An explorative study on the coffee industry and the role of its Voluntary Sustainable Standards.

Master thesis – Spring 2019
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To mom and dad. Thank you for everything. For the opportunities you gave me and my brother, to allowing me to try and fail. Thanks for always be there when I need it. Thank you for making me feel proud to be the man I am becoming. Without you, none of this would be possible.

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To my friends. You shared with me an amazing time and I am happy to have you by my side in this crazy adventure. Cheers to you.
Abstract

The thesis project was developed to analyse and explore in depth the today’s condition of the coffee industry. The goal is to portray a study that includes the major issues identified in the coffee industry. In the specific, many information were gathered upon the role of Voluntary Sustainable Standards within the industry and in addition, a focus was given to study how standards and certification affect the coffee value chain and its actors.

In order to do so, the project was developed by applying qualitative methods. The study was mainly advanced through desk research needed to gain a better knowledge of the industry and its existing trends, as well as interviews, necessary to provide an interpretation of an insider point of view on the analysed issues. To begin with, the theoretical framework of the industry was studied, including Global Value Chain and Global Commodity Chain. Consequently, a focus was given to the concept of governance and how it shapes the industry and the relationship within it. From this starting point, the analysis of the role of Voluntary Sustainable Standards was carried out. Interviews were conducted with different actors among the coffee industry, but the major focus was given to 4C Service, owner of the Common Code of Conduct for Coffee Community, and Fairtrade International Label. Those certificates are one of the most used certification bodies among coffee producers; therefore, their observation is important to understand, explore and interpret the point of view of insiders towards specific issues.

One of the reasons that brought the development of the thesis was the lack of an inclusive study on the topic of Voluntary Sustainable Standards, especially with the goal of portraying a picture of the existing situation and promoting the position of certification bodies, and finally collecting issues related to the industry. What was discovered is that the presence of Voluntary Sustainable Standards affects the coffee industry and its participants. Positive effects are received by leading firms in developed countries who see a reduction of asymmetry information, higher control on producers and their processes, and finally higher quality of the green beans, while smallholders and coffee producers are perceived to receive positive-negative effects. The presence of VSS affect positively the coffee producers as many of them are initiated to sustainable practices, from the social aspect to the environmental ones. On top of it, coffee producers have the chance of entering international trade and consequently obtaining a premium price for their sustainable coffee. What was also discovered is that VSS are becoming a sort of default condition for producers within the coffee industry, which can enforce an inclusion/exclusion condition for producers who are not able to comply with certification schemes.

Concluding, from the interviews with 4C Services and Fairtrade International, also other interesting insights were promoted such as the presence of a proliferation of VSS, lack of studies regarding the trade-off between the compliance with the standards and the return on the investment from their application, and finally a possible lack of demand for sustainable coffee.
## Table of Contents

1. Introduction ........................................................................................................................................... 7  
   1.1 Problem formulation .......................................................................................................................... 8  
   1.2 Research Question .......................................................................................................................... 11  
   1.3 Thesis structure ............................................................................................................................... 12  

2. Methodology .......................................................................................................................................... 14  
   2.1 Research Approach ......................................................................................................................... 15  
   2.2 Philosophy of Science ...................................................................................................................... 16  
   2.3 Research design ............................................................................................................................... 18  
   2.4 Research Methods and Data Gathering ......................................................................................... 20  
      2.4.1 Specific Source of Information ................................................................................................. 21  
      2.4.1.1 4C Service, Code of Conduct for Coffee Community ......................................................... 22  
      2.4.1.2 Fairtrade International Label ............................................................................................... 23  
      2.4.1.3 Global Coffee Platform ........................................................................................................ 25  
      2.4.2 Data Gathering .......................................................................................................................... 25  
   2.5 Triangulations .................................................................................................................................. 26  
   2.6 Credibility and Trustworthiness ....................................................................................................... 27  
   2.7 Limitation ......................................................................................................................................... 29  

3. Theoretical Background ....................................................................................................................... 32  
   3.1 Global Commodity Chains .............................................................................................................. 33  
   3.2 Global Value Chain .......................................................................................................................... 35  
   3.3 Coffee Value Chain Analysis and Theories Contextualization ....................................................... 38  

4. Analysis of Voluntary Sustainable Standards ...................................................................................... 42  
   4.1 Coffee industry background .......................................................................................................... 42  
      4.1.1 Activities within the coffee value chain .................................................................................... 44  
   4.2 Sustainable Issues and Existing Problem in the Coffee Industry .................................................. 46  
   4.3 Voluntary Sustainable Standards .................................................................................................... 50  
      4.3.1 Top five Voluntary Sustainability Standards ........................................................................... 51  
      4.3.2 The benefit of Voluntary Sustainable Standards for the coffee industry ............................. 53
4.3.3 The role of Voluntary Sustainable Standards for coffee producers in developing countries. 56

4.4 Not well-discussed issues and limitation of the VSSs. The position of 4C Service and Fairtrade International Label... 60

4.5 Chapter summary................................................................. 66

5. Conclusion.................................................................................... 68

6. Discussion.................................................................................... 71

7. Reference list................................................................................ 74

8. Appendix...................................................................................... 80
List of Tables

Table 1. Levels of Methodology ................................................................. 15
Table 2. Philosophy of Science ..................................................................... 16
Table 3. Actors and activities in the coffee value chain ...................................... 45
Table 4. Main issues related to the smallholders' side of the coffee industry ............... 49
Table 5. Data of the top five-certification provider within the coffee industry .............. 53
Table 6. 4C Code of Conducts and Unacceptable Practices ................................... 59

List of Figures

Figure 1 - Worldwide map of Coffee Importers and Exporters ................................. 8
Figure 2 - Growth of Voluntary Sustainable Standards literature ................................ 19
Figure 3 - 4C Service Logo ........................................................................ 22
Figure 4 - Fairtrade International Logo .................................................................... 23
Figure 5 - Global Coffee Platform Logo ............................................................... 25
Figure 6 - Producer-drive and Buyer-driven Commodity Chains ............................... 35
Figure 7 - Global Value Chain Governance ........................................................... 37
Figure 8 - Coffee drying rack in Peru ................................................................... 44
Figure 9 - Coffee Value Chain ........................................................................ 45
Figure 10 - Removing impurity through the wet process in Burundi ........................... 57

List of acronyms

4C  Code of Conduct for Coffee Community
AMECAFE  Asociacion Mexicana de la Cadena Productiva del Cafe
FLO  Fairtrade Labelling Organization
GCC  Global Commodity Chain
GCP  Global Coffee Platform
GVC  Global Value Chain
ICA  International Coffee Agreement
ICO  International Coffee Organization
ILO  International Labour Organization
ITC  International Trade Centre
ME  Managing Entity
RA  Rainforest Alliance
VSS  Voluntary Sustainable Standards
1. Introduction

Thrived by the desire to explore and understand the complex aspects behind the coffee industry, this research paper attempt to walk around the dynamics of the industry and gain useful insights on the factors that lead the world of coffee. One of the first aspects that will be analysed is the global value chains and the importance it has for its actors as well as its structures within the context of coffee. Therefore, other topics related to the GVC will be significant for the development of the thesis. In this sense, space will be given to the concept of governance, introduction to the idea of upgrading through the global value chain as well as the economic expansion of developing countries involved in the GVC (Gereffi, 1999; Gereffi, Humphrey, & Sturgeon, 2005; Gereffi & Lee, 2014, 2015; Muradian & Pelupessy, 2005).

Those aspects will be analysed and studied by taking into consideration the role of Voluntary Sustainable Standards (VSS) and how their presence affect and influence the activities of the actors in the coffee industry. In this paper, different elements will be studied and to conclude thoughts and reflection will be written based on this study. The topics and the theories chosen for the development of the thesis are aligned with the core objectives of Master in Innovation Knowledge and Entrepreneurial Dynamics. Topics linked to the development of countries as well as the positioning of different actors in a global setting have their relevance in the context we live in, therefore it is understandable the desire to comprehend existing problems as well as thriving to seek a solution for such issues.

For the developing of this paper, a great focus on the coffee industry will be provided. The selection of these topics and the choice of focusing on these subjects lay on the fact that this commodity has a global presence and its production affect transversally millions of people worldwide. Coffee is a truly global commodity and in its final form, is one of the most consumed beverage around the world (European Coffee Federation, 2019). Its production and the “value-added, [is created by] networks of producers, traders and service providers” transcend borders (Muradian & Pelupessy, 2005; Pelupessy, 2007, p. 2). Therefore, the goal of this study is to contribute, even if in small part, to the literature by promoting a comprehensive and explorative study on the coffee industry, identifying issues, discovery and interpreting the position of different actors on those problems that affect the coffee value chain.

On a daily basis, around 2.25 billion of cups of coffee are sold and consumed all around the world, making this beverage very interesting and relevant as it affects a variety of people (Ponte, 2002b, p. 1). Before arriving in the hands of the consumer in the shape of a cup, coffee production needs time and many different activities need to be processed. Plantation of the seeds, cultivation, processing (picking and drying) and trading, roasting, packaging and finally marketed by importers in a variety of shapes: coffee powder, capsules, roasted beans
and soluble coffee. The coffee plant or *Coffea* is a relatively small blossoming plant native of tropical environments. This crop can be found in around 60 countries and account for 25 million smallholders worldwide (Pelupessy, 2007, p. 2), which divide their production in two main crop cultivation: Arabica and Robusta. This segmented production is structured as follows: 65,51% Arabica and 34,49% Robusta (Colombo & Tirelli, 2006, p. 8).

![Figure 1 - Worldwide map of Coffee Importers and Exporters. Retrieved by International Coffee Organization (2019).](image)

The majority of the coffee plantations are located in Central and South America, Africa and South East Asia, where the global production is concentrated for around 65% in only five countries: Brazil 32%, Vietnam 11%, Colombia and Indonesia 9%, and Mexico 4% (Colombo & Tirelli, 2006, p. 11). Taking as a reference the International Coffee Organization (2019), Figure 1 represents the worldwide situation of importers and exporters countries related to the coffee industry; showing the clear distinction between the two hemispheres and providing visual insight on the consumption patterns and the relative North-South relations (Ponte, 2004a, p. 2).

After having highlighted generally the situation of the coffee industry, in the next subchapter, a more clear explanation on the reasons that brought the development of the thesis will be provided. Furthermore, the research questions and the structure of the thesis will be analysed and delivered to the reader.

### 1.1 Problem formulation

As shown in Figure 1, a quite impressive separation and distinction between developed and developing countries are present in the coffee industry. This separation, in most of the case, is not only a matter of
geography but frequently lays on a division regarding incomes, technologies and growth opportunities for the actors involved in the global value chain. In relation to the coffee industry and aspects linked to its sustainability, three challenges have been identified (International Coffee Organization, 2014) and labelled as delicate for the well-being of the industry.

- Sustainable economic development,
- Social sustainability,
- Environmental sustainability.

Those three aspects represent the main issues and the main problems that producers and other actors included in the coffee industry have to face on a daily basis. Problems of economic development can be linked to the profitability and long term productivity; skills development and training as well keeping track of every economic activity (4C Service, 2018; International Coffee Organization, 2019; International Trade Centre (ITC), 2018). On the side of social sustainability, problems are linked to discrimination, child labour, rights of association and other working conditions (4C Service, 2018; International Coffee Organization, 2019; International Trade Centre (ITC), 2018). Finally, environmental issues are related to the conservation of biodiversity, use of pesticides, water wasting and soil conservation (4C Service, 2018; International Coffee Organization, 2019; International Trade Centre (ITC), 2018). It is necessary to acknowledge these problems for their relevancy in the coffee industry as well as within the coffee value chain but it is also needed to label them as very relevant for today’s global situation.

In the specific, the role of the global value chain will be studied, as it is the medium through which the coffee industry is shaped. Many actors – starting from small farmers in developing countries, local organizations who manage prices and trade, traders and importers – are present, and in each step and they contribute to the creation of new added-value of the coffee bean (Muradian & Pelupessy, 2005). The leading firms, who are on the top of the chain, usually manage complex transactions and relations; hence, MNEs have a high degree of power, control and responsibility towards actors under their lead. In the same way, the leading firms shape and control the way the industry operates, also customers affect the industry by imposing which product they prefer to consume. In this sense, the interest of consumers has moved towards issues of sustainability and the recognition of issues related to eco-friendly production (Ponte, 2004a).

On this matter among the Coffee Value Chain, leading firms require standards, good practices and code of conducts to be matched and followed. Through them, companies, roasters and producers declare and make clear that they are rejecting and eliminating dangerous practices in their business such as child labours as well as environmental protection and minimum wages guaranteed. On top of those quality requirements that are promoted by leading firms and other actors in the high-end of the coffee value chain, other practices became very common among smallholders and producers. These practices are represented by the application of many new Voluntary Sustainable Standards codes, developed especially for producers. As reported by many scholars, this situation creates the condition for a multitude of actors to undertake a production that follows specific standards of quality and certification of sustainable processes (Chiputwa, Spielman, & Qaim, 2015;
NGOs, private organizations and institutions develop standards that have to be followed and detailed characteristics that a farm producing coffee has to have. In return, farmers who produce under these conditions have higher quality coffee, are enabled to ask for higher prices for each bags of coffee, can enter more easily in the scenario of international trade and consequently can gain higher margin and achieve better condition (Ponte, 2004a; Samper & Quiñones-Ruiz, 2017). While is understandable and undeniable that the application of good practice can affect positively the quality of the coffee production, it is really interesting how other problems are not on the radars of certification bodies. The massive presence of Voluntary Sustainable Standards, have been perceived to affect heavily the actors of the coffee industry, also in negative ways (Hansen, 2019). Even if the list of problems related to the coffee industry, especially on the producers’ side, is quite large (see Chapter 4.2), many authors failed in acknowledging the problem of access to the global market as a relevant issue. The fact that many standards and certification are becoming very popular among producers may imply the exclusion of all the coffee producers who are not able to comply with the standards or cannot afford the audit of certification bodies from the international coffee trade (Zimmer, 2019).

Many studies and authors have clearly stated that is very hard to declare and promote a clear and direct relationship between the financial well-being of smallholders and producer with the utilization of Voluntary Sustainable Standards (Barham & Weber, 2012; Beuchelt & Zeller, 2011; Haggar, Soto, Casanoves, & Virginio, 2017; Ibanez & Blackman, 2016; Kleemann, Abdulai, & Buss, 2014). As the presence of a voluntary system of certification is becoming more and more relevant among the coffee industry and due to the fact that coffee is a source of revenue and support for millions of people around the world (Pelupessy, 2007, p. 2), a more reflective study is necessary.

As reported by different authors (May, Mascarenhas, & Potts, 2004, p. 1; Samper & Quiñones-Ruiz, 2017) it is “somewhat surprising” how little focus and consideration has been given to the voluntary sustainable standards and their part in advancing and promoting sustainable conditions for the coffee production. Many studies has been advanced in analysing the organisation of the coffee production and the condition of the industry (Bamber, Guinn, & Gereffi, 2014; Gereffi et al., 2005; Giovannucci & Koekoek, 2003; International Coffee Organization, 2019; International Trade Centre (ITC), 2018; Lee & Gereffi, 2015; Pelupessy, 2007; Ponte, 2002b, 2004a). However, the literature regarding the certifications and standards system of the coffee industry is not so broad and well structured (Giovannucci & Koekoek, 2003; May et al., 2004; Ponte, 2004a; Samper & Quiñones-Ruiz, 2017). Therefore, from this lack of focus on the Voluntary Sustainable Standards, the need to develop a paper that included an exploration of different studies that have been advanced on the issues related to the coffee industry and in addition to that, the inclusion of interviews with certification providers to promote an interpretation of an insiders point of view.
For the development of the thesis, a number of certifications will be explained - Utz Kapeh, Organic, Fair Trade, Rainforest Alliance and the 4C Code. The selection of such, lays down the fact that those certifications are the ones that have a higher number of applications and recognition in the coffee industry, and consequently the ones that have the highest impact (Chiputwa et al., 2015; International Coffee Organization, 2014; Muradian & Pelupessy, 2005; Ponte, 2004b). After the explanation of each certificate, it is the idea of the project to explore in the specific, the role of two of the most used certification bodies: 4C Services and Fairtrade International Label. The information regarding the two VSSs were retrieved through desk research as well as by conducting interviews. The goal was to explore and interpret the position of different certificates towards issues that are not well recognized within the coffee industry.

Overall, the goal of the thesis is to promote an inclusive study on the coffee industry and on the role of Voluntary Sustainable Standards. In the specific, the project includes an explorative study on the above-mentioned topics and it will be focused on issues that are often not mentioned in the literature. Consequently, the aim is to contribute to the existing body of literature by providing new understanding and insights into the coffee industry and its voluntary certification system.

1.2 Research Question

Different scholar (e.g. Ponte and Sturgeon, 2014; Lee & Gereffi, 2015) identify in their study the role of the governance inside the GVC as a medium to set rules and norms. Based on this point of view, it is possible to understand that actors participating in the coffee value chains have to follow and match detailed parameters that lead firms set. In addition to the above-mentioned code of conducts, other parameters set by external organization affect the life of coffee producers such as the presence of Voluntary Sustainable Standards.

As will be explained later, standards and certifications have the goal of improving the condition of producers and their productions as well as facilitating in meeting the leading firm's basic requirements. Consequently, different certifications affect different aspects of the life of smallholder in developing countries. What is less known and often not taken into consideration is the double action of standards. In one hand, Voluntary Sustainable Standards create opportunities for producers but at the same time, represents a form of market barriers for those smallholders who are not able to comply with standards and not able to achieve them (Samper & Quiñones-Ruiz, 2017; Zimmer, 2019). The coffee cultivation as briefly highlighted above is carried out mainly by nations in developing countries.

What unites them is usually the presence of not a great working condition as well as not advanced technological development. Consequently, by following the theoretical framework (Gereffi & Fernandez-Stark, 2016; Gereffi & Lee, 2014), the role of the GVC in international trades is to benefit countries that participate in it, in the process of improving their condition: socially, economically and technologically.
Based on a value chain analysis, it is the goal of the project to increase the knowledge around the role of Voluntary Sustainable Standards and to provide useful insights on a bigger world such as the one of the coffee industry. The research is then developed to answer to two complementary but yet distinct research questions. The two questions have the same weight on the project and are used to provide a picture on the world of coffee and its certification system. The first is advanced to promote a better understanding of the Voluntary Sustainable Standards and their role on the actors of the coffee industry. The second research question aims to identify the position of two of the most used standards on not well-discussed issues. To do so, the following research questions are proposed:

*In the context of the coffee industry, how the Voluntary Sustainable Standards affect its actors?*

After having promoted an inclusive and explorative study on the role of VSSs with the first research question, the following research question aims to deliver insight on issues that are often off the radar among the coffee industry and its literature. Based on this, it is objective of the thesis to explore and interpret the position of two of the major certification providers.

*On the base of this explorative study and the identification of not well-discussed issues, which is the position of Voluntary Sustainable Standards?*

*An interpretative study on 4C Service and Fairtrade International Label.*

1.3 Thesis structure

The development of the thesis is structured on the base of different layers. The first chapter includes information regarding the choice of the topic, introduction to the industry of coffee, and the development of the research questions. On top of it, the second section lays on the methodology. Developing a valid research project is not considered to be an easy task and being clear about the methods and techniques used is really important for both reader and writer. On the same chapter, more information are given about the type of data used and explanation of the two certifications bodies included in the research project.

The third segment of the thesis is linked to the theories and notions liked to the global value chain and commodity chains. This section is important as it gives the theoretical framework on which the coffee industry is based on and it contextualized the industry. Concepts of governance and other aspects of the coffee value chain provide useful insight to comprehend better the thesis itself.

The fourth chapter is then linked to the analysis section. In this part of the project, space is given to the description of different voluntary standards, the collection of information and exploration of issues regarding the coffee industry and the understanding of the role of VSS on the actors participating in the coffee value chain. In addition to it, the use of the interviews with Fairtrade and 4C Service is here used to interpret and
promote the position of two of the most used certification, on issues that were identified as relevant and interesting.

The last two chapters (5 and 6) are developed to provide both conclusions and discussion. In the fifth chapter, a summary and a review of what was achieved during the project is provided, while on the sixth segment of the thesis the discussion is promoted. The discussion includes interesting aspects of the coffee industry that were not included in the thesis as well as it raises questions for future studies that might be developed to assess important traits of the coffee industry.
2. Methodology

In this project, different aspects will be investigated and several thoughts and consideration will be drawn and developed in the next chapters. In order to start, and to provide the reader with the idea behind the project it is important to mention that those topics are of great significance for the Master in Innovation Knowledge and Entrepreneurial dynamics. Subjects related to the development of specific countries as well as the inclusion of those nations in global production have been studied. The scope of the master and the subjects in it provided the desire to explore existing problems and to seek solutions, or at least thrive to succeed in understanding complex phenomena. For this reason, this section will lead the reader in understanding the journey undertook to acquire valuable information for the development of the paper and to answer the research questions.

The inclusion in this paper of a section related to the Methodology chapter and all following sub-chapters is of great importance. Specify the relationship existing between the data collected and the theories used and being clear about it, can affect either positively or negatively the overall quality of the research (Easterby-Smith, Thorpe, & Jackson, 2015). Therefore, it is the aim of this chapter understand how the inclusion of factors related to Methodology can result in an adequate research paper. As mentioned by Easterby-Smith et al. (2015), there are several good reasons that explain the importance of methodology and why it is necessary to include the philosophical aspects of a research paper.

- The inclusion of those aspects will make clear to the reader the role and position of the researcher in the study. This addition will lead to issues related to the perception of knowledge by the researcher.
- A chapter related to the methodology will help to shed light on the research design used. Therefore, not only consideration of the type of data needed will be provided, but also a reflection on how those data were collected and investigated.
- The understanding of aspect related to methodology will provide great help to the researcher as it can provide guidance on which approach or design suits better the upcoming study.

Overall it is important, if not essential, to have the methodology section in mind when both writing and reading the paper as a sequence of thoughts and reflection can be found. Starting from the selected approach, the methodology section lead throughout the author’s perspective on different topics, such as the chosen methods to collect the information and to highlight finally the limitation of the project (Easterby-Smith et al., 2015; Kuada, 2012). Before moving forward in the explanation of the different aspect included in the thesis, it is necessary to make a clear cut related to the object of the research. For this paper, all the methods, techniques and bodies of literature used are related to the social science world. This body of the philosophy is interested
in study the “behaviours of peoples rather study inanimate objects (Easterby-Smith et al., 2015, p. 49)” as proposed by Natural Science.

Table 1. Levels of Methodology

<table>
<thead>
<tr>
<th>Level of methodology</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Approach</td>
<td>Set of actions and assumption related to the data collection and the data analysis (Saunders, Lewis, &amp; Thornhill, 2009).</td>
</tr>
<tr>
<td>Philosophy of Science</td>
<td>Body of philosophy that studies the relationship between knowledge, truth and their relation with the position of the author (Easterby-Smith et al., 2015).</td>
</tr>
<tr>
<td>Research Design</td>
<td>Blueprint and strategy that guides the researcher in using several ways and means to address and solve the research questions (Labaree, 2019).</td>
</tr>
<tr>
<td>Research methods</td>
<td>Techniques and methods used in social science to collect different data; must be aligned to the approach selected for the project (Kuada, 2012).</td>
</tr>
</tbody>
</table>

Source: Author inspired by Easterby-Smith et al., 2015; Golafshani, 2003; Kuada, 2012; Labaree, 2019; Saunders et al., 2009

The remaining part of this chapter will be divided into different sections. Each section has its own role in providing the readers with a clear view of the project, methods, techniques and theories used, and helps them to understand all the reasons behind their selection. The structure of the sub-chapter will follow the framework developed by Easterby-Smith et al. (2015, p. 47), with the inclusion of other information and explanation on the topic of methodology provided by Kuada (2012) and Saunders et al. (2009).

2.1 Research Approach

As mentioned in Table 1, when developing a research project, the first thing to take into consideration is the selection of the right research approach. Being clear on this aspect it is essential as from the selection of one approach derive a specific way of inquiring and investigating the information included in the thesis (Saunders et al., 2009). The two main research approaches present in the literature are linked to the deductive approach and the inductive approach. According to Suanders et al (2009), research can also be developed by using both approaches at the same time. The mixture of both approaches takes the name of abductive. As the process of research is not always linear, it happens that the researcher falls into the utilization of both approaches.
For this reason, in the development of the thesis, the *abductive* approach has been used. With this approach, the researcher has the chance to jump from one set of data and techniques to another, exploiting the advantages of both. Within the project, the deductive approach has been used, and the reason behind lays on the fact that theories as well reports and articles were used to understand the existing situation of the coffee industry, quantitative data were used to analyse the distribution of the coffee production and consumption. The idea in using this approach was linked to generalise and uses the analysis and the data collection as a medium for demonstrating the credibility and trustworthiness of its research or enriching the study of a phenomenon with additional information. However, when using the abductive approach, the deductive approach is used in parallel with the *inductive* approach. This method is very much linked to social science and the utilization of qualitative data. The researcher is very interested in a particular phenomenon and not worried about testing or proving hypothesis but rather is worried about providing a clear image of a specific issue. Therefore, the author aims to build a theory as a result of the analysis of the data collected (Easterby-Smith et al., 2015; Saunders et al., 2009). Consequently, by being interested in specific aspects of the coffee industry the inductive approach was used. In the specific, the utilization of interviews come very handily when the object of the research was discovering facts that were not retainable form a deductive approach.

### 2.2 Philosophy of Science

After having selected the chosen approach to apply to the thesis, the following decisions concern the philosophy of science. Philosophy of science is a segment of the bigger body of literature related to the philosophy that reveals and explains the relationship between knowledge, truth and the degree of inclusion of the researcher in the investigation (Easterby-Smith et al., 2015). As explained above, the perception of the author about the observed field determines the type of research that will be advanced. The philosophy of science is structured on three different layers, where each one represents a different level of depth and different objective to be studied and understood. According to Easterby-Smith et al., (2015, p. 47), the different level of understandings are developed and structured as such:

**Table 2. Philosophy of Science**

<table>
<thead>
<tr>
<th>Level of Philosophy of Science</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontology</td>
<td>The philosophical assumption about the nature of reality.</td>
</tr>
<tr>
<td>Epistemology</td>
<td>General set of assumption about ways of inquiring the world.</td>
</tr>
<tr>
<td>Methodology</td>
<td>A combination of techniques used for a specific research project.</td>
</tr>
</tbody>
</table>

Source: Author, adjusted from Easterby-Smith et al. (2015, p. 47)
Each level is dependent on the decision was taken by the researcher in previous steps. Therefore, an invisible line can be drawn from the chosen research approach until the selection of specific methods and techniques meaning a narrower perspective of the author.

The ontology is highly linked to the question of what is a reality, and the “relationship between human beings and their environment” (Kuada, 2012, p. 59). Position and assumption on this matter provide the general point of view of the author on the way the world is seen and perceived (Saunders et al., 2009). A general distinction can be made on this level. Researchers might see the world as “concrete and external” (Easterby-Smith et al., 2015, p. 48), therefore the author is an outsider and will investigate the world following the realistic ontology. On the other side, stands the relativistic approach. In this case, the world is seen to be socially constructed (Kuada, 2012). As the interest of the project lays on the coffee industry, its value chain and the Voluntary Sustainable Standards many actors are present and the industry is perceived to be the result of many complex interactions. Those interactions happen among different layers of the coffee industry from coffee producers to organization of producers, certification bodies and leading firms. Therefore, for this project, it is accepted that every actor develops its own world and its own reality and it can affect the world of others. It is the goal of the researcher to include different perspectives and point of views related to specific issues (Easterby-Smith et al., 2015, p. 49) and for this reason, two sets of interviews (with Fairtrade and 4C Service) were included in the project.

Once analysed the ontology, the following level to consider is the epistemology. As briefly mentioned in Table 2, epistemology concerns the notion of knowledge and “how we know what we know” (Easterby-Smith et al., 2015, p. 51; Kuada, 2012, p. 59), how the researcher perceives and comprehend the notion of knowledge. Following the same distinction used for the explanation of ontology, also for the epistemology is possible to identify two main lines of thoughts: positivism and social constructionism. The positivism epistemology follows the footprint of the above-explained realistic ontology. The researcher understands that the social world exists and it is external, facts can be measured and the knowledge can be retrieved through detached and impartial methods (Easterby-Smith et al., 2015). Therefore, the researcher is not included in the study and acts as an “external observer” (Kuada, 2012, p. 59).

Alternatively to positivism, the other option is social constructionism. Here, the assumption regarding the knowledge lays on the fact that the social world cannot be perceived as objective but rather very subjective. Interactions, relationships and experiences shape the reality the actors live rather than objective and “external factors” (Easterby-Smith et al., 2015, p. 52).

Having an understanding and the conception of the social world as an intricate set of links and actors, the project is developed under the lens of social constructionism. As specified previously, the coffee industry is perceived to be the outcome of a subjective relationship that occurs at a different level and the global value chain is the representation of those linkages. At the same time, certification and standards might fall behind the positivist epistemology, however, their action and the effect they have on the actors of the industry is perceived to change from actor to actor and consequently can be analysed with the social constructionist
epistemology. On top of it, the researcher is an active part of the project, providing questions and point of departure for the discussion. Being the epistemology the representation of “how we know what we know” (Easterby-Smith et al., 2015, p. 51; Kuada, 2012, p. 59), the thesis is based on interviews and the inclusion of point of view and opinion of some of the actors included within the world of Voluntary Sustainable System. In addition, among the explorative study, the researcher promotes an interpretative point of view on the analysis section of the project, by using the interview as a point of departure to grasp information and useful insights.

The last step into subchapter 2.2 is linked to the **methodology**. The methodology is the combination of techniques and methods used by the researcher to investigate, question, collect data and understand the phenomena under study (Easterby-Smith et al., 2015; Kuada, 2012; Saunders et al., 2009). Different type of research leads to a diverse selection of approaches; therefore a distinction between qualitative and quantitative research has to be made. Qualitative projects are developed through the collection of data directly from the actors embedded in the study, consequently, interviews and observations can be used. Quantitative studies are based more on the collection of bigger quantity of information less related to the point of view of the actors, as a result, the most used techniques are surveys and experiments (Easterby-Smith et al., 2015).

What then is really important is to keep in consideration the sequence and the consistency between all the level of philosophy of science: from the “ontological perspectives, the epistemological considerations until the methodological approaches” (Kuada, 2012, p. 60). As mentioned above, those different levels represent a set of assumptions, and if put together they define what in social science is known as a paradigm (Easterby-Smith et al., 2015; Kuada, 2012; Saunders et al., 2009). A paradigm represents a “waves of research” (Kuada, 2012, p. 72) and lines of thoughts used by a researcher in a specific scientific field. Consequently, different studies are categorized and aligned with a specific set of assumptions, techniques used and specific way of analysing and interpret upcoming results. Paradigms are present in the literature not to be used as a pre-made recipe but rather present to provide valuable information and useful consideration when developing new research. The main separation in this field is made between objectivist and subjectivist approach.

### 2.3 Research design

This chapter is developed to guide the reader through the research process on which the thesis is based on. At first, a literature review was conducted. The main reason of doing so is linked to the need of discovering more on the topic of the coffee industry and the world of certification, in the specific the Voluntary Sustainable Standards. In order to acquire the information on those two topics, different sources of data were used: the Internet, the Aalborg University Library and finally the Web of Science.

The use of “Web of Science” was very useful as it really helps in promoting precise researches. In the specific through the Web of Science, the following terms were researched: “coffee industry*” and “Voluntary
Sustainable Standards*”. Among the first research on the “coffee industry*” a number of 241 articles, books and reports came out as a result. The selection of the articles was based on a minimum number of citations. In addition to it, the majority of the literature was based on a high degree to specific fields, such as agriculture, food, environmental science and biotechnology. However, a still relevant percentage was related to more applicable topics such as world development, sustainable management practices and business fields. The same approach was used for the topic of Voluntary Sustainable Standards. In this case, a number of 196 articles, reports and books responded to the query, where more than half of the articles present in the list were related to environmental science and green sustainable science technology. Other smaller percentages related to business, economics and management and the coffee industry (Web of Science, 2019). The number of articles responding to the searching terms was not as high as expected, and this condition was in line with the lack of literature on more specific issues identified later on the project.

![Graph](image.png)

Figure 2 - Growth of Voluntary Sustainable Standards literature. Source (Web of Science, 2019)

In pair with the Web of Science, also VOSviewer was used. “VOSviewer is a software tool for constructing and visualizing bibliometric networks (VOSviewer, 2018)”. The software was used in relation to the above-mentioned Web of Science, as it helps in providing a visual representation of bibliometric data based on the connection between articles, reports and their authors. These connections were very useful to provide a stream of studies on specific topics and words. In addition, the most cited authors are easy to identify and therefore promote more credible and trustworthy research.

In addition to VOSviewer, also Trint was used as it helped in the transcription of the interview developed with Andreas Hansen from Fairtrade International. By having the transcription of the interview with both 4C Service and Fairtrade, it was easier to go through them, identify interesting subjects, and gain powerful insights. With the transcriptions, also the software Nvivo was used. Nvivo allows the researcher to create nodes and therefore enquire and looking for commonalities within the different sources of texts (QSR International Pty Ltd, n.d.).
However, due to the limited text and information retrieved from the interviews, it was not possible to include the results of such media.

Regarding the interviews, two different methods were used: exchange of emails and skype call. Even if the methods used were different the same question and the same approach was used to interview the two representatives of the certification schemes. Before developing the interviews, information on the topics were retrieved from the literature review. After having built knowledge on the topics of interest question were asked through a semi-structured method. This allowed to build on the specific answers received and therefore not being so rigid in developing the conversation with the interviewed (Easterby-Smith et al., 2015; Kuada, 2012; Saunders et al., 2009). The exchange of email with Benedikt from 4C started on the 18th of March and finished on the of 14th of May when the collaboration was suddenly interrupted, while with Andreas Hansen from Fairtrade International, the Skype Call was developed on May the 8th.

The thesis was developed with the intention to describe and explore the world of coffee, focusing on its industry and the Voluntary Sustainable Standards. Due to the limitation found in developing the project the thesis took the form of an explorative study, concentrating on the information retrieved from the interviews and articles (Easterby-Smith, Thorpe, & Jackson, 2015; Saunders, Lewis, & Thornhill, 2009). In line with the interviews, an interpretative study has been promoted where the answers collected were used as a starting point in understanding the position of two actors embedded in the industry (Easterby-Smith, Thorpe, & Jackson, 2015; Saunders, Lewis, & Thornhill, 2009).

2.4 Research Methods and Data Gathering

In order to accomplish the goal of answering the research questions, each researcher uses specific methods and techniques to acquire the necessary data. Two different types of methods can be found within social science, respectively qualitative and quantitative methods. What is very important is to remain consistent with the line of research mentioned in the above chapter. Every method is developed to help the researcher in obtaining and achieving the goal set. In the literature is possible to find two main lines of thinking: one suggesting the total separation between the two methods, and the other proposing a combination of quantitative and qualitative methods to achieve a better understanding and gaining better insight over the investigated issue (Kuada, 2012, p. 91).

For the development of the thesis, a qualitative method has been used and different types of data were gathered. In the specific interviews were conducted but at the same time, pre-existing knowledge has been used to understand the existing situation at the moment of the research.
2.4.1 Specific Source of Information

For the development of the thesis, a major focus was given to two of the most used certification providers in the coffee industry: 4C Service and Fairtrade International Label (4C Service, 2018; Fairtrade International (FLO), 2019; International Coffee Organization, 2019; International Trade Centre (ITC), 2018). The 4C Code of Conducts, among all the other certification providers, is the one who has the goal of promoting basic sustainable practices, “the code stresses compliance with ILO regulations and good environmental practices, very much in line with the ‘‘minimum’’ standards shared by UTZ, Rainforest Alliance, The Starbucks code, and the SAI code” (Muradian & Pelupessy, 2005, p. 2036). Therefore, by promoting social, economic and environmental actions, the organization allows coffee producers to undertake their way toward a sustainable production (International Trade Centre (ITC), 2018). In addition to it, also a focus on Fairtrade International was given. The reason behind is because Fairtrade International Label is a very popular certification label among producers. Not only amongst coffee smallholders but also for a vast variety of commodities and it is recognized in the coffee industry for the effort in providing a premium price to the producers who adopt the certificate (Fairtrade International (FLO), 2019; HIVOS, 2018; International Trade Centre (ITC), 2018). The advantage of using both 4C service and Fairtrade as one of the main sources of data and direct information, relates to the fact that both have very high recognition within the Voluntary Sustainable Standards system, and thanks to their wide presence among coffee producers, it was possible to gain useful insight into the coffee industry and its voluntary certification system.

The utilization of the interviews and their inclusion on the project increased the trustworthiness of the research as well as the final conclusion and outcomes achieved. This will lead both reader and researcher to understand better a real-life phenomenon within the “context of the research” (Saunders et al., 2009, p. 146). The interviews were conducted with Benedikt Zimmer, database engineer who has been part of 4C Service for several years. On the opposite case, with Fairtrade International the interview was conducted with the Denmark department as they agree on the collaboration for the thesis development. In the specific, interviews were conducted with Andreas Hansen, Deputy Director & Head of Products.

As will be explained in the following section, the development of the thesis is not linked entirely on those two particular sources of data, but the information retrieved from the interviews will be used to enrich the picture with details that could not be found in reports or articles. Having in mind the complexity of the coffee industry and the number of actors participating in it, the utilization of data linked to the Voluntary Sustainable Standards and the interviews with two of its most important representatives helps to promote a more profound and sincere report. As the goal is directed to learn more about standards and certification within the coffee value chain, the collaboration with a certification bodies represents a way to understand an existing phenomenon in real life and consequently deliver an in-depth research (Easterby-Smith et al., 2015; Kuada, 2012; Saunders et al., 2009). Accordingly, this way of producing a report is expected to increase the credibility and trustworthiness of the report when it is built around the understanding of a specific issue.
Overall, the goal of the project was to use the specific source of information not to provide a case study but rather use the collaboration with two organization to promote useful insight on the coffee industry and its certification system. Consequently, those resources (4C Service, Fairtrade International Label and GPC) have been used as a form of primary data to retrieve information that were not possible to be collected anywhere else. As part of an explorative study, the opinion and point of views of the certification schemes were used to discover and interpret valuable information. In the next subchapters, the certification process of 4C Service and Fairtrade International will be explained; in addition, the information will be provided on the Global Coffee Platform as it was used to retrieve supplementary data.

2.4.1.1 4C Service, Code of Conduct for Coffee Community

4C Service is a certification provider and it is considered to be one of the most used certifications in the industry of coffee (International Coffee Organization, 2019; International Trade Centre (ITC), 2018).

4C stands for Common Code for the Coffee Community, and the certification has the goal of gradually increasing the social, environmental and economic condition for coffee producers around the world (4C Service, 2018, 2019b, 2019a; Zimmer, 2019). The organization has its headquarters in Germany from where it manages all the activities: from issuing certificates, to control and assess the compliance of the audit with the 27 standards and 10 unacceptable practice of 4C (4C Service, 2018, 2019b, 2019a; Zimmer, 2019). The certification process of 4C Service four main actors are present: Managing Entities, Certification Bodies (Auditors), and 4C Service and Roaster.

- **Managing entities (ME)**: is represented by a single producer or group of producers who ask for and hold the certificate. The ME is allowed to sell the coffee as a 4C compliance and has the duty to reach, comply and implement the production with the code of conduct 4C (4C Service, 2018; Zimmer, 2019). Managing Entities have to be able to supply a minimum of one container of green coffee (20 tons).

- **Auditors (Certification bodies)**: local companies of auditors that are approved by 4C. Those companies plan and conduct the on-site audit, visiting the producers (ME) and therefore write a report on the degree of compliance between the code of conduct and the condition of the producers. After the first audit, another actor carries out an evaluation of the first report, which is then sent to Germany. Once the evaluation arrives at the offices of 4C Service, the certification body issue the certification for the producer, stating the compliance with the standards. The certification is valid for 3 years but follows up and inspection takes place during that span of time (4C Service, 2018; Zimmer, 2019).
2.4.1.1 4c Service: The 4C organization, undertakes those activities to “gradually increase the social, economic and environmental condition of coffee production” (Zimmer, 2019). The organization set the standards, evaluate the audit on the report received from the on-field inspection, and finally issue the certification. In addition to those activities, the certification bodies promote the “4C brand” with the goal of implementing the awareness of sustainable practices and increasing the recognition among the actors of the coffee value chain. Another activity promoted by 4C is the inclusion of mandatory training days to the auditors who work with the certification providers. They are trained with new techniques and new information regarding the coffee production. Those training take place in specific locations with a high density of producers such as Colombia and Brazil (Zimmer, 2019).

- **Roaster:** The roasters are considered to be the clients on the high end of the voluntary certification system. Therefore, roasters in need of coffee, rely on 4C Service (or any other certification schemes) to identify producers who comply with sustainable practices and consequently source high-quality coffee from them (Giovannucci & Koekoek, 2003; International Trade Centre (ITC), 2018; Zimmer, 2019).

It is the duty of 4C to look after the work of the auditors and therefore maintain the integrity of the audit system. 4C provides direct support to both auditors and the Managing Entities. In addition to it, 4C evaluates the annual updates and report made by the managing entity, checking on the state of the improvement need for each ME. Finally, the 4C created demand for 4C coffee, by promoting the coffee 4C to the roaster in order to favour the producers (4C Service, 2018; Zimmer, 2019).

Finally, the way of working of 4C Services is promoted as inclusive (Zimmer, 2019). This inclusiveness is represented by the fact that even when the Managing Entity (producer or group of such) do not comply fully with a requirement, the certification is issued in any case. The reason behind is the warranty of the producers in making the necessary improvement within a specific timespan. In addition, this system is not applied to any requirement that is not matched and also the time at disposal is linked directly to the principle that is not matched and the level of compliance (4C Service, 2018; Zimmer, 2019).

2.4.1.2 Fairtrade International Label

Fairtrade International is considered to be one of the most famous and recognized organizations that provide standards and certification label for sustainable production (Fairtrade International (FLO), 2009, 2019; Fairtrade International, 2016; Hansen, 2019). The Fairtrade organisation operate in different commodity industries such as coffee, flowers, apparel, fruits, vegetable etc. (Fairtrade International (FLO), 2009, 2019). What the certification does is promoting the sustainable development of the production and make sure that producers who comply with the certification follow certain quality of standards: for the products, environment and quality of the working conditions.
Fairtrade can count on a wide net of organizations (national department such as Denmark) and it is recognised worldwide (Fairtrade International (FLO), 2009, 2019; Fairtrade International, 2016; Hansen, 2019). Within the Fairtrade International Label, three main stakeholders can be identified: Coffee Cooperatives, Fairtrade Organization, Flow-Cert (Fairtrade International (FLO), 2009, 2019; Fairtrade International, 2016).

- **Coffee Cooperatives**: the cooperatives are the union of several coffee-producer in specific areas. Those cooperatives are organized and managed democratically by its participants. Together, the farmers of the cooperatives are able to negotiate the price for their coffee and by being together are entitled to access higher credit, higher form of bargaining and finally higher chances of learning from each other (Hansen, 2019). In addition, the cooperatives have power and voice that has to be heard when specific decisions are taken at a major level within Fairtrade (Fairtrade International (FLO), 2009, 2019; Fairtrade International, 2016; Hansen, 2019; International Coffee Organization, 2019; International Trade Centre (ITC), 2018).

- **Flo-Cert**: Flo-Cert is an independent auditor, which state the status of compliance of producers and cooperatives towards the Fairtrade standards and requirements. The role of Flo-Cert is not only limited to the observation and audit of cooperatives but it relates to many other actors such as importers, roaster within the coffee industry that use the Fairtrade label as part of their products (Fairtrade International (FLO), 2009, 2019; Fairtrade International, 2016). Being an independent auditor it also works with other certification schemes (Hansen, 2019).

- **Fairtrade International**: is the central organization. It sets the standards, in consultation with stakeholders like producers and distributors. In addition, Fairtrade make sure that all the cooperatives of producers who comply with Fairtrade standards receive a minimum price guaranteed, which prevent the fluctuation of the coffee prices. As a major benefit for producers who decide also to sell the coffee as labelled and marked “Fairtrade”, a premium price is given. This system is perceived to favour the coffee producers to move their production towards organic and more sustainable practices. It also allows farmers to have a more stable source of income, minimize a series of issues related to working condition as well as environmental issues by reducing for example water waste and use of less risky fertilizer (Fairtrade International (FLO), 2009, 2019; Fairtrade International, 2016; Hansen, 2019; International Coffee Organization, 2019; International Trade Centre (ITC), 2018).

Producers and roasters, in order to sell their coffee as certified, have to comply with a series of standards and requirements developed by Fairtrade International Labelling and in addition, have to pay a fee. On top of the fee, the audit, promoted by Flo-Cert, need to be paid. The major advantages of Fairtrade as, specified above is the guaranteed minimum price for producers and the fact the label is one of the most known and most used by having clients such as Nestlè, Ferrero and Starbucks who source part of their coffee from Fairtrade producers (International Coffee Organization, 2019; International Trade Centre (ITC), 2018).
2.4.1.3 Global Coffee Platform

The GCP is a platform where different stakeholder in the form of traders, international roaster, governments NGOs and producers can participate. As the main goal the GCP perceive that sustainability is a shared responsibility and therefore focus mainly on tackling shared issues and problems. In short, GCP is “is a member-driven global platform which facilitates public-private dialogue, the alignment of investments, collective actions, and the scaling of successful sustainability activities across the sector (HIVOS, 2018)”.

In its legislative body, the GCP can vaunt different representatives from several areas such as producing countries, trade representative, and industry representative, such as Nestlé, Jacobs Douwe Egbert’s ad Mother Parkers Tea & Coffee. In addition, the Global Coffee Platform is also collaborating through a partnership with Rainforest Alliance and UTZ, the Sustainable Trade Initiative, which enables the platform to have a presence all along the supply chain. This variety of members enable the platform to concentrate effort and investment towards critical issues that affect the coffee industry transversally.

In relation to the certification bodies, GCP has a strict past with 4C services. Until April 2016, the Global Coffee Platform was the owner of the Common Code for the Coffee Community, now better known as 4C (International Trade Centre (ITC), 2018, p. 12; Zimmer, 2019)

At the moment, the Global Coffee Platform among leading coffee companies and organizations counts over 150 members (e.g. Aldi, Nestlé and the Fairtrade Labelling Organization), and around $350 Million are spent annually towards sustainable projects and collective actions such as training, seminar and on field studies turned to tackle economic viability issues and environmental issues. (The Global Coffee Platform, 2019a, 2019b).

2.4.2 Data Gathering

For the development of the thesis, the research was based on the use of different information and their collection was conducted through the exploitation of different channels. The data used in the thesis are mainly in the form of qualitative, however, also quantitative data were used.

Initially, the desk research started with the utilization of the Internet, the library of Aalborg University and lastly the Web of Science. Through those media, more information about the coffee industry and Voluntary Sustainable Standards were gained. For the theory section of the thesis, only articles with a high number of citation were used, while different conditions were applied for the analysis section and material regarding the VSS. The main reasons are linked to the fact of a lack of mature and fully developed literature on the voluntary certification system of the coffee industry (May et al., 2004). On top of the desk research, and only after having
built a better understanding of the coffee industry and its theoretical frameworks, interviews were conducted. With a more profound study on the industry and the certification systems, it became easier to grasp information from the interviews and turned out to be easier to ask questions that were more precise. The decision of including the interviews in the study is linked to the fact of gaining personal and specific insight of the interviewees into the issues of interest. By being the goal of the thesis to provide a better picture and explore the role of the standards and certifications within the coffee sector, the interviews helped in achieving this objective.

However, the inclusion of both type of data (qualitative and quantitative), gave a higher chance to portray a better and richer picture of the actual situation of the coffee industry. By using the two families of data, it was possible to reduce their limitation and at the same time complete each other. In the specific, qualitative data are present in the form of information retrieved from interviews, reports and articles. Combine with the latter, other numerical data were added to increase the spectrum of information within the project. Those data were retrieved from reports of organizations who have at their core the study of the industry such as the International Coffee Organization and International Trade Centre. Concluding, what was done in the development of the project was the utilization of the two different groups of data and apply them within the context of qualitative research.

Consequently, the utilization of qualitative methods was engaged to promote a specific study on peculiar issues, while the quantitative methods were excluded as mainly used to provide an explanation of trends (Kuada, 2012; Saunders et al., 2009). The applied methods permitted to keep the study flexible and tailor the analysis exclusively on the identified issues (Kuada, 2012; Saunders et al., 2009).

2.5 Triangulations

In the development of the thesis, a crossed study between the Global Value Chain and Global Commodity Chain was promoted. The reason behind the selection of those theories and their combination relates to the need of gaining a better understanding of the dynamic of the global relationship and because both explain very well the context of international trade, including and excluding important aspects of the exchange of goods and commodities. This sort of theoretical triangulation gave space to use and combine two theories to provide a better image and understanding of the investigated topic. In the specific, the Global Commodity Chain refers to a context where few and large organizations lead the industry focusing on two major structures (buyer and producer driven). In the case of the Global Value Chain, it relates more to differences in the governance and the importance of specifications and standards as a medium to control the participants of the chain (Duke University - Global Value Chain Initiative, 2019b). The switch to one system to another relates to a trend that leads many firms to be “less vertically integrated and more network-oriented” (Duke University - Global Value Chain Initiative, 2019b) which resulted in a shift in the governance of the chain. Therefore, the utilization of
the two proposed theories was very useful to implement the knowledge, increase their validity and contextualize the coffee industry within a theoretical framework (Easterby-Smith et al., 2015; Golafshani, 2003; Saunders et al., 2009).

The use of a cross-study was not only limited to the theory but was employed also in the analysis section. To assure better and higher credibility and trustworthiness (Easterby-Smith et al., 2015; Golafshani, 2003; Kuada, 2012; Saunders et al., 2009), different interviews were conducted and used to identify interesting issues. The project started mainly with the collaboration of 4C Services, which promotes basic procedures towards sustainability. As the goal of the project was to understand the role of Voluntary Sustainable Standards and identify new issues within the certification system, those interviews were essential to gain information related the position of the certification body on identified problems. In addition to the collaboration with 4C Service, interview with Fairtrade International Label was conducted. The opportunity to collaborate with Fairtrade on the development of the thesis was a major step toward a more credible project. On top of it, the presence of one of the best-known sustainable labels in the commodity trade and one of the most used certification within the coffee industry increased the amount of data obtainable and gave the opportunity to gain another valuable point of view.

Therefore, the chance of implementing the sincerity and trustworthiness (Easterby-Smith et al., 2015; Golafshani, 2003; Kuada, 2012; Saunders et al., 2009) of the thesis by including the opinions of two diverse but still related organization was perceived as a major improvement. As will be also mentioned in the next sub-chapters, problems within the project are still present, such as the inability to confirm the retrieved information and being unable to state whether biases were existing or not.

### 2.6 Credibility and Trustworthiness

Credibility and trustworthiness of research are two of the most important aspects that have to be taken into consideration when writing a research paper (Easterby-Smith et al., 2015; Golafshani, 2003; Saunders et al., 2009). Being able to provide an authentic and credible thesis is not an easy task and different elements have to be included to achieve this goal. Most of the issues arise within qualitative research. In the very case of this thesis project, it has been complicated to state the credibility and reliability of the interviewed as well as it was hard to audit the confirmability of the answer received during the interview. In the specific, as the interviewed are employees of certification bodies sometimes it became difficult to state without any doubts that the information given were completely true, genuine and therefore reliable (Easterby-Smith et al., 2015; Golafshani, 2003; Kuada, 2012; Saunders et al., 2009). In addition, most of the information were private and not possible to be confirmed with other reports or other sources of data. As mentioned already in the project, the thesis is developed by using data retrieved from interviews as well as desk research. It is important to state that different statements and information gained from the interviews were challenging to assess as valid and
It is possible to imagine that a certain degree of bias exists, as the interviewed are part of organization and thanks to their position is understandable that they were not willing or not able to make controversial statements. Therefore, as part of the research was necessary to gain major information from the literature and consequently state, when possible, if alignment among theories and “raw data” were present. At the same time, bias can be perceived also on the researcher’s side. Being immersed in the topic of research for a long time can be observed as a threat to the integrity of the researcher. In addition, working alone throughout all the project can be seen as risk as the researcher will not receive different opinions and point of view on the topic of the analysis (Easterby-Smith et al., 2015; Golafshani, 2003; Kuada, 2012; Saunders et al., 2009).

The idea of using different organizations and showing their reality was to promote an explorative study on one of the biggest actors within the Voluntary Sustainable Standards system, their relations within the coffee industry and their position towards the phenomena (HIVOS, 2018; International Coffee Organization, 2019; International Trade Centre (ITC), 2018). As reported in the **sub-chapter 2.4** the presence of different actors and the combination of the data retrieved from the interviews was a methods to increase credibility and trustworthiness of the information (Easterby-Smith et al., 2015; Golafshani, 2003; Kuada, 2012; Saunders et al., 2009) as well as improving the overall complexity and strength of the project.

It has to be finally mentioned that, for the development of the thesis as well as the interviews, questions were asked only after having read and learned more about the coffee industry and the subject of the interviews. In the specific, desk research was conducted and articles on the topic of Voluntary Sustainable System and other relevant report consulted (HIVOS, 2018; International Coffee Organization, 2019; International Trade Centre (ITC), 2018). To formulate the final questions, several concepts and ideas were retrieved from the literature review, articles and reports.

In conclusion, the goal of the thesis was to explore the coffee industry and make clear the role of Voluntary Sustainable Standards; therefore the utilization of quotes from the interviews was perceived as a way to promote the interpretation of the original vision and perception of actors who actually work on the studied field. In this case, the role of the researcher was to promote firstly a paper collecting issues within an industry who includes millions of people. Secondly, after collecting the identified problems, promote the position of the certification bodies in a moment where the presence of standards and certification, as well as the presence of speciality coffee and premium goods, has reached a very high level (May et al., 2004; Ponte, 2002b).

As a final remark, within a case of quantitative research, validity and reliability can be easily overcome as the methods used to analyse the data already exist and can be proved to be reliable by their repetition (Golafshani, 2003). However, repetition is a quality that not fit with the qualitative research, as the objective is to understand and study an issue in a specific moment. What was and can be used instead, is the credibility of the researcher through the overall process of investigation. The qualitative method, the application of qualitative as well as
quantitative data and triangulation were used and helped the researcher to clarify its intention (Easterby-Smith et al., 2015; Golafshani, 2003; Kuada, 2012; Saunders et al., 2009). The utilization of interviews with specialist in the coffee sector such as 4C Services, Global Coffee Platform and Fairtrade International and the exploitation of reports from trustworthy organization (HIVOS, 2018; International Coffee Organization, 2019; International Trade Centre (ITC), 2018) is perceived as a good way to improve the trustworthiness of the project.

2.7 Limitation

In the process of developing the thesis, the first goal was to study and explore the role of Voluntary Sustainable Standards and their impact on the global value chain of the coffee industry. In doing so, the purpose was to focus on the different actors at different stages, participating in the coffee value chain such as Leading firms (European importers and roasters), coffee producers in developing countries, their organization as well as bodies of voluntary certifications.

Due to the ambitiousness of the project, the first problems arose. The difficulties in establish contacts and creating stable collaboration with local producers (especially Mexico, Colombia, Vietnam and Kenya), the lack of willingness of leading firms (Starbuck’s Coffee, Lavazza, Costa Coffee and Jacobs Douwe Egberts to name few) in collaborating with students, the lack of time or simply the lack of human resources to follow the project. Out of a group of around 60 contacts (number divided by importers, national coffee association, coffee producers, service and certification provider), a very limited number responded positively, of which many were not willing to keep the collaboration alive, but rather keen only to answer to a very limited number of questions. This whole situation, added to the complexity of the coffee industry, limited the amount of obtainable data. On top of the limited amount of accessible data, it is worth to mention that most of the primary data were acquired through interviews.

The method used to collect the majority of data was via emails. This condition was very helpful when in contact with the organization in different continents such as Bird Friendly Coffee in the United States and AMECAFE in Mexico as allowed the research to not be stopped by time limitation. It was also useful with Global Coffee Platform, Fairtrade International Label and 4C Services in Europe as it was possible to work on different actors at the same time. However, it is undeniable that this technique of conducting interviews might have limited the spontaneity and reduced the reliability of the interview as the interviewed has the chance to prepare the answers and deliver them in the preferred way.

Worth to mention is that Skype interviews were proposed to every person that was willing to collaborate, even in a small part. The reason behind is that doing interview face to face or with Skype would have been faster, more reliable and more in line with the way of developing the thesis. However, apart from Andreas Hansen
from Fairtrade International, who agreed on a Skype Call to discuss on the questions and the purpose of my study, the entire group of interviewed in exam denied meetings of this kind.

A limitation that can be included in this section is the topic of the project. In this sense, the goal of discovering more about the role and the broad world of certification and sustainable standards was challenging. It has been very difficult to retrieve and get access to data and specific information linked to the Voluntary Sustainable Standards. Due to the complex configuration and structure of VSSs, it was very hard to assess the real impact of certification on the smallholders. The three-layer structure (the certification provide, receiver and auditors) makes it difficult to get hands on the real impact of certification (Muradian & Pelupessy, 2005). In addition, as specified by many authors (Barham & Weber, 2012; Beuchelt & Zeller, 2011; Haggar et al., 2017; Ibanez & Blackman, 2016; Kleemann et al., 2014) there is a lack of studies on the real and positive impact of voluntary certification (May et al., 2004). This condition created a situation where confronting data was not always possible.

Linked to the previous chapter credibility and trustworthiness, the concern on the use of interviews and the use of direct citation might be highlighted also within the limitation of the thesis. As reported different time, the use of interview was applied to promote and interpret the opinions and the point of views of the organizations. Due to the subjectivity of the answers received and therefore to the information applied within the project, it is possible to raise objection on the matter of their credibility. Lastly, broad answers were received when precise questions were asked. For example, questions about the role of Voluntary Sustainable Standards in including and excluding smallholders from the GVC and international trade or questions regarding real financial returns after obtaining certification and finally question concerning the real voluntariness of the VSS. This limitation, added to the above-mentioned can provide interesting inputs in elaborating more inclusive research project.

The limitation, in terms of time and resources, might have provided just a partial view on a very complex environment such as the coffee industry and its system based on certification. To outmatch this limitation, hints for future research can be found in the latest chapters of the thesis. The use of a more realistic approach and the application of surveys instead of few interviews could have been useful in promoting a picture of the general trend among certification providers on specifically identified issues.

As reported above, generic answers were retrieved from the interviews. However, the use of interaction and collaboration with some of the most used certification schemes provide very useful insights. The thesis focused a lot on discovering new information and explore the world of the voluntary certification system, and thanks to those limited answers, a new field of studies have been recognised as very important. Within its restriction, the project helped in adding value to a field of study that is not vast and not so much renowned among scholars.

Thanks to the interactions with 4C Service, Fairtrade International Label and GCP (Global Coffee Platform), and by not receiving complete and fully satisfying answers, the project was developed in part by interpreting the responses and by trying to grasp as many insights as possible. Therefore, through the interpretation and the
use of interviews, the projects helped to portray that there are still aspects of the coffee industry and in the specific among the Voluntary Sustainable Standards that need to receive major attention. Consequently, all the above-mentioned limitations (from limited literature, not satisfying answers or lack of report on the financial aspect of VSS), allowed the project to promote a little first step towards the enlargement of the literature on those field of studies.
3. Theoretical Background

In today’s production setting, the development of a product or part of it usually takes place in different locations around the globe (Gereffi, Korzeniewicz, & Korzeniewicz, 1994). An actor or more perform single or several tasks as they have certain advantages in doing so. Advantages have the form of access to exclusive row materials, specialization and inaccessible technology or a very highly skilled workforce. In the same way as production, also the consumption of goods does not know borders. Hence, the product easily acquires a global setting, including not only international actors in the production activities but also many actors in the distributions and in other aftersales activities (Gereffi et al., 1994).

For the further development of the thesis, the theoretical background chapter is advanced. The goal of this chapter is to highlight and explain the theories behind global production, its pillars and why they are important for the coffee industry and its participants. In this chapter, two main topics will be analysed: Global Commodity Chains and Global Value Chains. The first section refers to the framework that first introduced the idea of globalized production and distribution of commodities. The second main topic relates to the global value chain, which keeps involve and develop on concepts of globalization, but at the same time add the concept that a product acquires new and added value along the chain. Both theories are used to contextualize the coffee industry but also to provide a theoretical framework that explains the relationships among actors within the coffee world.

On top of it, also the topic of governance, within the GVC theory, acquire major importance and will be explained as relevant for the Voluntary Sustainable Standards. For the development of this project, the concept of standards refers to what Ponte (2002a, p. 3) explain as:

“Set of rules or practices that have to be measured and established by regulation or authority (mandatory standards), through formal coordinated processes in which key participants in a market or sector seek consensus (voluntary standards) or by individual enterprises (private standard)”.

Throughout the paper, the focus will be given to the voluntary aspects of those standards, as producers comply with them to achieve better conditions such as higher prices, reduce environmental issues and increase the working conditions within the coffee cultivation (Ponte, 2002a).
3.1 Global Commodity Chains

Before the global acceptance of the global value chain and all its applications, the literature and scholar refers to the global context of production and distribution as Global Commodity Chain (GCC). In the development of this thesis, the notion of commodity plays an important role as the coffee is considered to be one of the most valuable traded goods (Ponte, 2004a). In the list of the most internationally exchanged commodity, the green coffee bean is ranked in the top five surrounded by oil, aluminium, wheat and coal (Ponte, 2004a, p. 3). Many authors, such as Gereffi and Korzeniewicz (1994), build on this concept and develop a more mature framework. One of the first introduction and definition of the commodity chain arrives by Hopkins and Wallenstein and it is explained as:

“A network of labour and production processes whose end result is a finished commodity” (Gereffi et al., 1994, p. 2).

In another way, it can be simply defined as a set of activities that range from development, manufacturing and marketing of a product. The framework consequently introduced and acknowledged that a simple commodity is the result of different relations that take place in a global context. In the development of this framework, the two authors (Gereffi and Korzeniewicz, 1994), points out that the power and the success of a company derive by the ability to manage those international relationships between places and actors in an integrated and systematic way. In addition, the importance of the global commodity chain lays on the fact that the two authors (Gereffi and Korzeniewicz, 1994) understand and take into consideration three main aspects:

- An input-output structure, a set of goods and services linked together in a sequence of value-adding economic activities (Gereffi et al., 1994, p. 7);
- A geographical dimension, related to the dispersion of economic activity such as production and distribution;
- An authority structure, a set of relationships that links together the global structure.

As the world became more globalized and efficiency started to play a major role, many tasks that once were solved internally became slowly left outside the company. In the case of coffee, when the access to the raw material is bounded by its geographical position, the importance of the network of activities rise as increases the significance of the control structure. By taking into consideration the structure of different commodity markets and different structure of governance, the GCC can be theorised in two main way (see Figure 2). The first is related to markets where the technology and specialization embedded in the production of the commodity are very high, while the second is linked to markets where the production is based on more simple activities. From this point, the distinction between Buyer-Driven and Produce-Driven developed by Gereffi et al. takes the form (Gereffi & Fernandez-Stark, 2016; Gereffi & Korzeniewicz, 1994; Gereffi et al., 1994). As it is possible to understand, the main difference between the two structures relies on the difficulty and barriers to enter those markets and the degree of coordination and governance embedded in the structure.
The *Buyer-Driven* structure relates to commodity chains where large companies or retailers play in a key position, by shaping the structure of the production usually by leaning externally and rely on developing countries (see East-Asia countries, South and Centre America and India). The objective is to make labour-intensive consumer goods such as sportswear and toys in a very efficient manner (Gereffi, 1999, p. 38; Gereffi et al., 1994, p. 7). The same trend is also found in the vegetables, fruits as well as the coffee industry, where the production is left outside the leading firms, for obvious reason, while marketing, design, development of the products and their coordination is undertaken internally (Dolan & Humphrey, 2004). Usually, this decision lays on the fact that those high-value activities are crucial for the final good, and therefore, managed and solved inside the company. Within this structure, the buyers or the larger multinational companies play on top of the hierarchy of the whole chain, as it provides a way of works that have to be followed to ensure that the coordination between all the functions run easily. In the buyer-driven hierarchy, the large retailers such as Tesco or Walmart as well as Nike and Reebok (Gereffi & Fernandez-Stark, 2016, p. 10) deliver protocols, requirements that have to be matched by suppliers if they want to be part of the chain. Concerning the coffee chain, the main leading firms are Starbucks’ Coffee, Lavazza, Costa Coffee and Jacobs Douwe Egberts to name some.

The other structure highlighted by Gereffi relates to the *Producer-Driven* structure. In this structure, big international firms, manufacturers are the pivotal point as they coordinate the production system (Gereffi, 1999). Explicit and direct coordination is needed as the production is based on “capital – and technology-intensive commodities such as semiconductors, aircraft and cars (Gereffi et al., 1994)”’. In the producer-driven commodity chains, the firms tend to centralize the production activities and other processes, trying to centralize and apply strong control all over the chain. It is possible to say that those chains are vertically integrated alongside the supply chain and this happen because big firms can benefit from the “technological advantages of integrated suppliers” (Gereffi & Fernandez-Stark, 2016, p. 10; Gereffi et al., 1994).

The inclusion of the Commodity Chains in the paper is relevant as the object of the study is coffee. Coffee, as explained above, is a global commodity and its production – consumption relation is structured globally. The buyer-driven commodity chain reflects quite well the relationship inside the coffee industry, where a number of buyers, in the form of roaster or importers acquire the crops from local producers and sell it around the world.
As the concepts related to the governance of the value chain have gained major importance in the literature, also for the coffee industry this topic plays an important role. In the specific, retailer (importers or roaster) can affect the global production by setting barriers to the market in the form of quality standards that has to be a match or certain actions and processes that have to be followed in order to play in the global market. With this idea, it is the goal of the next sub-chapter to build upon the concepts of governance and other topics strictly related to the global value chain in the context of the coffee industry.

### 3.2 Global Value Chain

Many countries, especially in the developing part of the world have moved their economies towards the strategy of export (Bair, 2013). The main reason is the presence of resources that are limited and bounded within their specific borders, such as coffee, for example, which is limited in specific areas with special environmental conditions. This shift promoted growth in the numbers of articles and studies based on international relationships and international trades. As highlighted before, the Global Commodity Chains
introduced by Gereffi was only one of the main framework developed to study the globalization in today’s economy. Some well recognize framework were: international production networks, global production networks, global production systems and the French filière concept (Bair, 2013, p. 12). For the development of the thesis, those theories related to the different production setting will not be taken into consideration, but only listed to shows the number of studies linked to production frameworks. From this large variety of frameworks and approaches, the need for using common terms. In this sense, the Value Chain Analysis term has been used, with the goal of stimulating and gather the studies and researches on the global economy and production system. In this context, Porter was one of the first to give a definition of GVC. In its famous book related to the competitive advantages of nations, Porter (1990, p. 41) refers to the global value chain as:

"A firm's value chain is an interdependent system or network of activities, connected by linkages. Linkages occur when the way in which one activity is performed affects the cost or effectiveness of other activities"

One of the biggest differences between the global value chain and the global commodity chains is the development of studies related to the governance of the chain. As explained above, initially there was only a distinction between Buyer-driven and Producer-Driven chains. Before explaining the different type of governance, it is important to define it and describe the three columns on which governance is based on. For the literature the governance is built on three main aspects: governance as a Driver, as a medium of Coordination and governance as a way to set Norms (Lee & Gereffi, 2015; Ponte & Sturgeon, 2014). At first, the governance of the GVCs is defined as:

“Authority and power relationships that determine how financial, material, and human resources are allocated and flow within a chain” (Gereffi & Korzeniewicz, 1994, p. 97).

Therefore, as briefly introduced above the governance rely on the following aspects. The governance as a Driver reminds on the fact that lead firms in different industries around the world use their power to set criteria in the form of “prices, quality and delivery standards” (Lee & Gereffi, 2015 p. 321) and by doing so they set the conduct of the whole chain. Another important aspect of the governance is to set rules and norms. In this sense, the governance affects a variety of actors in a very broad way. As in the case of the coffee industry, the governance allows lead firms to set standards, agreements, rules that affect the participation of one specific actor in the global value chain (Lee & Gereffi, 2015). In this specific aspect of the governance, it is possible to understand the double role of certifications and standards for the coffee industry as the involve a chance to improve working and social condition for local growers but at the same time they set market barriers for them to enter the GVC (Ponte & Sturgeon, 2014; Zimmer, 2019). Being in a leading position in the global value chain means shaping the way actors act within the chain. Therefore, governing and coordinating the relationships among all the member of the chain involves extra work for the leading firm, by providing the
specification of products, standards, prices as well as the respect of working conditions and way of working (Gereffi & Lee, 2014, p. 28).

Finally, the last aspect of the governance is perceived as a *medium of Coordination*. As the GVCs involves different linkages, those linkages are managed and coordinated by the specific type of governance present in the chain. In the specific it is possible to identify five types of governance in the literature of GVC: Market, Modular, Relational, Captive and Hierarchy (Gereffi, 1999; Gereffi et al., 2005, pp. 83–84).

![Global Value Chain Governance Diagram](image.png)

**Figure 7 – Global Value Chain Governance. Source (Gereffi & Fernandez-Stark, 2016, p. 12)**

*Market.* Market governance includes very low transaction costs. It means that is relatively simple to switch from one buyer to another and information related to the product can be easily transferred. The pivotal point of this governance is the price/cost of changing partners rather than the power of the lead firm, which means no real formal cooperation within the actors of the chain (Gereffi & Fernandez-Stark, 2016; Gereffi et al., 2005).

*Modular.* In this type of governance, the key point is the information flow and definition of standards. Relationship in the modular GVCs occurs when suppliers create ad hoc products that follow the client’s description. Usually, suppliers work with a quite broad customer base which allows them to keep the switching costs low (Duke University - Global Value Chain Initiative, 2019b).

*Relational* governance refers to specific relationship based on reputations, ethnicity, spatial proximity and families linkages (Duke University - Global Value Chain Initiative, 2019; Gereffi & Fernandez-Stark, 2016; Gereffi et al., 2005). It means that the exchange of information is complex and based on personal linkages.
Lead firms still have control over the suppliers but the thick relation between them makes it hard to switch (Gereffi & Fernandez-Stark, 2016).

Captive. In these systems, relatively small suppliers are heavily dependent on larger buyers or leading firms. Here is very hard to switch buyer, the reason lays on the fact that supplier’s production refers to specific information of one buyer's descriptions. In addition, the degree of control and monitoring activity of the buyer is very high (Gereffi et al., 2005).

Hierarchy. The last type of governance is based on a vertical relationship between buyers and suppliers. The degree of control is very high as the production and the following activity are built on complex information that cannot be easily transmitted (Duke University - Global Value Chain Initiative, 2019; Gereffi & Fernandez-Stark, 2016; Gereffi et al., 2005).

In relation to the idea of control upon the global value chain, is important to state that these five different types of governance are mainly based on “three key variables” and their combinations (Gereffi et al., 2005, p. 87). Those variables are:

- The complexity of the transaction: which relates to the structure of the chain in a specific industry. The number of actors, who are in charge of the leading positions, suppliers etc.
- The ability to codify information: refers to which extend the information that flows inside the chain can be organised, in order to be transferred and transmitted in an efficient way towards all the actors of the chain. (Gereffi et al., 2005, p. 85).
- The capabilities of suppliers to meet buyers’ requirements: refers to the potential and ability of the participant in the Value Chain to meet the requirements set for the transaction. (Ponte, 2002a, p. 7; Gereffi et al., 2005, p. 87).

3.3 Coffee Value Chain Analysis and Theories Contextualization

As proposed by Gereffi (Gereffi & Fernandez-Stark, 2016; Gereffi & Korzeniewicz, 1994; Gereffi et al., 1994), the value chain includes different dimension: the structure, the geographical context of the chain and its governance. The need of developing a chapter based on the analysis of these dimensions, but also linked to the contextualization of the above-mentioned theories; lay on the fact that many issues that are identified and reported later in the project are strictly associated with the Global Value Chain and Commodity Chain.

This analysis can be used as a medium to approach some of the issues within the coffee industry and contextualize the theories. Therefore, after having identified the main dimension of the value chain, the analysis can be developed as follow:
The *coffee chain structure* is described in different stages (see also Figure 4): the harvesting, the drying activity, exports, process of roasting and the sales activity (Fernandez-Stark & Bamber, 2012; Samper & Quiñones-Ruiz, 2017). The structure itself comprehend a good amount of participant and their relations spread worldwide. A more in-depth explanation of the activities related to the coffee value chain are developed in the sub-chapter 4.1.1.

The *geographical dimension*, as described in the first chapter relates to the spatial aspect, in which every step of the production take place. Regarding the coffee value chain, it is possible to see a north-south relation. On this matter, the industry has been changing on both side: the production has reached relatively new sourcing country such as China and Myanmar, while also the consumption has increased in East Europe, Asia and other producing countries (Samper & Quiñones-Ruiz, 2017). As a general trend, the majority of the coffee, both arabica and robusta, is sourced from cultivation in Brazil, Colombia, Mexico, Kenya but also countries in the east such as Vietnam and India (International Coffee Organization, 2019; International Trade Centre (ITC), 2018, 2019).

Finally, the *governance structure of the chain* is linked to the way and how all the relationships inside the chain are controlled and coordinated (Gereffi & Fernandez-Stark, 2016). Analyse the governance of the coffee value chain is interesting as it shares elements of both GVC and Commodity Chain. A relatively small number of leading firms such as Starbucks Coffee, Lavazza, Costa Coffee and Jacobs Douwe Egberts to name few, manages the entire coffee industry. Those leading firms are mainly situated within the borders of the most developed country, especially in the north as well as the most occidental part of the world. On the opposite side, several millions of smallholders and coffee producers are mostly located in the south, with prevalence in developing countries. Therefore, the concept of Buyer-Driven chain is still very relevant, especially when connected with the introduction of the Global Value Chain and the “Captive” type of governance. In the coffee industry, those two systems of chains collide and share similar points. The leading firms shape heavily the industry by setting requirements and another form of control, which acts on the high number of producers. Consequently, those aspects affect producers that make their living on exportation.

Linked to those facts and other changes in the coffee industry, another important aspect needs to be mentioned: the emergence and growth of the Voluntary Sustainable Standards (see Chapter 4.1.1 and Figure 2). In the context of a Captive value chain or Buyer-Driven chain, roasters and importers face relatively small switching cost, while, due to the increased perception and recognition of sustainable issues, coffee producers have faced an increased need to gain and achieve voluntary standards. It is possible to say that the presence of VSS act mainly on the producing side of the value chain. The reason behind is that roaster or importers in the north part of the world keep using and selling the coffee under their own label and continue to leverage on economies of scale. Leading firms decide to adopt VSS more as a form of "protection and brand reputation" (Samper & Quiñones-Ruiz, 2017, p. 5), while producers are invited to comply with them to stay in the industry of
international coffee trade. The Voluntary Sustainable Standards have been developing quickly and have been affecting profoundly the chain productions. Therefore, on top of the specifics and standards set by leading firms that suppliers and producers have to meet (Ponte, 2002a, p. 7; Gereffi et al., 2005, p. 87), the VSS add new requirements that shape the industry and act as a new way to control the coffee production.

The theories mentioned above, are employed in the thesis as a way to understand and contextualize the coffee industry. Both global value chain and the commodity chain are useful frameworks to explain the connections and the linkages among the actors of a specific commodity. Taking the coffee commodity as the object of the study, the use of GVC and GCC was beneficial in explaining the north-south situation, where different actors and nations are essential in the cultivation and commercialization of coffee.

Coffee producers develop almost all the activity necessary to sell the coffee; however, it is thanks to the leading firms and roaster that the commodity is commercialized. The two frameworks explain that most of the less complicated activities are developed in the developing country where the coffee grows, such as Brazil, Colombia, Kenya etc., while the processes and activities that need specific knowledge, presence of financial resources and other intricate tasks are solved mainly in developed countries (Gereffi & Fernandez-Stark, 2016; Gereffi et al., 2005; Gereffi & Korzeniewicz, 1994). This situation is the result of exclusive raw material and special environments such as the geography of the production and the special weather.

Knowing that the structure of the coffee industry is based on the presence of several millions of coffee producers in developing countries and a relatively small number of leading firms in developed countries, makes it clear that a situation of power is embedded in the position of roasters and importers (Pelupessy, 2007). Leading firms see very little risks and costs in changing the source of coffee while it is more complicated for producers to change who supply. In addition to the theoretical section, other information regarding the coffee industry can be found in chapter 4.2 of the analysis section. This present chapter, taken in consideration with the studies on the GVC and GCC gives a more comprehensive and exhaustive picture of the world of coffee, including recurrent issues and point of view of the actors that were interviewed.

Finally, the inclusion of aspects such as the buyer-driven commodity chain and the presence of specific information regarding the governance are very important for the development of the thesis as they highlight the way things works and the way operations are managed within the chain. These aspects are suitable also to promote problems among coffee producers. In this sense, coffee producers have to follow the lead and the requirements of leading firms in developed countries while at the same time are subject to some degree to other requirement imposed by the market. Knowing that the coffee industry is managed under what Gereffi calls Buyer-driven or Captive hierarchy (Gereffi et al., 2005; Gereffi & Korzeniewicz, 1994), makes it easier to understand that policies, for example, have to be developed to promote and protect the well-being of the producers or actors of the coffee industry.

In parallel with the governance of the coffee value chain, voluntary sustainable standards play an important role in influencing the industry. The certification delivered by private organizations, NGOs and other
enterprises are applicable at almost any level of the chain. Different actors see the application and compliance with those standards as a solution to certain issues, while others use them as a way to increase their likability. In specific, coffee producers use them as a way to increase the quality of their coffee, use them to boost their income and improve a series of activity within the farm. On the opposite side, leading firms comply or acquire sustainable coffee to increase the degree of trustworthiness among consumers and to source higher quality coffee.

The organizations which provide the certification plays on the fact that sustainability is a very hot topic among the agendas of many enterprises and on the fact that is a sort of customs among the industry to safeguard different sides of the productions such as its social, economic and environmental aspects. In addition, many leading firms who need to source coffee ask already for specific requirements that the production of coffee needs to have and in this sense certification providers help the coffee producers to have those requirements achieved and established within their own production.
4. Analysis of Voluntary Sustainable Standards

The objective of this section is to analyse all the information retrieved from the desk research, the data collected from the interview and the contextualization of the theories, with the main goal of providing answers to the research questions. As promoted in the first chapter, the idea of the project is to provide the reader with an explorative paper that collects and includes the main issues regarding the coffee industry and in the specific the Voluntary Sustainable Standards. Consequently, the goal is to enlarge the study on VSS, by promoting and interpreting the point of views and opinions on not well-recognized issues of two actors participating in the coffee industry such as Fairtrade International Label and 4C Service.

This chapter is divided into several sections. At first, the historical background of the coffee industry is given to help the reader in understanding the actual situation of the industry, highlighting also the presence of the first notion of VSSs. The second section of the analysis provides a short illustration of all the activities present within the coffee value chain. Later on the project, issues related to the sustainability of the coffee industry are provided to portray the current image of the industry. In the concluding sections, there will be an exploration of the top five certification schemes used within the coffee production, and in the following two chapters the description of the role of VSSs for both leading firms and producers is provided. The concluding chapter of the analysis section is linked to the representation and interpretation of the position of 4C Service and Fairtrade on not well-recognized issues affecting the coffee industry and the certification system.

In developing the analysis section, the interview conducted with Benedikt Zimmer of 4C Service, and Andreas Hansens of Fairtrade will be used; the goal is to understand better the industry and analyse it with the eyes of two of the most used certification body (International Trade Centre (ITC), 2018).

4.1 Coffee industry background

In order to give context and more details on the coffee industry, it is necessary to give the reader a brief summary and highlight important facts and information linked to its history. The history of the global coffee chain can be defined in two main periods: the era under the ICA - International Coffee Agreement (1962 - 1989) and the period after the agreement (1989 until present) (Ponte, 2004a, p. 3).
The International Coffee Agreement was a contract shared by many producing and consuming countries. Under this condition, the industry included target prices and quotas related to export were assigned to every producing country participating in the agreement. The system of quotas was flexible and changed with the change of the target price: if the price indicator rose above the target price quotas were enlarged; if below the price, quotas were squeezed (Ponte, 2002, p. 1112; 2004a). The power of the system was related to the high participation of consuming as well as producing country (Ponte, 2004a).

However, in 1989 the agreement was dismissed. One of the main reason was the increasing volume of coffee sold for lower price among countries not participating initially in the agreement. Under the ICA, the value chain of the coffee industry was not directly driven by any actor or any specific country (producing or consuming). Consequently, entry barriers were frequently regulated by governments as well as the quotas assigned, making any decision the result of political negotiations (Ponte, 2004a, 2004b).

Even though the ICA agreement was abandoned, many analysts settled that it was very successful in “rising and stabilizing coffee prices” (Ponte, 2004a, p. 3) and accordingly, it guaranteed producing countries the valorisation of their products. Because of the limited role of the agreement, many new actors come in place. The lack of actions by governments and the not performing role of nations in regulating the coffee industry created the perfect conditions for the private association to acquire a spot within the industry and influence it even more (Bamber et al., 2014; Ponte, 2004a). For that reason, new businesses, as well as other non-state actors, took part in developing and managing the relationships and the environment within the coffee industry. As the absence of public interventions increased, the coffee industry saw the rise of Voluntary Sustainable Standards, which changed the scenario within the coffee chains (Ponte, 2004a; Samper & Quiñones-Ruiz, 2017). The main reason behind the increasing utilization of VSS in the industry was linked to the risk of obtaining lower quality coffee. Those organization bounded these risks by implementing standards of quality as well as standards that included more ethical issues (Barrientos, 2000).

Nevertheless, the general condition of the coffee industry seems to have changed since the abandon of the International Coffee Agreement. Nowadays the industry shares many of the characteristics of what Gereffi (et al., 1994) calls Buyer-Driven commodity chain as well as the Captive value chain. As written in Chapter 3.2 and 3.1, where those two concepts are explained, Buyer-Driven and Captive governance relate to systems where the decision taken at the top of the chain affects actors on its lowest part. In those chains, like the coffee industry, there is a presence of a restrict number of big buyers and leading firms but at the same time a greater number of producers. This circumstance creates the condition of lower switching costs for leading firms and quite a rigid production for coffee producers (Gereffi, 2001; Gereffi et al., 2005; Gereffi & Fernandez-Stark, 2016, p. 10). Coffee producers, even if they comply with voluntary certifications, depends highly on the market demand, the decision set by buyers, roaster and even customers (Hansen, 2019). Initially, the Voluntary Sustainable Standards were used to satisfy the specific need of consumers. Those labels delivered customers with information linked to the kind of production and other specific data linked to the higher quality of the
commodity. However, the continuous application of these labels provided both consumer and leading firm with higher advantages in the form of information, which were not obtainable easily. From this starting point, the high-end of the value chain started promoting and favouring the employment of certified coffee (Barrientos, 2000; Samper & Quiñones-Ruiz, 2017).

In this matter, the market has acquired the control of the system inside the industry, making it move from a formal setting with a quite strong regulatory power of International Coffee Agreement (ICA), to an industry mainly controlled by buyers in consuming countries. Then, this captive and buyers driven type of governance affects highly the producer’s conditions (Samper & Quiñones-Ruiz, 2017). Choices made by roasters and importers affect and shape the industry by setting entry barriers, for example in the form of volume of coffee that has to be supplied and standards of quality that have to be met (Ponte, 2002b, 2004a).

### 4.1.1 Activities within the coffee value chain

Coffee production includes different activities and processes. As reported in the first chapter and Figure 1, the production starts primarily in the south part of the globe in countries where the *Coffea* plants grow naturally or have the correct environment to mature. Therefore, those conditions can be found in Brazil, Colombia, Mexico, Kenya, Vietnam and the south part of India (Giovannucci & Koekoek, 2003; International Coffee Organization, 2019; International Trade Centre (ITC), 2018; The Coffee Wiki, 2019).

As stated, different activities are processed before the actual act of drinking a cup of coffee. It starts with a series of inputs such as the seeds, fertilizers and workforces (which are often subject to high control by certification and standards) and preparation of the lands (Bamber et al., 2014; Fernandez-Stark & Bamber, 2012; The Coffee Wiki, 2019). After the first inputs, the actual production starts. Form different type of seed such as Arabica or Robusta, two different plantations develop and take place throughout the field. The differences regard the acidity, the percentage of caffeine, the price (Robusta is cheaper than Arabica) and the resistance of the coffee bean to the environmental conditions (Giovannucci & Koekoek, 2003; HIVOS, 2018; International Trade Centre (ITC), 2018; Ponte, 2002b; The Coffee Wiki, 2019). (A Little Further South, 2015)

When the coffee beans are ready, the picking process occurs and after that, the actual processing activities. It can take place in two different ways: (1) *wet process*, necessary to remove all the coverage of the bean and the impurity on the external layer. It implies water and it is faster than the following methods, (2) *drying process*, which also consists in removing the external part of the coffee but develops by laying the coffee beans under the sun for several days.

![Figure 8 - Coffee drying rack in Peru. Source: (A Little Further South, 2015)](image-url)
After being processed, the coffee is put in bags. Each bag is 60 kg and the price on the market of the coffee is based on the price of a single bag.

<table>
<thead>
<tr>
<th>Growing</th>
<th>Picking</th>
<th>Processing</th>
<th>Milling</th>
<th>Roasting</th>
<th>Packaging and Delivery</th>
<th>Final Consumption</th>
</tr>
</thead>
</table>

Figure 9 – Coffee Value Chain. Source: Author, inspired from (Bamber, Guinn, & Gereffi, 2014; Fernandez-Stark & Bamber, 2012; The Coffee Wiki, 2019)

After this process, the coffee berry is ready to be milled and then traded and roasted. The trade and export of coffee berry can have two different subjects: the normal coffee produced without including special activities or by not taking into consideration any sustainable practices, or the speciality coffee, a production who comply with standards and certifications. In one of the last step of the chain, the roasting process prepares the berry for “classic” coffee or for instant coffee. Finally the marketing activities, which deliver the final product to supermarkets, food services and coffee bars (Bamber et al., 2014; Fernandez-Stark & Bamber, 2012; The Coffee Wiki, 2019).

In Figure 9, the main activities are presented in a simplistic way, including every stage from the plantation of the coffee seed to the final consumption. With the following chart, the goal is to clarify better the position and the role of different actors within the coffee value chain.

Table 3. Actors and activities in the coffee value chain

<table>
<thead>
<tr>
<th>Actors</th>
<th>Main activities and processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee Producers</td>
<td>The main activities conducted by coffee producers regard the plantation, harvesting, picking and drying (Fernandez-Stark &amp; Bamber, 2012). The worldwide production of coffee takes place for almost its totality in only a few developing countries: Brazil, Vietnam, Colombia, Indonesia, Kenya and Mexico (Colombo &amp; Tirelli, 2006; International Coffee Organization, 2019). The above-mentioned activities need time and the right environment to be developed. Problems regarding the weather or the, scarcity of water or lack of the right environmental conditions create enormous damages in the coffee production. The presence of certified coffee production helps the producers to increase its trustworthiness among importers. Complying with certificates often means the compliance with many lading firm’s requirements, so their presence facilitate the trade between the farm and the traders (International Coffee Organization, 2019; Ponte &amp; Sturgeon, 2014).</td>
</tr>
</tbody>
</table>
Importers and Traders

Importers and coffee buyers are the first direct contact with coffee producers. Those organizations usually are based in the producing country or in the developed country where they work in pair with coffee leading firms. Once that the raw material (coffee bags of untreated coffee beans) is ready, organization of coffee producers collect and sell the coffee to importers. At the same time, coffee expert certifies the quality of the coffee and the compliance with the company requirements and other standards. The price for the coffee varies on the base of availability, quality and other parameters (Lavazza, 2017, p. 37). Importers usually take care of exportation activities. They develop relations with shipping companies to move the bags into containers and manage the procurement with leading firms.

Voluntary Sustainable Standards provide coffee producers with extra credibility and increase the opportunity for coffee producers to receive higher prices during the negotiations. In the same manner, the leading firms who source sustainable coffee increase trustworthiness among consumers (Hansen, 2019; Zimmer, 2019).

Leading firms

Once the coffee arrives in the different warehouses, the quality of the coffee is once again checked. After the in house audit, the coffee is finally processed and roasted (Coffee Corner, 2019). Depends on the goal of the firms the two different coffee (Arabica and Robusta) are mixed to create special blends or treated independently. The next step is the packaging and then the delivery to the different stores, bars or other place of consumption. In these steps, the leading firms can manage and decide to sell the coffee as labelled, if it was sourced from “sustainable producers” (Hansen, 2019). The presence of sustainable labels such as UTZ, Rainforest Alliance or Fairtrade International Label increases the price of the final product.

Source: Author inspired by (Coffee Corner, 2019; Fernandez-Stark & Bamber, 2012; Lavazza, 2017; The Coffee Wiki, 2019)

4.2 Sustainable Issues and Existing Problem in the Coffee Industry

By being one of the most consumed commodity, coffee plays a very important role in the source of revenue for millions of people, especially in the developing part across the entire globe. Around 25 million of small producers, spread throughout Centre and South America, Africa, South - East Asia rely on the coffee
production for sustaining their living (May et al., 2004; Pelupessy, 2007; Ponte, 2002b). Counting on such numbers, the well-being of the industry of coffee is essential. Consequently, the idea of sustainability is relevant for coffee producers as well as for leading firms in the industry.

Different reasons lead actors to undertake sustainable practices. Producers that are looking for improvement of their production with more sustainable practices to implement the quality of their final product, to raise the productivity of their field and acquire higher chances of getting better margins. Leading firms instead, rely on sustainable suppliers to source from the best, offer the best coffee to consumers around the world as well as increase their revenue from the sales of premium coffee (May et al., 2004; Pelupessy, 2007; Ponte, 2002b). Thanks to the globalization and the continuous and increasing interest of people towards this commodity, concept of sustainable development in the form of social, economic and environmental improvement have acquired a special place among many customers and many actors along the coffee value chain (May, Mascarenhas, & Potts, 2004, p. 3). In doing desk research, for the development of the thesis, these three-macro groups of issues (social, economic and environment) related to the sustainability of the coffee industry were identified. Each group includes and relates to specific issues that need to be tackled. However, it is hard to state clearly which factor is considered to matter more, to be the most relevant for the industry and which one is easier to achieve.

Customers are constantly more interested and aware of issues linked to what they consume, such as the origin of the goods, the condition of farmers as well as the situation in which goods are produced and cultivated. This awareness is not only growing from the side of customers but is also increasing the attention of stakeholders, which do not want to be part of, or sustaining harmful practices. However, what is perceived from the research papers and literature is that smallholders seem to be subject to higher pressure in achieving sustainability (Barham & Weber, 2012; Chiputwa et al., 2015; Samper & Quiñones-Ruiz, 2017). The reasons lay on the fact that the final consumers have switched the consumption of coffee towards a product with higher embedded quality (Chiputwa et al., 2015; Samper & Quiñones-Ruiz, 2017). Therefore, as the producers rely heavily on leading firms and have to comply with their specifics, coffee producers are the ones who are under the highest degree of pressure. In addition, due to the market structure and the low cost for leading firms to switch from one producer to another increase the pressure felt by smallholders to comply with higher quality requirements. For the highlighted reasons, sustainable development (Brundtland, 1987, p. 41) is being recognized by the agenda of many leading firms and organizations in the coffee industry as very important. The sustainable development is widely accepted among scholars as:

“Sustainable Development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two concepts:

a) The concept of ‘needs,’ in particular the essential need of the world’s poor, to which overriding priority should be given; and

b) The idea of limitations imposed by the state of technology and social organization on the environment’s ability to meet present and future needs.”
This definition was part of the “Report of World Commission on Environment and Development: Our Common Future” by Brundtland (1987, p. 41). By looking at the definition of sustainable development, it is possible to understand how the coffee industry does not reflect fully those parameters. Problems related to poverty touch a high number among smallholders, as well as limited access to new technology to improve the quality of their product and decrease environmental issues (Beuchelt & Zeller, 2011; Chiputwa et al., 2015). Therefore, those problems affect the sustainable development of the coffee at the “local, regional and global levels” (May et al., 2004, p. 4). It is important to mention the definition of sustainable development, as a good portion of the project is focused on understanding the Voluntary Sustainable Standards and by being the sustainability of those standards a key aspect (Ponte, 2002b), it is necessary to know what it means and to what it refers to. Contextualizing the definition of Brundtland (1987, p. 41) in the coffee industry is not an easy task. Desk research and interviews have been conducted, however by not being directly involved in it, makes it difficult. The definition gives hints in studying the “needs of the present” and “needs of future generation”. By reflecting on those needs and translating them into the coffee industry, it is possible to see how the current situation of the coffee industry needs more stability regarding the social aspect such as reduction of poverty among coffee producers, reduction of child labours, and implementation of labour right (4C Service, 2018; Barham & Weber, 2012; Pelupessy, 2007; Zimmer, 2019). In addition, the present is also highly affected by the environmental crisis that is happening; consequently, the promotion of more healthy activities in the cultivation of the commodity is needed such as reduction of deforestation, preservation of the soil and waste management. On the same line, also other information were gathered from the interviews such as problems regarding the stability of price which creates the foundation for unstable life condition for coffee producers (Hansen, 2019).

What is needed for the future is hard to tell. Doing desk research and by conducting interviews major information have been retrieved but not being directly involved in the production and immerse within the coffee industry creates a slow-down in promoting solutions. However, taking into consideration the United Nations (United Nations, 2019) Sustainable Development Goal 2030 (SDG) it is possible to understand that a variety of actions are needed. Reduction of poverty, development of more responsible productions, improvement of working condition and increase the quality of the life of coffee producers (United Nations, 2019).

To gain a better understanding of the problems related to the coffee industry and its sustainability, different people from diverse positions within the coffee industry such as GCP, 4C Services, AMECAFE, Bird Friendly and Fairtrade International Label to name some, were asked to respond questions via emails. One of the first answers received when asked which was the biggest problem the coffee industry was facing, was the executive director of the Global Coffee Platform. The GCP is a platform in which stakeholders participate in a voluntary way to share the solution of common problems linked to the coffee industry (see chapter 2.4.1.3). Through some emails, Annette Pensel (executive director) stated as follow:
“In my view, the biggest problem that the coffee industry is facing at the moment is the lack of economic viability of several of the current smallholder coffee farming systems aggravated by existing and future threats of climate change.”

In the same way as Annette Pensel, also Benedikt Zimmer (2019), an employee at 4C Service, Certification Provider, answered to the same question:

“There are some general problems in agriculture, which apply to coffee as well of course. Diseases or pests, but mainly climate change and unpredictable weather patterns are affecting production, harvesting and processing. Price fluctuations may result in unreliable income. Child labour is still an issue, especially in South America”

In line with the previous answers and point of views, also Andreas Hansen (2019), product manager at Fairtrade International Label stated as follow:

“There is a parasite and it is dangerous and actually quite large. Okay so one of the main issues for the coffee farmers is of course, is the price mechanism within the coffee world. And the fact that the coffee is traded as other exchange material, like similar to the Stock Exchange makes the price system very unstable”

Through the collection of interviews and its related data, it is possible to state that the major issues that the coffee industry is facing now are different. Environmental problems such as climate changes as well as the presence of parasite and diseases that affect the production (Hansen, 2019; Zimmer, 2019); but also social condition such as child labor and finally problems related to the stability of the industry including the volatility of the prices that affect the living condition of producers (Hansen, 2019; Ponte, 2002a)

In line with the statements above, also other existing problems can be acknowledged within the coffee industry. Being the interests of the thesis to promote an explorative paper that included the different issues related to the coffee industry, many reports and articles were analysed (Colombo & Tirelli, 2006; Giovannucci & Koekoek, 2003; International Coffee Organization, 2019; International Trade Centre (ITC), 2018; May et al., 2004; Ponte, 2004a, 2004b). From the consultation of the latter, Table 3 represents most of the recurrent issues within the industry.

Table 4. Main issues related to the smallholders’ side of the coffee industry

<table>
<thead>
<tr>
<th>• Declining coffee prices</th>
<th>• Poor access to credit</th>
<th>• Economies of scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Prices instability</td>
<td>• Market power</td>
<td>• Inequitable social relations</td>
</tr>
<tr>
<td>• Low sectoral mobility</td>
<td>• Information asymmetries,</td>
<td>• Environmental impacts</td>
</tr>
</tbody>
</table>

Source: Author inspired by Colombo & Tirelli, 2006; Giovannucci & Koekoek, 2003; International Coffee Organization, 2019; May et al, 2004; Ponte, 2002b, 2004b.
In this matter, many certifications have been developed and they act transversally along the value chain to tackle and solve those issues. Their presence is labelled under the name of Voluntary Sustainable Standards. Various organizations developed and created a code of conducts and requirement that can be independently matched by smallholders and coffee producers. After receiving a confirmation that requirements and standards are met, producers can implement their production, which results in higher quality coffee and being able to ask for higher prices in the moment of selling the green beans.

As will be explained in part in the section 4.3.1 different certification schemes exist within the industry of coffee. In an overall view, different certifications share similar goals, which represent the sustainable aspect of coffee production, however, each standard has a different approach and promotes one aspect of sustainability more than others. For example, within the explorative study of 4C Service, the certification body operates on a more broader way, by increasing awareness on environmental problems as well as economic issues, by increasing the power of the producers and reducing unsustainable social practices such as child labour and poor working conditions (4C Service, 2018, 2019). There is a certain degree of similarity among certifications, therefore, each one of them perceives specific issues as more important and operates towards it (International Coffee Organization, 2019; Ponte, 2002b, 2004b). For example, Fairtrade allows producers to receive a minimum price for each coffee bags and an additional premium price when the coffee is sold with the label Fairtrade (Fairtrade International (FLO), 2019; Hansen, 2019). While Rainforest Alliance battles to protect and saves the stability of the forests, Bird Friendly promotes the protection of biodiversity of endangered species within the coffee production (Rainforest Alliance, 2019; Raynolds, Murray, & Heller, 2007).

Even if the list of existing problems among the coffee producer is quite broad, a problem is often overlooked. Although the majority of coffee producers base their living on the exportation of the commodity (Muradian and Pelupessy, 2005; Ponte, 2002a, 2004a), not many authors identify the access to the global market as the main issue. As will be explained better in the next subchapters, the presence of many Voluntary Sustainable Standards is perceived to have increased the issues of Inclusion-Exclusion from the exporting market (Muradian and Pelupessy, 2005, p. 2033).

### 4.3 Voluntary Sustainable Standards

As explained before, there is a general trend and deep consideration among consumer towards sustainability issues. As a result, many productions have changed, especially the one related to food commodities such as coffee, fruits and vegetables (Dolan & Humphrey, 2004). Because of this trend, leading firms are promoting and switching their production and source of suppliers in the direction of more ethical practices. In the context of the global value chain, this decision of increasing the quality and sustainability of a product is having a repercussion on all the actors participating in the chain. To do so, the first step is to explore and explain the actions and goal of the top five-certification schemes used within the coffee industry (Ponte, 2002a, 2002b; Global Coffee Report, 2017; HIVOS, 2018; International Trade Centre (ITC), 2018). The certifications in
examination are Utz Kapeh, Organic, Fairtrade International Label, Rainforest Alliance and 4C Code of Conduct. In the following sub-chapter, the role of VSSs will be explained in relations to leading firms and then producers and smallholders. Finally, through the utilization of the interviews and the data collected from it, the position of 4C Service and Fairtrade International will be highlighted in relation to identified issues.

4.3.1 Top five Voluntary Sustainability Standards

Before reporting the effect that Voluntary Sustainable Standards have on the different actors of the coffee value chain, it is the goal of the subchapter to highlight the most used certification bodies and what they try to promote within the industry. In the industry of coffee, several certification bodies and organizations provide the producer with accreditation to standards and certificates. Utz Kapeh, Organic, Fairtrade International Label, Rainforest Alliance and 4C Code of Conduct are the most popular voluntary standards of sustainability (Ponte, 2002a, 2002b; Global Coffee Report, 2017; HIVOS, 2018; International Trade Centre (ITC), 2018). Although in this project only five standards are explained it is important to say that as the recognition of ethical problem related to the coffee industry is growing, also the presence of voluntary standards is increasing. This situation is leading to a multitude of codes of conducts (Barrientos, 2000) developed by third parties, producers organizations, companies and NGO’s; hence, there might be the need develop a more generic approach towards a more regulated sector.

In this section, a small analysis of the five major Voluntary Sustainable Standards (VSS) is provided, highlighting their core activities and what they are trying to promote.

In addition to this section, data were collected from different reports and websites with the goal of implement the image of the coffee industry and VSS.

- **4C Certification** stands for Common Code for the Coffee Community. The 4C code was developed to increase gradually the social, economic and environmental conditions of coffee producers and organization of producer around the globe (4C Service, 2018, 2019). The main goal of 4C certification is to reach a great number of producers who are not taking part in the market of sustainable coffee and help them competing and increasing their “compliance with a basic level of sustainability” (4C Service, 2018, p. 4).

As stated by Zimmer (2019): “At 4C, we have 3 dimensions (social, economic and environmental). The goal is to make the agricultural production sustainable through good agricultural practices, community empowerment, capacity building and increased knowledge to conduct self-assessments and manage plans for continuous improvements.”

Initially, the certification was created as a verification system by the Global Coffee Platform (GCP, see above) and operated by Coffee Assurance Service but at the beginning of 2018, the certification system became an independent service provider. The 4C Code is globally recognized and aim to be an all-inclusive standard and this is verified by the great number of producers that have received the 4C license and by the number of hectares and the metric tons of coffee produced (Global Coffee Report, 2017, HIVOS, 2018; International Trade Centre (ITC), 2018). When asked about the number of application
received, not assessable information were received, however when asked about the provenience of the certification requests more precise numbers were obtained: 45% of them arrived from Vietnam, 20% from Brazil, 18% Kenya, 9% India and finally 8% Mexico (Zimmer, 2019)

- **Fairtrade International Label** is an organization founded in 1997 in which actions are related to the agro-food sector. Its initiatives count many members “across 74 countries, including 21 low-income countries” (International Trade Centre (ITC), 2018, p. 26) and the objective is to set minimum prices and premium label to reduce poverty in developing countries. The Fairtrade International label is applicable not only to coffee but also for other well-consumed goods such as cocoa, bananas, sugarcane, tea and to cotton (Global Coffee Report, 2017, HIVOS, 2018; International Trade Centre (ITC), 2018). The mission is to establish equal conditions in the trading of the above-mentioned goods. When a producer complies with the Fairtrade standards, he/she gets access to premium prices and an ensured minimum price in the case the market prices fall below the minimum. This label is one of the most well recognized Voluntary Sustainable Standards with around 1441 organization of which a 445 (Fairtrade International (FLO), 2019) are only related to coffee.

- **Organic International** is an organization who is structured on memberships and has the goal of representing the organic products for a series of commodities all along the value chain (International Trade Centre (ITC), 2018). As many other standards-setting organizations, also Organic International is not focused only in the coffee sector but focuses its effort in the market such as bananas, cocoa, palm oil and sugarcane. At the moment, Organic International is present within 127 countries and operates with the objective to set standards and assure the quality of goods in the agriculture sector (IFOAM Organic International, 2019). In the same way as the above-mentioned GCP, also Organic International coordinate and cooperate with stakeholders promoting the adoption of long terms action for “social and ecological change, facilitating production and trade, assisting organic” (International Trade Centre (ITC), 2018, p. 42).

- **Rainforest Alliance** is operating to promote and bring benefit to the safeguard of the forest, communities involved in the production of commodities in danger landscape and that involve the protection of wildlife (Rainforest Alliance, 2019). By being a certification provider, the farmers that comply with its directives and requirements are allowed to sell their product with the label “Rainforest Alliance” and achieve a premium price. Many of the certifications are related mostly to lands in Africa, South America and Asia for a total amount of 43 countries (International Trade Centre (ITC), 2018).

In 2017, Rainforest Alliance and UTZ merged to combine their actions and take advantages of the corresponding strong points. The two certifications keep operating under separate names until a common code of conduct and programme of certification will be developed.
UTZ is among the top-five certification providers in the world of agriculture. It has initiatives across the globe in 41 countries and it focuses on coffee, tea, cocos and hazelnut productions. UTZ is an independent non-profit organization and to be certified, a producer has to follow the code of conduct (UTZ, 2019). The code helps with the reduction of several concerns related to sustainability of a farm: it includes issues linked to the management, transparency of processes and thanks to consultation with professionals, tries to tackle other issues such as social and environmental problem (International Trade Centre (ITC), 2018).

### Table 5. Data of the top five-certification provider within the coffee industry

<table>
<thead>
<tr>
<th></th>
<th>4C</th>
<th>Fairtrade International</th>
<th>Organic</th>
<th>Rainforest Alliance</th>
<th>UTZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area in Hectares</td>
<td>1,826,825</td>
<td>1,297,206</td>
<td>881,982</td>
<td>387,265</td>
<td>567,366</td>
</tr>
<tr>
<td>Production volume</td>
<td>2,764,002</td>
<td>560,902</td>
<td>447,012</td>
<td>508,632</td>
<td>870,102</td>
</tr>
<tr>
<td>Share of total global area</td>
<td>16,6%</td>
<td>13,5%</td>
<td>8,0%</td>
<td>-</td>
<td>5,2%</td>
</tr>
<tr>
<td>Number of Producer</td>
<td>569,222</td>
<td>812,500</td>
<td>-</td>
<td>222,850</td>
<td>226,424</td>
</tr>
<tr>
<td>Year of data</td>
<td>2016</td>
<td>2015</td>
<td>2015</td>
<td>2016</td>
<td>2018</td>
</tr>
</tbody>
</table>


### 4.3.2 The benefit of Voluntary Sustainable Standards for the coffee industry

The following sub-chapter has been developed by using mainly information and data retrieved by articles and literature on the coffee industry and in part with interviews. Unfortunately, specific and direct information regarding the clients who source their coffee from producers who comply with 4C Service and Fairtrade International were not retrieved. It was possible to know the provenience of the producers who comply with the Common Code of Conduct and with Fairtrade but not the final buyer. In details, in chapter 2.3.1.1, the certification processes of 4C Service and Fairtrade are explained.

In today’s context, the participation of coffee producers and organizations to the Voluntary Sustainability Standards (VSSs) is not related anymore to a small group of people and a few selected organizations. There are different reasons that bring coffee producers to adopt those standards: implementing their practices, being
recognized for being sustainable, enlarge the chances to be part of the global market and value chains or simply a strategy to increase their reputation within the industry (International Trade Centre (ITC), 2018). On the other side, also leading firms are perceived to receive benefit from the sourcing of certified coffee: being recognized by customers for being aware of sustainable issues, increase the flow of information within the coffee value chain and increase the degree of control on the suppliers (Bamber et al., 2014; Samper & Quiñones-Ruiz, 2017). In addition to this, the certification provides a sort of pedigree of the commodities including the area in which is cultivated, the material used, the fertilizer and pesticide included in the production. Consequently, the possession of a certificate, or the sourcing of certified coffee included a set of embedded information that are very valuable for the leading firms as they are able to codify tacit information and make them more clear for the whole organization (Bamber et al., 2014; Gereffi et al., 2005; Kleemann et al., 2014; Muradian & Pelupessy, 2005). Regardless of the motivation that brings smallholders to adopt Voluntary Sustainability Standards, it is possible to identify a growing trend with 4C, of application related to commodities such as coffee. As reported by Benedikt Zimmer (4C Service, 2019):

“Multiple of our clients set their goals to source a high percentage or even 100% of their processed coffee from a sustainable source in the upcoming 5 to 10 years. So there is definitely a demand, which turns into interest on the producer side to get certified.”

Certifications and standards provide codified information related to a specific product. However, different scholar (Barrientos, 2000; Ponte, 2002a, 2004a), agree on the fact that apply generic codes of conduct and require their compliance to a large number of producers from all over the world is expected to be a complicated task. Consequently, the application of those generic standards points to the solution of generic needs but at the same time overlook and do not take into consideration specific necessities of a single area or region of producers (Barrientos, 2000; Ponte, 2002a, 2004a).

In this sense, as the goal is to promote an interpretative and explorative study, mainly focused on 4C Service and Fairtrade label, it is important to try to understand the position of the interviewed on specific phenomena. To promote their position, a question regarding the issues advanced by Barrientos was asked. The author (Barrientos, 2000) advanced the idea that even if the goal of Voluntary Sustainable Standards is to tackle several issues, their action is perceived to be too broad and general and consequently overlook to the specific need of particular areas. When questioned the position of 4C on this matter, Benedikt Zimmer (2019) commented:

“While you are correct, that different region may have different needs, the standard is applied to everyone in the same manner. At the end of the day, 4C certified coffee production should follow the same rules around the world, so it stays comparable. Otherwise, you have the issue, that for example 4C Brazil is worth less or more than 4C Vietnam, which creates a very unhealthy dynamic on the coffee market”

In the same way, also Fairtrade International Label promotes the application of standards that are equal throughout all its applicants (Fairtrade International (FLO), 2009, 2019). The Voluntary Sustainable Standards
are codified documents easy to read as they portrait a clear image of a single product, its production process and procedures used during the growing process. Their goal is to reduce the cost of the flow of information to the final consumer about the traits of the commodity (Muradian & Pelupessy, 2005). Voluntary Sustainable Standards highlight important information regarding the safety of the product itself, including which pesticides have been used and state clearly, if the production was managed taking into consideration economic, social and environmental issues (Ponte, 2002a). Within the food market, especially among the fruits and vegetable industry, the role of standards is important as it influences the right of entering international trade (Muradian & Pelupessy, 2005). For all these reasons is considered that labels, certifications and standards can help to reduce “the market failures arising from information asymmetries between providers and consumers” (Muradian & Pelupessy, 2005, p. 2033), while at the same time permit organizations to ask for higher prices. More and more customers are becoming more aware and more interested in specific information linked to what they consume.

Consumption is now highly connected to awareness to health issues as well as ethical concern e.g. customers are not willing anymore to sustain firms that do not condemn child labour. Lead firms provide customers with all the necessary information by making sure that producer follows their code of conducts or by being sure that the production is certified by voluntary standards. In this manner, customers can make choices based on their own conviction and simply choose the best option (Barrientos, 2000). Therefore, this voluntary system of certification, have established the basis for a sort of “ethical trade” (Barrientos, 2000) between the developed part and the developing side of the world.

As specified in section 3.2, related to the Global Value Chain, there are certain problems that affect the well-being of a value chain. Indifferently of the governance model and setting, the problem of information flow and asymmetry information are present in many different industries. This condition is particularly true for commodities such as coffee where many actors take part. The complexity of the transaction, ability to codify information and make them flow as well as the ability of suppliers to meet the lead firms requirement have an impact in the value chain and its governance (Ponte, 2002a, p. 7; Gereffi et al., 2005, p. 87). Taken in this context, the presence of Voluntary Sustainable Standards affect positively the leading firms (roasters and importers). Private organization and NGOs, which promote solutions to unsustainable practices provide at the same time great leverage to leading firms in a developed country as they receive important codified data, whose limit and prevent the value chain from asymmetry information and receive higher quality coffee.

Those finding are at the moment are only based on the literature study and on the theories linked to GVC and other pieces of literature regarding the Voluntary Sustainable Standards and the certification system among commodities (Bamber et al., 2014; Dolan & Humphrey, 2004; Fernandez-Stark & Bamber, 2012; Gereffi et al., 2005; Gereffi & Lee, 2014; Kleemann et al., 2014; Muradian & Pelupessy, 2005). As mentioned in the methodological chapter, many leading firms did not accept to collaborate or answer questions on the matter of VSS and their importance for leading firms in the industry. This limitation created barriers to advance a more profound and explorative study and try to promote the point of view of actors involved in the coffee industry, consequently, there is the basis for further analysis and a larger study.
4.3.3 The role of Voluntary Sustainable Standards for coffee producers in developing countries.

For this subchapter, the major sources of information are 4C Service and Fairtrade International Label. The first is a certification body based in Germany who works entirely on coffee, while the latter has a vast presence among commodity producers such as coffee, vegetables, fruits and other commonly used goods. The information used are retrieved from reports and articles and especially on the interview with both Benedikt Zimmer (4C Service) and Andreas Hansen (Fairtrade International Label).

As mentioned in the previous pages, the VSSs have a different role among coffee producers. Some of them, entitle the owner of the certification to higher prices or guaranteed minimum price in the coffee market. Others, have the goal of increasing the quality of the soil and the ecosystem that surround the production and other make sure that the process of production follows respectable practices (4C Service, 2019b; Fairtrade International (FLO), 2009; IFOAM Organic International, 2019; International Trade Centre (ITC), 2018). In general, an increasing trend took place in the last decades (Ponte, 2002a). The high numbers of certifications and standards schemes, voluntary or not, have increased the presence of improvements and upgrading among the producers who can afford the audit of certification bodies. Through the implementation of their production with more sustainable practices, it is perceived that producers can undertake a process of improvement (Ponte, 2002a, 2002b). Improvement regarding the productivity of their coffee field, development of the better working condition and to some extent to increase the ability to move their production to “more profitable” market segment (Gereffi 1999, pp. 51–52) such as premium coffee (International Trade Centre (ITC), 2018).

The concept of improving or upgrading is attributed to Gereffi (1999, pp. 51–52) where he refers to it as “a process of improving the ability of a firm or an economy to move to more profitable and/or technologically sophisticated capital- and skill-intensive economic niches”. The reason behind the need to make improvement is the strong competition inside the market and the great customers and leading firm’s push regarding sustainable products. For highly consumed commodities such as coffee, tea, cocoa, few lead firms control the industry and many suppliers, often in developing country, are competing to serve and be part of the value chain of such commodity (Humphrey & Schmitz, 2002). In the coffee industry, the action of “moving to more profitable and/or technological sophisticated capital” (Gereffi, 1999, pp. 51–52) refers to the ability of coffee producers to increase the quality of their production towards speciality coffee, organic coffee or labelled coffee. It includes the ability to make the coffee production more effective and efficient (4C Service, 2019b; International Coffee Organization, 2019; International Trade Centre (ITC), 2018). By including in the coffee field different fertilizer, new cultivation techniques or the utilization of new machinery, the coffee production and the environment benefit from the application of those standards (May et al., 2004).

The inclusion of upgrading activities and the type of upgrading is highly linked to the type of governance coordinating the value chain. In the case of the coffee industry, the production chains often relate to commodity chains in the form of Buyer-Driven setting or highly Captive type of value chain (Gereffi & Fernandez-Stark,
As reported by Humphrey and Schmitz (2002), those kinds of governance usually facilitate mainly two types of progress: process and product upgrading.

- **Process upgrading.** This type of upgrading relates to the ability of the producers to improve the way a good, and in this case, the coffee beans, is processed. The results consist of organizing the production and transform the input into output in a more efficient way (Humphrey & Schmitz, 2002, p. 6). In the specific case of 4C, the certification offers to producers: “access to services, capacity and skill development” (4C Service, 2018), while with Fairtrade, producers have access to higher source of income (Fairtrade International (FLO), 2009) which ends in providing farmers and their families the chance of investing in structures and improvement within the farm (Hansen, 2019). Consequently, access to a new type of knowledge provide the producers with new skills to make valuable changes within the coffee farms and their production. From a new way of managing the water to a more conscious use of fertilizer and pesticides, those activities increase the productivity of the field (4C Service, 2019a; Fairtrade International (FLO), 2009; International Coffee Organization, 2019; International Trade Centre (ITC), 2018).

- **Product upgrading.** The upgrading in the product usually refers to the ability to move towards higher and more complicated products. In the case of coffee, the upgrading is simply referred to the production of higher quality outputs, therefore move from standards coffee to sustainable coffee (Humphrey & Schmitz, 2002, p. 6). With 4C, this includes the use of specific fertilizers and pesticides that favour higher quality coffee as well as other practices related to monitoring coffee production (4C Service, 2018, 2019b). With Fairtrade, as retrieved from the interviews, cooperatives of farmers improve their production by using minimum price to implement the farms and increasing, therefore, the quality of its outcomes (Hansen, 2019). As a result, coffee producers who are able to comply with certifications and sustainable standards have the right to sell their coffee beans as labelled, organic or certified, which promotes the ability to move towards the more complicated product (Humphrey & Schmitz, 2002).

In the discussion of upgrading, it makes sense to include the role of Voluntary Sustainable Standards, as they are often used to enter and meet the basic requirements of leading firms within the coffee value chain. In this sense, through the voluntary application of standards and the acquisition of certification, smallholders undertake a process of renovation. As reported it includes the way the coffee bean is processed and the techniques and machinery employed. This renovation also includes the social aspect of coffee production.
Gereffi and Lee (2014), refers to the social upgrading as a series of activities that have the final goal of improving the rights and the negotiating power of workers. As specified by the authors (Gereffi & Lee, 2014) the social upgrade tends to increase the vision of the worker as a social actor and therefore it is important to increase the quality of their employment.

However, it would be incorrect to state that the inclusion of Voluntary Sustainable Standards within the coffee industry produce directly improvement for producers. Smallholders who want to acquire a certification have to pay fees but also have to adjust their production in order to make it comply with the specific certification scheme. As specified by studies developed by several authors, producers who want to gain a certification are likely to have to make several implementations (social and environmental) and consequently develop for the best the production (Barham & Weber, 2012; Giovannucci & Koekoeck, 2003; Global Coffee Report, 2017; Ponte, 2002a, 2002b; Reinecke, Manning, & von Hagen, 2012).

By making those improvements inside the coffee production, including fertilizers, pesticides and other product used in the cultivation, producers can gain higher chances of selling their product at premium prices, which consequently increase the financial situation of farmers (May et al., 2004). In addition to what is stated by the previously mentioned articles, also the literature on the global value chain and its governance advance the idea of upgrading as an indirect effect to specific imposed conditions (Gereffi, 1999; Gereffi & Lee, 2014; Humphrey & Schmitz, 2002). Those imposed conditions can be identified by the presence of coffee producer within a series of complex relationships with all the actors of the coffee value chain. From the direct connections with roasters, importers and customers but also indirect link with national policy and other forms of regulations (Beuchelt & Zeller, 2011; Gereffi et al., 2005; Global Coffee Report, 2017). As a result, producers have to adapt and adjust their production to the need of the above-mentioned actors (Gereffi, 1999; Gereffi & Lee, 2014; Humphrey & Schmitz, 2002).

Even if a direct relationship between improvements of the farm, its output and the inclusion of certification seems to be true, it is necessary to state that certifications are not free. Producers have to pay fees in order to obtain the assessment from auditors and pay a fee to the certification bodies to issue the documents that declare compliance between smallholders and the standards (Hansen, 2019; Zimmer, 2019). Therefore, the discussion on this point can be raised. The trade-off between the price paid for making the improvement of products and process within the coffee production and the financial returns and economical aspect of the production is not proved or established yet (Hansen, 2019; Raynolds, Murray, & Heller, 2007; Reinecke, Manning, & von Hagen, 2012; Samper & Quiñones-Ruiz, 2017). As reported, the development of the thesis relies also on the collaboration with the certification provider 4C.

As retrieved by the interview with 4C employee Benedikt Zimmer, to gain the certification the producer or organization of producers have to comply with several aspects:

“At 4C, we have 3 dimensions (social, economic and environmental) with 27 principles in total + 10 unacceptable practices. You could say that these three dimensions are of equal importance to the 4C system.
Other certification schemes may nearly ignore one aspect, as (for example) Fairtrade is not really certifying environmental aspects of coffee production (Zimmer, 2019).”

In the same way as 4C Service, also producers who want to comply with Fairtrade have to follow certain aspects. They are based on six areas and regards: Empowerment; Fundamental right at work; Wages, Working Condition and access to service; Biodiversity, Ecosystem function and Sustainable production; Traceability and transparency and Internal management system (Fairtrade International (FLO), 2017).

The main difference between the two certification bodies is that Fairtrade is the only one who provides its producers with a guaranteed minimum price and an additional premium price if the coffee is sold adding the label “Fairtrade” (Hansen, 2019). This condition allows the cooperatives of producers complying with Fairtrade to have higher access to credit and use this benefit to increase the quality of the production field, buying machinery or build useful structures (Fairtrade International (FLO), 2009; Fairtrade International, 2016; Hansen, 2019).

With the presence of Voluntary Sustainable Standards, the action of improvement is linked to the ability and the need of the producers to meet leading firms’ and certification requirements. Independently from the direct connection and relationship with roasters and coffee importers, many of the coffee producers that want to be part of the value chains have to fulfil the requirements of certification bodies. In the case of 4C Services, every coffee producers that aim to comply with the 4C Code of Conducts has the goal and obligation to make improvement under three dimensions. As reported, 27 principles and 10 unacceptable practices are present and listed in the code of conduct as following (4C Service, 2018):

### Table 6. 4C Code of Conducts and Unacceptable Practices

<table>
<thead>
<tr>
<th>Economic Dimension</th>
<th>Social Dimension</th>
<th>Environmental Dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Coffee Farming as Business</strong></td>
<td><strong>Coffee as Business</strong></td>
<td>1. Conservation of Biodiversity</td>
</tr>
<tr>
<td>productivity</td>
<td>2. Right to childhood and education</td>
<td>3. Handing of pesticides and other hazardous</td>
</tr>
<tr>
<td>2. Capacity and Skill Development</td>
<td><strong>Coffee Workers</strong></td>
<td>chemicals</td>
</tr>
<tr>
<td><strong>Supporting coffee Farmers</strong></td>
<td></td>
<td>5. Soil Fertility and nutrient management –</td>
</tr>
<tr>
<td>4. Access to services</td>
<td></td>
<td>Fertilisers</td>
</tr>
<tr>
<td>6. Monitoring the coffee quality</td>
<td>5. Working hours</td>
<td>Organic Matter</td>
</tr>
<tr>
<td></td>
<td>worker</td>
<td>9. Waste Management</td>
</tr>
<tr>
<td></td>
<td>workers</td>
<td></td>
</tr>
</tbody>
</table>

Unacceptable Practices
1. Form of Child Labour
2. Forced and Bonded Labour
3. Prohibiting membership of or representation by worker’s organization or a trade union
4. Forced eviction
5. Failure to provide adequate housing
6. Failure to provide potable water to all workers
7. Cutting of primary forest or destruction of other forms of natural resources that are either designated by national and/or international legislation
8. Use of Unacceptable Pesticides listed in Annex III of the Stockholm Convention on Persistent Organic Pollutants (POPs) and/or listed in Annex III of the Rotterdam Convention on Prior Informed Consent (PIC) and/or listed under the Montreal Protocol of Ozone Depleting Substances
9. No use of genetically modified (transgenic) organisms (GMO), and varieties, by 4C Units
10. Immoral transactions in business relations according to international covenants, national law and practices

Source: Author based on the 4C Service – Code of Conduct and Unacceptable Practices (4C Service, 2018)

The presence of those line of conducts and the list of unacceptable process induce the producer to acquire a better and more sustainable production. As reported in the different reports, the 4C Code of Conduct is promoted to move the production of several producers in line with what is asked by leading firms in the coffee market (4C Service, 2018, 2019b; HIVOS, 2018; International Coffee Organization, 2019; International Trade Centre (ITC), 2018). The fact that producer can document their compliance with those codes improves their chances of being part of international trade (Zimmer, 2019).

4.4 Not well-discussed issues and limitation of the VSSs. The position of 4C Service and Fairtrade International Label.

After having highlighted the benefit of the system based on Voluntary Sustainable Standards it is also important to mention some of the downturns liked to them. As previously said the Voluntary Sustainable Standards affect positively roasters and coffee importers in developed countries as they receive green coffee beans of higher quality. In addition, also the flow of information is perceived to leverage on this condition as the traded commodities come with higher specifics information regarding types of cultivations, provenience and materials used during the production (Duke University - Global Value Chain Initiative, 2019a; Gereffi, 1999). On the contrary, the coffee producers have higher chances of selling the coffee for a premium price, see a major recognition and degree trustworthiness within the industry and can use the Voluntary Sustainable Standards as a foundation to start taking part of the coffee value chain. By having higher recognition and increased trustworthiness among the actors of the coffee industry, producers can use these conditions to influence their presence among the value chain (Ponte, 2002b, 2004a). By complying with standards that are recognised by many actors in the industry, producers’ state and document that, they are able to provide coffee
beans respecting the preferences of leading firms, importers and customers in developed countries (Kleemann et al., 2014; Samper & Quiñones-Ruiz, 2017).

However, what is often not taken into consideration is the double effect that certifications and voluntary standards might have on the producers. In one hand, as specified, Voluntary Sustainable Standards offer the producers, who are able to comply with the specified requirements, the chance to develop their farms and their products with the highest standards requirements in the market. Social issues are reduced by eliminating child labour, providing legal contracts to workers, at the same time environmental problems are tackled by using selected not dangerous pesticides and fertilizer, but also by managing better the water consumption, its waste and by preserving the good condition of the soil. Finally also economic issues are taken into consideration by providing the cooperative and group of producers better access to credit, increasing the training and by maintaining long-term relationship with roasters to increase the profitability of the farms (4C Service, 2019a; Hansen, 2019; International Trade Centre (ITC), 2018; Zimmer, 2019).

On the other hand, not all coffee producers can manage to participate in the voluntary certification system. Several reasons lead to this situation. Many smallholders cannot produce a high volume of coffee, which often is necessary to meet the certification’s volume requirements (20 tons for 4C Service). Lack of financial resources to afford the audit, limited resources to make the adjustment needed to match the standards, or simply the chances of gaining limited financial return after the investment in the certification (Barrientos, 2000; Ibanez & Blackman, 2016; Ponte, 2002a). Consequently, it is possible to understand that the certifications facilitate and limit at the same time the presence of a producer within the coffee value chain. Muradian and Pelupessy (2005, p. 2033) in their paper related to the governance of the value chain, refers to standards and certification as a form of “strategic instruments for influencing the distribution of value added along the chain and set inclusion/exclusion thresholds”.

Being coffee a commodities based on demand, the high request for certified coffee might provide a situation where, producers who are not able to comply with requirements and volume, might miss the chance of selling their coffee (Samper & Quiñones-Ruiz, 2017). Consequently, the way Voluntary Sustainable Standards works promote both access to the market and at the same time provide a new set of market barriers for coffee producers (Muradian & Pelupessy, 2005). In order to have a better understanding of these facts, questions were asked in the specific to 4C Services and Fairtrade International. As the goal of the thesis was to learn more about the coffee industry and provide an explanatory study the role of Voluntary Sustainable Standards, questions were asked to promote and interpret the opinions and the point of views of two of the major certification providers. The position of 4C Service is communicated by the interviews conducted via email with Benedikt Zimmer (see Chapter 2.3.1) as he was designed as my contact for the development of the thesis. On the opposite side, Andreas Hensen, Deputy CEO and Product Manager promoted the position of Fairtrade International.

By having collected in the previous pages different issues regarding the coffee industry, in this section is proposed the position of the two actors on different and not well-studied issues, which are:
- The inclusion-exclusion condition promoted by Voluntary Sustainable Standards,
- The voluntariness of the certification within the industry,
- The proliferation of certification bodies, and
- The unsure trade-off between cost and revenue with certified coffee.

The identification of those issues is the result of the previously developed literature review. Yet, those issues are mentioned very few times in the literature and their presence in reports or articles is very sporadic. From this point, the need to develop more profound research to increase the value of the thesis. In specific, the information regarding issues linked to the proliferation of certification schemes was retrieved from the following articles written by Pelupessy (2007) and Reinecke et al., (2012). In relation with the issues concerning the trade-off between cost and revenue of complying with a voluntary standard, the concept came from the study developed by Haggar et al. (2017), Ibanez and Blackman (2016) and Ponte (2002a).

Consequently, the idea regarding the issues on the possible inclusion-exclusion of coffee producers from the global value chain was developed on the base of two studies regarding the governance of global commodities chains, in the specific, the articles were developed by Dolan & Humphrey (2004) and Muradian & Pelupessy (2005). Concluding, the perception of certification schemes as not completely voluntary came from the literature review and from many reports stating the growing importance of VSSs among coffee producers.

Therefore not many articles were found on this matter. In relation to the above-mentioned issues, questions were asked and proposed to the interviewee in the same way. The idea was to comprehend how two of the most important actors perceives those issues within the voluntary sustainable standards context. The application of direct quotes and therefore the utilization of raw data is considered necessary to provide the opinions and point of views of two actors and use them as a starting point for their interpretation.

The goal, consequently, is to explore and interpret the position of 4C and Fairtrade on issues that are not well recognized by the literature on the coffee industry. As discussed in the methodology section, the questions were asked only after having developed research on the topics and have acquired a better understanding of the issues.

**Voluntary sustainable standards as market barriers.**

Regarding the issues and the question of whether VSSs are perceived to promote market barriers, two quite different answers were collected. Benedikt Zimmer (2019) perceived the issues as follow:

“To some extent, I agree with you on calling it a barrier. The obvious downside is that non-certified producers may be excluded and have difficulties to stay in the coffee production sector at all - if they don’t manage to take down the first and lowest barrier.

The idea is to have a barrier (otherwise you can’t distinguish between certified and non-certified), but give some leeway at first and require improvement”
While Andreas Hensen (2019, p. 2) states that he simply does not see enough demand for certified coffee to create damage for producers:

“So if you don’t have the demand, if you don’t have consumers who were actually buying the stuff in the supermarkets it's very difficult to sell it as certified coffee so, even if the certification creates barriers it won’t really harm nobody, there is no such high number to create issues.”

The choice of taking down the barriers for producers is taken seriously by 4C, which really embrace the role of the certification process as an encouragement for the producer to undertake sustainable production. With the 4C Code of Conducts, coffee producers or groups of smallholders have higher chances of being certified than with other certification bodies. Producers can be certified even if they, to some degree, do not comply fully with the 27 principles of 4C; however, they do need to make the improvements within a short time span of one or two years (Zimmer, 2019).

The point of views of the two certification bodies are quite different and both point out an interesting aspect of the certification system within the coffee industry. The first, 4C Service, proposes a concern about the chance that producer face of being left outside the market, while Fairtrade International promotes a lack of demand for certified coffee. Both responses are useful for the scope of the project as both suggest interesting and valuable insights that might need future researches.

As retrieved from the interview, 4C Service does perceive the presence of standards and certification as something that limits access into the market for coffee producers. However, 4C Services still states that the organization is trying its best to implement the general application of sustainable practices and increase the number of users (Zimmer, 2019).

The perception of certifications and standards as market barriers is acknowledged by 4C Services and perceived as an advantage for the certification body, as they promote a very inclusive way of certifying producers (see sub-chapter 2.3.1.1 for major information regarding the way certifications are delivered). Still, Zimmer made it clear that a separation between who use and comply with certification, who is adopting sustainable practices and who does not, is needed (Zimmer, 2019).

**The voluntariness of the voluntary certification system.**

As a general trend, the main reason of existence of Voluntary Sustainable Standards is to promote the well-being of producers who cultivate higher quality coffee. In addition to it, Zimmer also senses the need to adopt Voluntary Sustainable Standards as a default for the coffee industry, which consequently leads to the feeling and awareness that the voluntariness of the voluntary system of certification is not a de facto condition.

“There is definitely a demand [of certified coffee], which turns into interest on the producer side to get certified. I very much hope so, that the 4C System is benefitting producers. Both immediately through charging premiums and long term through the main intention of coffee production being sustainable...
The dreams scenario is that the implementation of sustainable agricultural practices become the new default.” (Zimmer, 2019)

Retrieved from the articles and then also from the interviews, seems possible to see that voluntary certifications create a gap between inclusion in the value chain and at the same time the exclusion from it (Muradian & Pelupessy, 2005; Zimmer, 2019). This situation should challenge the general view on the voluntary aspect of this system of certification. Seems possible to perceive that the voluntariness of Voluntary Sustainable Standards is mainly linked to the name, as producers who not comply with certification see a reduction in the chances of entering the market (Kleemann et al., 2014; Muradian & Pelupessy, 2005; Reinecke et al., 2012). The position of 4C Services, on this issue, seems to be clear and direct, while Fairtrade International did not present any point of view on this particular issue.

From the words of Zimmer seems possible to detect a scepticism if the certification really benefits the coffee producers (an issue that will be analyzed in the following lines). The main reason is the lack of ensured premium price or minimum price for producers who comply with 4C Code of Conducts, which is one of the biggest differences between Fairtrade International Label and the other certification bodies (4C Service, 2018; Hansen, 2019; Zimmer, 2019).

The proliferation of voluntary standards.

The demand for certified coffee needs to be read also with the eye of continuous competition. Competition between producers and competition between certification providers. As reported by Andreas Hansen (2019), also Fairtrade perceive competition within the certification system, identifying Rainforest Alliance and UTZ as the main competitors.

Even though many certifications were established to tackle a specific issue (social, economic or environmental), importers and roaster finally perceive them as generally equal (Samper & Quiñones-Ruiz, 2017). Therefore, an increasing problem within the many voluntary standards is present. While generally the certification bodies’ portrait themselves as facilitators of sustainable objectives, at the same time they also endorse “their own respective standards” against the others (Reinecke et al., 2012, p. 1). In line with the issues of the increasing number of certification, Barrientos (2000, p. 5), in its article linked to the social upgrading through the global value chain, states that there is a “proliferation” of certificates and standards and that there should be a more general approach and less specialization within the Voluntary Sustainable Standards. In this case, the position of the two certifications bodies (4C and Fairtrade) seems to be aligned, acknowledging the presence of many voluntary standards:

“Yes, I do think there is a proliferation. So there is definitely a demand, which turns into increasing interest for many” (Zimmer, 2019).

“Yes, it is bothering actually. The main reason is that farmers now are audited by many different standards bodies. It cost time, it cost money for producers to sell their coffee to different roasters. Sometimes they need
to be certified against several statements in order to sell all of their crops as a certified crop” (Hansen, 2019).

In the same way of thinking, also others authors (Raynolds, Murray, & Heller, 2007; Reinecke, Manning, & von Hagen, 2012) studied that this increasing numbers of different standards and certification will in the future create tension, as they affect the way different value chains are organized and governed. In the top of the perceived growing number of certifications, there is an increasing current of thoughts among scholars, who think that certification linked mainly to one issue will lose their power. It refers for example to Bird-Friendly of Rainforest Alliance who act specifically towards the preservation of the forest or of endangered animals. On the contrary seems that certification who promote a general approach such as 4C Service, Fairtrade International or Organic will gain higher share and importance (Barrientos, 2000; Raynolds et al., 2007; Reinecke et al., 2012).

The trade-off for coffee producers.

The last identified problem, which scarcely came out when reading reports off certification bodies, are information linked to the trade-off between the initial investment to acquire and comply with voluntary standards and the return on such investments received by the producers, after the application of the certification. As referred previously, in the sub-chapter 4.3.3, coffee producers undertake a process of development through the application of certification. This improvement is meant as the effort of a coffee producer in developing and upgrading the farms’ condition under several aspects: social, environmental and economic. Producers who want to match the certification requirements have to pay fees, have to pay auditors and in top of it have to pay for the continuous improvement of the above-mentioned aspect. Important financial resources have to be employed to gain a certification and the return on these investments are far from secure (Haggar et al., 2017). Therefore, what often happens is that the amount of financial resources invested to meet the requirements and to make all the adjustments within the farm and the coffee production remain higher than the premium prices retrieved for the labelled coffee (Ibanez & Blackman, 2016; Kleemann et al., 2014; Ponte, 2002a). Regarding this situation, questions were asked to both actors. The main reason behind those questions lays on the goal to try to unfold and explore the truth concerning the impact of Voluntary Sustainable Standards on the finance of producers. As reported, different articles provide doubts regarding the actual finance support or positive trade-off between the implementation of production with a specific certificate and the effective cost of making the improvement (Barham & Weber, 2012; Ibanez & Blackman, 2016; Kleemann et al., 2014). On this particular issue, two similar but still very generic answers were received, providing new insight for future research:

“Well, this is a good question and I am sorry but I cannot reply to it. As I said before it really depends on the demand for sustainable coffee. Of course many are able to [make profits] in the same way some can’t. I can’t be more specific … But yes this is a major issues in general. Being certified costs time and money and, in our
case, we provide minimum price and premium price, but many don't and this is a problem for producers”

(Hansen, 2019, p. 4,5)

“Unfortunately I can’t give you more information. I can confirm, that there are cases, in which the group administration is telling us, that they don’t want to continue with 4C. But on the other hand, we also have new groups joining the system”. “Some [certification] might not “pay off” immediately, but instead have an effect over a few years of implementing better agricultural practices. Obviously, if you rely on this, it becomes difficult to convince a producer group now, that certification makes sense for them is indeed demand and asking for certified coffee” (Zimmer, 2019)

The fact of implementing and improving the coffee field and coffee production with better and more sustainable and reliable practices increase the productivity of the field (International Trade Centre (ITC), 2018; May et al., 2004). However, even if the field is certified, the coffee plant needs time to be ready for the harvesting and consequently, the new certified coffee cannot be sold quickly (Global Coffee Report, 2017; HIVOS, 2018; International Coffee Organization, 2019; International Trade Centre (ITC), 2018; The Global Coffee Platform, 2019a). Consequently, the action of being certified is not a fast and easy process for coffee producers. The biggest advantage for producers, in short terms, is to gain higher recognition, higher chances to be involved in international trade and receive training and support. On this matter, an increasing number of academics (Raynolds, Murray, & Heller, 2007; Reinecke, Manning, & von Hagen, 2012; Samper & Quiñones-Ruiz, 2017), declare that not many field studies have been carried on, which increase the perception that Voluntary Sustainable Standards might be highly lucrative for the certification bodies and leading firms and less for producers.

4.5 Chapter summary

In conclusion to the analysis section of the project, this subchapter has the goal to provide the reader with a short overview of what was accomplished and how. As reported in the chapters above, section four of the project has the goal of providing insights and material to answer the research questions proposed in chapter one. On top of it, the exploration and the interpretation of the point of views of two of the most used certification within the coffee industry. As reported, the goal was to promote an explorative and inclusive study on the coffee industry and its voluntary system of certification.

In line with the analysis, also the notions developed in the theoretical section were used and became very useful in analysing the current situation of the Voluntary Sustainable Standards and contextualize the coffee industry with the frameworks explained in chapter three.

The main reason behind the need for promoting a study on the VSS and coffee industry is that an incredible number of people rely on the coffee commodity as a source for their living, and therefore, the well-being of
the industry have repercussion on their lives (May et al., 2004; Ponte, 2002b). In the specific, the Voluntary Sustainable Standards have been studied because of their increasing importance, especially in relation to commodities such as coffee. As specified, the analysis was advanced in collaboration with two important actors of the industry such as 4C Service and Fairtrade International Label, and the motivation was to promote the opinions of insiders on a phenomenon that is currently active in the industry. Another issue that has been identified, and perceived to be not in line with articles used and employed for the development of the thesis, is the situation regarding the demand for certified coffee.

Using the interviews as a source of data was useful to grasp new ideas, opinions and point of views and at the same time suitable to highlight differences between theories and practices (Kuada, 2012; Saunders et al., 2009). On this matter, both representatives of 4C Service and Fairtrade International Label declared that there is no such a high demand for certified coffee. Both claimed that even if the producers are certified with sustainable standards they still proceed to sell their coffee as not certified (Hansen, 2019; Zimmer, 2019).

In addition, in the sub-chapter 4.4, issues that were not found or not well explained by articles and literature on the Voluntary Sustainable Standards were clarified and developed. The acknowledgement of those issues was made possible by using the interviews with Benedikt Zimmer (4C Service) and Andreas Hansen (Fairtrade International) as a medium to retrieve valuable information. What came out from the employment of interviews was an interesting situation where some positions were similar and others presented some difference.

In particular, only 4C Service perceive the voluntary certification system as a sort of market barriers, while both agreed on the fact that it is difficult to state clearly whether certification really promotes financial help to producers or not. On top of it, only 4C Service gave an opinion on the voluntariness of the standards, perceiving them as, yes voluntary at the moment, but also promoting the idea and need of having sustainable standards as a new “default” for the coffee industry (Zimmer, 2019). Lastly, both certification bodies agreed on the presence of a proliferation of standards within the coffee industry. It was perceived that voluntary sustainable standards affect negatively the producers as they have to spend time and financial resources to comply with different schemes, in order to sell their coffee as “labelled” (Hansen, 2019; Zimmer, 2019).

In the following two chapters the reader will face the final consideration and the discussion on the project. In the specific, in chapter six, the conclusion will be drawn as well the final assessment will be provided to promote the answers to the research questions. In chapter seven, the discussion is promoted. An interesting insight that rose throughout the project will be advanced and explained.
In this chapter, the conclusion of the thesis will be drawn. On top of it, also consideration regarding the process of writing the thesis will be advanced. It is important to start by stating that the presence of Voluntary Sustainable Standards and the presence of a system based on voluntary regulation has very significant implications for the coffee industry and the majority of its actors. The project was based on a global value chain analysis including essential aspects of it, such as the governance and the structure of the chain. As reported previously, the goal of the project was to collect information regarding the coffee industry, explore it and portray a picture of the world of coffee in a moment where the voluntary system of certification is growing at a fast pace.

What was done was the inclusion of desk research, consultation of reports, articles and literature on the world of coffee and combine them with the collection of information directly from actors involved in the industry. In the specific, two of the most used certification bodies (Giovannucci & Koekoek, 2003; HIVOS, 2018; International Coffee Organization, 2019; International Trade Centre (ITC), 2018) were an active part of the analysis section providing answers and promoting their own opinion and point of views on specific issues. Their considerations were essential in developing the previous chapter as the interviews were used as the starting point for the development of an interpretative and explorative study on the role of Voluntary Sustainable Standards.

In this sense, the role of this chapter is to provide answers to the research questions using as a medium the above-mentioned data. Understanding the role of VSSs and capture how they affect the participants in the coffee value chain was the main driver for the development of the thesis. The reasons that lead the development of the project was the lack of direct studies on VSSs and the importance the coffee has for many smallholders (May et al., 2004; Pelupessy, 2007; Ponte, 2002b). Consequently, what was discover is that Voluntary Sustainable Standards have a critical role within the coffee industry, for both leading firms and for coffee producers. For the leading firms, the Voluntary Sustainable Standards represent a way to buy and ensure the employment of high-quality coffee, reduce the presence of asymmetry information as well as provide the leading firms with increased power and control towards the suppliers, in the form of requirements, standards and better practices that have to be observed and matched. For coffee producers instead, VSS represents a mechanism to follow a new way of working and make improvement within the farms. Being those voluntary standards developed around the social, environmental and economic condition of the coffee production, producers who comply with those standards see higher chances of tackling those issues and overcome them.
In addition, studies have declared that the possession of standards and certification increase the possibility to be part of international trade (Muradian & Pelupessy, 2005; Ponte, 2002a, 2004a; Reinecke et al., 2012).

However, the presence of Voluntary Sustainable Standards is perceived to provide also negative effects on the actors of the coffee value chain. For this project, the focus was given especially on the producers and certification providers’ side. The interviews with the certification bodies were used to provide new insights as well as promote and understand the position of two major actors among the coffee industry.

As mentioned, a major negative aspect regarding the VSSs was identified and it concerns the trade-off between certifications and a secure, positive financial returns (Chiputwa et al., 2015; Haggar et al., 2017; Samper & Quiñones-Ruiz, 2017). Thanks to the interviews, these issues have been captured as real and they do affect coffee producers. In the specific, smallholders perceive the need of complying with standards and requirements set by leading firms, but also to standards that are voluntary. What happens is that financial effort, in the form of investment, needs to be undertaken. Producers who want to receive the certification, the auditing as well as making all the improvement necessary for the farm to comply with the VSSs, need to employ many financial resources (Haggar et al., 2017; Hansen, 2019). While the initial investment is ensured to comply with the certifications, the financial returns deriving from it is far from being guaranteed (Chiputwa et al., 2015; Haggar et al., 2017; Samper & Quiñones-Ruiz, 2017).

In addition to the role of VSS on the actors of the coffee value chain, the position of 4C and Fairtrade International on not well-recognized issues was proposed. The goal was to have as a source of data two actors, which on a daily basis operates in the coffee industry and, on top of it, the need to retrieve their point of views and opinion on issues that rarely were taken into consideration in the literature of VSS. What was discovered and interpreted, is that both certification bodies perceived a proliferation of standards and certification providers, which affect negatively the producers who seem to be directed to comply with many of them (Hansen, 2019). Following this line, 4C Service promotes the ideas that the voluntariness of some certification is not a real condition as it is perceived that Voluntary Sustainable Standards are becoming a necessary and a default condition of the coffee industry (Zimmer, 2019).

Finally, questions were raised whether VSSs promote an inclusion/exclusion situation for coffee producers or not. Two distinct answers were received and both of them provided interesting insight that will be analysed in the discussion section. Benedikt Zimmer (2019) of 4C Service, agreed on the fact that Voluntary Sustainable Standards create separation, and therefore producers who are not able to comply with them “might be excluded and have difficulties to stay in the coffee production at all”. The position of Fairtrade International is quite different, as Andreas Hansen (2019) declares that certifications and voluntary standards cannot really create damage in this sense, as there is a lack of demand for sustainable coffee. The employment of their point of view as an active part of the research was useful as it engaged the research towards issues and conditions that were not taken into consideration previously and very hard to identify. The interviews have proven to be an advantageous method to do research as new and unexpected information were retrieved.
What was done for the development of the thesis was to advance a study and an analysis of the global value chain with a focus on the coffee industry. The reasons behind such explorative study lay on the fact that the coffee industry employs millions of people, especially in the developing areas of the world and not enough comprehensive literature is present. The global value chain analysis permitted to understand and study the structure of the industry and its governance, deriving that the coffee industry is based on what Gereffi defines as Buyer-Driven or Captive Governance (Gereffi, 2001; Gereffi & Fernandez-Stark, 2016; Gereffi & Korzeniewicz, 1994). Both rely on the presence of a limited number of leading firms, in top of the coffee value chain, who have the power to influence the actors involved within the chain and the ability to switch suppliers without involving excessive costs. The presence of Voluntary Sustainable Standards allows leading firms to control the chain and affect its participants. Still relying on studies of Gereffi and others, it was possible to investigate the role of voluntary standards under the lens of upgrading activities, promoting the improvement and development of better and more sustainable practices within the coffee farm and production (Gereffi, 1999; Gereffi & Fernandez-Stark, 2016; Humphrey & Schmitz, 2002; Lee & Gereffi, 2015; Muradian & Pelupessy, 2005). The upgrade or improvement take form within the processes that are needed to produce coffee as well as the coffee itself that see increased embedded qualities. However, the economical upgrade who derive from it is far from being ensured, as the trade-off seems hard to be identified.

To achieve the goal of developing the thesis, qualitative research was undertaken. It included reports on the industry of coffee, utilization of literature regarding theoretical background and finally desk research, including articles on standards and certifications and articles that regarded the increasing importance of concept of sustainability among commodities production (Haggar et al., 2017; International Coffee Organization, 2019; International Trade Centre (ITC), 2018; Ponte, 2002a, 2004a; Reinecke et al., 2012). Alongside the research and use of secondary data, interviews were conducted to promote the point of view of two actors engaged in the industry. The collaborations with 4C Service and Fairtrade International promoted increased credibility and trustworthiness on the project but were also useful in advancing an understanding, and the representation of a real-life phenomenon and the collection of other valuable insight that will be presented in the discussion chapter.
6. Discussion

This chapter has the goal to promote a discussion on interesting and relevant points that were raised throughout the project. The topics are related to the Voluntary Sustainable Standards but more in general to the whole coffee industry. Being an industry that employs several millions of people: from small producers in Colombia, Brazil or Kenya to leading firms in the most developed country, the well-functioning of the industry is important. Most of the points that are here reported, are based on the research process but are also the result of the interviews, which provided different thoughts and point of views from the literature.

As reported partially in the past two chapters, there is an ongoing argument regarding the lack of studies concerning the positive trade-off between the investment on certification and the financial return linked to its possessions. As retrieved from the interviews, precise answers were not collected, but rather vague and non-explanatory responses (Hansen, 2019; Zimmer, 2019). Those responses, added to the lack of studies on the actual trade-off of VSS, and the certification system in general, might provide the ground for raising questions on those aspects of the industry (Chiputwa et al., 2015; Haggar et al., 2017; May et al., 2004; Samper & Quiñones-Ruiz, 2017). Knowing that many producers comply with certifications schemes, and knowing at the same time, that there is a lack of evidence on the positive trade-off, this situation creates an interesting condition. To overcome this situation, the use of longitudinal studies, that includes coffee producers from different locations, might be useful as the time between the engagement with a certification and the production of certified coffee is extended. Asking question regarding the reason who bring the coffee producers in deciding to comply with voluntary schemes of certification might provide useful insight in discovering new information.

Linked to the issues of trade-off, another important point can be included in the discussion and it regards the lack of demand for sustainable coffee. Despite the presence of many articles (Ponte, 2002b, 2004a; Samper & Quiñones-Ruiz, 2017) stating that the consumers have switched their interests towards consumption of more sustainable products, what came out from the interviews with 4C and Fairtrade is that there is a lack of actual demand for sustainable coffee. While it is undeniable that the awareness of social, environmental and economic issues among producers has increased, consumers seem not necessarily interested in buying such products (Ponte, 2002b, 2004a; Samper & Quiñones-Ruiz, 2017). This is the interpretations on the point of view of only two of the many actors working within the coffee industry and therefore these issues need to be verified.

Being the coffee a commodity based on demand also the price for each bag of coffee is linked to its fluctuation. Knowing that issues regarding the price system are present it is expected that major studies on the actual state of the demand for sustainable coffee need to be advanced. As above, the opportunity to develop a bigger study
and taking into consideration many different actors might provide a more clear representation of the coffee industry condition and at the same time investigate better the demand of coffee.

On top of the issues discussed above, the last problem needs to be mentioned. As collected by the interview (Hansen, 2019; Zimmer, 2019) within the coffee industry, there is a presence of many voluntary standards and certification (International Trade Centre (ITC), 2019). This high number of certifications might produce a situation of disadvantages for coffee producers who see increasing the power of certification bodies within the industry and see them as a default condition (Muradian & Pelupessy, 2005; Reinecke et al., 2012; Zimmer, 2019). The presence of a high number of regulatory organizations might also raise the perception of a lack of a superior entity managing the regulatory system. This goes hand by hand with the presence of a very unstable market who promotes an insecure price system. As reported by Andreas Hansen of Fairtrade, the value of the coffee beans is linked to a very fluctuant market, which promotes unstable price. On top of it, very unpredictable rainfall and incredible climate changes will affect and reduce the productivity of the coffee plants. This creates unhealthy conditions for coffee producers, who see the values of their products affected by too many aspects. Therefore, the presence of an organization with a similar blueprint of the International Coffee Agreement (ICA, see Chapter 4.1), might provide benefit for coffee producer and nation who base their production and export activities on coffee.

It is expected in the future, that all the above-mentioned issues will be investigated more. Overall, the presence of standards and certifications and the presence of “ethical trade” is contributing to achieving the bigger goal of the growth of developing countries towards sustainable production (Barrientos, 2000, p. 560). However, the role and awareness of Voluntary Sustainable Standards need to grow. The presence of such increasing numbers of voluntary standards within the coffee industry, represent a great opportunity for scholars and actors included in the coffee value chain, to implement the knowledge on the certification system. In addition, the disadvantageous condition created by the lack of a well-regulated market, unpredictable weather and the limited presence of policies concerning the industry, create the right starting point for governments, scholar and insiders of the industry to think and develop policies to protect the producers and improve a more sustainable industry (International Coffee Organization, 2019; Samper & Quiñones-Ruiz, 2017). There is still the need for policies and development of strategies from nation employed in the coffee production. Topics such as social, environmental issues and economic condition, need to be on the top of the agenda of governments, leading firms and private organizations who take part in the coffee industry and its voluntary certification system.

By knowing the values and mission of the different voluntary sustainable standards, it is possible to state that their presence in the coffee industry is linked to the goal of promoting a more sustainable coffee production and a more inclusive international trade. Understanding the coffee industry as an ecosystem, many different actors have different goals and different ways to achieve them but generally, what is wanted is the well-being of the industry. Coffee producers are likely to have short terms goals. Those often include their financial and
economic growth, as these aspects are the ones in which producers struggle the most. Leading firms instead, are more interested in increasing their credibility among consumers and advance long-term development.

In this ecosystem, the Voluntary Sustainable Standards plays an important role as they influence the lives of many of the above-mentioned actors. However, with the previously cited lack of demand for sustainable coffee seems that misalignment is present within the coffee industry. Sustainable issues seem to be on top of the agenda of many leading firms and voluntary organization but knowing that coffee producers are essential for the well-being, more practical actions need to be developed to ensure a better future and better existence for coffee producers. As mentioned, long terms goal are necessary for the well-being of the coffee ecosystems and therefore major effort have to be assumed: form the coffee producers to big corporations in developed countries. From starting complying with new and sustainable practices, to increase the awareness among consumers on the issues included above.

Concluding, the developed study aimed to increase the awareness on different topics and tried to implement, even if in a little part, the knowledge on the coffee industry and its voluntary system of certification by providing the reader with an explorative and comprehensive study on the world of coffee.
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Interview with Andreas Hansen – Fairtrade International Label, Denmark

The following interview was recorded on the date of the 8th of May 2019. For the transcription, the software Trint was employed.

Stefano Pesando [00:00:10] So first of all I would like to thank you and to ask you, as you’re working in the industry, which are the main issue that you can identify within the the coffee industry at the moment. So I know that there are many social and economical and environmental issues. But I wanted to ask if you were able to be more more precise on on those on those aspects of the industry.

Andreas Hansen [00:00:44] Yeah. I'm not a coffee expert as such and. I've actually never visited a producer. Yeah I'm sorry to say. So my knowledge is based primarily on general information and issues we are discussing within the fair trade environment.

Andreas Hansen [00:01:23] Firstly there is a parasite and it is dangerous and actually quite large. What I think its a disease was called off..oft or something. Okay so one of the main issues for the coffee farmers, but also the most important thing which is one of these things that we are working with is of course is the price mechanism within the coffee world. And the fact that the coffee is is traded as other exchange material, like similar to the Stock Exchange makes the price system very unstable. This means that with our system. We’ve got a firm Fairtrade premium which are paid. All this regardless of the market price of coffee. OK. The premium that goes to the cooperatives in which only the farmers are members. And then we we have a so-called minimum price. So A price floor that a fair trade coffee farm always kind of rely on the fact that he will get a minimum price for his coffee. Okay. it allows him to plan his future invest in his farming his family and so on so forth. Safety in that sort net there. But I mean in order for that minimal price to be activated it requires of course that they actually sell the coffee. So, environmental issues, and price system

Stefano Pesando [00:03:06] Ok, interesting.

Andreas Hansen [00:03:06] And some of the time Cooperatives we share fair trade with, they don’t sell actually all of their coffee as certificate.

Stefano Pesando [00:03:17] So some of the the producer they operate with the standards of fair trade but not all of them sell their coffee a fairtrade labelled coffee correct?
Andreas Hansen [00:03:31]

They follow the standards as it is an improvement and can already the coffee but without the label, and I think this is the majority of them.

Stefano Pesando [00:03:37] Ok

Andreas Hansen [00:03:40] but the moment I can't tell you exactly how many producers do this.

Stefano Pesando [00:03:47] Ok

Stefano Pesando [00:03:48] And as the producer received these premium prices or a minimum price for the coffee they sell, they have to pay a fee to operate under the Fair Trade label or it's something, or its like producer can comply with those standards for for free?

Andreas Hansen [00:04:21] So, when you buy a fair trade mark product in the shops as a retail product with the fair trade mark on the guarantee from the Fair Trade system is that all the supply all the actors in the supply chain have been certified by Flow-Cert and according to our standards. Okay?

Andreas Hansen [00:04:40] And there are different standards, from for the small produce organizations or the cooperatives, where the farmers join, and standards for the traders along in the supply chain. When we talk about supply chain and traders in fair trade terms, we both mean the people who are actually out buying the coffee from cooperatives and resell it. Okay. Also the those people who are handling the coffee service actually doing some kind of manufacturing on it. So roasting, grinding, converting coffee into an instant coffee. All these. Everybody was doing either training a simple training of course a coffee or to a any kind of processing. They should be fair as Fairtrade certified. Okay? All the way to the point where the brand owner is sometimes a brand owner. There's also Certified companies like Nestlé for instance. Okay but it could also be a retail chain which is not certified since they don't have any production yet, so they're just licence holders so they pay a royalty feed because they use our brand and their suppliers are last certified company in the supply chain. So, yeah, I went a bit off but yes to be certified they pay a certain amount in order to get the certification.

Stefano Pesando [00:06:14] Okay. Yeah. That was was that was the question.

Andreas Hansen [00:06:21] So It's just normally a smaller fee than that if you are producing company here in our part of the world. So our certifications are delivered in our part of the world and in what we call Global South producer countries.

Stefano Pesando [00:06:44] Okay. Okay interesting. And so thinking about the other thing that you were telling me, I can imagine that within the world of Fairtrade there are different actors: in the producer, their corporation which flows in the cooperatives of those producers, then there are the importers who will buy the coffee and then repackage it and sell it.

Andreas Hansen [00:07:16] And then there is Fairtrade. As a general organization that organize the system.
OK. And OK. And do you know more or less, to put more data on the on the thesis, how many application fair trade receive?

I'm sorry to say I don't have a number for that.

Stefano Pesando [00:07:56] and how the certification works? Producers reach you..

Andreas Hansen [00:07:57] It works both ways, because there are of course cooperatives that come across and say we would like to have certification, but we also we work the other way. That's part of the job we do in the field that is to create these cooperatives because in some cultures that's not a culture of creating cooperatives. And so we need to go out and explain to these farmers that this will actually be a really good idea for them to strengthen their position towards their clients so that they're stronger in their negotiation

Stefano Pesando [00:08:44] OK. Yes really it's really really interesting.

Andreas Hansen [00:08:48] And one of the major points is empowerment of the farmers. OK.

Stefano Pesando [00:08:54] And then another question, so I've read many many articles and many reports on sustainability and on the coffee industry and it came out that there are quite a lot of certification body. Do you, or a fair trade perceived that there is a kind of proliferation of those standards or it's something that is not like bothering you.

Andreas Hansen [00:09:35] Yes it is bothering actually. The main reason is that farmers now are audited by many different standards bodies. It cost time, it cost money for producers to sell their coffee to different roasters. Sometimes they need to be certified against several statements in order to sell all of their crop as a certified crop.

Andreas Hansen [00:10:03] OK. So. I would say the main things you talk about kind of competitor would be Rainforest Alliance of course and UTZ and the fact that they just merged.

Stefano Pesando [00:10:22] Okay. And still is thinking more or less to to this topic, do you think that the presence of those certification body like Rainforest Alliance and Fairtrade are creating a sort of a market barriers for for the producer as some producers are not able to achieve and comply those standards.

Andreas Hansen [00:11:06] No. The reason is that there is no such a surplus of certified coffee around, I don't think that it will create barriers. It will be not corrected to put it that way. OK then the main issue is really this at the moment, Is a price. Because the price of of non conventional and uncertified coffee is so low.

So the price difference between that and certified coffee are fairly large. That will also affect the price for the for the retail product of course.

Stefano Pesando [00:11:44] OK.

Andreas Hansen [00:11:45] And the more the lower the price for the year for the non Certified coffee the more difficult of course it is to sell Certified coffee. Yes. And it's purely demand driven. So if you don't have
the demand, if you don't have consumers who was actually buying the stuff in the supermarkets it's very
difficult to sell it as Certified coffee so, even if the certification creates barriers it won’t really harm nobody is
such high number to create issues.

**Andreas Hansen [00:12:06]** And the larger the price difference the more difficult it is. A very large percentage
of coffee is sold as a discount so on sales and really to get consumers into the shop and buy all the other things.
You're welcome into the supermarkets by selling cheap coffee.

**Andreas Hansen [00:12:47]** Okay so that's an issue we see with all the other commodities as well.

**Andreas Hansen [00:12:54]** It would be a matter of course for you that more and more producer decides his
way to like more certified product.

**Stefano Pesando [00:13:07]** Sure sure.

**Andreas Hansen [00:13:08]** Okay. Okay. I mean it also will also require. Therefore the demand is higher.
Okay. So that's that's really where the where the actual issue is. That is to create the demand. Yeah I mean you
go through a lot of issues being certified, and probably have to make a lot of changes, and you end up not
selling enough certified coffee or only a small percentage of it. But with fairtrade and its system then you end
up being very satisfied and you will receive the certification scheme, but some are seen as being bad because
they don't really help you. I mean you're doing things that cost you some money and a lot of efforts but you
don't get anything the other way, even if you show you are certified.

**Stefano Pesando [00:14:03]** Yeah actually this one was one of the the question because for like the next a
couple of minutes, because I was reading in the many articles or reports present the fact that there are now so
many studies that present that ther is a direct relation between being certified and better financial condition. In
the case of coffee, producers are expecting to invest money and time to meet requirements and standards, but
this reduce part of their return, and i addition you say that the problem is that ther is not enough demand for
quality coffee

**Andreas Hansen [00:14:57]** More than quality coffee is sustainable coffee. But yes this is a major issues in
general. Being certified costs time and money and, in our case we provide minimum price and premium price,
but many don't and this is a problem for prodcers

**Stefano Pesando [00:15:03]** Okay. Yes. Okay. That's great. I just go in through through the question. So we
we talked about the these market barrier inclusion of exclusion so a fair trade or at least you, as fair trade
representative do not perceive these as a as a problem. So maybe this is a bit more broad question but why do
you think that producer often decided to use a Fairtrade instead of all their certification?

**Andreas Hansen [00:15:58]** Ok, that's a very simple answer, we are the only certification scheme which offers
the premium price to a firm and the minimum price. In addition, there is of course extension officers who are
out and helping in the fields and helping these supporting the farmers in their production make their production
more environmentally friendly, less vulnerable to climate change and all these issues that we are working well within the saturated community.

Stefano Pesando [00:16:46] OK so then there is a quite a stronger competitive advantages that you have in respect of all the other certification. Does this mean the main, difference is the premium and the minimum price.

Andreas Hansen [00:17:06] Reduced in minimum terms, Yes.

Stefano Pesando [00:17:06] And looking bit about the the actors and the stakeholders involved in Fairtrade you talked about the Flow-Cert. Is this an independent bodies or it's this is part of a Fairtrade International.

Andreas Hansen [00:17:28] It started being a part of Fairtrade, certifying and checking on the standards and requirements being match. So the certification company had the ownership of the auditors but it is an independent company now. They also do work for, they're doing work for other certification schemes as well. And verification programs for all industry players and things like other relate products.

Stefano Pesando [00:18:17] OK. So then the producer then pays up a fee to fair trade to for example put their labels on on the product and then they also have to pay for their audit or it just came as a part of the service.

Andreas Hansen [00:18:37] Yeah they'll pay. But with what they pay it comes all the support I talked about before.

Stefano Pesando [00:18:40] And do you think that most of the cases the producer are able to overcome those expensive for example to pay for the fee and pay for all the improvement and might have to do in their production field then the audit?

Andreas Hansen [00:19:06] Well, this is a good question and I am sorry but I cannot reply to it. As I said before it really depends on the demand for sustainable coffee. Of course many are able to in the same way some can’t. I can’t be more specific.

Stefano Pesando [00:19:36] OK. And one probably one address the question because we already went through most of my. My question actually is do you know more or less which part of the award is the one required required the most fair trade and for example I don't know if it's a Colombia maybe Brazil or something that it's outside your area?

Andreas Hansen [00:19:49] Oh you mean where Fairtrade is doing the biggest sales? Central America for sure, as most of the smallholder are located there. Also Fairtrade certificate many commodities and I can’t be precise at the moment within the coffee.

Stefano Pesando [00:20:05] Yeah. Perfect, thank you. I remember that when I wrote you the email I asked for a lot of time but actually I think I am done. Nice to chat with you and I actually went through the questions that were more important for me and for for my thesis so I'm uh I'm quite satisfied at the moment. And may I
ask you if for example as I'm developing a bit more and maybe go a bit deeper into some of the parts of my thesis If I may be asking for another exchange of emails or a short or short call.

_Andreas Hansen_ [00:20:56] Yeah, sure. Just write me an email and see if we can help you more. It is always nice to collaborate with students and see the interest of other people outside the industry.

_Stefano Pesando_ [00:21:06] Yeah and well, thank you. It was really nice to talk to you and I hope you have a nice day. Thank you so much. And Have a good day. Bye.