

Voluntary Sustainability Standards in Latin American Agribusiness: Convergence and Differentiation

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Abstract: Voluntary Sustainability Standard systems in agricultural production are non-government initiatives that seek to drive sustainable production and consumption of specified agricultural commodities by creating market demand for these commodities and a supply to meet that demand. Across developing countries, sustainable production is concentrated in Latin America which is also a breeding ground for proliferating voluntary sustainability standards with primary motive ranging from poverty alleviation to ornithology. A critical analysis of the currently popular standards shows that there is convergence in the sphere of core values. Most standards now cover social and environmental sustainability both. At the same time, the standards competing fiercely to promote their labels and are diverging to distinguish themselves based on their differing ideological roots and philosophies.

Key words: Sustainability • voluntary standards • certification • standards markets

INTRODUCTION

Across developing countries, sustainable production is concentrated in Latin America. This is in accordance with Latin America's historical dominance of organic production as well as the region's tendency to produce for specialty markets [1]. Ever since the eighteenth century when the island of Hispaniola became the world's largest coffee producer, Latin America has dominated and indeed helped create the world coffee economy [2]. More than 90% of standard-compliant bananas come from Latin America. Virtually all standard-compliant soy is sourced from Latin America. Three quarters of standard-compliant sugar is produced in Brazil. In case of cocoa, Organic sources 90% of its production from Latin America, with 70% of Organic production coming from the Dominican Republic, 9% from Perú, 8% from Ecuador and 3% from Mexico. The top three producers of double-certified Fairtrade/Organic cocoa are all in Latin America: Dominican Republic, Perú and Ecuador [1]. Sustainability standards are increasingly been adopted in other agricultural products like tea, cotton, vegetables and flowers. The aim of this article is to provide a critical overview of the theory behind VSS systems and to examine the issues that shape their future in Latin

American agribusiness. Since coffee is the world's second most valuable traded primary commodity after petroleum and is the largest single product in the realm of sustainability standards, our discussion here focuses on the specifics of coffee, although we will also consider issues relating to other agricultural commodities as they arise.

A voluntary sustainability standard (VSS) is a set of voluntary predefined rules, procedures and methods to systematically assess, measure, audit and communicate the social and environmental behaviour and performance of producers and traders [3]. Traditionally, in agriculture, product labels, whether consumer centric or based on paternalistic approach, have focused on aspects like nutritional and other information for the material benefit of the consumer. But new kinds of product labels have proliferated in the past few years because consumers demand more information relating to their social and environmental concerns [4, 5]. Providers of social or eco-labels seek to convince the consumers that certain attributes of a particular product are consistent with the consumer's values or that particular shopping decisions are socially responsible and thereby try to reduce the information asymmetry. Several VSS systems have emerged sharing some common overlapping goals;

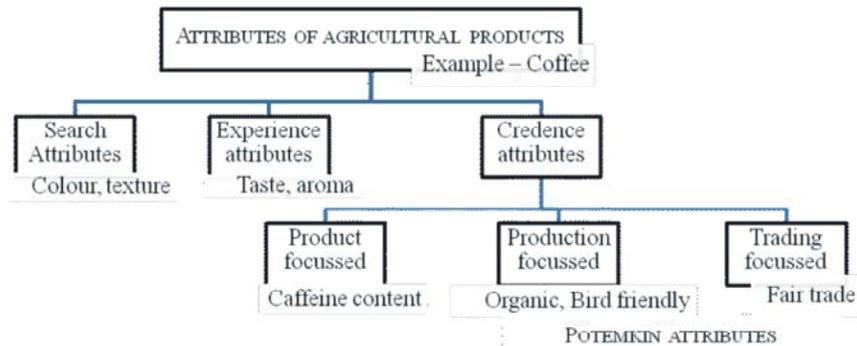


Fig 1: Credence attributes of Latin American Coffee

buteach VSS initiative has different foci and priorities-a reflection of the specific stakeholders and circumstances leading to its establishment.

Quality attributes of goods that the consumers are willing to pay for include attributes that focus on the production and trading process, often called Potemkin attributes [6]. Examples of Potemkin goods are kosher or halal meat, 'sustainable palm oil', 'bird-friendly coffee', 'responsible soy' and products certified by organisations like Fairtrade. These products reflect religious, social and ethical preferences of the consumers who care about the production and trading process, in addition to their own material benefits. As an example, classification of quality attributes of Latin American coffee is given in figure 1.

Ethical consumption is not a social movement in the traditional sense; it is a group of individual actors making similar decisions based on a perceived shared ideology, while simultaneously meeting their own personal needs [7]. Notwithstanding the great diversity in motivations and styles across VSS initiatives, these initiatives can typically be characterised according to their overarching approach or mission:

- “do no harm” -initiatives built on limiting or preventing illegal or socially and environmentally destructive practices.
- “do more good” - initiatives embodying proactive efforts to improve social and environmental well-being.
- “know what to do” - learning initiatives aimed at determining appropriate interventions.

The distinct functions of these initiatives can be described as:

- A regulatory function which is carried out by the members of the international labelling body with the support of national labelling bodies or producer organisations which are able to set the regulations.

This is supplemented by ensuring effective monitoring and enforcement by associated bodies.

- An adequacy function which is carried out by NGO’s and social movements which promote the adoption of the standards, often in conjunction with the labelling bodies.
- A trade facilitation function which encompasses the actual practice of trade between actors across the length of the value chains of agricultural products from producers at the bottom of the chain through exporters, processors, importers, wholesalers and distributors to the retailers at the top of the chain.

Popular VSS Systems governing production and marketing of Latin American coffee is given in Table 1.

While these voluntary supply chain approaches have the potential to establish a new paradigm for commodity markets, they nevertheless face a host of challenges stemming from uncertainties related to initiative impact, cost-effectiveness and credibility. The aim of this article is to provide a critical overview of the theory behind VSS systems and to examine the issues that shape their future in Latin American agribusiness.

FAIRNESS AS A VSS

The principles of fair trading practices in agriculture have deep roots in Western consumer consciousness. As a consequence, perhaps, the most popular of the VSS systems are those that emphasise fairness. The modern version of fair trade in the international context was born when Nicaraguan coffee was imported in 1986 by Equal Exchange, a cooperative in the U.S., as a way to make a political statement with a high quality household item. Soon thereafter, at the initiative of a Mexican coffee producer cooperative UCIRI (Unión de Comunidades Indígenas de la Región del Istmo) the first fair trade labelling initiative was launched in the Netherlands in 1988 wherein the disadvantaged coffee

Table 1: Popular VSS systems in Latin American coffee

	Fairtrade	Organic	Rainforest Alliance	UTZ	Bird Friendly
Main target group	Cooperatives of smallholders	Any kind of farmer	Mainly large estates	Mainly large estates	Farmers in forested and bird-rich areas
Primary focus	Minimum price to farmers	Organic agriculture	Biodiversity	Sustainable supply chains	Bird habitat
Standards for agricultural products launched	1988	1973	1992	1997	1998
Main market	UK	Europe, Japan, US	US	Europe, Japan, US	US
Initiator	NGO	NGO	NGO	Private firm	Research Institution
Main requirement	Be a part of democratic cooperative	No use of agrochemicals; three years transition period	Minimum 12 species of native trees; at least 70 trees per hectare; good agrochemical management	Traceability	Minimum 10 species of native trees and 10 species of birds
Standards	Unified	Country-wise	Unified	Unified	Unified

producers were offered an above market price for their crop if they followed specified social and environmental standards. Within a few years, various standards developed in different countries and in 1997 Fairtrade Labelling Organisations International was created with a mission to set the Fairtrade standards, support, inspect and certify disadvantaged producers and harmonise the Fairtrade message across the movement. With a view to ensure the impartiality and independence of the certification process and compliance with ISO 65 standards for product certification bodies, in January 2004 FLO was divided into two independent organisations: FLO International which sets Fairtrade standards and provides business support to producers and FLO-CERT which inspects and certifies producer organisations. The focus on labelling and use of conventional marketing channels substantially expanded the market for Fairtrade products [8]. Large food producers and distributors like Proctor & Gamble, Nestlé, Sara Lee, Kraft and Cadbury have developed Fairtrade lines. Today, Fairtrade products can be purchased in major supermarket chains in many developed countries.

Most certification agencies are racked by the debate as to whom their labels should be available. While Fairtrade International believes that certification should generally be restricted to small producers, its biggest adherent Transfair USA felt that that large producers and plantations should also be certified. This was the primary reason why Transfair USA renamed itself Fair Trade USA and withdrew its membership of Fairtrade International at the end of 2011. In mid-2012 Fairtrade International established Fairtrade America, as its new member organisation in the United States to compete against Fair Trade USA. Several major companies in the USA such as Ben & Jerry's, Divine Chocolate and

Wholesome Sweeteners have now reverted to the original Fairtrade mark. Another fissure occurred when CLAC established its own label Justus coffee in 2012 and many Canadian companies have adopted it. Fair Trade USA uses SCS Global Services to conduct compliance assessments but presently also accepts the certification from FLO-CERT of Fairtrade International.

Poverty Alleviation and Risk Mitigation: The word 'sustainability' made its debut in the 1980's in the UN documents and within a short time became a buzzword in certain circles. Eminent environmentalist Bill McKibben describes 'sustainability' it as a buzzless buzzword created to avoid a choice between economic growth and a healthy environment [9]. There is a realisation however that helping poor people may reduce some of the environmental damage that comes from desperation and most VSS systems stress social sustainability. The objects of the Fairtrade Foundation are formally set out in the Memorandum and Articles of Association [10] as:

- Relieving poverty, suffering and distress in any part of the world; and
- Promoting research and education concerning the causes and effects of poverty, particularly in relation to the conduct of trade and to the conditions of employment (including self-employment) of poor people in any part of the world and publishing the useful results of that research.

Fairtrade believes that poverty in the South is caused by unfair trading relationships imposed by the North, which then attempts to alleviate the situation by international aid. Fairtrade abhors charity and handouts

and seeks to attain its objectives by setting up and implementing a VSS system based on fairness. Whether this system has led to the attainment of the main objective of Fairtrade as stated in its Memorandum and Articles of Association (i.e., relieving poverty) is open to question. Most of the countries from where Fairtrade goods are sourced are middle income countries and not poor countries because trade penetration is greater in middle-income than in low-income countries. The largest number of beneficiaries is in Mexico, an OECD country. Farmers in Chile, another OECD country have also benefited from Fairtrade. Sourcing from higher income countries rather than the poor ones, by itself, is not objectionable because many more poor people live in middle income countries as compared to poor countries; the poor people in middle income countries outnumber their counterparts in the poor countries by a ratio of 3:1 [11]. But within a country, Fairtrade often operates in comparatively richer areas rather than poorer areas, again because of better trade penetration there. The beneficiaries of Fairtrade activity are not persons or households pertaining to the lowest part in a country's income distribution configuration. This is understandable because Fairtrade's *raison d'être* is export farming and not subsistence farming. This is not to suggest that Fairtrade is an elitist organisation. A large number of small farmers across Latin America are members of the cooperatives affiliated with Fairtrade. Also, a large number of workers are employed in plantations affiliated with Fairtrade.

Questions have been raised as to whether Fairtrade benefits anyone at all. By providing a minimum price, Fairtrade is alleged to have encouraged farmers to increase production when market demands that production should decrease to maintain price. This market distortion could harm the poor farmers who are not certified by Fairtrade as also trap the Fairtrade farmers. Rued Ruben and Ricardo Fort found that consequent to certification, coffee farmers in Perú substituted land and labour away from food crops [12]. Unfortunately, it is not possible to test overproduction or market distortion empirically because of confounding factors. The Fairtrade food products sales represent only a miniscule part of the total food and beverage industry sales worldwide and the premium given to the producers is small. Moreover, Fairtrade certified producers sell only a fraction of their coffee to the Fairtrade market and the rest to the conventional market. Some impact studies have attempted to capture production figures in local areas consequent to

entry of Fairtrade while others have monitored local prices. A study covering Perú, Nicaragua and Guatemala found that Fairtrade prices had stagnated in some areas of Guatemala as compared to those paid by private buyers [13]. On the contrary, another study with equally rigorous analysis found that the middlemen were forced to raise prices due to the presence of Fairtrade for Oxaca, Mexico [14]. Variation of production and prices at the local level would be context specific and cannot provide empirical evidence either for or against overproduction or market distortions or negative externalities as they affect non Fairtrade farmers.

It has also been argued that guarantee of a minimum price is an inefficient way to get money to poor producers. Paul Collier in his book *The Bottom Billion*, writes, "Fairtrade farmers get charity as long as they stay producing the crops that have locked them into poverty". [15]. These arguments fail to take into account the incapability of farmers to effectively respond to market signals by diversifying production. Natural endowment- some coffee-producing areas are not good for producing other agricultural products - is not the only factor constraining production options. Most coffee farmers in Latin America are in a production lock-in because the coffee sector entry barriers are low whereas exit barriers are relatively high. There are many factors that can explain the emergence of specialization traps at the micro level in agriculture. Possibly, the most important ones are lack of information, financial support and local markets [16]. Smallholders are prone to be caught in this kind of poverty traps largely because they have comparatively less access to financial facilities. In case of coffee, which is a permanent crop diversification it is even more difficult because some capital is accumulated in the plantation, coffee trees being a type of physical capital. As apparent from Figure 2, the coffee market has been cyclical. It is not irrational for the farmers to wait for the next boom preventing diversification. Furthermore, there are cultural aspects involved in the specialization trap. In many Latin American countries, growing coffee is not only a productive activity, but also a way of life with a very old tradition.

Trading Relationships in Agribusiness: A large body of literature examines commodity export from Latin America and the consensus seems to be that price instability is a serious problem directly impinging on the livelihood of small producers. Moreover, there is increasing concern



Fig 2: Price of Latin American Coffee in international markets (weighted average)

about the low share of the final product price reaching the producers in the developing countries. While the coffee chain as a whole is profitable, the gap between the price producers receive and retail prices has grown. The end result is that the farmers receive only a tiny percentage of the price of retailed coffee, with the vast bulk of the profits going to roasters and retailers [17]. As a part of its campaign against “the injustices of conventional trade”, Fairtrade seeks greater equity in international trade by challenging market competitiveness based solely on price. It claims to have created an egalitarian trading system by directly linking importers and consumers in the North with the producers and workers in the South [18]. This claim of “direct linkage” was valid in the early stages of evolution of fair trading when the alternative trading shops personalised relationships with the producers on the one hand and with the committed consumers on the other. These relationships constituted the core of the fair trading practices and were guaranteed by trust strengthened by transmission of information and occasional visits of producer groups to developed countries and consumer groups to developing countries for what came to be called ‘interknowledge’ [19]. At the time it was predicted that Fairtrade will bring about a systemic shift away from ‘commodity fetishism’ and reconnect the consumer to the producer [20]. To the consternation of many, including some of its founders, Fairtrade has broken the direct contact by shifting from buying goods from producers to setting standards and certification and by promoting sales through conventional marketing channels ensuring perfect substitutability of suppliers. Thus, Fairtrade has replaced direct relationships based on trust and continuity by anonymous arms-length marketing relationships. Therefore, it cannot be said that trading

between importers and producers under Fairtrade is more direct than under conventional trade or that Fairtrade corrects inequitable trade.

In relation to the premium paid by the consumers for its products, Fairtrade is mostly faulted for unethical behaviour on two counts. First, very little of the premium paid by the consumers reaches the producer; and second, Fairtrade does not tell the consumers that this is so. It is somewhat obvious that only a small proportion of the premium paid by the consumers can go to the producers because of mark-ups to cover for the Fairtrade certification fees that wholesalers and traders pay to the Fairtrade organisations and to offset the costs incurred in organising the additional supply chains and marketing channels for Fairtrade products. It is not easy to calculate the premium paid by the consumers as comparable data of Fairtrade and non-Fairtrade products similar in all respects is rarely available. It is even more difficult to calculate what proportion of the premium reached the country of origin or the producer. The premium paid by the consumers does not enter the accounting system of the Fairtrade organisations. Fairtrade merely guarantees that a fair price and a social premium is paid to the producer. It cannot control margins in the rest of the supply chain. Moreover, it would be illegal for Fairtrade to intervene in price fixing discussions between retailers and importers under the competition laws of EU and the US Antitrust laws which are converging [21]. Many retailers, however, do not increase the price when they switch to Fairtrade products for protecting their market share in a growing market and are now increasingly concerned about image improvement. In December 2006, for example, British retailer Sainsbury's switched to Fairtrade bananas completely without any increase in the price. Unlike peasant products like coffee and cocoa, where price

guarantee is key to equalising North-South relations [22], certified plantation products do not carry any price guarantee because higher price will benefit plantation owners, not workers. Buyers of certified flowers are required to use six-month contracts, which offer some trade stability. Research in flower plantations in Ecuador found that powerful retailers meet Fairtrade standards while undermining fair trade principles by setting their contract amounts low and limiting their certified purchases. Mainstream corporate buyers use certified flowers to enhance their image but largely pursue conventional business practices in their supplier relations [23, 24].

Both the supporters and critics of Fairtrade tend to overestimate its influence. For example, Alex Nicholls without quoting his source of information claims that its products hold 'a significant market shares in a range of categories' [25]. Trade statistics belie such claims even in case of the flagship product. Of the 7 million tonnes of coffee sold only 88,000 tonnes is Fairtrade coffee. In case of other products, the share of Fairtrade is near zero. According to Janet Dine and Kirsteen Shields, "frustrated and out of patience with the UN's half-hearted attempts to saddle corporations with human rights obligations, civil society has placed its trust and invested in the promises of the fair trade movement" [26]. As of now there is little evidence of trading relationships on human rights or corruption [27, 28]. On the other extreme, Peter Griffiths believes that by encouraging corruption and distorting markets, Fairtrade is bringing about 'death and destitution' in the poor countries [29]. There are compelling reasons to reject the views popularised by enthusiasts of Fairtrade, that it corrects the injustices and inequities of conventional trade in favour of marginalised producers and workers or is a major instrument for poverty alleviation. There are equally compelling reasons to reject the hypothesis that Fairtrade has harmed the poor farmers in general. To some extent, it guarantees stable income to producers, securing them to a limited extent against the volatility of market prices. In the field of world trade, Fairtrade is too small to cause any change in exchange and consumption models. Fairtrade's claim of changing unequal trade relationships is merely rhetoric. Being a part of the free trade regime, Fairtrade cannot change the trade regime that exists today. Fairtrade needs to be viewed as a successful promotion of a VSS that emphasises fairness and touches the conscience of the affluent consumer.

ENVIRONMENTAL CONCERNS

There is sufficient evidence that certifications that target the environment tend to increase environmentally friendly farming practices. For example, using propensity score matching, a study in Costa Rica found strong evidence that organic farmers were less likely to use pesticides, herbicides and chemical fertilisers and they were more likely to use organic fertilisers, shade trees and windbreaks and to undertake a variety of soil conservation measures [30]. The flip side of labelling is that it tends to replace consumer education which is a major challenge in the field of environmental sustainability. For example, the essential, holistic nature of organic farming seems to have been forgotten. By reducing complex issues and regulations to a simple, convenient *certified organic* label, consumers tend to ignore the principles and practices behind organics, leaving the definition of organic farming and organic food open to manipulation. On the other hand, there is a proportion of resource-poor farmers who engage in organic practices that exhibit poor production performance that could be considered "organic by neglect" and are not certified organic.

Organic Movement: An independent review commissioned by the UK Food Standards Agency [30] shows that there are no important differences in the nutrition content, or any additional health benefits, of organic food when compared with conventionally produced food. Many other studies have reached the same conclusion [32, 33]. Claims that organic food tastes better are not supported by evidence [34, 35]. Even so many consumers prefer organic for reasons of health and taste. Organic certification is the only one that is publicly regulated by laws in many countries and yet organic movement is quite diverse in scope. The best known umbrella organisation for various organic movements is the International Federation of Organic Agriculture Movement (IFOAM). It seeks to guide, unite and assist the organic movement worldwide in its full diversity. IFOAM defines organic agriculture as a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects. Organic agriculture combines tradition, innovation and science to benefit the shared environment and promote

fair relationships and a good quality of life for all involved. The basic principles of health, ecology, fairness and care guide the basic standards of IFOAM [36]. IFOAM has a Family of Standards that contains all standards officially endorsed as organic by the Organic Movement, based on their equivalence with the Common Objectives and Requirements of Organic Standards. These standards provide a framework of minimum requirements from which certification bodies can elaborate and refine their own organic standards to particular country needs or consumer demands [37]. Because of this approach, there is a great variety of organic labels and certifications in Latin America. In general, farms that want to be certified organic have to comply with certain broad guidelines of production covering nutrient management, plant protection, soil management, pollution minimisation and record keeping. There is a time lag of three years between switching to organic practices and organic certification during which the farmers have to withstand a loss but thereafter they could reap a premium for a long time as the recognition of organic label is higher among consumers as compared to other VSS labels. In Latin America, more than 300,000 producers manage 6.8 million hectares of agricultural land organically. This constitutes 1.1% of the region's agricultural land. The leading countries are Argentina (3.6 million hectares), Uruguay (0.9 million hectares) and Brazil (0.7 million hectares) while in Mexico the area is growing fastest. The highest shares of organic agricultural land are in small countries viz. Malvinas (35.3%), French Guiana (10.6%) and the Dominican Republic (8.9%) [38]. Originally, in the 1960s through the 1980s, the organic "certification" was a matter of trust, based on a direct relationship between farmer and consumer. A thematic study by IFAD found that regulatory certification in Latin America to be a potential barrier to entry for small producers, by burdening them with increased costs, paperwork and bureaucracy [39].

Organic movement has been criticised for not taking hunger seriously [40]. Reflecting Western priorities, the debate about whether high-yield agriculture would be good for developing countries is currently phrased mostly in environmental terms, not in terms of saving lives. Fairtrade whose primary objective is to remove poverty, also plumps for organic practices in agricultural production. Moreover, the organic movement is accused of overlooking the fact that increasing agricultural production through research on high yielding varieties is the best way to check deforestation. Funding institutions like Ford and Rockefeller cut support for the International

Maize and Wheat Improvement Centre CIMMYT (Centro Internacional del Mejoramiento de Maíz y Trigo) in Mexico where Nobel laureate Norman Borlaug developed the high-yield, low-pesticide dwarf wheat upon which a substantial portion of the world's population now depends for sustenance. According to David Seckler, former Director General of the International Water Management Institute, "the environmental community in the 1980s went crazy pressuring the donor countries and the big foundations not to support ideas like inorganic fertilisers" [41]. Opponents of high-yield agriculture take the numbers for water pollution caused by fertiliser runoff in the US and applied them to Latin America, which is-wrong because chemical-fertiliser use in Latin America is much lower. While fertilisers and pesticides both are made from chemicals the scales of toxicity are vastly different. Fertiliser only replaces substances naturally present in the soils though it is nobody's case that it is a perfect substitute or that long term use will not affect the soil. In Latin America agronomists teach forms of "integrated pest management," which reduces pesticide use because chemicals are sprayed at the most vulnerable point in an insect's life cycle. All serious agronomists know that pesticides must be kept to a minimum and besides, pesticides are expensive. Many Latin American countries have for a long time improved yields while reducing pesticide use by employing integrated pest management. But somehow an impression persists that overspraying is going on and this creates a bias against high-yield inorganic agriculture.

The jury is still out as to which insecticides are less harmful. Naturally derived insecticides allowed for use on organic farms use include *Bacillus thuringiensis* (a bacterial toxin), pyrethrum (a chrysanthemum extract), spinosad (a bacterial metabolite), neem (a tree extract) and rotenone (a legume root extract). These pesticides are not always safer or environmentally friendly when compared to synthetic pesticides and can cause more harm [42]. Synthetic pesticides allowed for use on organic farms include insecticidal soaps and horticultural oils for insect management; and Bordeaux mixture, copper hydroxide and sodium bicarbonate for managing fungi. Copper sulphate and Bordeaux mixture (copper sulphate plus lime), approved for organic use in various jurisdictions can be more environmentally problematic than some synthetic fungicides disallowed in organic farming [43]. Similar concerns apply to copper hydroxide. Repeated application of copper sulphate or copper hydroxide as a fungicide may eventually result in copper accumulation to toxic levels in soil. Environmental

concerns for several kinds of biota arise at average rates of use of such substances for some crops. In the European Union, where replacement of copper-based fungicides in organic agriculture is a policy priority, research is seeking alternatives for organic production. Recently, there has been some change of heart among the environmentalists which is reflected in administrators of VSS systems. Rainforest Alliance, whose primary concern is preservation of forested area, is open to use of chemical inputs in agricultural production to some extent though it is being criticised by many for this (see below). The Committee on Sustainable Agriculture, a coalition of environmental and development-oriented groups, has become somewhat open to fertiliser use.

Shade grown and Bird Friendly: Shade grown coffee incorporates principles of natural ecological relationships and can be considered an offshoot of agricultural permaculture or agroforestry. Shade coffee systems provide a refuge for biodiversity. Birdwatchers' joy in shade coffee plantations is only next to that in natural untouched forests. Research in Costa Rica shows that shade coffee provides habitat for mammals as well [44]. Coffees produced from southern Mexico, El Salvador, Peru, Panama, Nicaragua and Guatemala are primarily shade grown; those from Colombia, Brazil and Costa Rica are less likely to be shade grown. It is usually sold as "organic shade-grown" and often holds multiple certifications. 'Rainforest Alliance Certified' is a certification program administered by the Rainforest Alliance (RA), a non-profit group with partners around the world. Lavazza, Kraft and Proctor and Gamble have started buying RA Certified coffee. RA has developed sustainable product certifications for several agricultural products including coffee, bananas, cocoa, oranges, cut flowers, ferns and tea. The program includes certification of small, medium and large that meet certain environmental criteria, including less water pollution, less soil erosion, reduced threats to the environment and human health along with other criteria that focus on sustainability and conservation. These standards are somewhat similar to Starbucks code, the SAI code (Sustainable Agriculture Information Platform created by Nestlé, Unilever and Danone) and Utz. However, RA program permits coffee with as little as 30% certified content to carry its seal.

For a long time, ornithologists have recognised the importance of traditional Latin American coffee farms, where the crop is raised beneath a rich, structurally complex canopy, in preserving tropical biodiversity. Love

of birds is something that can make even hard-nosed behavioural ecologists go lyrical. "In the steam that rises from your coffee cup", writes Bridget Stutchbury in *Silence of the Songbirds* [45], "could be the ghosts of warblers flitting among the orchids, orioles sipping nectar from spectacular bouquets in the treetops and thrush flipping up leaves on the forest floor". The Bird Friendly coffee certification scheme is administered by the Smithsonian Migratory Bird Centre (SMBC) which has pioneered much of the research regarding the connection between birds, coffee and farming communities to understand the importance of setting standards to create healthy, producing forests. It is the most rigorous certification scheme operating in Latin America in the coffee sector. It looks down upon other standards and claims that the "Bird Friendly seal is the only 100% organic coffee with shade grown coffee certification". SMBC sets a high bar and one that many coffee farms can't make-sometimes not even those with a long history of organic production. The high standards make a difference to birds and other tropical organisms. Alexandre Mas and Thomas Dietsch examined bird and butterfly biodiversity on coffee plantations in the highlands of southern Mexico that ranged from traditional rustic farms to shaded monocultures. Only the traditional rustic farms met the SMBC's Bird Friendly criteria, even the oldest organic farm in Mexico, first certified in 1929 could not. [46] RA and Bird Friendly both offer flexible price premium to farmers which are market driven. While these organisations are often in conflict (see below) their certifications face the common difficulty of communicating the relevance of shade to environment to the general public and therefore these initiatives are restricted to a market niche of well-informed 'green' consumers.

UTZ: As of 2014, UTZ Certified is the largest program for sustainable farming of coffee and cocoa in the world. UTZ was launched in 2002 as UTZ Kapeh, meaning 'Good Coffee' in the Mayan language Quiché spoken in Guatemala. It was founded with the goal of implementing sustainability on a large scale in the worldwide market in "response to the low levels of market penetration of organic and Fair Trade products". In March 2007, the Utz Kapeh Foundation officially changed its name and logo to UTZ Certified and later the same year the Cocoa Program was launched. UTZ Certified cooperated with Ahold, Cargill, Heinz Benelux, Mars, Nestlé and ECOM to set up a new certification and traceability system for sustainable cocoa. Solidaridad and Oxfam Novib also

supported the initiative from the beginning. In 2009 the first UTZ Certified cocoa products reached the market. The UTZ Codes of Conduct consist of product-specific standards for coffee, cocoa and tea as well as chain of custody standards and a thorough certification system. The standards for third party certification are formally equivalent to the EurepGAP, a certification system for the sourcing of fruit and vegetables led by European retailers. The emphasis of the Utz Kapeh code is on compliance with local labour and environmental laws and good management practices in estates. The system offers a price premium to farmers (depending on the market context) and is focused on consolidating the adoption of the label by large retailers and roasters. In only a few years, Utz Kapeh has been very successful in incorporating a considerable number of new buyers and suppliers in different regions of the world. European demand for this label is increasing rapidly. Dutch companies Douwe Egberts and Ahold have adopted the scheme. The environmental standards of UTZ Certified are far weaker than those of either Fairtrade or RA [47]. Chemical pesticides or fungicides not banned in the European Union, the U.S. or Japan may be used, on coffee and cocoa farms if they are applied "according to the label". Utz Kapeh basically works as an instrument for gaining market access at the farmer level and as a marketing tool for retailers and roasters. Looking to the future, UTZ Certified's standards explicitly announce that genetically modified coffee plants, though not at present available, would be allowable so long as farmers obey local regulations on their use.

Fourth Party Certification: The Common Code for the Coffee Community (4C) initiative launched in January 2003 is an attempt to create a fourth party (multi-stakeholder) voluntary scheme. The 4C Association as the global sustainable coffee platform is not a certification system. The 4C Association has defined a baseline sustainability standard and verification system and does not allow companies to use a label on packaging. This initiative is led by the German Development Cooperation Agency (GTZ) and the German Coffee Association (DKV). Its Steering Committee is composed of major stakeholders in the coffee industry. Like the SAI platform, 4C aims at developing a "global code for the sustainable growing, processing and trading of mainstream coffee," but it involves other agents in the coffee chain, apart from TNCs. Members of the SAI platform (Nestle', Kraft Foods, Sara Lee and Tchibo) took part in the agreement on a common code reached among

4C members in September 2004. Signatories will have to pay minimum salaries, abandon child labour, allow trade union membership and stick to international environmental standards on pesticide and water pollution. Hence, the code stresses compliance with ILO regulations and good environmental practices, very much in line with the 'minimum' standards shared by Utz, RA, the Starbucks code and the SAI code. When fully implemented, the code is expected to cover 80% of the coffee industry. Monitoring and auditing will be carried out by third party bodies and the costs will be probably covered by farmers. No price premium to farmers is contemplated in the code, nor are measures foreseen to reduce income asymmetries in the chain. The baseline standard of the 4C Association is regarded as a credible, valuable first step towards achieving certification.

COOPERATION AND COMPETITION

Co-existence of multiple standards in agricultural products in Latin America is being promoted by the interplay between two countervailing mechanisms: convergence at the 'rules of the game' level and differentiation at the attributes level enabling parties to create and maintain their own standards [48]. Colombia, where FNC (Federación Nacional de Cafeteros de Colombia) has its own standards, also offers coffees that can have up to three different certifications. Some estates even have acquired four (UTZ, RA, Organic and Fairtrade) certifications [49]. Increasing alignment of standards over time has come about through mutual observation and has led to emergence of a common vocabulary, creation of shared 'certification platforms', adoption of industry level good practices and some common projects like determination of a living wage in some countries. A cross-sectional empirical analysis of an original database of 108 certifications identified substantial convergence in the ecological and social priorities of certification programmes and even greater convergence in their assessment and oversight procedures and significant differences were found between multi-stakeholder initiatives and industry-led initiatives in their foci or procedures [50].

Fairtrade International, RA, Utz Certified and 4C Association are full members of the ISEAL Alliance and committed to the ISEAL Codes of Good Practice, which ensure that their practices are transparent, credible and effective in a mutual validation process. The organisations acknowledge that there are different ways to successfully transform tropical agriculture to the

benefit of farmers in origin countries. In February 2011 a Joint Statement was issued by Fairtrade International, RA and Utz, underlining the willingness for collective cooperation for the benefit of farmers in the producing countries. It stated the goal that unites all these organisations as transforming tropical agriculture with credible certification. The organisations acknowledged that there are different ways to successfully transform tropical agriculture to the benefit of farmers in origin countries. Fairtrade has entered into partnership with Social Accountability International, GoodWeave, RA and UTZ Certified, to test a living wage calculation methodology [51]. Formation of shared core criteria, however, has not discouraged distinctive positioning of standards, Emphasis on distinctive features - targeting different groups of adopters and offering different levels of entry- is sustaining of multiple standards. This invariably leads to a situation where many producers incur costs to take on multiple certifications. Moreover, like the disputes in the market for corporate control, sometimes disputes in the market for standards get nasty. Fairtrade is especially good at protecting its corner and taking the battle to the opponents' territories.

Despite several studies on the certification systems, it has not been possible to draw definite conclusions as to which system is best for producers. Most impact studies relate to just one standard, mostly Fairtrade [52]. Qualitative studies rarely have good baselines and quantitative studies are based on self-reported surveys with various biases. Most studies do not include control groups. In comparing different standards, there is also the issue of Fairtrade farmers selling only a small proportion of their produce as Fairtrade product [53]. The variances between the various certification systems may be explained by site-specific considerations, especially local geographical and organisational conditions that can play a significant role in determining the performance of farms.

Fairtrade, Organic, RA, Utz and shade grown/ bird friendly as also corporate programmes like C.A.F.E. (from Starbucks), AAA Nespro (from Nestlé) and 4C (the common code for the coffee community) have gained prominence in the field of certification for coffee. Unlike Fairtrade, other standards do not assure a fixed price, but generally the prices offered are significantly higher than Fairtrade prices [54]. This is so because quality improvement in production, especially in case of RA, Utz, C.A.F.E. and AAA Nespro fetches higher prices for producers. Entry barriers for RA are low; whereas in case of Fairtrade, barriers are low for registration, but high for

actual participation [55]. Semantics favours Fairtrade. Any standard that is different from that of Fairtrade in any respect can be called 'unfair trade'. In an article published in September 2009, German magazine Ökotest reported that, "the producers also profit from certification even without an established minimum price" and supported the positive impact of sustainability standards of Schemes other than Fairtrade. In July 2012 the magazine published an article reflecting on the results of their test: "Fairer Handel. Unfaire Geschäfte" (Fair Trade: Unfair Businesses), determining which standards/labels should be considered 'fair' and which 'unfair'. Various product categories were reviewed, using criteria that coincided with the standards of the Fairtrade Label. Anything which differs from this was considered, per se, to be "unfair" by Ökotest. RA, Utz and 4C responded by issuing a joint statement protesting against the bias and expressing their surprise and disappointment "to have been compared against the distinctive features of Fairtrade, with the consequence of being devalued as unfair".

In the UK, Fairtrade has persuaded many parishes, schools, universities and towns to adopt Fairtrade label as the only acceptable standard. It also seems to have persuaded the Dutch government that Fairtrade label is the only ethical label. The Dutch government procurement policy announced in 2008 contains certain elements (like minimum price, liveable income/wage and pre-financing up to 60%) that give a virtual monopoly to Fairtrade products. This policy is being copied by the municipal governments in their tendering procedure that could make a market exceeding 100 million per year a Fairtrade monopoly. The Dutch Industry Association of Coffee and Tea and some roasters like Sara Lee (which uses Utz certification) cried foul against the decision to treat Fairtrade standard 'fairer' than others but so far nothing has come out of their protests. This kind of monopoly could extend beyond the public sector in Netherlands and also to some other EU countries [54].

Bird friendly programme has serious reservations about the RA certification programme. These concerns came into open when RA gave a green seal of approval to a large farm of shade grown coffee in Guatemala. Scientists of Smithsonian Migratory Bird Centre promoting Bird Friendly coffee criticised the decision as the farm was using inorganic pesticides. They also questioned RA's decision to work independently of the organic movement. RA countered that the biggest threat to environment is deforestation and not environment. According to RA, conservation coffees need to be

promoted aggressively and the promotion should not be limited to the growers who shun pesticides [56]. Bird Friendly also has an issue with Organic and wants shade criteria to be included to organic certification process.

Starbucks claims that it pays higher prices to the farmers than what they can get from Fairtrade. By compression of the supply chain - importing beans directly from suppliers and roasting and selling them in its own stores it has developed long term relationships with the producers. Yet Fairtrade through its supporter Global Exchange organised demonstrations against Starbucks and pressurised it to purchase Fairtrade coffee. Following numerous public protests, the company announced in 2000 that it would begin offering Fairtrade certified coffee in all its US stores and its purchases grew rapidly. Starbucks continues with its C.A.F.E. (Coffee and Farmer Equity) practices developed - to focus on supporting premium coffee rather than on fixing prices. In 2005 Starbucks received an award from the World Environment Centre in recognition of its work in developing C.A.F.E. practices. Starbucks paid an average \$1.42 per pound for its coffee next year whereas the guaranteed Fairtrade price is \$1.26 per pound with the potential for an added social premium. After additional activist pressure in the mid-2000s, Starbucks pledged to double the amount of Fairtrade coffee purchased and also around that time announced that all of its espresso drinks in Europe would use Fairtrade certified beans by early 2010. Starbucks' purchases surged to in to 34 million pounds in 2011. As a part of capitalist economy, there is nothing unethical about running down the competition; but it is difficult to describe Fairtrade's policy in this regard as 'fair' on the grounds that it claims a higher moral plane as compared to other initiatives. While disputes between promoters of environmental sustainability have a veneer of disagreement over scientific vision, Fairtrade's policy seems to be to establish a monopoly by debunking other VSS systems.

Over time VSS systems have evolved. Fairtrade now has a more stringent environmental criteria and RA stresses the social component of its criteria. While sharing the same agenda of progress towards sustainable development, these organisations are competing fiercely. Just as companies compete for growth of their brands, VSS systems are competing for the growth of their label. They are positioned in the same niche market, but not in the same spot reflecting differentiation based on differing ideological roots and philosophies fostering sustainability.

CONCLUSION

Agricultural commodities offer both a challenge and an opportunity for economic development, poverty reduction and environmental stewardship in Latin America where despite growth inequalities persist. Agricultural exports remain an uncertain foundation for promoting sustainable development in the region as social norms and tastes are changing in the importing countries. A number of multi-stakeholder initiatives have sprung to life to respond to the growing criticism of social and environmental impacts of agricultural commodity production and export. Driven by private world-scale actors, these initiatives are setting VSS systems [57]. Increasingly, consumers are valuing goods produced in a socially and environmentally responsible manner, although many are confused by multiple standards. Multiple competing standards have increased production costs of farmers. Even so, economic and welfare gains are possible from credible certifications that provide consumers with information about the production and trading practices. VSS systems offer a vehicle for systemically channelling the growing private sector interest in promoting sustainability towards common approaches and pooled investment, with the potential to generate unified approaches and the economies of scale necessary to bring about meaningful change at the global level. VSS supply-chain approaches have the potential to establish a new paradigm for commodity production and trade in the region. This would require closer interaction between agricultural and environmental scientists and business scholars.

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