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Corporate Social Responsibility in the Coffee Sector: The Dynamics of MNC Responses and Code Development

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Since the collapse of the international coffee agreement in 1989, attention has increasingly focused on the role of multinational corporations in this sector. As the main actors in the international coffee chain, companies such as Sara Lee/Douwe Egberts, Nestlé and Kraft have been pressurised to show their responsibility in dealing with the crisis, and helping find a solution to the problem of which they are part as well. This article analyses the dynamic development of multinationals' corporate responses and the interaction with the different stakeholders, which has resulted in a cascade of codes of conduct over the years. The peculiarities, dilemmas and challenges related to the recent multistakeholder 'Common Code for the Coffee Community' will be outlined, as well its (im)possibilities in dealing with the coffee crisis.

Keywords: Corporate social responsibility, Codes of conduct, Multinationals, Coffee, Poverty, NGOs

Coffee is one of those commodities that has attracted increasing attention in the past fifteen years in relation to corporate social responsibility. This has resulted from changes in the overall coffee market in recent decades. Traditionally, international coffee agreements between consuming and producing countries, managed by the International Coffee Organization (ICO), served as a regulated system to ensure stable prices. It was certainly not uncontroversial, however, which contributed to the end of this quota system in 1989 (Gilbert, 1996; Ponte, 2002). Subsequently, prices have dropped dramatically: the $1.20 per pound average fell to $0.55, and reached its lowest point in 2002 (UNCTAD, 2003, p. 24). This was due to the emergence of new producers (particularly Vietnam) and substantial production increases in Brazil, while demand failed to meet growing supply.

The end of the international coffee regime meant a reordering of the balance of power in the coffee sector and a redistribution of income. From a stable system in which producers and consumers knew the rules of the game, the market became not only much more volatile, but trade and industry in the consuming countries gained considerable power to the detriment of producing-country governments, farmers and local traders. Coffee thus transformed into a more buyer-driven commodity chain (cf. Gereffi, 1999). Likewise, for the consuming countries the value added of coffee increased, while value added and prices for the producing countries decreased. For producer countries, earnings in the early 1990s amounted to $10–12 billion, with a value in retail sales of $30 billion (UNCTAD, 2003, p. 24). A decade later producers only receive $5.5 billion, while retail sales come to $70 billion. These figures show that producer income has fallen concurrent with increased consumer spending on coffee in Western countries, related to growing interest in specialty coffees.

With these developments, the role of the main actors on the buyer-side of the chain, the large roasting and instant manufacturing companies, has received more attention. Their behaviour has become linked to the fate of farmers, their declining income levels, poor working conditions and social situation, and to poverty in developing countries in general (Oxfam, 2002). In this respect, it is notable that smallholders supply 70% of the world's coffee, and that approximately 125 million people are estimated to depend on this commodity for their incomes (RIAS, 2002; UNCTAD, 2003, p. 69).

Especially by the mid-1990s, the large multinational coffee corporations started to experience great pressure from non-governmental organisations (NGOs). This was not only due to the apparent inability of governments to address the coffee crisis and to the lack of other feasible solutions. It also fell in line with the overall move towards corporate social responsibility (CSR), and with actions against the largest flagship companies (cf. Rugman and D'Cruz, 1997) that were obvious targets in other campaigns as well (for example, against child labour, environmental pollution and mining in indigenous territories).

Among the CSR responses adopted by multinational corporations (MNCs), codes of conduct have figured prominently. For companies, their business associations, international organisations and NGOs, codes have been important instruments to enhance CSR, although the specificity and stringency of the various stakeholders' approaches has shown considerable variety (Kolk *et al.*, 1999; Kolk and Van Tulder, 2002a,b). Often, a dynamic development could be noted, in which the interaction of different stakeholders in the formulation and implementation of codes proved very important in improving corporate codes (van Tulder and Kolk, 2001).

Against this background, the article analyses the development of CSR and codes of multinationals in the coffee sector. It first identifies the main initiatives taken since the mid-1990s and the major players. Next, CSR approaches, views and peculiarities of the respective MNCs are examined. The subsequent section specifically focuses on the emergence and characteristics of the Common Code for the Coffee Community (4C), the most recent multistakeholder, European initiative. Finally, concluding remarks will be made as to the feasibility and (im)possibilities of such an initiative in helping to address the problems in the coffee sector.

Codes of Conduct in the Coffee Sector

Table 1 gives an overview of important codes of conduct adopted since the mid-1990s by main players in the coffee sector. It does not include other, more generic codes that might have (indirect) relevance, such as those of the International Labour Organisation (core labour standards), the Organisation for Economic Cooperation and Development (Guidelines for MNCs) and the United Nations (for example, Global Compact) (for an overview, see e.g. Cragg, 2003; Leipziger, 2003; World Bank, 2003). In addition, the coffee sector has also been influenced by broader code developments in other sectors (for example sporting goods, textiles) and regarding specific topics (such as labour conditions) (Jenkins *et al.*, 2002; Sajhau, 1997; van Tulder and Kolk, 2001).

The major MNCs in the coffee sector, particularly Nestlé, Procter & Gamble, Sara Lee/Douwe Egberts (SLDE) and Altria (formerly Philip Morris; the parent company of Kraft Foods), have drawn up general codes of conduct in the past decade, not specifically geared to coffee. Like in other cases, a dynamic could be observed in which the adoption of codes by one company, usually first internal and then supplier guidelines, was followed by others (and sometimes by revised versions). The table also includes specific coffee codes, such as those drawn up by Starbucks and Utz Kapeh, Rainforest Alliance/Sustainable Agricultural Network and Fair Labor Organization. The most recent outcome of this wave of codes has been the Common Code for the Coffee Community, a multistakeholder initiative of the main players in the coffee sector as a whole, although industry participation in the drafting process particularly originated from European-based MNCs.

It must be noted that there are considerable differences between the four large MNCs on the one hand, and Starbucks and Utz Kapeh on the other. The large MNCs undertake a variety of activities, including coffee, for which they altogether have a market share of approximately 40%. Nestlé and Kraft are the largest (both 13%), followed by SLDE (10%) and P & G (4%) (Oxfam, 2002, p. 25). Starbucks and Utz Kapeh are very small, more specific coffee players. Starbucks buys and roasts coffee, but operates in a niche market, particularly in specialty coffees, which it sells primarily through its own stores. Utz Kapeh is a non-profit organisation, in fact a partnership between coffee producers, roasters and NGOs, with a considerable role, particularly in the early stages, for the Ahold coffee company. It certifies mainstream coffee that has been produced in accordance with the Utz Kapeh Code of Conduct, which sets minimum standards for environmental, social and economic conditions. This market-driven initiative, which includes third-party auditing, ensures producers a higher price for a product that is produced in a better way. Per pound of certified coffee, a small, fixed fee

Table 1 Codes of Conduct Relevant to the Coffee Sector

Name of code of conduct	Year	Actor*	Further information
Starbucks Framework for a Code of Conduct	1995	MNC	Framework for a code following protest campaign by US/LEAP
Sara Lee's Global Operating Principles	1995	MNC	Outline of main ethical and legal responsibilities and norms for employees
Sara Lee's Supplier Selection Guidelines	1995	MNC	Extension of corporate principles to suppliers
Sara Lee's Global Business Standards	1997	MNC	Update of 1995 Global Operating Principles
Nestlé Corporate Business Principles	1998	MNC	Business Principles
Procter & Gamble's Values and Code of Conduct	2000	MNC	Values and Code of Conduct
Procter & Gamble's Sustainability Guidelines for Vendor Relations	2000	MNC	Extension of corporate principles to suppliers
Altria's Employment Policies and Practices	2000	MNC	Policies for employment and employees
Altria's Child and Forced Labour Policy	2000	MNC	Policy on child and forced labour
Starbucks Green Coffee Purchasing Program	2001	MNC	System to reward sustainable coffee producers (preferred supplier programme)
Sara Lee's Supplier Selection Guidelines	2001	MNC	Revised version of the supplier guidelines
Utz Kapeh Code of Conduct	2001	MSI	Criteria for the production of certified responsible coffee (for the mainstream market)
Nestlé Corporate Business Principles	2002	MNC	Revised version of business principles (also to incorporate principles of UN Global Compact)
Rainforest Alliance & Sustainable Agricultural Network's Generic Coffee Standards	2002	NGO	Outlines strict environmental and social norms that producers/cooperatives need to comply with to obtain Rainforest Alliance certification
Altria's Code of Conduct for Compliance and Integrity	2003	MNC	Outline of main ethical responsibilities and norms for employees
Utz Kapeh Code of Conduct	2003	MSI	Revised version, which incorporates new developments and insights (with EUREP)
FLO International's Fairtrade Standards for coffee	2003	NGO	To set a clear standard for fair trade to improve the position of 'marginal' coffee producers
Starbuck's Supplier Code of Conduct	2003	MNC	Supplier guidelines that build on preferred supplier programme
Procter & Gamble's Our Values and Policies	2003	MNC	Outlines values and policies
Common Code for the Coffee Community	2004	MSI	Draft code to promote and encourage sustainability of mainstream coffee (MNC industry participants: Kraft Foods, Nestlé, Sara Lee Douwe Egberts)

*MSI: multi-stakeholder initiative; NGO: Non-Governmental Organisation; MNC: Multinational Corporation

is levied to pay for Utz Kapeh's services. In view of the different nature of the organisation, it will not be examined below in the section on MNCs and codes.

The wave of codes, as shown in Table 1, reflects increasing attention to CSR in the coffee sector as a whole, and a trend towards more specific guidelines that reckon with the variety of concerns. This does not, however, mean that MNCs and stakeholders agree about (possible) solutions for the coffee crisis and related CSR problems. They share views about the main cause (overproduction) and about ways forward to improve social, environmental and conditions for coffee producers and workers (setting standards, testing their feasibility and effectiveness, and taking steps towards compliance and monitoring). But ideas about the role of MNCs as 'part of the problem and/or part of the solution' have varied considerably. If we look at the main corporate actors, their current positions stem from the (emergent) approaches they have followed over the years, which reflect different trajectories and corporate characteristics. And while policies show some convergence, divergent pathways can be observed.

Coffee MNCs and CSR

The first company mentioned in Table 1 is *Starbucks*, which was pressurised already in 1994 by a coalition of NGOs that focused particularly on labour conditions in Guatemalan coffee production. This resulted, in 1995, in the adoption of a code that aimed to improve the situation of coffee producers. At the time, it was non-binding and without sanctions, instruments the company considered to be as not yet appropriate in view of lack of information about for example wage standards (Schrage, 2004). As the first coffee company that undertook such specific CSR action, Starbucks (like Nike in the sporting goods sector) continued to be targeted by NGOs which requested stricter compliance and a move towards buying certified fair trade coffee (coffee that guarantees a minimum price to its producers). In 2000, the company announced it would start offering fair trade coffee in 2000 of its shops (James, 2000), and the amount has increased since then, also outside the US (Schrage, 2004). Overall, however, its accounts for only 1% to 2% of Starbucks' total coffee purchases (Maitland, 2004).

In addition to this fair trade coffee, Starbucks' UK managing director also mentions that the company ''pays on average $1.20 per pound'' (which is about double the market price of commodity coffee) because ''we are not interested in buying poor-quality coffee or coffee priced at a level that will not support the sustainability of the industry'' (Burrows, 2002). This second policy line is part of the preferred supplier programme which started in 2001, and which accords points (and a related small price premium) to producers for fulfilling certain environmental, social and economic criteria. The most recent initiative has been Starbucks UK's announcement to contribute $179,000 to an Oxfam rural development project in a coffee-growing region in Ethiopia (Maitland, 2004).

Compared to the niche player Starbucks, *SLDE* is a very large company that buys most of its coffee on the international mainstream coffee market through a centralised corporate unit. Although its relatively independent US branch buys a small amount of fair trade coffee, SLDE emphasises the importance of market mechanisms in assessing prices (so no minimum price, and no premiums other than for quality). The company argues that ''compensating coffee farmers for the burden of lower income by artificially paying guaranteed prices provides an incentive to over-production, while creating unwanted discriminating positions on the green coffee market'' (Oxfam, 2002, p. 59). Sara Lee adopted codes of conduct and supplier guidelines, but these were general in nature, not geared to coffee in particular, and not very specific in contents.

In 2002, SLDE became the target of NGO actions as part of Oxfam's ''Make Trade Fair'' campaign. The importance of fair trade coffee came to the fore in Oxfam's evaluation of the four large coffee companies, of which SLDE scored lowest (27 out of 100 points) (Oxfam, 2002). This judgment was based on four criteria, of which the price paid to producers weighted for 70% of the score (the other three items all accounted for 10%). The international campaign was accompanied by a concerted effort in The Netherlands, in which NGOs strongly attacked DE. In this country, where the company has the largest share of the coffee market, the 250th anniversary of the Dutch activities was used as opportunity to emphasise that ''there was nothing to celebrate''.

This whole wave of attention put considerable pressure on the company and brought about changes. SLDE engaged KPMG to evaluate the adequacy of the code of conduct, particularly the supplier guidelines, which turned out to show some problems regarding monitoring and implementation. In addition, the company started to directly support coffee quality improvement projects in producing countries, from which coffee is purchased at a higher price, and undertook activities in the framework of the 4C initiative (see the next section). In March 2004, it also announced it would start buying certified Utz Kapeh coffee, an amount of 5 million pounds initially, slightly over 4% of SLDE's Dutch volume, and to cooperate with Utz Kapeh to further certification of coffee producers (SLDE, 2004).

Nevertheless, the market mechanism and a joint industry approach remain the central pillars of SLDE policy. This emphasis on the market and the rejection of fair trade approaches also applies to other large MNCs. *Kraft* (Altria), which scored 38% in Oxfam's evaluation, stated that ''the market will find its own solution because countries and producers will be driven out of the market. Our role is on the demand side – our role as Kraft is to increase consumption'' (Oxfam, 2002, p. 59). The company also rejects intervention to control oversupply: ''We are fundamentally opposed to any scheme that intervenes on price''.

However, it supports attempts to pay higher prices based on a quality premium, for which coffee improvement projects have been set up. The most recent step taken by Kraft has been the cooperation with the RainForest Alliance to certify part of its coffee. In October 2003, the company announced it would buy 5 million pounds in the first year, and also support the development of the Sustainable Agriculture Network, and certification of local coffee producing farms (RA, 2003). Also like SLDE, its European branch has been heavily involved in the 4C initiative.

Nestlé, which received a mark of 43% from Oxfam, is different from the others to some extent because of the fact that it is especially large in soluble coffee and has a considerable number of plants in developing countries (where it has 40% of its plants and produces 55% of its Nescafé; Nestlé, 2004, p. 4). The company has traditionally had large experience with NGO campaigns in a much earlier stage in relation to the marketing and sales of breast-milk substitutes, one of its other products. These international actions led to the adoption of a code of marketing of breast-milk substitutes by the World Health Organisation already in the early 1980s. Probably due to this history, Nestlé has tended to put much emphasis on international legal norms (Schrage, 2004). This also came to the fore in its code of conduct that, different from the ones drawn up by the other three large coffee MNCs, referred to specific ILO child labour conventions and was rather explicit about monitoring and compliance. Nestlé also seems to have been more forward-looking in its approach, as shown in its 2002 letter to Oxfam (2002, p. 59): ''A few years down the road, we are going to be asked not only

Table 2 Examples of Categories in Each Dimension of the 4C Code Matrix

CATEGORY	PRINCIPLE	CRITERIA		
		Green	**Yellow**	**Red**
Social (No. 4) Right to childhood and education	Children have effective rights to childhood and education	Children's rights to childhood and education are implemented	Deliberate efforts to remove children from work and get them into education are evident	There are no measures to encourage the education of children
Social (No. 5c) Working conditions	Wages comply with national laws or sector agreements	Wages are above existing national minimum wages or sector agreements, whichever is higher	Wages comply with existing national minimum wages	Wages are below existing national minimum wages
Environmental (No. 2) Agrochemicals	Use of pesticides and the effect on human health and on the environment is minimized	Crop management (shadow, fertilization, varieties, plant density) for the prevention of phytosanitary problems is in use. Use of natural enemies and the least toxic pesticides is practiced.	Keep to FAO code recommendations regarding WHO I + II and all pesticides of low acute toxicity (reference is made to a specified list). System to minimize spraying is in place	Use of most hazardous pesticides is practiced (reference is made to a specified list). There is no system in place to minimize spraying.
Economic (No. 4) Commerce	Prices reflect the quality, including the quality of the product and the Common Code quality of sustainable production and processing practices	The qualification process to establish a relationship between quality and price is established and quality is rewarded by a freely negotiated margin as agreed by the direct business partners	A qualification process to establish a relationship between quality and price is developed and tested by direct business partners	There is no evident relationship between quality (product and production) and prices
Economic (No. 5) Supply chain	The coffee is traceable from 4C unit to cup (chain of custody)	Identity preservation is ensured by written standardized documentation	Documentation methods to trace the coffee along the chain have been developed	Coffee is not traceable below export level

Source: CCCC (2004, 14–19)

if we have maximised short-term shareholder value, but also some other, more difficult questions. Among them will certainly be: What have you done to help fight hunger in developing countries?''.

The company has also been most explicit about the negative aspects of the low coffee price, which is seen as bad for farmers and for Nestlé. This is related to Nestlé's strong position in soluble coffee, a manufactured product with relatively high fixed costs and added value compared to regular (roast-and-ground) coffee. While the latter can easily follow low market prices, this is more difficult for Nescafé, which is actually most competitive if the coffee price is high (Nestlé, 2002). The company has supported coordinated mechanisms, also through the ICO, something rejected by the other three coffee MNCs.

Like Kraft and SLDE, Nestlé has cooperated in the 4C initiative, and disfavours fair trade coffee. While seen as ''useful in benefiting a relatively small percentage of farmers and allowing some consumers to express their views'', it also notes that ''if (the higher) Fair Trade prices were to be applied on a broad level, it would motivate farmers to grow more coffee, ultimately lowering the price of coffee beans even further'' (Nestlé, 2002). Partly thanks to its location in developing countries, Nestlé has been most active in buying coffee directly from farmers, amounting to 14% of its total procurement in 2002. The average price paid by the company was $0.97, while local traders paid between $0.35 and $0.50 (Nestlé, 2004, p. 33).

P&G, finally, the smallest coffee company of the large roasters, is mainly oriented at the US market (particularly with its brands Folgers and Millstone). Presumably related to this, it has stayed out of the 4C initiative altogether, as the only 'big four' company, even though it expressed its willingness to ''work with reputable organizations that can help to provide long-term solutions'' to the coffee crisis (Oxfam, 2002, p. 59). In the Oxfam ranking, the company scored 49%, particularly due to its position on fair trade coffee.

In September 2003, P&G announced it would start with fair trade coffee through its Millstone brand (''Mountain Moonlight Fair Trade Certified''). It involves an amount of approximately 2–3 million pounds per year. With this move, the company is said to aim for an increased market share in specialty coffees, the only segment in the US coffee market that still exhibits growth. Within the specialty coffees (which amount to $8.4 billion out of the total $19.2 billion US market), fair trade (a size of $100 million) is the fastest growing segment (Horovitz, 2004).

The analysis of the coffee MNCs in relation to CSR shows the dynamics over time as the pressure, particularly from NGOs, increased. Emergent strategies have characterised MNC responses, but they seem embedded in and linked to the respective company peculiarities. A convergence of views and approaches could be noted to some extent, in the direction of coffee improvement programmes and the willingness to pay higher prices and price premiums for better quality. US-based companies have been most willing to buy small amounts of fair trade coffee. Particularly European-based companies have been very active in a joint initiative for the mainstream coffee market, the Common Code for the Coffee Community.

The Common Code for the Coffee Community

The Common Code for the Coffee Community is the most obvious illustration of a convergence of views in the coffee sector, not only between the MNCs, but also with other stakeholders. Started in 2002 by the German Coffee Organisation and the Germany Agency for Technical Cooperation, 4C ''aims at enabling social, environmental and economic sustainability in the production, post-harvest processing and trading of 'mainstream' green coffee for all actors along the coffee chain, and will support long-term development with continuous improvement'' (CCCC, 2004, p. 2). The negotiations, which resulted in a draft code in September 2004, involved producers (federations from a range of coffee producing countries), trade and industry (including Kraft, Nestlé, SLDE and the European Coffee Federation), NGOs and unions from both developed and developing countries, and others (international organisations such as ICO, World Bank and ILO, Utz Kapeh, ministries and other labelling, research and action groups). Legal advice has also been sought in the process to ensure that competition rules would not be infringed.

The basic components of 4C are the unacceptability of some production, processing and trading practices, and for the other practices, the introduction of a 'code matrix' to assess their sustainability performance. The 'unacceptables' encompass the ''worst forms of social, environmental and economic practices'', defined on the basis of international conventions and declarations (such as ILO, OECD, UN) (CCCC, 2004, p. 12). Examples include the worst forms of child labour, bonded and forced labour, forced eviction, failure to allow trade union representation and access to potable water for workers, and use of banned pesticides.

As to the second element, sustainability performance for the producing units is assessed through a so-called 'traffic light system' in which practices labelled as 'red' must be stopped, the 'green' ones are desirable, while 'yellow' signals the need for improvement within a certain period of time. This scoring system is applied to the social, the environmental and the economic dimensions, each of which consists of different categories.[1] Table 2 gives a few examples for each dimension. To qualify as 'Common Code coffee' and to allow marketing as such, a score 'average yellow' is necessary. This means that red practices are (temporarily) acceptable, but only if outweighed by at least a similar number of green ones in the same dimension.

The code also pays considerable attention to verification of compliance and auditing. Producing units can enter the 4C-system after a self-assessment, which is seen as ''a declaration of having received, read, understood and accepted the relevant documents as well as having excluded all 'unacceptable practices''' (CCCC, 2004, p. 7). This will then be followed by, *inter alia*, a request for an external implementation audit. Independent third-party verification is seen as a crucial element of 4C, a system that must be simple but credible. This is, however, one of the things that needs further elaboration and development, for which pilot projects and testing are required, as well as sufficient political and financial support for the 4C initiative as a whole.

Because despite broad support from different actors for the code as such, there is considerable scepticism and doubt regarding its viability as a reliable and good system for ensuring more responsible and sustainable coffee production. NGOs expect concrete and serious steps on the part of the coffee MNCs, to show that the code represents more than just good intentions on paper. In response, and in recognition that 4C might be the best (or only) way to move forward in a concerted and thus least 'damaging' manner, particularly the large MNCs are, in the meantime, taking first steps. They are trying to bring existing coffee improvements projects into the framework of 4C, and thus enable pilot testing of the code matrix, auditing and verification. The expertise of certification bodies such as Utz Kapeh is sought in this process. In addition, relationships are being established with development organisations to join forces and link existing or new projects in developing countries to serve both sustainability and poverty-reduction purposes. It obviously remains to be seen if and how this will work out.

Crucial for the future of 4C is also the position and involvement of the producing countries. In the ICO, countries such as Brazil and Indonesia have expressed strong doubts about the need for the initiative, which they have labelled a 'buyer code'. They have objected against the obligations for the producers, the bureaucracy and costs involved and the possible emergence of a 'two-tier' market, with different types of coffee (and related prices). At the political level, therefore, consuming countries and trade and industry federations will need to undertake considerable activity as well to create sufficient support for the code. This even leaves aside some other serious problems not touched upon by 4C yet, such as the fate of those (very small) farmers who will not be able to move towards certification, and the shake-out of coffee producers that all this seems to inevitably entail (unless demand for coffee explodes).

Conclusions

The past decade has witnessed a large number of NGO campaigns, and consequent MNC and stakeholder activity to improve the situation for (small) coffee farmers and their families. Attention has focused on the large coffee MNCs, in view of their important position in what has become a buyer-driven commodity chain. A dynamic development could be observed, in which CSR initiatives, particularly codes of conduct, were developed, although the majority of these remained rather general and not very specific in contents.

With ongoing pressure, companies have also started to undertake more targeted activities aimed at improving coffee and paying higher prices. Starbucks and P&G, for which niche activities fit in with their strategies, are buying relatively small amounts of fair trade coffee. Larger mainstream players such as Kraft and SLDE have started to buy some certified coffee, paying extras for higher quality plus certification activities, while Nestlé, which has production plants in developing countries, directly procures coffee from farmers at a considerably higher price than they would have received otherwise.

At the European institutional level, these different, smaller steps have been accompanied by a broader attempt to move towards more responsible and sustainable mainstream coffee. The 2004 Common Code for the Coffee Community provides a basic framework for such a system, but it awaits further elaboration, support, commitment and concrete implementation (pilots). Moreover, even if successful, a considerable number of difficulties remain, of which the extension from European-based to other (US) companies seems to be a relatively modest one.

A major problem is the fact that the low coffee prices are after all caused by overproduction, and that a quality improvement of coffee (production conditions) and concomitant higher prices will not solve that situation. In the end, if coffee consumption does not explode, some producers will have to withdraw from the coffee market and switch to other crops or economic activities. Such a change-over is, however, very difficult in view of tariff barriers, subsidies, and protectionist policies in Europe and the US in general. In addition, given that certification and quality improvement is usually easiest and most profitable for larger coffee producers, it will be the smaller producers who will not be able to make this transition and therefore likely to lose out. In the interim, especially the tinier individual producers face the challenge of obtaining sufficient mass (for example, through the creation of cooperatives) to become a reliable trading partner for commercial buyers. A large number of unresolved issues will thus remain, even if 4C obtains sufficient support.

In spite of all these problems, 4C is an interesting initiative, because it shows the possibility of translating somewhat converging views on a worldwide problem into an agreement in which all parties have been involved. Such an approach, in which producing and consuming countries, as well as companies and NGOs have been brought together, has also been followed in another case, the conflict diamonds (the Kimberley process). The Common Code for the Coffee Community illustrates that, compared to the situation that existed shortly after the collapse of the international coffee agreements, steps have been taken.[2] This has led to a much more shared recognition of the problem, also by corporate players that acknowledge their role and responsibility in helping find solutions. The route towards a more sustainable and equitable coffee production, nevertheless, still seems to be a long and complicated one.

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Notes

1. For the social dimension, the categories are freedom of association (No. 1), freedom of bargaining (2), discrimination (3), right to childhood and education (4; included in Table 2), working conditions (5a, 5b, 5c – included in Table 2, 5d, 5e), capacity and skill development (6a, 6b), living conditions and education (7a, 7b). For the environmental dimension, they are biodiversity (1a, 1b), agrochemicals (2, included in Table 2), soil fertility (3a, 3b, 3c), water (4a, 4b), waste (5), energy (6a, 6b). For the economic dimension, finally, the categories are market information (1), market access (2), quality (3a, 3b), commerce (4, included in Table 2), supply chain (5, included in Table 2).

2. One might be tempted to draw a parallel with textiles, where the international quota system expired on 31 December 2004, and similar fears exist as to increased supply (particularly from China) and crowding out of smaller producers (from other countries). Compared to coffee, however, NGO actions, particularly on (child) labour conditions, and CSR emerged much earlier in textiles. It is nevertheless interesting to see that similar discussions about the extent to which consumers are willing to pay more for better products (produced under better conditions) have come up. A recent World Bank study among fifteen large US and European buyers seems to indicate that they value Cambodian garments for the better labour conditions, and plan to continue (or even increase) purchases from that country. Cambodia was forced in this direction under a 1999 bilateral agreement with the US.

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