Sustainable Coffee in Colombia: Challenges Beyond Prices

Solidaridad Report for the Sustainable Trade Platform
February 2019

Special thanks to the members of the Sustainable Trade Platform in Colombia who gave their generous support and information for the elaboration of this report.

Main authors: Carlos Isaza and Francisco Bustamante
Editor and contributor: Joel Brounen
Translator: Carolina Mayda
Graphics: Mauricio Galvis
In the last 20 years, the coffee supply chain has worked with a number of different strategies to increase sustainable production, thereby prioritizing the implementation of Voluntary Sustainability Standards (VSS). Colombia, in particular, has led the way in terms of production volume as well as new sustainability initiatives, and thanks to the commitment across the whole industry, the country has been one of the most advanced in terms of achieving higher volumes of production and sales of VSS compliant coffee.

This document presents the current figures on the production and sales of sustainable coffee in Colombia. The sector data were consolidated and cross-referenced by Solidaridad from a number of primary and secondary sources and is largely based on estimates\(^1\). This report also analyzes challenges and opportunities to further foster sustainability and create a collective impact in the sector. Lastly, this report offers some recommendations regarding investing in sustainability.

The proposed ideas are based on our longstanding collaboration with relevant stakeholders in the supply chain in Colombia, which are part of the Sustainable Trade Platform (comerciosostenible.org) and who believe this non-competitive collaboration in the coffee sector can increase sustainable production.

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\(^1\) More accurate information is not always available due to restriction on data sharing.
Companies foster sales of sustainable coffee, but gap continues

Sales of sustainable coffee have been boosted by private standards. Starbucks and Nespresso alone make up 40% of the total sales volume of sustainable coffee (figure 3). Many coffee-roasting companies have decided to design their own standards and offer tailor-made technical support to ensure these company-specific criteria are met. It is important to point out that these private mechanisms have much potential of becoming supply chain partnerships with closer client-provider relationships. Being able to work with a cluster of coffee-growers in the long-term can be strategic in addressing more complex sustainability challenges that require prolonged support in order to succeed in structural changes.
In recent years, numerous private programmes have emerged, such as for example the ones managed by S&D, Farmer Brothers, Nescafé Plan, Lavazza and Illy.

These tailor-made programmes aim to focus on the most relevant sustainability issues and are geared according to the needs of the coffee-grower and the market conditions for their coffee. Many of these programmes have a long-term planning, operate in a single region, and focus on a specific group of coffee-growers. Some programmes have already carried out impact assessments and the first reports show significant progress. Company-specific programmes can now be considered as a growing trend.

In recent years, multiple export companies have consolidated technical teams who work with coffee-growers in incorporating sustainable practices. The majority of exporters now have sustainability departments that manage information and monitoring systems, which are key when it comes to defining strategies for producers’ support.

### Figure 3. Volume of coffee sold as VSS certified or verified, according to programme

<table>
<thead>
<tr>
<th>Programme</th>
<th>60kg bags of green coffee beans</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2017</td>
</tr>
<tr>
<td>Nespresso AAA</td>
<td>300,000</td>
<td>320,000</td>
</tr>
<tr>
<td>Starbucks – CAFE Practices</td>
<td>646,306</td>
<td>1,463,000</td>
</tr>
<tr>
<td>4C</td>
<td>427,614</td>
<td>547,778</td>
</tr>
<tr>
<td>Rainforest Alliance</td>
<td>334,283</td>
<td>715,533</td>
</tr>
<tr>
<td>UTZ</td>
<td>340,949</td>
<td>576,583</td>
</tr>
<tr>
<td>Fair Trade</td>
<td>310,533</td>
<td>300,000</td>
</tr>
<tr>
<td>Organic²</td>
<td></td>
<td>99,167</td>
</tr>
<tr>
<td>Total</td>
<td>2,359,685</td>
<td>4,022,061</td>
</tr>
</tbody>
</table>

² There are no data available on organic coffee production for the year 2014.
The integration of large companies in the chain will have an impact on sustainability decisions.

With the most recent mergers, acquisitions and alliances, there is a new map of stakeholders in the coffee market. The balance of leadership in the roasting companies has changed, particularly due to the high concentration of companies and brands in acquisition by Jacobs Douwe Egberts (JDE), and to Nestlé’s deal to market the Starbucks ready-to-drink products. These movements have adjusted, through the supply chain relationships, preferences for the type of provider, quality, origin and negotiating conditions.

It is expected that the market outlook for Voluntary Sustainability Standards will change. There is uncertainty about the continuation of agreements within sustainability programmes run by the leading roasting companies. The question now is whether the leading companies will continue to support the traditional VSS already in place, prefer their own model, or new corporate sustainability programmes. Within this context, it is expected that the direction for sustainability programmes is a decision made by roasting companies rather than by the end consumers. As a consequence, there are significant changes expected in the demand for certified and verified coffees in the coming years.

The merger of UTZ and Rainforest Alliance, both well renowned standards in the coffee industry, can potentially take leadership in responding to various segments of the market. Response from buyers of these VSS certified coffees and the effect on the aggregated demand is still to be seen in the next two years. A consultation process for an improved model by Rainforest Alliance could turn out beneficial, when focusing on results and taking into account set-backs of the existing certification models.

Although there is still a long way to go, the efforts of many coffee-growers, exporters and buyers to integrate sustainability in their business models cannot be ignored. While we are in the midst of redefining the sustainability approach by paying more attention to commercial viability for the producer, it is important to capitalise on the progress made so far by coffee supply chain stakeholders.
In the current context of low prices and fierce competition, the coffee chain in Colombia must work on the incorporation of sustainable practices to enhance the long-term competitiveness of coffee growers.

More differentiated pricing of coffee is key to ensure the economic sustainability of farmers and to internalise environmental and social costs. However, the implementation of sustainable practices should not depend on price fluctuations, instead it should be complemented with other mechanisms.

A complementary and effective business strategy for farmers is to apply good agricultural practices to enhance resilience and long-term production performance.

Examples of this approach include (but are not limited to): planting shade trees in coffee plantations; intercropping to contribute to food safety and income diversification; enhancing biodiversity at farm level; and incorporating soil conservation.

The implementation of practices to improve work and safety conditions should also be considered as a priority to motivate employees and their families to stay in the coffee business and enable sustained growth. When good agricultural practices are implemented just to meet the market requirements, they are often poorly implemented and miss their true potential in the medium and long term. In many cases, it has been demonstrated that farms increasing productivity do not necessarily lower production costs.

Long-term sustainability programmes must be undertaken with an eye on improving the impact of investments. In this sense, the further vertical integration of producers and commercial partners, such as the establishment of long-term contracts is crucial. It is a positive development that initiatives of many roasters in Colombia now go beyond the implementation of specific projects to address reputation-related questions.

It is necessary to further work on more tailored interventions that address local restrictions, generate early victories and awaken the interest of coffee growers in a more result-based approach. On-farm investments have more impact when made from a cost-benefit approach rather than from a standard-compliance approach.
5 Recommendations

When proposing solutions and improvements, it is important to join existing collective efforts and understand that no single actor has the resources to single-handedly increase sustainable coffee production and sales. An approach based on continuous improvement and non-competitive collaboration will be more effective to address these common problems.

While the Voluntary Sustainability Standards system will continue to be a vehicle for increasing sustainable production, other opportunities arise for the Colombian market, such as:

1. **Focusing efforts.** Most relevant areas to grow sustainable production include (i) soil management and conservation, (ii) improvement of financial viability of family-run coffee growing, and (iii) improvement of labour conditions of workers. Tackling these critical issues will increase the effectiveness of sustainability investments. This means involving more efficient and robust public and market-related incentives, more favourable price mechanisms and the need to invest.

2. **Going beyond premiums.** The coffee price and/or premiums alone do not guarantee on-farm investments to enhance sustainability. Differentiated pricing can have a positive impact on profits, though the additional income in many cases is not invested in the sustainability of the farm. Having an effective price mechanism in order to internalise social and environmental costs, supported by sustained investment in specific projects and complemented by innovative technical support programmes, could be a winning formula in tackling global sustainability challenges. A combination of creativity, collaboration, and the willingness of institutional stakeholders to support an integrated work package of prices, investments and technical support will be crucial in securing success.
Empowering of coffee communities. Through self-management and communitarian empowerment, coffee producers can tackle regional issues, generate more value as well as to solve local problems which impact on sustainable production. Communities are best situated to understand and act towards local issues. They have untapped potential to work alongside companies in managing available resources invested in more sustainable production. Top-down designed projects often mismatch the needs of coffee producing communities. Value generation should be a result of more resilient coffee producers combined with applied production models that use the perceived benefits for the producers as a starting point.

To conclude, in order to improve and to strengthen sustainability programmes it is crucial to develop, test and implement innovative and ambitious proposals in which all stakeholders in the coffee supply chain can add value. The Sustainable Trade Platform (comerciosostenible.org) offers an effective mechanism for collective impact and has demonstrated to be a trusted facilitator to enhance different sustainability approaches within the coffee sector in Colombia.