, and Verité.[203] From 2021, Starbucks is increasing the sample size and number of inspections for its third-party audits of C.A.F.E. Practices farms.[204] To address child labor and help coffee-picking families, Starbucks financially supported five childcare centers in Guatemala in 2020 and 2021, complemented by a $100,000 Capital Improvement fund to upgrade and maintain these centers.[205]

Summary and engagement points

Starbucks has invested significantly in producers and coffee sustainability. Through C.A.F.E. Practices, Starbucks has strong traceability. Starbucks has also taken unique steps to support producers, such as the Emergency Farmer Relief Fund used during the recent price crisis.

Yet Starbucks appears to have become less transparent on pricing over time. It procures and prices coffee in a fairly conventional manner, using the C price as a starting point, and refuses to disclose the premiums it pays for C.A.F.E. Practices coffee.

Given its position, Starbucks should do more to integrate business practices or pricing approaches that support producers' ability to earn a living income. Concretely, Starbucks should:

- Disclose either prices or commercial premiums that producers receive when selling through C.A.F.E. Practices;
- Measure and disclose coffee income, household income, and living income gaps for producers selling through C.A.F.E. Practices;
- Offer long-term contracts coupled with price risk management tools used for the benefit of producers supplying to C.A.F.E. Practices;
- Ensure that the ultimate price that producers receive for their C.A.F.E. Practices coffee equates to a Living Income Reference Price or better;
- Commit to a permanent Emergency Farmer Relief Fund that would be used in future low price crises and that could cover C.A.F.E. Practices producers who do not benefit from the above suggested changes in pricing and contracting. This could also be done in partnership with other downstream actors;
- Make a time-bound commitment on living income for producers; and
- Make a time-bound commitment on living wages for farmworkers.

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Lavazza

Lavazza sourced 267,000 MT of coffee in 2019.[206] Along with its eponymous brand, Lavazza owns subsidiary brands like Carte Noire, Fresh & Honest, Kicking Horse, and Merrild, and partners with Pepsi on ready-to-drink products. The company structures its sustainability commitments through the UN's Sustainable Development Goals, prioritizing SDGs 5 (gender), 8 (decent work), 12 (responsible consumption and production), and 13 (climate action).

Living income

Lavazza does not have a living income commitment. However, it does participate in industry-wide efforts to address living income challenges, including the ICO Task Force and Technical Working Group on Living and Prosperous Income. The company states that its pricing and technical support strategies are means to incentivize the production of quality coffee, both within (pricing) and outside (most technical support) of its supply chains.

Premiums and pricing

- Lavazza purchases coffee from traders, cooperatives, and large producers, with a focus on maintaining flavor profiles and buying at a price that preserves long-term relationships with suppliers.
- 7-8% of green coffee sourced by Lavazza bears a VSS certification, and Lavazza states that it pays sustainability differentials and premiums for this coffee. This includes the Rainforest Alliance-certified lines ¡Tierra! and Alterra, and the Fairtrade-certified brand Kicking Horse.

Technical and community support

- Lavazza does not focus on providing technical or financial support to producers in its supply chain. Rather, Lavazza's sustainability projects are generally funded and administered by the Lavazza Foundation, separately from procurement. Lavazza states that it takes this approach so that producers benefiting from Foundation projects have the opportunity to sell their coffee at the best conditions, even if this means not selling to Lavazza. Lavazza sustainability projects focus on four main pillars: good agricultural practices the improve quality and yield; building the capacity of producer organizations; improving the inclusion of women and youth; and lowering greenhouse gas emissions derived from coffee production while protecting forests.
- Lavazza states that in 2020, the Foundation was active in 31 projects in 19 countries, involving more than 130,000 direct beneficiaries.
- As an example, the Lavazza Foundation, working with Oxfam and the Cuban government, funded the construction of 34 coffee agronomy training centers and 10 coffee nurseries in Granma and Santiago, Cuba. The nurseries specialize in coffee grafts, with a commitment to produce 6 million coffee seedlings.[207] The Foundation has also engaged female producers via projects in Guatemala with Verdad y Vida. In some cases, the Lavazza Foundation helps build local roasteries, supporting local value addition and domestic consumer markets.
- Lavazza's sourcing is occasionally linked to Lavazza Foundation projects. It buys around 100 tons of coffee annually from producers that have participated in foundation projects, making up about 10% of the coffee in the small ¡Tierra! Label. (This is approximately .04% of the company's green coffee sourcing.)

Living wage

Lavazza does not have a commitment to living wages for farmworkers. Lavazza addresses minimum wage compliance and labor issues through its Supplier Code of Conduct, and states that it strives to remedy any breaches found. Lavazza requires that all suppliers document compliance with labor standards within their mandatory supplier portal.

Lavazza also undertakes joint projects with supply chain actors to address labor issues. For example, Lavazza participates in the Collective Action Initiative in Brazil, monitoring wages and supporting labor rights. The company participates in the Global Coffee Platform roundtables on living wage. Lavazza also partners with Save the Children to identify child labor risks in coffee production. With Save the Children and Olam, for example, Lavazza has set up a joint community program in Vietnam, to raise the awareness of communities and local governments about the boundaries between acceptable work by minors and unacceptable practices. Lavazza states that it is working to establish a similar project in Nicaragua, with the supplier Mercon.

Summary and engagement points

Lavazza sourcing is essentially conventional, although their focus on quality means that they may pay slightly higher prices on average than some of the other companies reviewed. Through the Lavazza Foundation, Lavazza pursues sustainability projects that, among other things, benefit coffee producers and support their professionalization. However, the company does not focus on using its sourcing practices to support producers within its supply chains. There is little evidence that Lavazza's green coffee procurement strategy monitors production practices or has implemented assurances that producers receive better prices for more sustainable production.

Lavazza is in a position to do significantly more within its sourcing practices. Lavazza should:

- Ensure that internal incentives for coffee buyers do not create downward pressure on prices;
- Increase technical and financial support to producers linked to its supply chains, and commit to paying non-negligible sustainability differentials to producers for sustainable production practices;
- Offer long-term contracts to producers (or producer groups) that are coupled with price risk management tools used for the benefit of producers;
- Measure and disclose coffee income, household income, and living income gaps for producers in its supply chain;
- Make a time-bound commitment on living income for producers; and
- Make a time-bound commitment on living wages for farmworkers.

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Tchibo

Tchibo sourced 180,000 metric tons of coffee in 2019.[208] Along with being a major coffee roaster, Tchibo also sells clothing and other non-food products. In 2020, Tchibo began retailing its coffee in the United States.[209]

Tchibo sources approximately 70% of its green coffee from Brazil and Vietnam, and 30% from 8-12 other origins. Most Brazilian and Vietnamese coffee purchases at Tchibo are essentially conventional, with some Fairtrade and organic purchases. Tchibo states that it has invested in the implementation of more environmentally-friendly production methods in Brazil: this will reach 100% of Tchibo's Brazilian supply chains by 2024. The majority of coffee sourced from outside of Brazil and Vietnam by Tchibo has historically been purchased through third-party certifications, primarily Fairtrade, Rainforest Alliance, and organic: currently, 22% of Tchibo coffee purchases are certified.

Tchibo says that, in an effort to achieve greater impact on living incomes, it is now testing out a different approach, moving towards sourcing more through second-party verifications run by traders and Enveritas. Tchibo is currently testing with Enveritas a four-step approach to managing its coffee supply chains. This management approach entails: a transparent examination of environmental and human rights issues in the supplier base; an analysis of the drivers causing those issues; multi-pronged efforts to solving those issues, which could incorporate investments, premiums, trainings, and trader programs; and verification. This new approach would not immediately replace the company's use of certifications, although it could in the future if it shows credible impact.

Living income

Tchibo has identified "living income for farmers" and "living wages for workers" as two of the "great issues of our day,"[210] but has not made a time-bound commitment around either. Tchibo is expected to publish a new policy on environmental and human rights in late 2021, which will apply to coffee. This policy will mention economic viability and living income. Tchibo provides support to producers in several ways..

Premiums and pricing

- Tchibo buys coffee at commercial prices, in consideration of quality differentials and market dynamics. The company states that their focus on quality means they generally pay differentials and premiums "considerably above" the commodity price, but does not disclose what those are.

- 22% of Tchibo coffee purchases are currently certified, implying some level of premium or sustainability differential to producer groups.
- If it does replace third-party certifications with second-party verifications, Tchibo would not be required to provide Fairtrade and Rainforest Alliance's specific prices or premiums to producers or producer groups. However, Tchibo confirms that premiums will still be part of its strategy moving forward, and that the company will calculate its own premiums with clear monitoring to ensure premiums reach producers.

Technical support, community support, and landscape approaches

- Tchibo Joint Forces! oversees agronomy, livelihood, and health projects in coffee-growing communities.[211] Some of these interventions have supported the certification of producer groups. Other projects are intended to raise incomes, whether through agronomy or income diversification, while others are intended to address community needs, like clean water. The company currently has 17 active projects in 9 countries.[212]
- Tchibo is a founding member of the pre-competitive group International Coffee Partners, which has supported 90,000 producer households to date through projects that improve coffee production processes and support income diversification.[213]
- Tchibo is partnering with other organizations to facilitate sustainable landscapes on a regional basis, most actively in Vietnam.[214]

Living wage

Tchibo does not have a time-bound commitment to ensure living wages for farmworkers. It requires producers to pay workers the minimum wage.[215] However, the human rights policy that Tchibo will release later in 2021 will state, in essence, that the company and its supply chain partners strive to pay living wages if legal minimum wages do not meet workers' needs. To combat child labor and aid communities, Tchibo Joint Forces! also runs daycare centers and provides educational scholarships in Central America.

Summary and engagement points

A majority of Tchibo's sourcing appears to be essentially conventional. Tchibo does not appear to embed significant support to producers in its supply chain through price or purchasing commitments, although it does use third-party certifications for 22% of its supply. Tchibo seems to be at an interesting crossroads. On the one hand, the company's likely move away from certification to verification models creates some risks for producers, and would reduce overall demand for certified coffee at the same time that prominent certifications seek to improve living income outcomes. On the other hand, a data-driven, multi-pronged, and verified approach to addressing income issues creates opportunities. The ultimate impact for producers will likely depend on implementation.

To help close the living gap for producers in its supply chains, Tchibo should:

- Revise internal incentives for coffee buyers, in order to limit downward pressure on prices;
- Increase technical and financial support to producers linked to its supply chains;
- Commit to paying non-negligible sustainability differentials to producers for sustainable production practices (at least equal to what it would pay through third-party certifications);
- Offer a transparent costs-plus margin pricing model, or pay a Living Income Reference Price, for some portion of its supply chain outside of Brazil;
- Develop a mechanism to ensure that producers in its supply chain can cover their costs of production, even during a low price crisis;
- Measure and disclose coffee income, household income, and living income gaps for producers in its supply chain;
- Make a time-bound commitment on living income for producers; and
- Make a time-bound commitment on living wages for farmworkers.

Keurig Dr Pepper

Keurig Dr Pepper (KDP) does not disclose how many metric tons of green coffee it sources annually, or its origin footprint. However, in 2017, it sourced 90,000 MT of coffee.[216]

Today, 20-40% of KDP revenue is dependent on its coffee purchases.[217] Coffee brands include Keurig, Green Mountain Coffee Roasters, and the Original Donut Shop. The leading manufacturer of single serve brewing systems, KDP also sources coffee for other brands that license their brand name for use in single-serve pods designed for Keurig machines, including McCafé.[218] The KDP Supplier Code of Conduct draws on the UN Guiding Principles on Business and Human Rights.[219] The majority of KDP coffee is traceable to the farm group through certified purchases.[220] In November 2020, KDP announced sales of shares that would reduce JAB Holding and its affiliates' holdings to approximately 34% of KDP's outstanding common stock.[221]

Living income

KDP has not made a specific commitment towards living income for producers in its supply chain. KDP is a member of Business for Inclusive Growth and participates in its Inclusive Sourcing program.[222] From 2021-2023, KDP will pilot a new sourcing model designed to address smallholder coffee producer income. The pilot will test variables such as volume commitments, preferred pricing, and targeted social impact investments with four producer groups in Columbia, Honduras, and Uganda.[223] The purpose of this pilot is to identify a package of procurement practices that can positively impact grower income.

Premiums and pricing

- KDP has moved to 100% certified green coffee purchases. Along with this 100% commitment, KDP has expanded the number of VSS it uses. Since the fourth quarter of 2020, all KDP coffee is purchased through the following VSS: 4C, Fairtrade International, Fair Trade USA, Great Lakes Coffee/MaxTRACE, OLAM AtSource Entry Verified, and Rainforest Alliance. The amount from each group is not disclosed, and may shift to meet procurement needs, with the exception of dedicated SKUs. KDP is requiring each certification and verification to submit data for monitoring & evaluation; the evaluation criteria used by KDP was vetted by Conservation International and World Wildlife Fund.[224]
- As noted above, each VSS has different approaches to prices and premiums; 4C does not require a premium at all. However, KDP pays "a corresponding premium above the base commodity price" for all responsibly sourced purchases.[225] KDP states it is working with the certifying organizations to get more information on the amount of premiums that reaches producers (rather than staying at the farm group level). KDP does not publicly disclose its green coffee contracts, prices, and supplemental premiums, or the prices that producers receive for their certified coffee.
- Historically, KDP has been the largest buyer of Fairtrade coffee, and it remained so in 2020 for the eleventh year in a row.[226] From 2001-2020, KDP paid $107 million in Fair Trade community development premiums.
- KDP, Fairtrade USA, Oikocredit, and the Inter-American Development Bank have a price risk management project for cooperatives, taking place in Colombia, Guatemala, Honduras, Nicaragua, and Peru. This project educates cooperatives on selling strategies, given the volatile nature of coffee prices.

Technical and financial support

- KDP invests in coffee producers, driving productivity improvements and regenerative practices that in turn improve producer income and resilience. From 2003-2020, KDP social impact investment spent $64 million on projects oriented towards coffee producer livelihoods.[227] There are currently 20 active projects in nine countries: Brazil, Colombia, Guatemala, Honduras, Indonesia, Nicaragua, Peru, and Uganda.[228] KDP technical support projects are usually implemented by partner organizations, such as Blue Harvest, Catholic Relief Services, Conservation International, and Technoserve. Major themes include GAP, water conservation, climate change, capacity-building for producer organizations, and disaster relief.[229]
- KDP states that it values long-term relationships with suppliers. For almost 20 years, KDP has partnered with Root Capital to offer access to financing to coffee cooperatives in Colombia, Honduras, Indonesia, Peru, Rwanda, and Uganda. KDP has helped cooperatives in its supply chain professionalize and understand their costs and profit margins, to support long-term profitability for upstream suppliers. From 2017-2020, the Partnership for Sustainable Coffee project led by KDP, Root Capital, and Feed the Future provided lending and guidance to 183 "farmer businesses" and enhanced livelihoods for 330,000 smallholder producers.[230] From 2020, the work is moving forward in 12 countries as the Partnership for Sustainable Supply Chains.[231] KDP contributes financially to World Coffee Research.

Other

- In 2020, KDP partnered with supplier Sustainable Harvest to provide food aid to 26 cooperatives in Peru, improving the food security of 4,368 families, and provided aid in Central America during hurricane season.[232]
- As mentioned above, JAB Holding companies have required extended payment terms for traders, which may create downward price pressure. Keurig is no longer majority owned by JAB Holding.

Living wage

KDP does not have a time-bound commitment to living wages for farmworkers. The KDP Supplier Code of Conduct encourages suppliers to pay higher than minimum wage, but it is not a requirement. KDP largely relies on its certification partners to monitor the payment of minimum wage to farmworkers, and to report compliance trends. To reduce the risk of labor exploitation, KDP partnered with Verité's Cooperation on Fair, Free, Equitable Employment (COFFEE) Project, which helps producers vet labor brokers and implement labor compliance systems.[233] It also has provided support to the Las Manos del Café program of RGC Coffee in Colombia. This program gives farmworkers supplementary income opportunities, access to insurance, and health and safety education.[234]

Summary and engagement points

KDP has maintained a commitment to responsible sourcing despite significant changes in company structure and ownership over the last decade. While its responsible sourcing evolution seems to track the trajectory of coffee sector sustainability—an increasing desire for more declared sustainability at lower costs—its ongoing leadership as the largest purchaser of Fairtrade coffee remains notable. KDP's new pilot is also promising.

Given its position, KDP could do even more to support producer living income, as well as farmworkers. KDP should:

- Ensure that responsible sourcing commitments are integrated into Keurig's trading practices; for example, by making sure that internal incentives for coffee buyers do not create downward pressure on prices and that KDP remains an active buyer in a diversity of origins;
- Disclose the prices/premiums that producers receive for their certified/verified coffee;
- Ensure that the ultimate price that producers receive for their certified or verified coffee equates to a Living Income Reference Price or better;
- Offer long-term contracts coupled with price risk management tools used for the benefit of producers;
- Measure and disclose coffee income, household income, and living income gaps for producers in their supply chain;
- Commit to a permanent Emergency Farmer Relief Fund that would be used in future low price crises and that would cover producers in Keurig's supply chain who do not benefit from the above suggested changes in pricing and contracting;
- Make a time-bound commitment on living income for producers; and
- Make a time-bound commitment on living wages for farmworkers.

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Costco

Costco sells a wide variety of products, through a membership model that gives members access to wholesale pricing. Its biggest category is food and sundries, which includes coffee. Costco retails major coffee brands, including Folgers and Nestlé, as well as more niche brands like San Francisco Bay, Mayorga Organics, and Parisi Coffee. These brands are bought via regional buyers. It sometimes partners with brands that it retails to work on issues at origin. The company also sells Arabica coffee through its in-house brand, Kirkland Signature, retailed in 10 SKUs. Kirkland Signature is 25% of sales in Costco's coffee category, which also includes tea and creamer.

Kirkland Signature coffee is sourced through three programs. Approximately 60% of Kirkland Signature coffee is sold as ground coffee and sourced from importers in Colombia. Approximately 20% is sourced from San Francisco Bay Coffee, formerly the Rogers Family Company. This coffee is directly sourced from producers and cooperatives. The San Francisco Bay sourcing program is from diverse origins, including Colombia (50%), Mexico, Nicaragua, Rwanda, and Sumatra, and excluding Brazil. The remaining 20% is retailed as a dual brand with Starbucks and sourced through Starbucks' C.A.F.E. Practices program. Kirkland Signature uses a Supplier Code of Conduct and conducts third party audits of a sampling of suppliers. San Francisco Bay is working with Enveritas to verify its sourcing program, with a focus on Kirkland Signature.[235]

Living income

Costco has not made a specific commitment to living income for producers within its supply chain, but it has identified the principle of a "fair return" to agricultural producers as key to its business ethics.[236] Costco's fair return concept encompasses price and quality premiums, producer profitability, technical support, and community basic needs.

Premiums and pricing

- For most green coffee, Costco pays commercial prices determined by quality and market dynamics. The 60% of Costco coffee bought from Colombia importers is priced off the C-price; it is traceable to the sub-region, and sometimes to the farm group. Costco states that improving traceability within its Colombia program is a key priority, and that it is working to do so.
- The San Francisco Bay Coffee sourcing program uses a direct trade model, working mostly with small farms and cooperatives, and operating buying stations. It also owns about 1600 hectares of coffee fields.[237] San Francisco Bay Coffee does not use external certifications, although states that it is auditing its sourcing program through Enveritas. San Francisco Bay states that its coffee is bought on a costs-plus model. This is a different approach than using the C-price as a reference. While San Francisco Bay appears to have used costs-of-living surveys in the past to determine a reference price for its costs-plus model, it is not clear how local costs of production are currently being determined by the company. During the price crisis, when market prices dipped below the cost of production in Central America, San Francisco Bay states that it kept its prices above Central America's average cost of production by 40 to 60 cents per pound.
- The 20% of Costco coffee sourced through Starbucks is sourced through C.A.F.E. Practices.

Technical and financial support

- Costco strives to provide producers in its San Francisco Bay program with training in good agricultural practices and appropriate fertilizer application, to enable producers to achieve higher yields and quality standards. Producers who participate in Costco and San Francisco Bay agronomy programs are not obligated to sell to their supply chains. To support producers in these supply chains, San Francisco Bay and Costco have created country teams that include agronomists, business people, farmer coordinators, and sometimes medical staff.
- During the rust crisis, the Rogers Family Company (San Francisco Bay) assisted coffee producers with field renovation and rehabilitation and distributed rust-resistant plantlets, with a goal of replacing 100 million coffee trees. Costco has also supported agricultural diversification into fruit production, to support producer incomes.
- Prior to 2019, San Francisco Bay provided a farmer loan program for fertilizer purchases.
- Costco does not use emergency relief funds to supplement low prices during market dips.

Community needs

- Costco and its roasters strive to address gaps in "healthcare, education, housing, clean water, and nutritious food" for farmworkers and producers.[238] Costco builds into its cost model funding for the Rogers Charitable Fund, which improves services for farmworker families and farm infrastructure, at a cost of around $1,000,000 per year.

The fund provides for the construction and maintenance of on-farm schools, kitchens, housing with electricity, water, bathrooms, and sanitation. It is also used to finance medical and dental clinics, and around 20 schools for the children of farmworkers.

Living wage

Costco requires suppliers to pay the minimum wage with itemized wage statements. It does not have a living wage commitment for coffee farmworkers, although its Supplier Code of Conduct does "encourage" suppliers to go "above and beyond" local labor laws to "continuously improve the working conditions of employees.[239]

Summary and engagement points

Costco's Kirkland Signature is predominantly sourced through conventional practices, but its sourcing is notable in several ways. Costco is unique among the companies in this report in not sourcing directly from Brazil;[240] it also has a particularly strong commitment to Colombia. The 20% of its coffee sourced through its partnership with San Francisco Bay is stated to use a costs-of-production pricing model that also appears unique among the reviewed companies. The 20% of its coffee that it sources through Starbucks is also traceable to the producer.

To help close the living gap for producers in its supply chains, and to support farmworkers, Costco should:

- Ensure that internal incentives for coffee buyers do not create downward pressure on prices;
- Improve its traceability of Colombian coffee;
- Work to embed responsible sourcing approaches into its Colombian coffee, including integrating more technical support for producers and committing to paying non-negligible sustainability differentials to producers for sustainable production practices;
- Ensure that its San Francisco Bay sourcing program retains its costs-of-production pricing model, with a clear and transparent plan for how costs-of-production are determined, and either expand sourcing through this program or replicate this pricing model in other sourcing;
- Make a time-bound commitment on living income for producers; and
- Make a time-bound commitment on living wages for farmworkers.

Drying coffee beans in Indonesia.
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Tata

Tata sells coffee through Tata Consumer Products Limited (TCPL) and its subsidiary Tata Coffee Limited (TCL). Tata has acquired or established multiple coffee brands, including Eight O'Clock Coffee, Tata Coffee, Tata Coffee Grand, Tata Coffee Vietnam, and The Sonnets. In a joint venture with Starbucks, Tata supplies coffee to Starbucks and operates 185 Tata Starbucks retail cafés in India.[241] In 2019, TCPL sourced 15,300 metric tons of coffee and TCL sourced 7,587 metric tons of coffee.[242] Tata is based in India, a coffee-producing country, and TCL's wholly owned subsidiary, Tata Coffee Vietnam, has processing operations in Vietnam.

TCL sells coffee that is grown on Indian estates owned by the corporation. TCL owns 8,000 hectares of land in India, with 19 estates producing coffee.[243]

TCL and TCPL evaluate their sustainability practices through the United Nations Sustainable Development Goals. TCL's priority goals are Biodiversity and Water Management. TCPL prioritizes 11 of the goals, and mentions sourcing practices as key to achieving SDG 2 (No Hunger), SDG 5 (Gender Equality), SDG 9 (Industry, Innovation, and Infrastructure), SDG 13 (Climate Change), and SDG 17 (Partnerships). In fiscal year 2020-2021, TCPL spent $1,618,403 on Corporate Social Responsibility programs.[244]

Living income

Within India, TCL uses a vertically integrated sourcing model, and does not source significantly from independent producers. Its coffee within India is sourced from plantations directly owned by the company. Living income is thus not a salient issue for the coffee sourced from Tata estates; living wage is much more relevant.

Externally to India, TCL owns Tata Coffee Vietnam, which sources coffee from independent producers. TCPL also sources coffee from independent producers. Tata does not have a living income commitment, but it identifies several practices as positive for producer incomes and farming communities.

Premiums and pricing

- Since TCL is a long-time supplier to Starbucks, some of its supply chains are in C.A.F.E. Practices. This program improves traceability and agronomy, and is associated with a premium.
- TCL estates are Rainforest Alliance-certified, as is another estate that supplies TCPL, Kanan Deval Hill Plantation.[245] Although TCPL identifies certification as a means to improve producer incomes,[246] TCPL and TCL appear to have limited use of VSS for coffee produced outside of India. This contrasts with Tata sourcing of tea, all of which is Rainforest Alliance-certified.

Technical and community support

- In partnership with Rainforest Alliance, TCL has participated in the landscape project "Transforming agricultural systems and transforming local economies," which is primarily funded by the Global Environment Facility.
- Eight O'Clock Coffee trademarks its coffee as "Rooted in Responsibility" and funds programs that support producers and communities at origin. These include the International Women's Coffee Alliance and Coffee Kids, a program offering business training and financing to young coffee producers, run by traders Hanns R. Neumann Stiftung.[247]
- TCPL and TCL both fund hospitals and educational organizations in communities where plantation workers live.[248] TCPL also supports other causes, such as a vocational training program in Bengaluru.[249]

Living wage

Tata does not have a public commitment to living wages for coffee pickers. However, when incentive pay and benefits are taken into consideration, it is likely that the wages Tata claims to pay amount to a living wage to coffee pickers.

TCL employs 13,623 people on its Indian estates, including 7,366 casual or temporary farmworkers.[250] TCL states that it has prioritized increasing worker training, particularly in operating machinery and using chemicals properly, health check-ups, and reducing safety incidents.[251]

To contextualize the wages paid to coffee pickers on TCL estates, the most relevant Global Living Wage Coalition (GLWC) living wage estimate is for Nilgiris, Tamil Nadu, a rural tea-picking area. In that region, in July 2020, GLWC estimated a living wage to be INR 12,666 (USD 169) per month.[252] In Karnataka coffee estates, TCL claims that it pays plantation workers the minimum wage of INR 340.68 per day, plus a bonus of INR 2 for every kilo picked above the minimum of 86 kilos per day. Tata also says that the average worker takes home INR 448.48 when incentive pay is included, 32% above the minimum wage. Assuming a six-day work week, this totals to approximately INR 10,768.32 (USD 143.97) per month. In addition to wages, TCL gives workers free housing for their

immediate family and dependent parents, free medical care, and educational bursaries for children.[253] While worker housing in India has been criticized by GLWC for often being slightly smaller and considerably older than other local housing, these benefits would push the total compensation package above the local living wage estimate.

A 2016 report that included interviews with 10 farmworkers on a Tata coffee plantation in Karnataka noted worker concerns about being labeled temporary workers despite long-term employment, a lack of written contracts for temporary workers, payment under the minimum wage for seasonal workers, and exploitative agreements between labor brokers and workers that left workers in debt.[254] These allegations are not dissimilar to allegations of worker abuse and discrimination on Tata tea plantations in Kerala,[255] Assam, and West Bengal.[256]

As mentioned above, TCL estates are Rainforest Alliance-certified; Rainforest Alliance now asks estates to document efforts to move towards a living wage for farmworkers.

Summary and engagement points

TCL is unique among the companies reviewed as, in India, it owns the land where it sources coffee. TCPL sources more conventionally, with some use of certifications, as does Tata Coffee Vietnam. Support to coffee-producing communities, such as Eight O'Clock Coffee's "Rooted in Responsibility," appears similar to traditional corporate philanthropy.

Given TCL's sourcing model, living wages for farmworkers (coffee pickers) are particularly relevant. Tata has faced criticism in the past for its labor practices on both coffee and tea plantations, particularly concerning seasonal migrant workers. As seen above, Tata appears to provide a living wage when benefits are included, but these wages and benefits should be subject to regular external scrutiny and continuous improvement.

To help farmworkers achieve living wages and support good working conditions, TCL should:

- Increase transparency of its Vietnamese supply chains, particularly concerning the proportion of certified coffee sourced and the premiums paid to producers;
- When processing coffee in the country where the coffee was produced, pay producers using a costs plus margin pricing;
- Make a public commitment on living wages and collective bargaining for coffee pickers (farmworkers);
- Make public its living wage calculations for coffee pickers;
- Seek external support as needed to develop a credible plan for maintaining the living wage commitment over time;
- Ensure that temporary workers always receive contracts and are paid proper amounts; and
- Conduct due diligence on labor brokers, avoiding unscrupulous brokers and ensuring that any labor brokers that it does use comply with best practice.

TCPL has a larger global footprint. It should:

- Ensure that responsible sourcing commitments are integrated into its trading practices and publicly communicated;
- Ensure that the ultimate price that producers receive for their certified or verified coffee equates to a Living Income Reference Price or better;
- Make public its progress towards achieving living wages for farmworkers;
- Offer long-term contracts coupled with price risk management tools used for the benefit of producers;
- Measure and disclose coffee income, household income, and living income gaps for producers in their supply chain;
- Make a time-bound commitment on living income for producers; and
- Make a time-bound commitment on living wages for farmworkers.

Unilever

Unilever has one major coffee brand, Bru, produced by Hindustan Unilever (HUL) for the domestic Indian market. Bru lines include instant coffee and filter coffee, often blended with chicory. Unilever does not disclose how much coffee it sources. All Bru coffee products are made with lower-grade Robusta produced and marketed within India. Unilever purchases represent 5-7% of Indian coffee production and less than 0.3% of global production.

As a global company, Unilever has committed to ambitious sustainability targets, but has not always been able to meet them. Unilever did not achieve its commitment of 100% sustainable sourcing of agricultural products by 2020: by its own measurement, 67% of agricultural products were sustainably sourced by the company in 2020.[257] Since 2017, Unilever has focused most of its sustainability efforts on 12 key commodities, excluding coffee, that make up the majority of the company's agricultural purchases.[258] Unilever has developed its own Sustainable Agriculture Code and Regenerative Agriculture Principles, which are open source, available for any organization or farmer to use. Some of the company's most ambitious sustainability goals are in its People and Nature Policy, which uses an NDPE (no deforestation, no peat, and no exploitation) framework and strict traceability, with the objective of lowering environmental and social impacts of five commodities with high land-conversion risk: palm oil, soy, paper and board, tea, and cocoa.[259]

Coffee suppliers to Bru must agree to the Unilever Responsible Sourcing Policy,[260] but coffee-specific data on supplier monitoring is not disclosed publicly. Despite the policy, coffee procurement at Unilever is essentially conventional. It is priced in reference to the London exchange, and there is no traceability system in place. Coffee for Bru is not sourced under the Unilever Sustainable Agriculture Code.[261] This contrasts with Bru's sourcing of chicory, which is produced in compliance with the code, engaging 4,000 chicory farmers to improve agricultural practices with a focus on raising yields and incomes.

Bru also does not purchase coffee via certifications. While some portion of its coffee is presumably sourced from plantations that hold certifications (as approximately 15% of India's coffee production is certified Rainforest Alliance), HUL's choice to not source certified coffee means that no premium is negotiated that would flow to the cooperative or producer. This is in contrast to Unilever's sourcing of tea, which focuses on trustea-verified or Rainforest Alliance-certified tea.

For these reasons, green coffee sourcing appears to represent the limitations of Unilever's sustainability approach, which prioritizes key commodities to the exclusion of coffee.

Living income and living wage

Unilever has made a global commitment to ensure direct suppliers make a living wage or living income by 2030.[262] The scope of who is considered to "directly provide goods and services" are Tier 1 suppliers who contract and invoice with Unilever directly. Many producers and workers supplying into Unilever's supply chains would be excluded if they are not deemed a "direct supplier," although the company seems to indicate that producers of a priority crop would be included (for example, the smallholder producers in the trustea program).[263] The company is not yet including coffee in its work regarding the living wage and living income commitment, instead prioritizing tea, palm, vanilla, cocoa, and vegetable supply chains.

In India, the company has undertaken sustainability interventions for other commodities, which could be replicated in its coffee supply chains. For example, Trustea trains tea producers on good agricultural practices that can increase yields, but a similar program has not yet been put in place for coffee producers.[264] While there is no evidence that HUL has worked to ensure that coffee producers in its supply chain earn a living income, the company states that it is in talks with the coffee board and industry partners regarding a multi-stakeholder initiative for Indian coffee production, which could be through Unilever's Sustainable Agriculture Code or via an industry-wide standard and verification system similar to Trustea.

Technical and financial support

- HUL does not provide technical support or financial support directly to producers in its supply chain. HUL states that it does have a supplier financing program that avails suppliers of low interest rates with banking partners, and that coffee suppliers take part in this.

Community support

- Project Prabhat is an initiative targeting communities living in the vicinity of HUL manufacturing plants, including coffee processing plants, as well as specific plantations and "smallholder geographies." Project Prabhat offers a wide variety of programs aimed at addressing development needs in local communities. Prabhat runs 19 Livelihood Centres, and provides training in alternative livelihoods, along with some direct job opportunities for community members who participate in these programs. The initiative also provides trainings in nutrition and water conservation, and supports improvements to local educational infrastructure. Improving incomes is one of the stated goals of Project Prabhat.[265]

Summary and engagement points

Unilever has progressive sourcing policies that cover a number of major commodities where it can make a large impact. Of all the companies reviewed, it is the only one that has made a commitment to living income and living wages in its supply chains. This is to be celebrated. The company, however, sources coffee conventionally, and excludes coffee from its current work on living income and living wages. It also offers no evidence of practices that support coffee producers' ability to attain a living income. Even though coffee is a relatively small commodity for Unilever, HUL could still take steps to transform its sourcing practices to help coffee producers in its supply chain achieve a living income.

Unilever should:

- Disclose publicly its approaches for supporting coffee producer income;
- Use an external certification or verification system for coffee purchases, and pay premiums directed to producers and producer groups;
- In alignment with the Unilever Sustainable Agricultural Code, offer technical support to coffee producers, particularly smallholders;
- Include coffee in its work on living income and living wages, taking concrete steps to help close the living income gap for producers and to support living wages for farmworkers;
- In addition or as an alternative to certification, use a transparent costs-plus margin pricing model for coffee sourced for in-country processing; and
- Share lessons learned from its work on living income and living wages in other commodities with coffee roasters and retailers.

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Coffee beans drying in the sun in Indonesia.
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ANNEX

LIVING INCOME SOURCES AND METHODOLOGIES

This Annex explains the approach we took in Section II, and the methodologies and sources used for each benchmark.

OVERVIEW

A *living income* is "[t]he net annual income required for a household in a particular place to afford a decent standard of living for all members of that household. Elements of a decent standard of living include: food, water, housing, education, healthcare, transport, clothing, and other essential needs including provision for unexpected events."[266]

Living income is a distinct concept from a living wage; the latter refers to wages received through an employment relationship. In the context of smallholder agriculture, household income may be earned through a variety of sources, including both farming and non-farming activities.

Living income and living wages are specific to local prices for essential goods and services.

Because standardized living income figures have not been calculated across all of the coffee-producing regions we reviewed, we chose to include relevant living income estimates that have been developed, but also to supplement these with other publicly available data points to develop a general picture of each country. Two decisions of note:

- We included two sets of living *wage* reference values that exist across all ten countries reviewed, as well as a few coffee-specific living wage estimates. While living wage calculations can differ in some ways from living income calculations, we chose to not adjust these reference values. For most issues, the approach to calculating living wage and living income is the same, and in most places, the living wage benchmarks/values and living income benchmarks/values will look quite similar.[267] As noted below, however, the living wage values we included are not calculated with using an exact Anker methodology.
- As noted above, our country averages do *not* account for household income that comes from sources other than coffee. For many coffee producers, other sources of income may be significant. This complicates our comparison of coffee farming income to living income, as living income takes as a starting point that income is often earned through both farming and non-farming activities. While we considered providing a reduced "living income coffee benchmark" that could serve as a proxy for the income amount expected to come from coffee, we decided to not include such a benchmark. Our figures thus simply show how *coffee income* compares to the various benchmarks, rather than how *household income* (for households producing coffee) compares to the benchmarks. While there are obviously limitations to this approach, one benefit may be that it more clearly demonstrates what the challenges are for the average producer to achieve living income from coffee production alone. In addition, we note that, although coffee income will almost always be lower than household income, the average benchmark to which we compare coffee income is also likely to be significantly lower than an actual living income might be in most of the countries in our comparison (see below).

A note on living wage methodologies: the Anker methodology, developed by Richard and Martha Anker, is the most widely accepted methodology to estimate living *wages*. A living wage is when wages during the "standard work week" are high enough to pay for the basic needs of a worker's family.

To estimate a living wage using the Anker methodology, costs are estimated in local prices for nutritious locally available food, decent housing, health care, education, and transportation. These costs are multiplied by the local typical family size. A sum is included for contingencies. This total is divided by the average number of workers in a household. The gross living wage represents the total wage needed to get to a net living wage, when factoring out taxes and payroll deductions.[268]

TABLE 2: SUMMARY TABLE - COUNTRY FIGURES

	Brazil	Vietnam	Colombia	Indonesia	Honduras	Ethiopia	India	Peru	Uganda	Guatemala
Green Coffee Production (tons, thousands)	3,558	1,791	831	630	453	432	318	266	275	227
Reported VSS-Compliant Production (tons, thousands)	1,368	460	726	85	121	42	47	199	14	56
Number of Coffee Farmers (thousands)	288	601	577	1,343	121	2,242	364	223	1,818	179
Median Coffee Farm Size (hectares)	5.1	1.0	1.4	0.9	2.2	0.5	1.4	1.4	0.3	1.1
Median Farm Yield (tons green bean per hectare)	1.7	2.5	0.7	0.5	1.1	0.3	1.0	0.6	0.4	0.5
Avg Export Price (US$ per kg green bean)	$2.48	$1.82	$3.68	$3.01	$2.83	$3.63	$2.41	$3.21	$2.05	$4.16
Avg Farm-gate Price (US$ per kg green bean)	$2.15	$1.68	$2.90	$2.12	$1.92	$2.28	$2.05	$2.43	$1.40	$2.76
Avg Share of Export Price Transmitted to Farmer	86%	92%	79%	70%	68%	63%	85%	76%	68%	66%
Avg Cost of Production (US$ per kg green bean)	$1.43	$0.97	$1.84	$0.60	$1.43	$0.34	$1.10	$1.34	$0.62	$1.93
Avg Coffee Income (US$ per hectare)	$1,205	$1,802	$776	$738	$517	$562	$928	$651	$287	$399
Avg Coffee Income (US$)	$6,128	$1,874	$1,084	$673	$1,142	$269	$1,336	$900	$88	$439
World Bank PPP-Adjusted Poverty Line (US$)	$3,650	$1,613	$3,017	$2,909	$2,205	$702	$1,336	$3,952	$961	$4,728
Minimum Wage - Annualized (US$)	$3,035	$2,284	$3,029	$1,334	$2,995	na	$668	$3,345	$431	$4,263
Reference 1: Living Wage - Typical Family, Net, Low Estimate (US$)	$4,481	$2,491	$2,661	$1,720	$2,808	$1,870	$2,365	$3,606	$2,194	$3,689
Reference 2: Living Wage - Typical Family, Gross, Higher Estimate (US$)	$7,721	$3,911	$4,199	$2,447	$4,623	$3,886	$3,828	$6,236	$5,858	$5,933
Reference 3: Coffee Specific Estimates of Living Income or Wage (US$)	$5,952	$6,392	$4,467	$4,132	NA	NA	$2,028	NA	$4,675	$4,644
Avg of Living Wage/Income Estimates (References 1-3) (US$)	$6,051	$4,265	$3,776	$2,766	$3,716	$2,878	$2,740	$4,921	$4,242	$4,755
Avg Coffee Income as Share of Avg of Living Wage/Income Estimates	101%	44%	29%	24%	31%	9%	49%	18%	2%	9%

Note: All figures are averages estimated for the period 2018-2019. See Annex for more information about sources and methodology.

SOURCES AND METHODOLOGIES – COUNTRY FIGURES

Green Coffee Production (tons, thousands)
Production estimates come from the USDA statistical database, last accessed in May 2021 and available here: https://www.fas.usda.gov/commodities/coffee. Figures are provided in 60-kg bags and converted into metric tons.

Reported VSS-Compliant Production (tons, thousands)
Estimates of VSS-Compliant production come from the FiBL-ITC-SSI survey, last accessed in April 2021 and available here: https://vss.fibl.org/vss-report/report-2020.html. To minimize potential for double counting, only production volumes from 4C, Fairtrade, and Rainforest are included.

Number of Coffee Farmers (thousands)
Estimates of coffee farmer numbers are taken from the report of Enveritas (2018), "A Comprehensive Estimate of Global Coffee Farmer Populations by Origin".

Median Coffee Farm Size (hectares)
Estimates of median coffee farm sizes are taken from the report of Enveritas (2018), "A Comprehensive Estimate of Global Coffee Farmer Populations by Origin". Figures represent both Arabica and Robusta farms.

Median Farm Yield (tons green bean per hectare)
Estimates of median coffee farm yields are taken from the report of Enveritas (2018), "A Comprehensive Estimate of Global Coffee Farmer Populations by Origin". Figures represent both Arabica and Robusta farms.

Avg Export Price (per kg green bean)
Estimates of average export prices are taken from the United Nations COMTRADE database, last accessed in March 2021, and available here: https://comtrade.un.org/data/. The export price used represents the average of all coffee traded between the years 2018 and 2019.

Avg Share of Export Price Transmitted to Farmer
The average share of export price was calculated by dividing the average export price with the average farm-gate price assumption for each country.

Avg Farm-gate Price (per kg green bean)
Farm-gate prices were modeled based on official sources, wherever available and considered to be of reliable quality. The ICO historical "price to growers" dataset is available here: https://www.ico.org/new_historical.asp. The source and assumptions for each country are shown below.

TABLE 3: AVERAGE FARM-GATE PRICE SOURCES AND ASSUMPTIONS FOR EACH COUNTRY

Country	Source(s)
Brazil	ICO farmgate price for Arabica (2018) relative to exports in 2019
Vietnam	Est. price of 36,000 VND per kg Robusta during 2018/19 crop, relative to exports in 2019
Colombia	FNC Historical Price database (https://federaciondecafeteros.org/wp/estadisticas-cafeteras/)
Indonesia	Est. price of 20k IDR per kg Robusta (80%) and 31k IDR per kg Arabica (20%) during 2018, relative to exports in 2019
Honduras	ICO farmgate price for Arabica (2018) relative to exports in 2019
India	India Coffee Database (https://www.indiacoffee.org/database-coffee.html); see separate workbook
Peru	Junta del Café (https://juntadelcafe.org.pe/wp-content/uploads/2019/10/CAFE%CC%81-VOLUMEN-2018-2019.pdf)
Ethiopia	Est. price of 9.75 ETB per kg during 2018/19 crop, relative to exports in 2019
Uganda	ICO farmgate price for Robusta (75%) and Arabica (25%) in 2018 relative to exports in 2019
Guatemala	ICO farmgate price for Arabica (2018) relative to exports in 2019

For Colombia, analysis was performed on the FNC's historical price database, available here: https://federaciondecafeteros.org/wp/estadisticas-cafeteras/. For India, analysis was performed on data from the India Coffee Board, available here: https://www.indiacoffee.org/database-coffee.html.

Avg Cost of Production (per kg green bean)
Cost of production was estimated using country assumptions from the Global Coffee Platform's quick scan on improving the economic viability of coffee farming, available here: https://www.globalcoffeeplatform.org/resources/2017/a-quick-scan-on-improving-the-economic-viability-of-coffee-farming/. This report included cost of production assumptions for all countries except Guatemala and India; for those countries, the authors averaged peer countries' values (Guatemala – Nicaragua; India – Indonesia and Vietnam). Estimates were updated using current minimum wages and foreign exchange rates. One caveat to note is that in actual practice, a large share of hired labor is often paid under the legal minimum wage.

Avg Coffee Income (per hectare)
This was calculated by subtracting cost of production from farm-gate price, and multiplying by yield.[269]

Avg Coffee Income (total)
This was calculated by multiplying the coffee income per hectare by the farm size.

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SOURCES AND METHODOLOGIES – BENCHMARKS

World Bank PPP-Adjusted Poverty Line
We used the World Bank international poverty lines adjusted for Purchasing Power Parity. This aligns with the approach taken by the Taskforce for Coffee Living Income.[270]

Given that a living income and a living wage are meant to enable producers and workers to adequately meet their needs with dignity, a country-specific living income or living wage benchmark should theoretically be above the poverty line within that country. We found that was not always the case when we compared this benchmark to the Wage Indicator Living Wage "low estimate" benchmark, discussed further below. (In the case of Indonesia, the poverty line was higher than the Wage Indicator Living Wage "high estimate" benchmark as well, although note that there is not yet any living wage/income estimate for Indonesia using the Anker methodology.) We thus included the poverty line benchmark as an additional data point to compare against coffee income.

Minimum Wage – Annualized
We use minimum wage day rates annualized and converted into USD.

Minimum wages are set by national or sub-national governments. They may cover all waged workers or a sub-set. In some countries, there is a lower minimum wage for farmworkers. Minimum wages are not necessarily set based on an understanding of how much is needed to earn an adequate standard of living. They are thus often lower than a living wage estimate. In both Colombia and Honduras, however, the minimum wage is higher than the Wage Indicator's "low estimate" living wage.

References 1 & 2: Wage Indicator Living Wages (typical family, lower bound, net and upper bound, gross)
These reference values use the living wage "lower bound estimate" net for a typical family calculated by Wage Indicator, and upper bound gross.[271] We chose to include the Wage Indicator estimates because they were available for all ten countries in our comparison. However, Wage Indicator estimates are not considered to be based on the Anker methodology and thus not universally accepted; for example, they are not included in the ALIGN tool, which provides guidance to companies on living income and wages.[272]

Wage Indicator living wage estimates rely on locally reported cost of living surveys.[273] In general, Wage Indicator living wage estimates are on the very low side,[274] and reflect local rather than international standards of living. The formula used is similar to the Anker methodology, with the same set of basic needs accounted for, along with measurements for the cost of water and a phone. The Anker methodology, which is more closely pegged to international norms, has higher housing costs than those used in Wage Indicator estimates.

Wage Indicator living wage estimates show the basic cost of living in a region or country. The data is presented in lower-bound and upper-bound pairs, to reflect variation in how consumers choose goods and account for monthly spending. The lower bound represents prices at the 25th percentile of responses: 75% of people report higher costs. The upper bound represents prices at the 50th percentile of responses: half of people report lower costs, and half higher costs. There is an argument to use the upper bound for both net and gross, because the majority of respondents do not meet their monthly outlays at the lower bound. However, we used the Wage Indicator lower bound for net, to show a wider spectrum of living wages. This also illustrates that there is not consensus about the cost of living in rural areas, where heterogenous and resilient populations do not pay rent or commuting costs, and often grow their own food. Even with a wide range, most producers in the countries we included earn a coffee income that is well below the lower bound for living income, and also below the poverty line.

Net estimates show the living wage needed if taxes are taken into consideration, and gross estimates show the amount needed to leave people with enough money to meet a basic standard of living after paying taxes and other standard payroll deductions.

Wage Indicator is refining their data sets to offer more local estimates, because the cost of living is often very different in rural and urban areas. We selected country-wide data, which is less precise than regional data. The data we used was collected in January 2018 and September 2019, depending on the country surveyed, and shows monthly costs in local currency. We used the website Currency Zone to derive a historic exchange rate, showing the monthly average exchange rate 1 USD:X local currency. We then divided the local estimates by the historic exchange rate to get an estimate in US dollars.

Reference 3: Coffee Specific Estimates of Living Income or Living Wages

This set of references uses publicly available coffee-specific benchmarks and reference values on living income and living wages for the countries in question. Because benchmarks were calculated by different organizations that used slightly different methodologies, these numbers are not directly comparable across countries. For example, True Price estimates "actual future income needed for retirement, unemployment, and sickness," while the Global Living Wage Coalition (GLWC) instead looks at social security contributions.[275] We chose to include these various benchmarks, however, because they represent the most specific publicly available efforts to date to determine living income or wage numbers for coffee workers or coffee farmers in these specific coffee-producing countries/coffee-growing regions. These figures are all higher than the Wage Indicator Living Wage lower-bound estimate, and are higher than the Wage Indicator upper bound in Colombia, Indonesia, and Vietnam, while lower than the Wage Indicator upper bound in Brazil, Guatemala, and India.

The benchmarks for Nicaragua, Guatemala, and Brazil are living *wage* estimates that come from the Global Living Wage Coalition. The GLWC determined coffee-specific living wages for three specific sub-regions: northwest Nicaragua, the central valley of Guatemala, and the state of Minas Gerais in Brazil. These calculations used the Anker methodology (described above).

For Colombia, we used the living *income* benchmarks in coffee-growing regions that were estimated by True Price/Solidaridad ($5,357) and CIAT Sustainable Food Lab ($4,467), and averaged them to $4,912.

For India, Indonesia, and Vietnam, we used living *income* figures for coffee farmers that True Price calculated in 2017 for a report commissioned by Fairtrade International.[276]

For Uganda, we used living *income* figures calculated by SHIFT Social Impact Solutions. SHIFT developed three regional living income estimates for coffee farmers in Uganda: $4,029, $4,361, and $5,636.[277] We used an average of the three ($4,675).

Gap between Avg Coffee Income and Average of Living Wage/Income References

Calculated gap between average coffee income and the average of the living income/wage reference values for each country. See the caveats above regarding the low living wage reference values from Wage Indicator. The main takeaway is that, even though the living income/wage average that we calculated likely sets the bar too low to be considered a true living income benchmark, there is still a very significant gap in every country except Brazil.

ENDNOTES

1. Dan Rushton, "Map of the Month: Bringing Smallholder Coffee Farmers Out of Poverty," CART (5 Dec. 2019) https://carto.com/blog/enveritas-coffee-poverty-visualization/ last accessed July 2021.
2. Companies committed to addressing living income and other critical issues within their supply chains will be better positioned to avoid future liability and the reputational harm that comes with lawsuits. For more on mandatory due diligence, *see e.g.*, Gabriela R. Da Costa et al., *European Union Moves Towards Mandatory Supply Chain Due Diligence: Start Gearing Up for New Directive*, 11 NAT'L L. REV. (2021), https://www.natlawreview.com/article/European-union-moves-towards-mandatory-supply-chain-due-diligence-start-gearing-new.
3. Jeffrey Sachs et al., *Ensuring Economic Viability & Sustainability of Coffee Production*, COLUM. CTR. ON SUST. INV (Oct. 2019), https://ccsi.columbia.edu/sites/default/files/content/Ensuring%20Economic%20Viability%20%26%20Sustainability%20of%20Coffee%20Production.pdf. *See also* International Coffee Organization, *Communiqué 2020: Pursuing Economic Sustainability for an Inclusive and Sustainable Coffee Sector*, INTERNATIONAL COFFEE COUNCIL 128TH SPECIAL SESSION & CEO AND GLOBAL LEADERS FORUM 2ND MEETING (30 Oct. 2020), https://www.ico.org/documents/cy2020-21/icc-128-5e-communique-cpptf.pdf (Task Force's Communiqué 2020, which alludes to a concern that coffee producers will exit coffee production, and that future generations will be unwilling to produce coffee. This is also a significant concern for some companies).
4. Interview, March 2, 2021.
5. Production, Supply, and Distribution Dataset for Coffee," U.S.D.A. FOREIGN AGRIC. SERV (2020), https://apps.fas.usda.gov/psdonline/app/index.html#/app/downloads (last accessed Jul. 15, 2021).
6. Kelly Stein, *Brazil's Indomitable Domestic Market*, STIR (Oct. 1, 2015), https://stir-tea-coffee.com/features/brazil-indomitable-domestic-market (last accessed Jul. 15, 2021).
7. Authors' analysis using USDA estimates of coffee consumption and World Bank estimates of adult population, *see Coffee: World Markets and Trade 2020-21 Forecast Overview*, U.S.D.A. FOREIGN AGRIC. SERV. (Dec. 2020), https://apps.fas.usda. Gov/psdonline/circulars/coffee.pdf (last accessed Jul. 15, 2021); *see also Population Total*, WORLD BANK (2019), https://data.worldbank.org/indicator/SP.POP.TOTL?view=chart (last accessed Jul. 15, 2021).
8. S. Locke, *Number of Int'l and U.S.-Based Starbucks Stores from 2005 to 2020*, STATISTA (Apr. 14, 2021), https://www.statista.com/statistics/218366/number-of-international-and-us-starbucks-stores (last accessed Jul. 15, 2021).
9. *U.S. Coffee Market Outlook*, STATISTA (2020), https://www.statista.com/outlook/30010000/109/coffee/united-states#market-volume (last accessed Jul. 15, 2021). (In 2020, due to Covid-19, the share of consumers' "out of home" spend dropped to pre-2015 levels, but analysts forecast a rebound by 2022).
10. *See U.S. Coffee Market Outlook, supra* note 9.
11. *A Comprehensive Estimate of Global Coffee Farmer Populations by Origin*, ENVERITAS (2018).
12. U.N. COMTRADE DATABASE, https://comtrade.un.org (last visited Jun. 8, 2021).
13. Interview with coffee company representative, March 17, 2021.
14. To get roasted coffee to green bean: multiply the net weight of the roasted coffee by 1.19. An espresso shot uses 8 grams of roasted coffee whereas some filter methods may use 14 grams.
15. *Coffee – U.S.*, STATISTA (Jun. 2020), https://www.statista.com/outlook/cmo/hot-drinks/coffee/united-states (last accessed Jul. 15, 2021).
16. The terms "responsible sourcing" and "sustainable sourcing" are not consistently defined. They are often used interchangeably, although some experts argue that they are clearly distinct. *See e.g., Responsible Sourcing and Sustainable Sourcing: Key Differences*, COMMITTEE ON SUSTAINABILITY ASSESSMENT (May 5, 2021), https://thecosa.org/responsible-sourcing-and-sustainable-sourcing (last accessed Jul. 15, 2021). (C.O.S.A. argues that "**Responsible** Sourcing requires meeting or complying with accepted levels of ethical or responsible practices in areas such as human rights or pollution whereas **Sustainable** Sourcing goes beyond compliance to engage and improve the conditions of sustainability that can include areas such as livelihoods or climate-smart practices").
17. Two additional points on scope: (1) For the purposes of this report, we do not consider processing (beyond what takes place at the farm level) to fall within "sourcing," so do not discuss sustainability practices that take place at the processing and manufacturing level, such as reduction in water use or use of renewable energy. We also do not discuss critical sustainability issues related to packaging (e.g., plastic use tied to pods). (2) Within the coffee sector, sustainability expectations (with some exceptions, such as around packaging and net zero footprints) often stop at exporting shores. This allocates too much responsibility for "sustainability" to producers rather than to roasters and retailers, and represents a massive blind spot. Common corporate practices such as tax avoidance, lobbying, and other actions that can undermine the achievement of the Sustainable Development Goals should also be addressed in the context of improving sustainability within the coffee sector.
18. Not all specialty companies have a focus on responsible sourcing. For some specialty companies, quality may be much more important than sustainable production. *See* interview with coffee producer, March 16, 2021 (noting that some specialty companies sourcing the producer's highest quality coffee do not care at all about the producer's sustainability certification or sustainable methods). For more on specialty coffee, the recent price crisis, and recommendations for specialty coffee companies, *see Price Crisis Response Initiative: Summary of Work*, SPECIALTY COFFEE ASS'N (Dec. 2019), https://static1.squarespace.com/static/584f6bbef5e23149e5522201/t/5ebd4d5f1e9467498632e0b8/1589464434242/AW_SCA_PCR_Report2020+-+December+2019+-+Update+May+2020.pdf (last accessed Jul. 15, 2021).
19. The term "direct trade" has been increasingly co-opted, opening it to criticism. For more on direct trade, *see* "What Does 'Direct Trade' Really Mean," PERFECT DAILY GRIND (Jan. 2, 2018), https://perfectdailygrind.com/2018/01/what-does-direct-trade-really-mean (last accessed Jul. 15, 2021) (explaining disagreements in how it is defined, and benefits and risks). *See also* Nick Brown, "Direct Trade is Dead, Long Live its Founding Principles," ROAST MAG. (May 10, 2017), https://dailycoffeenews.com/2017/05/10/direct-trade-is-dead-long-live-its-founding-principles (last accessed Jul. 15, 2021) (describing research on direct trade that discussed the co-option of the term, and limitations of its impact in the US).
20. The most prominent example is the Specialty Coffee Transaction Guide, which compiles data on recent FOB prices for green specialty coffees. This data can be used as a reference point for producers and roasters that wish to negotiate without undue reliance on commodity reference prices. *See* Peter W. Roberts & Chad Trewick, *Specialty Coffee Transaction Guide* (2020), https://www.transactionguide.coffee/en/2020 (last accessed 15 Jul. 2021).
21. While some companies rely on external certifications to provide this traceability, others use internal systems or new methods and technologies (including blockchain) to increase traceability.
22. Interview with coffee company representative, May 27, 2021 (noting differences in experience with precompetitive efforts in another sector).

23. Eradication of child labor and forced labor are the two other requirements. *See: I.L.O. Declaration on Fundamental Principles and Rights at Work*, INTERNATIONAL LABOUR ORGANIZATION, https://www.ilo.org/declaration/lang--en/index.htm (last accessed June 15, 2021).

24. The United States Department of Labor's Bureau of International Labor Affairs (ILAB) maintains a list of goods (and their source countries) believed to have been produced by child labor or forced labor in violation of international standards. Its most recent list includes 17 countries producing coffee with child labor. *See List of Goods Produced by Child Labor or Forced Labor*, BUREAU OF INT'L LAB. AFFS (Sep. 30, 2020), https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goodstid=All&field_exp_good_target_id=5773&field_exp_exploitation_type_target_id_1=All&items_per_page=10&combine=&page=0 (last accessed Jul. 14, 2021).

25. Daniel Pedersen and Joost Backer, *Coffee Living Income Task Force, Strategy Handbook: A Fact-Based Exploration of the Living Income Gap to Develop Effective Sourcing and Pricing Strategies that Close the Close the Gap*, IDH TASK FORCE FOR COFFEE LIVING INCOME (2020), https://www.idhsustainabletrade.com/uploaded/2020/02/Task-Force-for-Coffee-Living-Income-Report_TCLI-Report-Summary.pdf (last accessed Jul. 15, 2021)

26. BUREAU OF INT'L LAB. AFFS., *supra* note 24.

27. Pedersen & Backer, *supra* note 25.

28. Sachs et al., *supra* note 3.

29. Timothy J. Killeen & Grady Harper, *Coffee in the 21st Century: Will Climate Change and Increased Demand Lead to New Deforestation?*, CONSERVATION INT'L (Apr. 14, 2016), https://www.conservation.org/docs/default-source/publication-pdfs/ci-coffee-report.pdf (last accessed Jul. 15, 2021). While it is outside the scope of this report, some companies have developed significant policies and practices that limit deforestation, including Nestlé ("Nestlé moves beyond forest protection to a forest positive strategy and boosts its use of satellite services," NESTLÉ (Jun. 22, 2021,) https://www.nestle.com/media/pressreleases/allpressreleases/nestle-forest-positive-strategy (last accessed Jul. 15, 2021)) and Starbucks.

30. *Raising the Bar – Regenerative Agriculture for More Resilient Agro-Ecosystems*, RAINFOREST ALLIANCE (Aug. 27, 2020), https://www.rainforest-alliance.org/white-papers/raising-the-bar-regenerative-agriculture-for-more-resilient-agro-ecosystems (last accessed Jul. 15, 2021) ("Taking an agroecology and integrated system management approach, regenerative agriculture aims to increase biodiversity, enhance ecosystem services, and increase agroecosystem resilience thus leading to resilient livelihoods").

31. Henk van Rikxoort et al., *Carbon Footprints and Carbon Stocks Reveal Climate-Friendly Coffee Production*, AGRONOMY FOR SUSTAINABLE DEV. (Mar. 26, 2014), https://link.springer.com/article/10.1007/s13593-014-0223-8#page-1 (last accessed Jul. 15, 2021).

32. *Can Coffee be Carbon Neutral?*, GLOB. COFFEE REP (Jan. 21, 2021), https://gcrmag.com/can-coffee-be-carbon-neutral (last accessed Jul. 15, 2021) (companies and brands that have made such commitments include Starbucks, Illy, Lavazza, and Nespresso).

33. Carbon insetting uses a similar theory to carbon offsetting, but carbon insetting seeks to compensate carbon within a company's own value chain. For roasters and retailers, this will likely rely heavily on agroforestry—planting trees on and near coffee farms within a company's supply chain. While this approach has been discussed for years, many outstanding questions remain, including around how to accurately measure insets.

34. *I.L.O. Declaration on Fundamental Principles and Rights at Work, supra* note 23.

35. *A Blueprint to End Hunger in the Coffeelands*, SPECIALTY COFFEE ASS'N OF AM. (2013), https://scaa.org/PDF/SCAA-whitepaper-blueprint-end-hunger-coffeelands.pdf (last accessed Jul. 15, 2021) p. 5; *see also* Rick Peyser, "Thin Months: Why Are Coffee Producers Going Hungry?," PERFECT DAILY GRIND (Sep. 16, 2019), https://perfectdailygrind.com/2019/09/thin-months-why-are-coffee-producers-going-hungry (last accessed Jul. 15, 2021).

36. Interview with coffee company representative, March 23, 2021.

37. *See e.g.*, Luis Pindeo Caro, *Wages and Working Conditions in the Coffee Sector: The Case of Costa Rica, Ethiopia, India, Indonesia, and Viet Nam: Background Note*, THE INTERNATIONAL LABOUR ORGANIZATION (2020) https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/projectdocumentation/wcms_765134.pdf (last accessed July 2021) pp. 1, 17.

38. *The Concept*, THE LIVING INCOME: CMTY. OF PRACTICE, https://www.living-income.com/the-concept (last accessed Jun. 7, 2021).

39. *The Concept, supra* note 38.

40. Interview with coffee producer representative, February 25, 2021; *see also* 3rd World Coffee Producers Forum, held virtually on July 15, 2021, which focused on prosperous income for producers, https://www.worldcoffeeproducersforum.com/ (last accessed Jul. 15, 2021).

41. Interview with coffee producer representative, February 25, 2021; *See also Communiqué 2020: Pursuing Econ. Sustainability for an Inclusive and Resilient Glob. Coffee Sector*, INT'L COFFEE ORG. (2020), https://5aa6088a-da13-41c1-b8ad-b2244f737dfa.filesusr.com/ugd/38d76b_44e00f1e0c914dbd8f48e3692c3011af.pdf (last visited Jun. 7, 2021) (The "Coffee Public-Private Task Force," convened by the International Coffee Organization (ICO), uses both "prosperous income" and "living prosperous income." While "prosperous income" has not been explicitly defined, the Communiqué 2020 notes that prosperous income "will allow the next generation of coffee producers to have a better livelihood than the previous ones").

42. *Roadmap*, 2020-2030, ICO COFFEE PUBLIC PRIVATE TASKFORCE, https://5aa6088a-da13-41c1-b8ad-b2244f737dfa.filesusr.com/ugd/f5bed5_398bee64e45d4ca7809eb7581b321d58.pdf (last accessed July 9, 2021).

43. *What is a Living Wage?*, GLOB. LIVING WAGE COAL., https://globallivingwage.org/about/what-is-a-living-wage/ (last visited Jun. 7, 2021).

44. This responsibility is derived from business responsibility to respect rights, established under the UN Guiding Principles on Business and Human Rights, and from the right to an adequate standard of living, protected in Article 25.1 of the International Covenant on Economic, Social, and Cultural Rights. While a full explanation of company responsibility and living income is beyond the scope of this report, *see e.g.*, Sara Mason and Lauren Weiss, *Sustainable Living Incomes Uganda: Living Income Benchmark Study and Rep.*, SHIFT SOCIAL IMPACT SOLUTIONS & GREAT LAKES COFFEE https://www.shiftsocialimpact.com/slibenchmarksreport (last visited June 8, 2021). Note that living income is not a responsibility solely attributed to companies. Governments have legal obligations to protect, respect, and fulfill the right to an adequate standard of living, which also translates into obligations around living income and living wages. Further discussion of this is also beyond the scope of this report.

45. Ensuring that producers are *able* to achieve a living income does not imply that they must ensure that producers *do* achieve a living income. Rather, this is about using interventions and business practices that make it reasonably likely that an average coffee producer within her region (in terms of size, productivity, etc.) producing on a viable plot of land could achieve a living income from coffee production. In addition, while this does not suggest the need for price support for unprofitable producers, it does imply there should be mechanisms—provided by individual companies or collectively at an industry-level—to support producers during severe low-price crises.

46. There is a tension between the need to enable producer living incomes and the need to support the poorest producers. As noted above, many current coffee producers will never be economically viable as coffee producers: their plots are too small, and their productivity too low, to earn a living income primarily from coffee. Even significant company efforts to support farmer livelihood would not result in these economically unviable producers achieving a living income. However, to the extent that such producers wish to continue in coffee production, and companies wish to continue sourcing from them, companies can help those producers improve their economics, even if such producers will remain unlikely to earn a living income. In addition, this responsibility towards the poorest smallholders can also imply support to transition away from coffee production. *See* Yuca Waarts et al., *A Living Income for Smallholder Commodity Farmers and Protected Forests and Biodiversity: How Can the Private and Public Sectors Contribute?*, WAGENINGEN ECONOMIC RESEARCH (Nov. 2019), https://library.wur.nl/WebQuery/wurpubs/fulltext/507120 (last visited Jun. 8, 2021).

47. Mars has been an early leader on living income, and the most recent example is Unilever. *See* "Income Position Statement," MARS, https://www.mars.com/about/policies-and-practices/farmer-income (last visited Jun. 7, 2021); *See also* "Raise Living Standards," UNILEVER, https://www.unilever.com/planet-and-society/raise-living-standards (last visited Jun. 7, 2021) ("People deserve… a living wage or income, and a decent standard of living").

48. Global coffee prices are largely a function of supply and demand, influenced by the exchange rates of the Brazilian Real and the US Dollar, as well as other short-term factors. *See* Sachs et al., *supra* note 3. Given these price drivers, it is possible that companies that choose to offer a higher price without linking that price to specific long-term relationships with producer groups might inadvertently send signals that trigger over-supply of coffee, which could then depress prices further. This risk is minimal, though, when higher prices are offered in the context of negotiations with specific producers or producer groups.

49. For example, the price through which a farmer is most likely to achieve a living income in one country (or one region within a country) can differ significantly from the price required in another country or sub-region.

50. Fairtrade is currently working to establish Living Income Reference Prices in several coffee origins: Colombia, Uganda, Honduras, and Indonesia. Carla Veldhuyzen, *Fairtrade Living Income Progress Report*, FAIRTRADE INTERNATIONAL (2020) https://files.fairtrade.net/publications/Living-Income-Progress-Report_en.pdf (last accessed Jul. 15, 2021).

51. Stephanie Daniels, *Is Living Income a Real Human Rights Issue?*, COMM. ON SUSTAINABILITY ASSESSMENT (Jun. 29, 2020), https://thecosa.org/is-living-income-a-real-human-rights-issue (15 Jul., 2021).

52. Further discussion of necessary policy interventions is beyond the scope of this report. For specific suggestions, *see* Pedersen & Backer, *supra* note 25.; *see also*, Sachs et al., *supra* note 3.

53. U.S.D.A. FOREIGN AGRIC. SERV., *supra* note 5.

54. *A Comprehensive Estimate of Glob. Coffee Farmer Populations by Origin*, ENVERITAS (2018).

55. The ICO Taskforce and the Sustainable Coffee Challenge have established a shared goal of having standardized living income benchmarks in 80% of ICO member coffee producing countries by 2025. "Our Collective Commitment," *SUSTAINABLE COFFEE CHALLENGE (2020)* https://www.sustaincoffee.org/2025targets (last accessed Jul. 14, 2021)

56. *Coffee Prices – 45 Year Historical Chart*, MACROTRENDS (Jun. 7, 2021), https://www.macrotrends.net/2535/coffee-prices-historical-chart-data (last accessed Jul. 14, 2021).

57. These include a domestic exchange (BMF) as well as government support initiatives. *See e.g.*, Marcelo Teixeira, "Exclusive: Brazil Weighs Offering Coffee Options to Support Prices – Sources," REUTERS (Apr. 4, 2019), https://www.reuters.com/places/brazil/article/us-brazil-coffee-policy-exclusive/exclusive-brazil-weighs-offering-coffee-options-to-support-prices-sources-idUSKCN1RG2JK (last accessed Jul. 15, 2021).

58. *See* BUREAU OF INT'L LAB. AFFS., *supra* note 24. Note, however, that Verité which also tracks labor conditions, does not list Brazil as producing coffee with forced labor. *See Countries Where Coffee is Reportedly Produced with Forced Labor and/or Child Labor*, VERITÉ, https://www.verite.org/project/coffee-3 (last accessed Jun. 8, 2021).

59. *See* Fabio Teixeira, "Picked by Slaves: Coffee. Crisis Brews in Brazil," REUTERS (Dec. 12, 2019), https://www.reuters.com/article/us-brazil-coffee-slavery/picked-by-slaves-coffee-crisis-brews-in-brazil-idUSKBN1YG13E (last accessed Jul. 15, 2021); *see also* Kate Hodal, "Nestlé Admits Slave Labour Risk on Brazil Coffee Plantations," THE GUARDIAN (Mar. 2, 2016), https://www.theguardian.com/global-development/2016/mar/02/nestle-admits-slave-labour-risk-on-brazil-coffee-plantations (last accessed Jul. 15, 2021).

60. Kate Hodal, *supra* note 59.

61. *See* BUREAU OF INT'L LAB. AFFS, *supra* note 24.

62. *See* Sachs et al., *supra* note 3.

63. Dave D. D'haeze, T*ransforming Coffee and Water Use in the Central Highlands of Vietnam: Case Study from Dak Lak Province*, INT'L. UNION FOR CONSERVATION OF NATURE AND NATURAL RESOURCES (Aug. 3, 2020), https://www.iucn.org/news/viet-nam/202008/transforming-coffee-and-water-use-central-highlands-vietnam-case-study-dak-lak-province (last accessed Jul. 15, 2021).

64. For example, Nestlé has an MOU with USAID Green Invest Asia to partner on lowering carbon emissions in coffee production in Vietnam. "USAID Partners with Nestlé to Boost Low-Carbon Coffee Production in Southeast Asia," USAID (Feb. 23, 2021), https://greeninvestasia.com/usaid-partners-with-nestle-to-boost-low-carbon-coffee-production-in-southeast-asia/ (last accessed Jul. 15, 2021).

65. *See* BUREAU OF INT'L LAB. AFFS, *supra* note 24.

66. Caro, *supra* note 37, p. 14.

67. For example, a multi-stakeholder initiative announced in 2018, with participation from JDE Peet's and Nestlé, focuses on reducing deforestation in a critical national park. Julie Mollins, "Top Coffee Producers Sign Joint Pact to Protect Indonesian Rainforest: Addressing Commodity-Driven Risks," LANDSCAPE NEWS (Apr. 16, 2018), https://news.globallandscapesforum.org/27036/top-coffee-producers-sign-joint-pact-to-protect-indonesia-rainforest-from-deforestation (last accessed Jul. 15, 2021). Nestlé also has an MOU with USAID Green Invest Asia to partner on lowering carbon emissions in coffee production in Indonesia. USAID, *supra* note 64.

68. "2018 Projects Overview," JACOBS DOUWE EGBERTS & COMMON GROUNDS (2018), https://www.jacobsdouweegberts.com/siteassets/sustainability/common-grounds/2018-projects-overview.pdf (last visited June 8, 2021).

69. *See* VERITÉ, *supra* note 58.; *See also* BUREAU OF INT'L LAB. AFFS, *supra* note 24 (Honduras is also on the U.S. Department of Labor's list of countries producing coffee with child labor).

70. *IDH - The Sustainable Coffee Program, Uganda: A Bus. Case for Sustainable Coffee Production*, TECHNOSERVE (Dec. 2013), https://issuu.com/idhsustainabletradeinitiative/docs/131206_Uganda (last accessed Jul. 15, 2021).

71. *See* BUREAU OF INT'L LAB. AFFS., *supra* note 24

72. *See* BUREAU OF INT'L LAB. AFFS., *supra* note 24

73. Zoe Drewett, "Nespresso Exposed for Using Child Labour at Coffee Farms," METROUK (Feb. 26, 2020), https://metro.co.uk/2020/02/26/nespresso-exposed-using-child-labour-coffee-farms-12304386; *See also* Fabio Teixeira, "Nespresso Finds Child Labor at Three Guatemalan Coffee Farms," REUTERS (Mar. 26, 2020), https://www.reuters.com/article/us-guatemala-trafficking-coffee-trfn/nespresso-finds-child-labor-at-three-guatemalan-coffee-farms-idUSKBN21D3IQ (last accessed Jul. 15, 2021) (noting that Starbucks also investigated, stated that it had not purchased coffee from the relevant farms during that season, but were "taking action" given that the farms were indeed verified as CAFÉ Practices compliant); *See also* Jamie Doward, "Children as Young as Eight Picked Coffee Beans on Farms Supplying Starbucks," THE GUARDIAN (Mar. 1, 2020), https://www.theguardian.com/business/2020/mar/01/children-work-for-pittance-to-pick-coffee-beans-used-by-starbucks-and-nespresso (last accessed Jul. 15, 2021) Guatemala is also on the list of countries producing coffee with child labor. BUREAU OF INT'L LAB. AFFS., *supra* note 24.

74. Interview with VSS representative, April 2021.

75. Janina Grabs, *Assessing the Institutionalization of Private Sustainability Governance in a Changing Coffee Sector*, 14 REGUL. & GOVERNANCE 362 (2020).

76. *See* Janina Grabs, *supra* note 75.

77. *Concept of the Equivalence Mechanism*, GLOB. COFFEE PLATFORM (Oct. 2020), https://www.globalcoffeeplatform.org/wp-content/uploads/2020/11/GCP-Equivalence-EM-1.2-rev28Oct2020-1-1.pdf (accessed Jul. 15, 2021) p. 17. The Global Coffee Platform has deemed the following to provide equivalent 3rd party assurance: 4C, C.A.F.E Practices, Certifica Minas, Fairtrade, and Rainforest/UTZ. It has deemed the following to provide equivalent 2nd party assurance: ECOM's SMS Verified, Enveritas's Enveritas Gold, Nespresso AAA, Neumann's NKG BLOOM, and Olam's AtSource Entry Verified and AtSource Plus. An example of 1st party assurance is the use of supplier self-assessments in JDE's Common Grounds program.

78. *NKG Bloom: An Innovative Way to Make Positive Impact in Coffee*, NEWFORSIGHT and NKG BLOOM (Dec. 2, 2020), https://nkgbloom.coffee/sustainability-consultancy-newforesight-on-the-differences-between-nkg-bloom-and-coffee-certifications/, (last accessed Jul, 12, 2021).

79. *See e.g.*, Tessa Meulensteen, Daniel Pedersen, and Victor Dagnelie, "SDM: Case Report Simexico," NEWFORESIGHT & THE SUSTAINABLE TRADE INITIATIVE (Dec. 2018) https://www.idhsustainabletrade.com/uploaded/2019/02/181214-SDM-Simexco-Final-SHORT-report.pdf (last accessed Jul. 15, 2021) p. 6 (finding that for Vietnamese farmers producing RA/Utz/& Buon Ma Thuot Geographical Identification-certified coffee, "the base price drives revenues. Certification premiums only constitute 0.45% of the base price and quality premiums 0.60%.").

80. Fikadu Mitiku et al., *Do Private Sustainability Standards Contribute to Income Growth and Poverty Alleviation? A Comparison of Different Coffee Certification Schemes in Ethiopia*, 9 SUSTAINABILITY 246 (2016), https://www.mdpi.com/2071-1050/9/2/246/htm#B1-sustainability-09-00246 (last accessed Jul. 15, 2021).

81. Sjoerd Panhuysen & Joost Pierrot, COFFEE BAROMETER 2020: EMBARGO VERSION (Jan. 14, 2021), https://coffeebarometer.org/wp-content/uploads/2021/01/Coffeebarometer-2020_Embargo_Version.pdf (citing C. Oya et al., *The Effectiveness of Agricultural Certification in Developing Countries: A Systematic Review, 112 WORLD DEV. 282 (2018)) (also citing Jeffrey Neilson, Do Sustainability Standards Impact the Livelihoods of Indonesia Coffee-Growing Households?*, EVIDENSIA (Oct. 14, 2019) ("… impact is highly context dependent, shaped by how production is embedded within local landscapes, supply chains and social systems (Oya, 2018; Neilson, 2020). Although this seems like an obvious observation, it actually points to the importance of studying the relative contribution of certification to promoting sustainable livelihoods of producers").

82. *See* Panhuysen & Pierrot, *supra* note 81.

83. *See* Panhuysen & Pierrot, *supra* note 81.

84. On average, consumers in US supermarkets pay ~$1 more per pound for Fairtrade certified coffee. The majority of this premium goes to the roaster's profit margin and retailers make smaller absolute profits compared to conventional coffee sold, and only 21cents per pound, or one-fifth of the price premium, going to coffee farmers. *See* Helene Naegele, *Deutsches Institut für Wirtschaftsforschung Discussion Papers* (Deutsches Institut für Wirtschaftsforschung, Discussion Paper No. 1783, 2019). (Where does the fairtrade money go? How much do consumers pay extra for fairtrade coffee? How is this value is split along the value chain?).

85. It is likely, however, that the global amount of coffee produced as part of a VSS is lower than estimates show, due both to double-counting (such as counting coffee certified both as Fairtrade and as 4C) and to over-reporting. For context, the total reported VSS production from Colombia exceeds the total production of the country in 2018.

86. Janina Grabs, *The Rise of Buyer-Driven Sustainability Governance: Emerging Trends in the Glob. Coffee Sector* (ZenTra Working Paper No. 73, 2017) ("Although market-oriented theories of change highlight that productivity increases and access to new markets are the main economic benefit to producers, in producing countries the main selling point for farmer participation continues to be promised price premiums. Yet, coffee growers report a steady erosion of farm-gate certification premiums paid to them by intermediaries while standard compliance becomes increasingly complex (interviews with producer organizations, 2016)").

87. *Price Crisis Response Initiative*, SPECIALTY COFFEE ASS'N (Apr. 2020), https://static1.squarespace.com/static/584f6bbef5e23149e5522201/t/5ea9456aeb4b581d7994e185/1588151716324/AW_SCA_PCR_Report2020.pdf (last accessed Jul. 15, 2021).

88. Beyond producers' 50 percent vote at the General Assembly, Fairtrade International states that "farmers and workers are also consulted during the process for establishing new standards and policies for Fairtrade." "How Fairtrade Works," FAIR TRADE INT'L, https://www.fairtrade.net/about/how-fairtrade-works (last visited Jun. 16, 2021).). In addition, four of eleven Fairtrade International board members are producers. This arrangement means that, in general, changes to Fairtrade International's code of conduct, budget, and certification standards must be approved by a significant proportion of producer representatives within the General Assembly. Fairtrade consists of three regional producer networks that represent farmers and workers, as well as over 25 national organizations and marketing organizations that promote the products to consumers. Note that Fairtrade International is separate from Fair Trade USA, which in 2011 resigned its membership from the umbrella organization Fairtrade International to develop a separate governance structure. Alternative trade-focused organizations, such as Equal Exchange (a worker-owned, for-profit cooperative), have critiqued Fair Trade USA for "[lowering] standards, [eliminating] farmers form their governance model, and [inviting] large-scale plantations into coffee and all other commodities." *Fair Trade*, EQUAL EXCHANGE, https://equalexchange.coop/fair-trade (last visited Jun. 16, 2021).

89. FAIR TRADE INT'L, *supra* note 88.

90. *See* Panhuysen & Pierrot, *supra* note 81.

91. *Traceability in Fairtrade Supply Chains*, FAIR TRADE INT'L, https://info.fairtrade.net/what/traceability-in-fairtrade-supply-chains (last accessed Jun. 16, 2021).

92. *See Price Crisis Response Initiative, supra* note 87.

93. *See Price Crisis Response Initiative, supra* note 87.

94. *See* Fikadu Mitiku et al., *supra* note 80; Raluca Dragusanu & Nathan Nunn, *The Impacts of Fair Trade Certification: Evidence from Coffee Producers in Costa Rica* (Feb. 28, 2014), https://scholar.harvard.edu/files/nunn/files/draft_august_2013.pdf (preliminary, incomplete working paper); *See* Kimberly Ann Elliot, *New Study: Sustainable Coffee Certification Is a Mixed Bag for Farmers*, CENTER FOR GLOBAL DEVELOPMENT (Aug. 7, 2018) https://www.cgdev.org/article/new-study-sustainable-coffee-certification-mixed-bag-farmers (last accessed Jul. 2021) ("Sustainability standards, particularly Fairtrade, raised the prices paid to coffee farmers, but there's less evidence that farmer incomes rose after considering the cost of certification and compliance").

95. "Living Income, FAIR TRADE INT'L," https://www.fairtrade.net/issue/living-income (last visited Jun. 16, 2021).

96. Colombia, Uganda, Honduras, and Indonesia; *See* Carla Veldhuyzen *supra* note 50.

97. Christopher Cramer et al., *Fairtrade, Employment, and Poverty Reduction in Ethiopia and Uganda*, FAIR TRADE, EMP. & POVERTY REDUCTION RESEARCH 124 (Apr. 2014), http://ftepr.org/wp-content/uploads/FTEPR-Final-Report-April-11th-2014.pdf (last accessed Jul. 15, 2021).

98. "2020 Certification Program, RAINFOREST ALLIANCE," https://www.rainforest-alliance.org/business/tag/2020-certification-program (last accessed Jun. 16, 2021).

99. "FAQ: What is Mass Balance Sourcing?," RAINFOREST ALLIANCE (Dec. 2, 2020), https://www.rainforest-alliance.org/faqs/what-is-mass-balance-sourcing (last accessed Jul. 15, 2021).

100. Interview, April 15, 2021.

101. A single ingredient product can carry the Rainforest Alliance Certified seal if the product either 1) "physically contains (through identify preserved or segregated supply chains) at least 90% Rainforest Alliance Certified content." Or 2) "If 100% of the equivalent certified volume has been purchased from RAC farms via a certified mass balance supply chain, (crops that allow the mass balance option include cocoa, orange juice, palm oil and hazelnuts." *See Rainforest Alliance Labeling and Trademarks Policy*, RAINFOREST ALLIANCE (updated Oct. 2020), https://www.rainforest-alliance.org/business/wp-content/uploads/2020/05/Rainforest-Alliance-Labeling-and-Trademarks-Policy.pdf (last accessed Jul. 15, 2021).

102. *Requirements and Guideline for Use of Rainforest Alliance Trademarks,* RAINFOREST ALLIANCE 17 (Jul. 2016), https://www.rainforest-alliance.org/business/wp-content/uploads/2018/07/rainforest-alliance-marks-guide.pdf (last accessed Jul. 15, 2021).

103. "FAQ: Does Rainforest Alliance Certification Guarantee a Minimum Price for Certified Crops?,"FAIRTRADE INT'L (25 Jun. 2021), https://www.rainforest-alliance.org/faqs/does-rainforest-alliance-certified-guarantee-minimum-price (last accessed Jul. 15, 2021).

104. *See FAQ: Does Rainforest Alliance Certification Guarantee a Minimum Price for Certified Crops?*, *supra* note 103.

105. Interview, April 15, 2021.

106. *See* Fikadu Mitiku et al., *supra* note 80; Thomas Dietz et al., *Mainstreamed Voluntary Sustainability Standards and Their Effectiveness: Evidence from the Honduran Coffee Sector*, 15 REGUL. & GOVERNANCE 333 (Feb. 28, 2019), https://onlinelibrary.wiley.com/doi/abs/10.1111/rego.12239 (last accessed Jul. 15, 2021).

107. Thomas Dietz et al., *The Voluntary Coffee Standard Index*, 150 ECOLOGICAL ECONOMICS 72, 82 (2018); *See also* Sachs et al., *supra* note 3.

108. *See* Dietz et al., *supra* note 107.

109. Chain of Custody Audit Checklist v." 4.0, 4C, https://www.4c-services.org/process/documents-summary/, (last accessed Jul 12, 2021).

110. *4C Code of Conduct*, 4C SERVICES GMBH (2020), https://www.4c-services.org/wp-content/uploads/2020/04/4C-Code-of-Conduct-Draft.pdf ("In case mass balance is applied: Records of mixing 4C certified coffee with non-4C certified coffee are available; Bookkeeping records are available ensuring that at no point in time more coffee has been sold as 4C certified than has actually been bought").

111. Interview, April 1, 2021.

112. Interview, April 1, 2021.

113. *See* Panhuysen & Pierrot, *supra* note 81.

114. *Our History: Providing Independent, Credible and Innovative Solutions for Sustainable Supply Chains*, 4C SERVICES GMBH, https://www.4c-services.org/about/what-is-4c/our-history (last accessed Jun. 16, 2021).

115. *See* Thomas Dietz et al., *supra* note 107. ("The most robust changes in practice among 4C farmers compared to non-certified farmers were that they were more likely to have a first aid kit at the farm, and were more likely to prohibit synthetic chemicals. Workers on average made US 5 cents less per day on 4C farms than on non-certified farms.")

116. For example, a 2018 study found that SMS service delivery models in Vietnam increased the income of participating Robusta producers by 40%, with $1,238 in increased coffee income and $417 in income from fruit trees. In that case, producers received agronomic training, input packages, spraying labor, soil testing, drip irrigation, plant material, and support forming their producer groups into cooperatives. The cooperatives also received bank loans through the program. *SDM: Case Report SMS Vietnam*, NEW FORESIGHT (2018) at 6, https://www.idhsustainabletrade.com/uploaded/2018/09/180906-Case-report-SMS-Vietnam-Case-Report.pdf (last visited Jul. 13, 2021).

117. ECOM, like other traders, also trades coffee that is third-party certified through other labels. In 2016, sustainable coffee sales were 35% of total ECOM sales. "Advisory Services," ECOM SMS, https://www.ecomsms.com/services/advisory-services/ (last accessed Jul. 8, 2021). ECOM does not appear to publicly disclose the proportion of its sustainable sales which are SMS Verified as opposed to certified or verified through other programs.

118. "Our Clients," ECOM SMS, https://www.ecomsms.com/partnerships/our-clients/ (last accessed Jul. 8, 2021).

119. *ECOM Group Sustainability Report*, ECOM (2020), https://www.ecomtrading.com/wp-content/uploads/2021/04/ECOM_Sustainability_Annual_Report_2020_EXE_KW.pdf (last accessed Jul. 14, 2021) p. 6.

120. "Farming Technology," ECOM SMS, https://www.ecomsms.com/services/farming-technology/ (last accessed Jul. 8, 2021).

121. "About Us," ECOM SMS, https://www.ecomsms.com/about-us/ (last accessed Jul. 8, 2021).

122. "Farm Management," ECOM SMS, https://www.ecomsms.com/services/farm-management/ (last accessed Jul. 8, 2021).

123. "Plant Technology," ECOM SMS, https://www.ecomsms.com/services/seeds-technology/ (last accessed Jul. 8, 2021).

124. "Our Funding Partners," ECOM SMS, https://www.ecomsms.com/partnerships/our-funding-partners/ (last accessed Jul. 8, 2021).

125. *Claims Framework*, ENVERITAS (2021), https://www.enveritas.org/static/documents/Enveritas_Claims_Framework_v1.5_(February_2021).pdf (last visited Jul. 8, 2021) p. 2.

126. ENVERITAS, *supra* note 125.

127. "Company Structure," NEUMANN KAFFE GRUPPE, https://www.nkg.net (last accessed Jul. 12, 2021).

128. *See* country pages, https://nkgbloom.coffee (last visited Jul. 14, 2021)

129. *300,000 Coffee Farmers Get Access to Farm Investments through New Finance Facility*, IDH THE SUSTAINABLE TRADE INITIATIVE, Oct. 2, 2019, https://www.idhsustainabletrade.com/news/300-000-coffee-farmers-in-10-countries-get-access-to-farm-investments-through-new-finance-facility/ (last accessed Jul. 12, 2021).

130. *Unlocking Long-Term Value and Driving Sustainable Growth: Annual Report 2020*, OLAM (2020), p. 42.

131. OLAM, *supra* note 130, p. 71.

132. "What Is AtSource?" OLAM, https://www.atsource.io/atsource.html (last accessed Jul. 12, 2021).

133. OLAM, *supra* note 130, p. 42.

134. OLAM, *supra* note 130, p. 42.

135. OLAM, *supra* note 130, p. 18.

136. For more information on this suggestion, *see e.g.*, Pedersen & Backer, *supra* note 25, p. 41.

137. Sainsbury's provides an example from the dairy industry of how this can be done. *See* "Fair Price Milk," SAINSBURY'S, https://www.sainsburys.co.uk/webapp/wcs/stores/servlet/gb/groceries/get-ideas/delivery-and-guides/fair-price-for-milk (last accessed Jun. 16, 2021); *See also* Pedersen & Backer, *supra* note 25, at 41.

138. *See e.g.*, Kraig Kraft, "Perspectives On PRM, Part 1: Ed Canty – 'Risk Management Is Everyone's Business,'" CATHOLIC RELIEF SERVICES: COFFEELANDS (Sept. 28, 2015) https://coffeelands.crs.org/2015/09/perspectives-on-prm-part-1-ed-canty-risk-management-is-everyones-business/; *Farm Profitability Q&A – Ed Canty*, SPECIALTY COFFEE ASS'N (Jan. 25, 2019), https://scanews.coffee/2019/ 01/25/farm-profitability-qa-ed-canty; *See also* Pedersen & Backer, *supra* note 25; Theresa Lambert, Coffee and Cocao Price Risk Management (CC-PRM): Landscape Assessment of Tools and Strategies, USAID (September 2019), https://docplayer.net/163645014-Coffee-and-cocoa-price-risk-management-cc-prm-landscape-assessment-of-tools-and-strategies-september-2019.html (last accessed Jul. 15, 2021).

139. *Sustainable Coffee Purchases: Snapshot 2019-2020*, GLOBAL COFFEE PLATFORM (Jun. 2021) https://www.globalcoffeeplatform.org/wp-content/uploads/2021/06/GCPSnapshot_2019_2020.pdf (last accessed 30 Jun. 2021).

140. Global Coffee Alliance coffee is sourced via Starbucks CAFÉ Practices. *See* "Starbucks and Nestlé Form Glob. Coffee All. to Elevate and Expand Consumer Packaged Goods," STARBUCKS (May 6, 2018), https://stories.starbucks.com/press/2018/starbucks-and-nestle-form-global-coffee-alliance (last accessed Jul. 15, 2021).

141. The coffee and cocoa responsible sourcing programs are older and set up by their own divisions, running as parallel processes to the responsible sourcing program for 15 other core commodities.

142. *The Positive Cup: Creating Shared Value Report, 2014-2020 Achievements*, NESPRESSO (2021), https://nestle-nespresso.com/sites/site.prod.nestle-nespresso.com/files/Nespresso%20CSV%20Report%20The%20Positive%20Cup%202014-2020%20Achievements_1.pdf (last accessedJul. 12, 2021) p. 5.

143. *Creating Shared Value and Sustainability Rep. 2020*, NESTLÉ (2020) p. 35.

144. *See* NESTLÉ *supra* note 143.

145. "The Nestlé Rural Development Framework" NESTLÉ (2015), p. 6.

146. *See* NESTLÉ *supra* note 143, at 7 (These are "4C, Rainforest Alliance, UTZ, FairTrade, Nespresso AAA, CAFÉ Practices, Enveritas Verified, Olam AtSource Verified (validated in selected origins), Certifica Minas (regional program in Brazil) and Comexim CSC (Brazilian exporter program").

147. Nescafe states that it pays sustainability differentials for this coffee.

148. Janina Grabs, *Selling Sustainability Short? The Private Governance of Labor and the Environment in the Coffee Sector* (Cambridge University Press, 2020) p. 107.

149. For example, an independent study conducted in Colombia in 2016 found that Nespresso offered a "pre-announced price premium" of 10%, and that participating producers experienced welfare gains of 20%. Rocco Macchiavello and Josepa Miquel-Florensa, *Buyer-Driven Upgrading in GVCs: The Sustainable Qualit Program in Colombia (2019)*, pp. 1, 3. In addition, FLOCERT has verified that 95% of Nespresso's 2019 global coffee purchases met the Fairtrade Minimum Price. NESPRESSO, *supra* note 142 p. 150.

150. *See* NESTLÉ, *supra* note 143, p. 3 (These countries are Brazil, Colombia, China, Cote d'Ivoire, Honduras, India, Indonesia, Kenya, Mexico, Nicaragua, Peru, Philippines, Rwanda, Thailand, and Vietnam).

151. *Our Sustainability Journey - Ten Years of the Nescafé Plan*, NESCAFÉ (Jan. 2021), https://www.nestle.com/sites/default/files/2021-01/sustainable-journey-ten-years-nescafe-plan-2021-en.pdf (last visited Jun. 16, 2021) p. 77.

152. NESPRESSO *supra* note 142 p. 5.

153. Converted from CHF 585 million. NESPRESSO *supra* note 142 pp. 3 and 7.

154. Converted from CHF 40 million. NESPRESSO s*upra* note 142 p. 8.

155. *Nestlé Commitment on Lab. Rights in Agric. Supply Chains*, NESTLÉ (2015), https://www.nestle.com/sites/default/files/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-labour-rights-agricultural-supply-chains.pdf (last accessed Jun. 16, 2021) p. 2.

156. *See* Fabio Teixeira, *supra* note 73

157. *See* NESPRESSO, *supra* note 142 p. 8.

158. Note that later in 2021, Nescafé will publish a Sustainability Roadmap, which will showcase and measure its current and upcoming sustainability goals. *Our Sustainability Journey - Ten Years of the Nescafé Plan*, NESCAFÉ (Jan. 2021) https://www.nestle.com/sites/default/files/2021-01/sustainable-journey-ten-years-nescafe-plan-2021-en.pdf (last accessed Jul. 9, 2021) p. 84.

159. *Sustainable Coffee Purchases: Snapshot 2019-2020*, GLOBAL COFFEE PLATFORM (June 2021) https://www.globalcoffeeplatform.org/wp-content/uploads/2021/06/GCPSnapshot_2019_2020.pdf (last accessed 30 June 2021).

160. Marcelo Teixeira, "JDE bets on Brazil as it chases Nestlé in global coffee retail." REUTERS (2017), https://www.reuters.com/article/us-brazil-coffee-jde/jde-bets-on-brazil-as-it-chases-nestle-in-global-coffee-retail-idUSKBN19B2Z8 (last accessed Jul. 15, 2021)

161. *JDE Peet's N.V. Annual Report 2020*, JDE PEET'S (2020) at 160.; *See also* "Common Grounds Responsible Coffee Sourcing Principles," JACOBS DOUWE EGBERTS (2019), https://www.jacobsdouweegberts.com/siteassets/cr/common-grounds---om/jde-responsible-sourcing-principles_november-2019_v1.pdf (last accessed Jul 2021) p. 3.

162. *See* JDE PEET'S, *supra* note 161, p. 148.

163. *Corporate Responsibility Report: Jacobs Douwe Egberts B.V.*, JDE (2019), https://www.jacobsdouweegberts.com/siteassets/sustainability/jde-cr-report-2019---v011---final---web.pdf (last accessed Jun. 22, 2021), p. 20.

164. *See* JDE, *supra* note 163, pp. 9 & 42.

165. This estimate should be based on a sample of the smallholders in their supply chain, showing sold volumes multiplied by farmgate prices and farmer cash premiums. *See* JACOBS DOUWE EGBERTS, *supra* note 161, p. 10.

166. *See* JDE PEET'S, *supra* note 161, p. 26.

167. *See* JDE PEET'S, *supra* note 161, p. 3.

168. *See* JDE PEET'S, *supra* note 161, p 54.

169. *See* JDE PEET'S, *supra* note 161, p. 51.

170. *See* JDE PEET'S, *supra* note 161, pp. 39, 46, & 51.

171. *See* JDE PEET'S, *supra* note 161, p. 53.

172. *See* JDE PEET'S, *supra* note 161, p. 53.

173. *See* "Common Grounds Responsible Coffee Sourcing Principles," *supra* note 161, p. 5.

174. *See* JDE PEET'S, *supra* note 161, p. 55.

175. *See* JDE PEET'S, *supra* note 161, pp. 54 & 59.

176. JACOBS DOUWE EGBERTS B.V., *supra* note 163, pp. 24-25.

177. *See* JDE PEET'S, *supra* note 161, p. 54.

178. *See* "Common Grounds Responsible Coffee Sourcing Principles," *supra* note 161, p. 10.

179. Isis Almeida & Marvin G. Perez, "JAB Billionaires Build Beverage Empire," BLOOMBERG BUSINESSWEEK (updated Jan. 30, 2018), https://www.bloomberg.com/news/articles/2018-01-30/buy-now-pay-later-helps-jab-billionaires-build-beverage-empire (last accessed Jul. 15, 2021).

180. *See* "Common Grounds Responsible Coffee Sourcing Principles," *supra* note 161, p. 8.

181. Panhuysen & Joost Pierrot, *supra* note 81. (*citing Coffee Barometer 2020 questionnaire to all participating companies* and publicly available data)

182. "Responsible Sourcing for All: Responsibility Across the Supply Chain," THE J.M. SMUCKER CO., https://www.jmsmucker.com/our-impact/quality-food/responsible-sourcing (last accessed Jun. 21, 2021).

183. *Glob. Supplier Code of Conduct*, THE J.M. SMUCKER CO., https://s3.us-east-2.amazonaws.com/jms-s3-com-jms-p-pmc6/assets/impact/responsible-sourcing/global-supplier-coc.pdf (last accessed Jun. 21, 2021).

184. *Annual Rep.: Fiscal Year 2020*, THE J.M. SMUCKER CO. (2020), https://s3.us-east-2.amazonaws.com/jms-s3-com-jms-p-pmc6/assets/news-stories/corporate-publications/2020-annual-report-full.pdf (last accessed Jun. 21, 2021) p. 18.

185. *See Annual Rep.: Fiscal Year 2020*, *supra* note 202.

186. *Global Supplier Code of Conduct*, *supra* note 201, p. 3.

187. "FY22 Leadership Perspectives: Growing Our Bus. and Positive Impact," THE J.M. SMUCKER CO., https://www.jmsmucker.com/news-stories/corporate-publications/company-spotlight (last accessed Jun. 21, 2021).

188. Panhuysen & Pierrot, *supra* note 81 (citing *Coffee Barometer 2020 questionnaire to all participating companies* and publicly available data).

189. *See* Janina Grabs, *supra* note 148, pp. 192 & 94.

190. Bambi Semroc et al., *Assessment of the Starbuck Coffee and Farmer Equity (C.A.F.E.) Practices Program FY08-FY10*, STARBUCKS & CONSERVATION INTERNATIONAL (Mar. 2012), https://www.conservation.org/docs/default-source/publication-pdfs/2012_04_cafe_practices_assessment_fy08-fy10_final68523ed82d714421a7ff9661863fad27.pdf (last visited Jun. 21, 2021) p.15.

191. *Glob. Human Rights Statement*, STARBUCKS (Nov. 17, 2020), https://stories.starbucks.com/press/2020/global-human-rights-statement (last accessed Jul. 15, 2021).

192. *Starbucks C.A.F.E. Practices Impact Assessment 2014-2018*, CONSERVATION INTERNATIONAL (2020), https://www.conservation.org/docs/default-source/s3-library/publication-pdfs/ci-2020-cafe-practices-impact-assesment-report-2015-2018.pdf?sfvrsn=553f241_2 (last accessed Jul. 15, 2021) p. 19.

193. CONSERVATION INTERNATIONAL, *supra* note 185, p. 99.

194. CONSERVATION INTERNATIONAL, *supra* note 185, p. 20.

195. *2020 Starbucks Glob. Environmental and Social Impact Rep.*, STARBUCKS, at 20 (Apr. 27, 2021), https://stories.starbucks.com/stories/2021/starbucks-global-environmental-and-social-impact-report-2020 (last accessed Jul. 15, 2021).

196. "Goals & Progress: Coffee Purchasing," STARBUCKS (2011), https://www.starbucks.com/responsibility/global-report/ethical-sourcing/coffee-purchasing (last accessed Jul. 15, 2021).

197. *Global Responsibility Report*, STARBUCKS (2014) pp. 4, 5.

198. It is estimated that Starbucks paid $32,793,425 in quality and strategic status premiums, when 2017 and 2019 premiums are averaged. When considered in relationship to sales volume, the premiums paid by Starbucks are more modest than the premiums paid by other certification and verification programs, with the exception of 4C, which only pays a third of Starbucks' premium. The average Starbucks premium is estimated to be 5 cents/pound. *See The Evidence Project, Case Study 1: Starbucks and Conservation International*, THE EVIDENCE PROJECT (2017), https://evidenceproject.popcouncil.org/wp-content/uploads/2017/03/Case-Study-1-Starbucks.pdf (last visited Jun. 21, 2021) p. 3.

199. CONSERVATION INTERNATIONAL, *supra* note 185, p. 49.

200. CONSERVATION INTERNATIONAL, *supra* note 185, p. 33.

201. CONSERVATION INTERNATIONAL, *supra* note 185, p. 40

202. *See e.g.*, Fabio Teixeira, *supra* note 73; *See also e.g.*, Jamie Doward, *supra* note 73.

203. *See 2020 Glob. Env't and Soc. Impact Rep.*, STARBUCKS (Apr. 27, 2021), https://stories.starbucks.com/uploads/2021/04/Starbucks-2020-Global-Environmental-and-Social-Impact-Report.pdf (last accessed Jul. 15, 2021) p. 22.

204. *See 2020 Starbucks Glob. Env't and Soc. Impact Rep.*, *supra* note 196, p.22.

205. *See 2020 Starbucks Glob. Env't and Soc. Impact Rep.*, *supra* note 196, p. 21.

206. Panhuysen & Pierrot, supra note 81 (citing *Coffee Barometer 2020 questionnaire to all participating companies* and publicly available data)

207. *Sustainability Rep. 2019: A Goal in Every Cup*, LAVAZZA GROUP 23 (2019), https://www.lavazza.com/content/dam/lavazza/path-of-goods/new/press/Sustainability-Report-Lavazza-Group2019_ENG.pdf (last accessed Jul. 15, 2021) p. 23.

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210. *Creating Change for Fairness and Sustainability*, 1 TCHIBO SUSTAINABILITY MAGAZINE (2020), https://www.tchibo-nachhaltigkeit.de/media/pages/mm_download-files/eeb35b4c96-1623909061/tchibo-sustainability-magazine-2019-2020-vol.1-english.pdf (last accessed Jul. 15, 2021) p. 5.

211. *See Creating Change for Fairness and Sustainability, supra* note 210, pp. 5 & 28.

212. *See Creating Change for Fairness and Sustainability, supra* note 210 p. 38.

213. "Americas," INTERNATIONAL COFFEE PARTNERS, https://www.coffee-partners.org/americas/ (last accessed Jul. 9, 2021).

214. *See Creating Change for Fairness and Sustainability, supra* note 210, pp. 38 & 43.

215. Tchibo is currently more actively working towards a living wage in its textile factories, where it participates in ACT on Living Wages and supports wage negotiations between trade unions and suppliers. Its labor principles in general are structured in accordance with the United Nations Guiding Principles on Business and Human Rights and Germany's National Action Plan on Business and Human Rights.

216. Panhuysen & Pierrot, *supra* note 81 (citing data provided by 4C CAS, Rainforest Alliance, UTZ, Nestlé, and Starbucks).

217. *Keurig Dr Pepper CDP Climate Change Questionnaire*, CDP (Sep. 4, 2019), https://www.keurigdrpepper.com/content/dam/keurig-brand-sites/kdp/files/KDP-CDP_Climate_Change_Questionnaire_2019-Final.pdf?a=bcd (last accessed Jul. 15, 2021) p. 3.

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219. KEURIG DR. PEPPER, *supra* note 219, p. 44.

220. KEURIG DR. PEPPER, *supra* note 219.

221. KDP, "Keurig Dr Pepper Announces Completion of Sale and Distribution for its Largest Shareholder" (Nov. 2020), available at https://investors.keurigdrpepper.com.

222. KEURIG DR. PEPPER, *supra* note 219, p. 23.

223. KEURIG DR. PEPPER, *supra* note 219, p. 24.

224. KEURIG DR. PEPPER, *supra* note 219, p. 55.

225. KEURIG DR. PEPPER, *supra* note 219, p. 22.

226. *Drink Well, Do Good: 2019 Corp. Responsibility Report*, KEURIG DR PEPPER 20 (2020), https://www.keurigdrpepper.com/content/dam/keurig-brand-sites/kdp/files/KDP-CR-Report-2019.pdf (last accessed Jun. 21, 2021) p. 20.

227. KEURIG DR. PEPPER, *supra* note 219, p. 23.

228. KEURIG DR. PEPPER, *supra* note 219, p. 25.

229. Full monitoring and evaluation guidelines are available here: *Monitoring and Evaluation Guide for Social Impact Projects*, KEURIG DR PEPPER (Sep. 2019), https://www.keurigdrpepper.ca/content/dam/keurig-brand-sites/kdp/files/ME%20Guidelines_v2019-09.pdf (Last visited Jul. 8, 2021).

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231. KEURIG DR. PEPPER, *supra* note 219, p. 24.

232. KEURIG DR. PEPPER, *supra* note 219, p. 24.

233. KEURIG DR. PEPPER, *supra* note 219, p. 22; *Cooperation on Fair, Free, Equitable Employment (COFFEE) Project*, BUREAU OF INTERNATIONAL LABOR AFFAIRS, https://www.dol.gov/agencies/ilab/cooperation-fair-free-equitable-employment-coffee-project (last visited Jul. 7, 2021).

234. KEURIG DR. PEPPER, *supra* note 219, p. 22.

235. "Kirkland Signature: Sustainability Introduction," COSTCO WHOLESALE CORPORATION, https://www.costco.com/sustainability-kirkland-signature.html (last visited Jun. 21, 2021).

236. *See Kirkland Signature: Sustainability Introduction, supra* note 236.

237. "Our Family," SAN FRANCISCO BAY COFFEE, https://sfbaycoffee.com/pages/our-family (last accessed Jul. 15, 2021).

238. *2019 Sustainability Commitment*, COSTCO WHOLESALE CORPORATION (2019), https://mobilecontent.costco.com/live/resource/img/static-us-landing-pages/2019_Sustainability_Archive.pdf (last visited Jun. 21, 2021) p. 26.

239. *Supplier Code of Conduct*, COSTCO WHOLESALE CORPORATION (2018), https://investor.costco.com/static-files/4563ac77-f3ca-45a8-a9d1-545c56339d92 (last accessed Jul. 15, 2021) p. 1.

240. Although the Starbucks sourced coffee could be from Brazil.

241. *Flavours of Sustainability 2019-2020*, TATA CONSUMER PRODUCTS (2020), p. 48.

242. TATA CONSUMER PRODUCTS, *supra* note 243 p. 7; *Annual Report 2018-2019: Good to Grow*, TATA COFFEE LIMITED (2019). https://tatacoffee.com/sites/default/files/collaterals/Annual-Report-2018-19.pdf (last accessed Jul. 15, 2021).

243. *Tata Coffee Sustainability Brochure,* TATA CONSUMER PRODUCTS LIMITED (2020), https://tatacoffee.com/downloads/Tata-Coffee-Sustainability-Brochure.pdf (last visited Jun. 21, 2021) p. 2; *Also see Tata Coffee Business Responsibility Rep.*, TATA CONSUMER PRODUCTS LIMITED (2020), https://tatacoffee.com/sites/default/files/collaterals/Business-Responsibility-Report-2019-20.pdf (last visited Jun. 21, 2021) p. 3.

244. "Transforming for better: integrated annual report 2020-2021," TATA CONSUMER PRODUCTS LIMITED (2021), p. 14.

245. *See* TATA CONSUMER PRODUCTS, *supra* note 243, p. 42; "Initiatives: Rainforest Alliance," TATA CONSUMER PRODUCTS, https://www.tataconsumer.com/sustainability/sustainable-sourcing/the-initiatives/rainforest-alliance (last accessed Jun. 2021).

246. *See* TATA CONSUMER PRODUCTS, *supra* note 243, at 44.

247. *Rooted in Responsibility*, EIGHT O'CLOCK, https://www.eightoclock.com/rooted-responsibility (last visited Jun. 21, 2021).

248. "Initiatives: Vocational Training," TATA CONSUMER PRODUCTS LIMITED, https://www.tataconsumer.com/sustainability/community-development/the-initiatives/vocational-training (last accessed Jun. 2021).

249. "Initiatives: UNNATI," TATA CONSUMER PRODUCTS LIMITED, https://www.tataconsumer.com/sustainability/community-development/the-initiatives/Unnati (last accessed Jun. 2021).

250. *See Tata Coffee Bus. Responsibility Rep.*, TATA COFFEE LIMITED (2020), https://tatacoffee.com/sites/default/files/collaterals/Business-Responsibility-Report-2019-20.pdf (last accessed Jul. 15, 2021) p. 9.

251. *See Tata Coffee Bus. Responsibility Rep., supra* note 250, p. 10.

252. *Living Wage Update: July 2020*, GLOBAL LIVING WAGE COALITION (Jun. 2020), https://www.globallivingwage.org/wp-content/uploads/2020/06/Update-Report_Nilgiris-India_2020.pdf (last visited Jul. 7, 2021).

253. *See Tata Coffee Sustainability Brochure*, TATA COFFEE LIMITED (2020), https://tatacoffee.com/downloads/Tata-Sustainability-Brochure-v2.pdf (last accessed Jul. 15, 2021) pp. 8 & 9.

254. *Brewing Up a Sustainable Coffee Chain*, FINNWATCH (Oct. 1, 2016) https://finnwatch.org/images/pdf/FW_Coffee_report_18102016.pdf (last accessed Jul. 15, 2021) p. 57.

255. Aathira Konikkara, "Pettimudi Landslide Highlights How Kerala's Private Plantation Empire Exploits Dalit Workers," THE CARAVAN (Sep. 8, 2020), https://caravanmagazine.in/labour/pettimudi-landslide-highlights-how-keralas-private-plantation-empire-exploits-dalit-workers (noting that many of the plantations owned by Tata were founded during the colonial era, and employ Dalit workers descended from migrant groups historically trafficked to the plantations to provide bonded labor; these laborers still face discrimination from local authorities and unions, as well as language barriers).

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257. *Unilever Sustainable Living Plan 2010 to 2020: Summary of 10 Years' Progress*, UNILEVER 4 (Mar. 2021), https://assets.unilever.com/files/92ui5egz/production/16cb778e4d31b81509dc5937001559f1f5c863ab.pdf/USLP-summary-of-10-years-progress.pdf (last accessed Jul. 15, 2021).

258. Unilever, Planet and Society, Strategy and Goals, https://www.unilever.com/planet-and-society/protect-and-regenerate-nature/strategy-and-goals/ (last accessed Jul. 16, 2021).

259. *Unilever People and Nature Policy*, UNILEVER (Dec. 2020), https://www.unilever.com/Images/unilever-people-and-nature-policy_tcm244-557556_en.pdf (last accessed Jul. 15, 2021).

260. *Unilever Sustainable Living Plan India Rep.*, HINDUSTAN UNILEVER LTD. (2019), https://www.hul.co.in/Images/unilever-sustainable-living-plan---hul-summary-of-progress-2019_tcm1255-551089_1_en.pdf (last accessed Jun. 21, 2021) p. 15.

261. *Unilever Sustainable Agriculture Code*, UNILEVER (2017). https://www.unilever.com/Images/sustainable-agriculture-code--sac---2017_tcm244-515371_1_en.pdf (Last visited Jul. 7, 2021).

262. "Unilever Commits to Help Build a More Inclusive Soc'y," UNILEVER (Jan. 1, 2021), https://www.unilever.com/news/press-releases/2021/unilever-commits-to-help-build-a-more-inclusive-society.html (last accessed Jul. 2021).

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266. *The Concept, supra* note 38.

267. Jessica Grillo, *From Living Wage to Living Income: Considerations for the Use of the Anker Methodology for Calculating Living Wages to Inform Living Income Estimates*, INITIATIVE FÜR NACHHALTIGE AGRARLIEFERKETTEN (Jul. 2018), https://www.nachhaltige-agrarlieferketten.org/fileadmin/media/Studien/From_Living_Wage_to_Living_Income.pdf (last visited Jun. 8, 2021)

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271. *Living Wages – Explanation – Visual*, WAGEINDICATOR FOUND.(2018), https://wageindicator.org/salary/living-wage/living-wages-explanation-visual (last visited Jun. 8, 2021) ("CLTF (Basic Cost of Living for a typical family)={[(2*Food for one person) + (Fertility Rate*Food for one person)] + Housing for a family + [(2*Healthcare for one person) + (Fertility Rate * Healthcare for one person)]+(2*Transport for one adult)+(Fertility rate*Education for one child)+[(2*Clothing for one person)+(Fertility rate*Clothing for one person)]+[(2*Water for one person)=(Fertility rate*Water for one person)]+(2*Phone for one adult)}*1.05 other costs").

272. "Align Tool," www.align-tool.com.

273. *See Living Wages – Explanation – Visual, supra* note 271.

274. For example, in Uganda, Fairtrade International established a gross living income of US $8,640 for vanilla producers in Rwenzori, one of the three major Robusta-producing areas. *See:* Dr. Hendrik Hänke, *Living Income Reference Price for Vanilla from Uganda and Madagascar*, FAIRTRADE INT'L, https://files.fairtrade.net/publications/Fairtrade_Vanilla_LivingIncomeRefPrice_fullreport.pdf (last accessed Jul. 2021). The Wage Indicator reference values for Uganda that we used range from slightly over $2,000 to slightly under $6,000.

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277. *See* SHIFT SOCIAL IMPACT SOLUTIONS & GREAT LAKES COFFEE, *supra* note 44.

Coffee farmer harvesting coffee berries by hand on a coffee farm in Vietnam.
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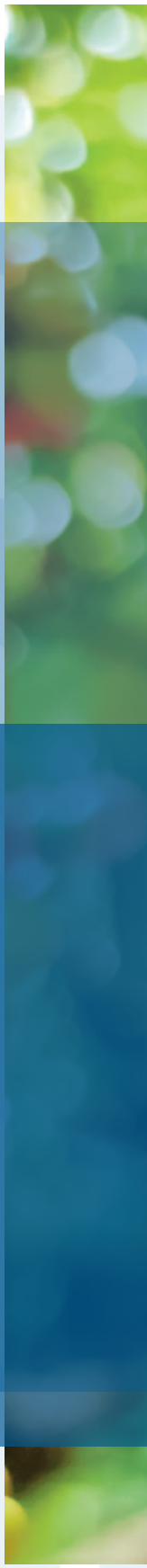

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