



Two farmers smiling (Photo: Starbucks)

Beyond Certifications: Coffee Supply Chain Sustainability

**It is time to
rethink what it
means to run a
sustainable
coffee business**

By Jenny Neill

Many criticize the pursuit of sustainability by big-brand companies by arguing that such moves are PR stunts, that they don't achieve long-term economic or environmental benefits. Rarely does such criticism come from the non-government organizations and research institutes who are their partners. Yet, thanks in part to the coffee rust crisis in Central America, even allies are saying that it is time to rethink what it means to run a sustainable-coffee business.

Nespresso, in a recent announcement about research on its Colombian suppliers, highlighted the accomplishments of its AAA program. Each A represents one of "three foundations:" quality, sustainability, productivity. (Here, sustainability refers to environmental and social responsibility.) Despite finding that 87.4% of the AAA-certified farmers earned more, nearly 20% were still classified as poor, according to the Multidimensional Poverty Index.

Tim Schilling, executive director of World Coffee Research, voiced concern about roya's impact on producers.

"Maybe we're just not doing the right thing by saying, 'Hey, Mister Vulnerable Farmer, you need to continue to plant coffee because we need it back here at these roasting companies,'" Schilling said. "If the price the company pays for that coffee can't keep that farmer happy, then I think we need to question the fundamentals, our business models."

Few in the coffee trade question the reality of climate change. Population growth in the tropics brings other risks, including rising labor costs and land-use pressure in places where real estate development encroaches on agricultural lands. Such areas,

where urban and suburban subdivisions are growing, often have an aging farmer population and a younger generation that chooses to work in cities.

What does all that mean for supply-chain sustainability in the coffee trade today? A redefinition is underway – one that has some focusing in new ways on transparency and accountability. The founder of a specialty coffee importer and directors at two large roasters, all focused on how to ethically source coffee from thousands of suppliers, talked about the challenges of doing more than merely buying certified beans.

Transactional traceability and transparency

“To some degree, certifications have been conflated with the term sustainable,” remarked Tracy Ging, director of corporate social responsibility and sustainability at S&D Coffee & Tea, Inc. “While certifications certainly progress more sustainable practices, we don’t want lose sight of the broader issues and needs. We need more tools, particularly as it relates to economic sustainability.”

Ging works for a firm that started out as a coffee roaster selling to local grocers in 1927 and is now the largest custom coffee roaster in the United States. Such familiar names as McDonald’s, Krispy Kreme and Dunkin Donuts are among its more than 80,000 customers. She faces many of the same challenges described in *Preliminary Analysis of Sustainability Initiatives in the Coffee Sector*, published by the Committee on Sustainability Assessment (COSA) in 2008.

One of the biggest problems for COSA researchers in assessing economic benefits was that poor recordkeeping confounded the collection of data. Interviewers had to rely on “reconstructive accounting” instead of business records to understand whether farmers participating in certification or ethical sourcing programs were doing better financially than their peers. That issue persists, according to Ging.

“We often don’t really have the visibility into what percentage of the money is going back to the farmgate,” she believes.

This is a challenge Starbucks works towards solving with its Coffee and Farm Equity (C.A.F.E) Practices. This verification program holds Starbucks suppliers accountable to standards originally developed in partnership with Conservation International. A third party, SCS Global Services, trains and oversees the organizations responsible for checking that the producer standards are being met. With more than 19,000 stores worldwide, this global specialty coffee company has also had the unenviable position of being scrutinized and criticized for its sourcing practices for many years.

Jim Hanna, director of environmental impact for Starbucks, described the most important C.A.F.E. Practices criteria this way.

“Quality is the first one. And transparency is the second one. And without those two, basically the conversation ends when it comes to C.A.F.E Practices,” Hanna told *STiR Tea & Coffee*. We’re able to verify all the way down to the farm worker level that they are being treated well, that they’re being paid a fair wage, and that all the aspects that are important to us as a company from a social perspective are actually happening. If we don’t see those, again, we won’t verify those farmers.”

David Griswold, founder and president of Sustainable Harvest, talks a lot about the importance of supply chain traceability and transparency. As the company’s name suggests, the Portland, Ore.-based coffee importer has placed a high value on sustainability from the beginning. It started using grower information forms in 1998. Green buyers select certified beans when customers request it. This firm, however, uses a relationship trade model.

In fact, Griswold takes credit for “pioneering” the term, explaining that it “described how you could have a direct trading relationship with the farmer but in an empathetic way that goes both directions. So the farmers knew the challenges of the roaster and the roaster knew the challenges of the farmer they were buying from.”

The rewards of relationships

Long before Sustainable Harvest became certified as a B Corporation in 2009, it operated like one. Griswold and his team experimented for a few years with how best to facilitate trade in a way that enabled the farmers’ stories to reach consumers. Ultimately, they found more authentic and effective communication happening in person.

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Woman at Drying Station in Tanzania (Photo: Sustainable Harvest)



David Griswold, founder and president of Sustainable Harvest (Photo: Clay Enos)

“We need to question the fundamentals, our business models” - Schiling

“What became clear was that no matter how good the digital connectivity was—Skype and tools like it were coming on 10-15 years ago – that to have conversations face-to-face was absolutely essential,” Griswold explained.

The importer evolved from using video to show their warehouse to prospective customers to bringing roasters to producing countries. What started as an on-the-ground story-sharing experience quickly became one of mutual problem-solving. Sustainable Harvest began training grower groups how to cup coffee as a way to level the playing field and foster better communication about quality within its supply chain. The company expanded on this in 2002 when it held the first Let’s Talk Coffee and staffed offices in countries of origin.

But enabling growers to understand how roasters judge quality in the cup was only part of the relationship model.

“Our supply chain is more than just the growers and the roasters we sell to,” according to Griswold. “It’s really also the banks and the shipping companies and the insurance companies and the NGOs who are operating in those communities. We found that many, many answers and problems were collaboratively solved because we brought everybody together.”

These sorts of discussions available to smaller businesses, like Sustainable Harvest, which now invites about 600 to its annual conference, prove more challenging for larger corporations. Both Starbucks and S&D Coffee & Tea work with traders, growers and grower groups in more places and buy beans in considerably larger volumes than the Portland-based importer does.

Progress not perfection

S&D Coffee & Tea, though it has implemented programs on its own and through customer relationships, is in the process of “enhancing and elevating” its supply-chain sustainability programs. Much like how Sustainable Harvest buys certified coffees for customers who request them, this private-label roaster participates in many such programs.

However, hiring Ging to oversee corporate sustainability efforts was an acknowledgment that the custom coffee roaster could do better. The first steps have been an assessment and evaluation of all existing ethical sourcing and sustainability initiatives.

According to Ging, this has meant “...looking across a matrix of solutions and trying to integrate as many activities as possible. We’re trying to develop a picture of what the real challenges are for a particular community and customize an approach rather than default to ‘one size fits all’ solutions.”

Building that picture may involve different tactics, depending on the entities involved. For example, in some cases, the company needs only to get better access to information that already exists with producer groups or exporters. In other cases, S&D is taking steps to clarify the quality of information expected about where beans are coming from, and how they’ve been processed and prepared for transit. Once more traceability and transparency has been established, this custom roaster invests in technical assistance or embedded support.

“We’re working in an area in Colombia where their yields are much lower than what their potential is,” said Ging, describing once such case. “For them to be economically viable, they really need to be producing at a level that’s closer to their full potential.”

Producing better quality, improving yields, improvement of environmental and safety standards—these themes emerged in talks with experts at Starbucks. One Colombian export group Starbucks works with sources from approximately 22,000 farmers. The C.A.F.E. Practices program is how the company, through its partner there, communicates expectations to producers living in remote locations.

A Starbucks spokesperson admitted that seeing each of these farmers every year is not realistic or feasible. However, with the company’s investment in third-party verification and in farmer support centers in key regions, the company intends to catalyze a positive feedback loop in its supplier network.

Ging captured this same idea when she said “we accept there are many activities we need to pursue. The expression we use is ‘there is more than one way up the mountain.’” ☕



Farmers in Costa Rica (Starbucks)



A coffee farmer showing flowers and young cherries (Photo: Clay Enos)