

Sustainable label and governance of global value chain: insights from coffee value chains in Latin American countries

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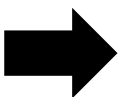
General Background

- **Rise of Private standards** in the agro-food sectors influence structure and *modus operandi* of supply chains (Henson et Reardon, 2005)
 - In Banana (FT) : sustainability standards not prone to provide new marketing opportunity or new added value to producers (van der Waal et Moss, 2013)
 - In pineapple (CR) : transnational firms had further integrated productions (Vagneron et al., 2009).
- **Coffee** agro-food system, a laboratory for analysis for private standards rising
 - Rapid growth of Sustainable coffee demand in the last 2 decades (Ponte, 2002; Pierrot et al., 2010)
 - A wide range of private standards focusing on social and/or environmental features (Raynolds et al., 2007; Soto et Le Coq, 2011; Vagneron 1 Daviron, 2012) with different governance (Muradian et Pelupossy, 2005; Raynolds et al., 2007)
- **Latin America**, a major spot for coffee production under sustainable standards
 - 76% sustainable coffee come from Latin American producing countries, whereas only providing 59% of conventional coffee (regional team Latin America, 2011).

Specific Background, objective and research questions

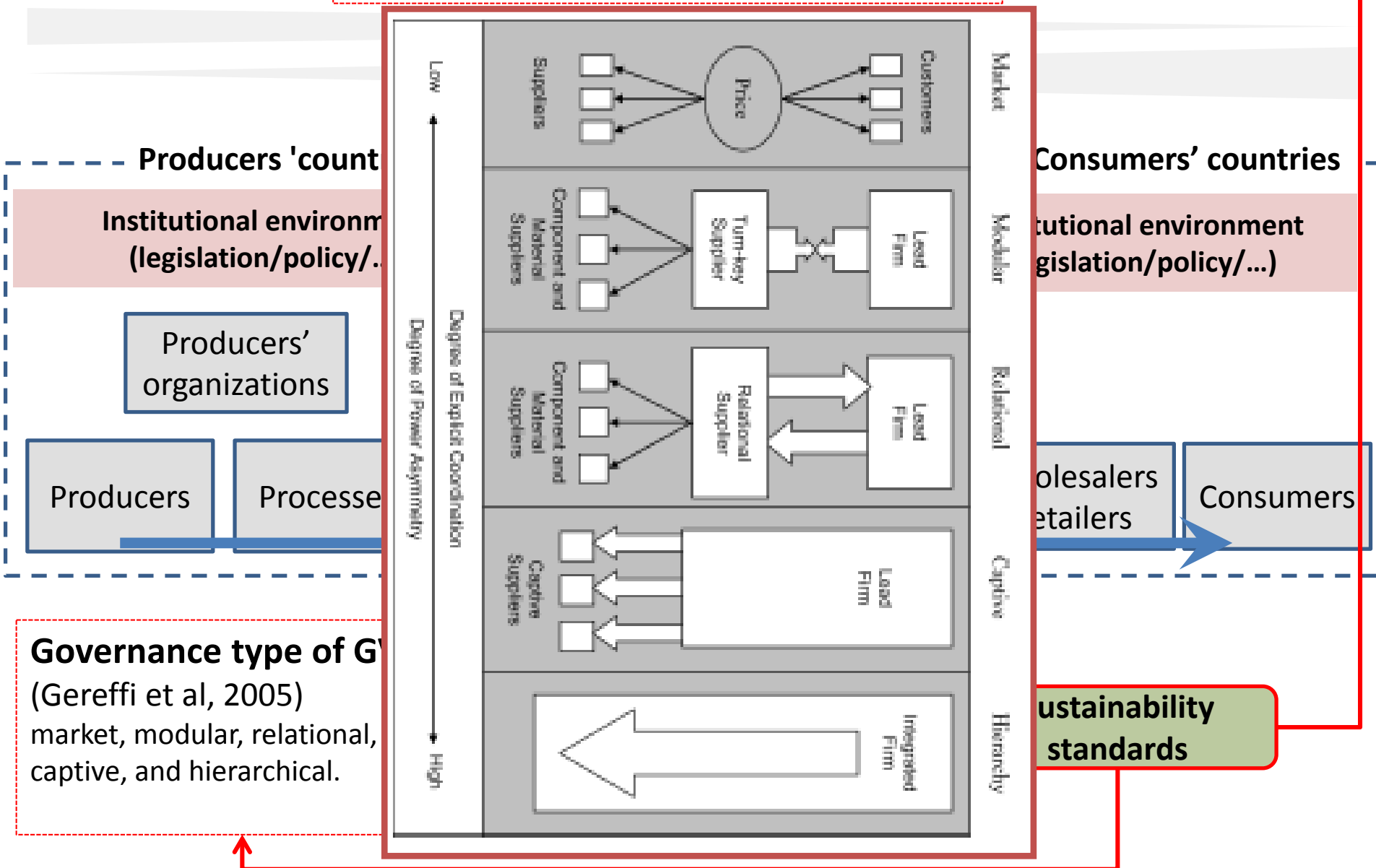
- At global scale / Rise of standards affects governance of the coffee global value chain (Ponte, 2002; Ponte, 2004; Giovannucci & Ponte, 2005; Muradian & Pelulessy, 2005).
- At local scale / Process of adoption of private standards on producers reveal many limitation... (Barham et al., 2006; Soto et al., 2010; Barham et al., 2011).
- Manning et al., (2011) show that the national condition matters in the adoption process

 **Exploring the relationships between private standard diffusion, institutions and public policies in the case of coffee labels in Latin American countries.**

 **- How the rise of sustainable standard is affecting governance of coffee GVC ?
- What are the national conditions (institutional environment /policy) explaining the effects of sustainable standards on GVC governance ?**

Analytical framework

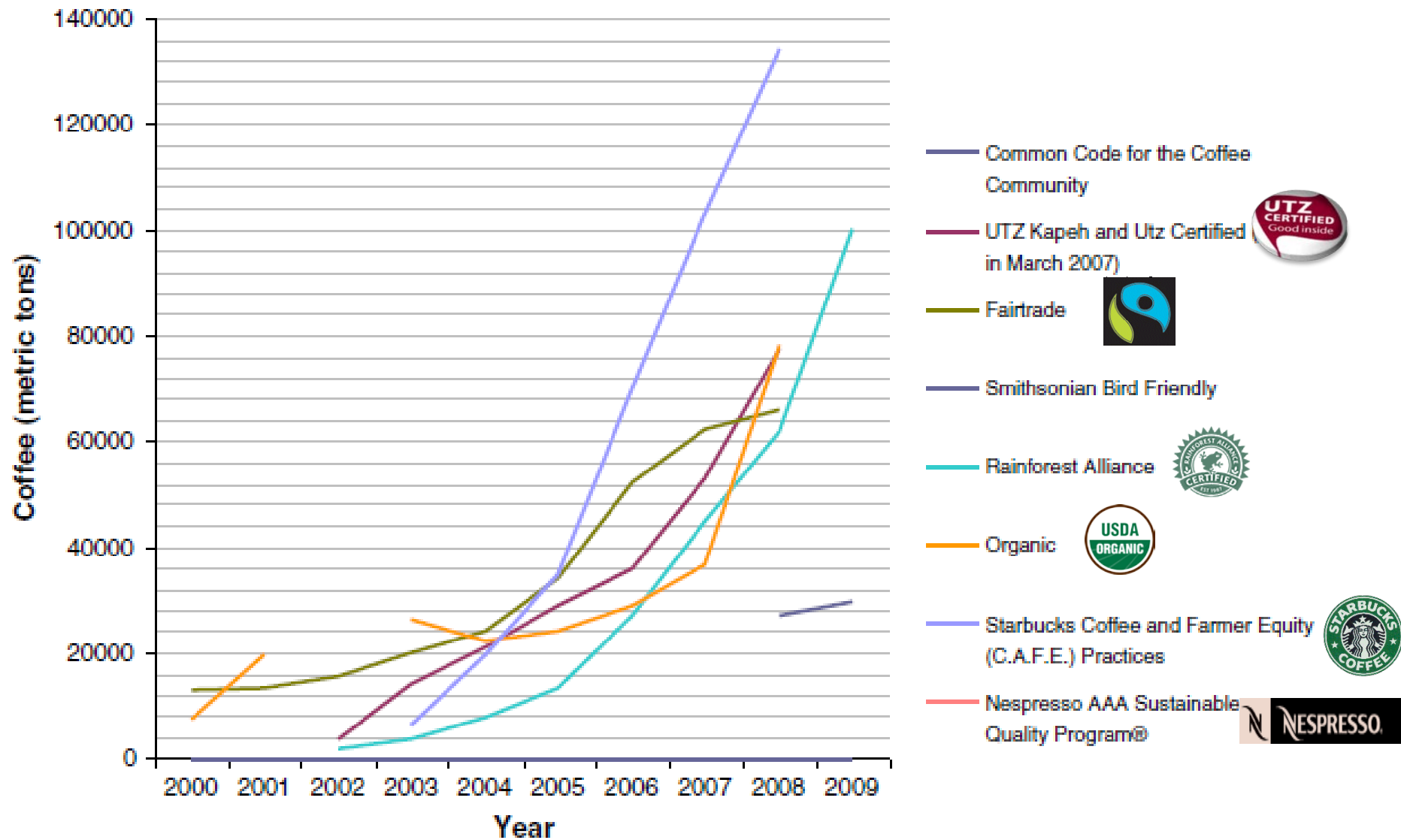
Global value chain (GVC) - (Gereffi, 1994)



Methodology







- **Desk review** of academic literature regarding coffee value chain and sustainable labels + non-published materials and reports
 - ➔ Capture the structure and trends of evolution of coffee sectors in the selected Latin American countries , description of sustainable labels governance
- **National Case studies** (2010 and 2015) including interviews of actors (certifiers agency, producers, exporters, cooperatives, agencies) with different grade of precision
 - ➔ identify and characterize types of actors involved in the national coffee value chain, their strategy of regarding sustainability standards, and the trend of evolutions of their relationships.
- **Comparison** of national case studies
 - ➔ identify the key factors (including political, institutional, actors' strategies) that enable or limit the sustainable labels adoption, and explained the changes in the governance of national coffee value chains. **(On going analysis)**

Indicative world sales of selected sustainability coffee standards









Source : Manning et al, 2012

Diversity of sustainable coffee standards

	Organic 	Fair trade (FLO) 	Rainforest Alliance 	UTZ Certified 	C.A.F.E Practices 	Nespresso AAA 
Standard launch	1972	1988	1995	1997	1995	2006
initior	NGO	NGO	NGO	Firm	Firm	Firm
Objectives	Improve health & environmental performance	Improve farmers' position in trade Focus on development & poverty alleviation	Improve environmental and social conditions in tropical agriculture. Focus on biodiversity	Achieve sustainable supply chains , meeting needs of farmers, industry and consumers.	Good social and Environ-mental performance minimizing environmental impact	Improve quality and environ-mental performance
Volumes (2009)	~ 100.000 MT	~ 90.000 MT	~ 90.000 MT	~ 80.000 MT	~ 130.000 MT	n.d.

Source: adapted from manning et al 2012, Soto & Le Coq, 2011

Diversity of sustainable coffee standards (cont.)

	Organic 	Fair trade (FLO) 	Rainforest Alliance 	UTZ Certified 	C.A.F.E Practices 	Nespresso AAA 
Target	Coffee producers of all sizes	Small farmers organized in cooperatives	Big and medium sized estates	Big and medium sized estates	High-quality coffee growers	High-quality coffee growers
Standard definition	National /international legislation	International advisory comitee + farmers representation	International advisory comitee	International advisory comitee	Starbucks + conservation international	RFA
Control	Gouvernement and Accredited private	FLO cert	Control division RFA	Iso 65 acredited agency	Iso 65 acredited agency + SCS	RFA
Promotion scheme and link with marketing activities	IFOAM , international cooperation national unit but no linked with comercial network	FLO regional office + international cooperation No linked to comercial network	RFA promotion program (ONG) No directly linked to comercial activities	UTZ regional office No directly linked to comercial activities	Starbuck – through its supplier network. linked to marketing channel	Nestlé – through its supplier network. linked to marketing channel

Source: adapted from manning et al 2012, Soto & Le Coq, 2011

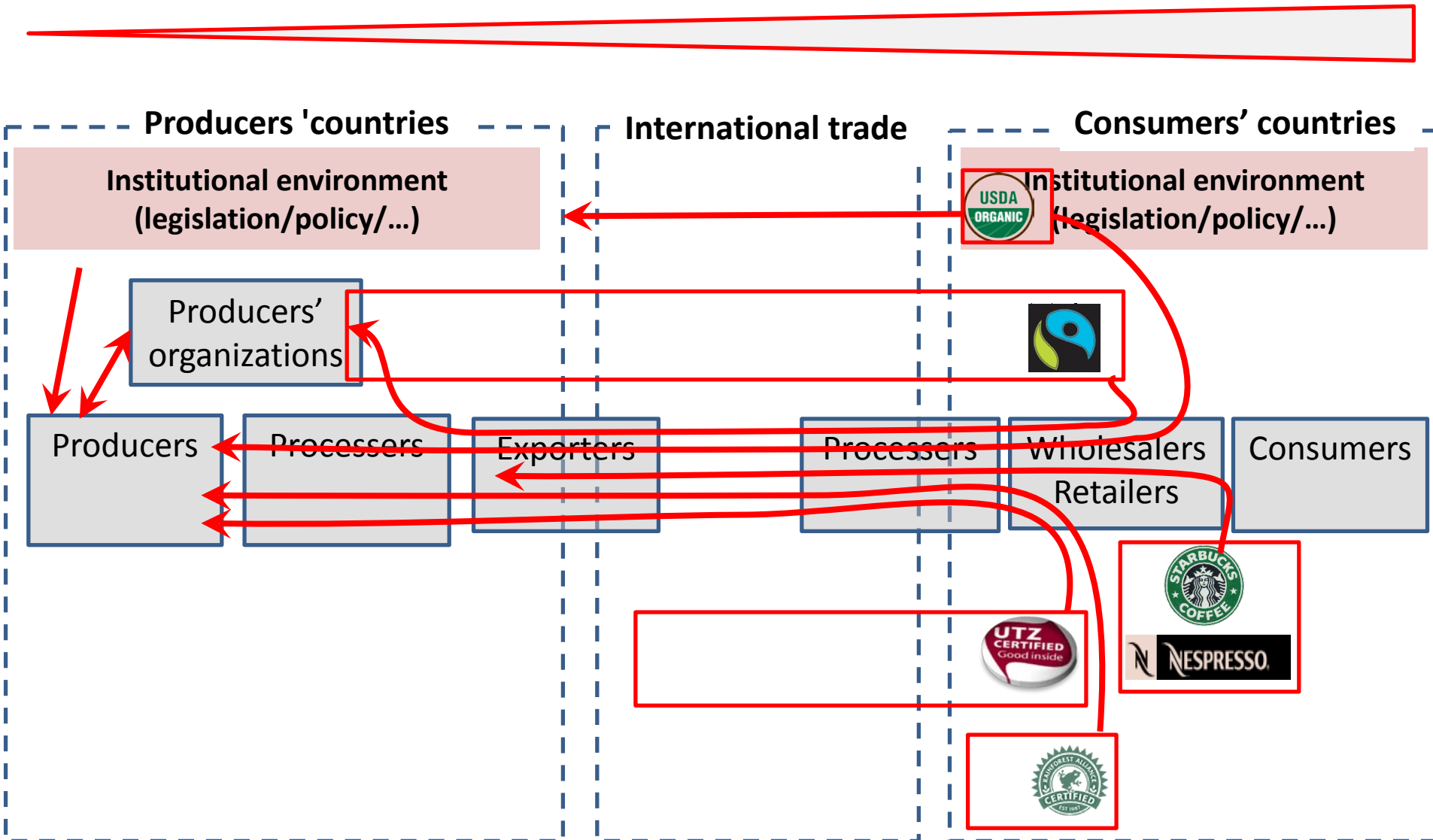
Sustainability label: the strengthening of demand driven global governance of coffee GVC

- The analysis of dynamic of development of sustainability label (such as UTZ certified, Fair Trade, CAFÉ Practice, 4C, Nespresso AAA, Rainforest Alliance) in the national coffee value chain in selected countries shows that these labels have been promoted by international trade firms upstream toward the national producers and national producers countries. These raise of sustainability label has thus strengthen de demand-driven nature of the coffee global value chain global governance.

Introduction of Sustainability standard in GVC

Global value chain (GVC) global governance - (Gereffi, 1994)

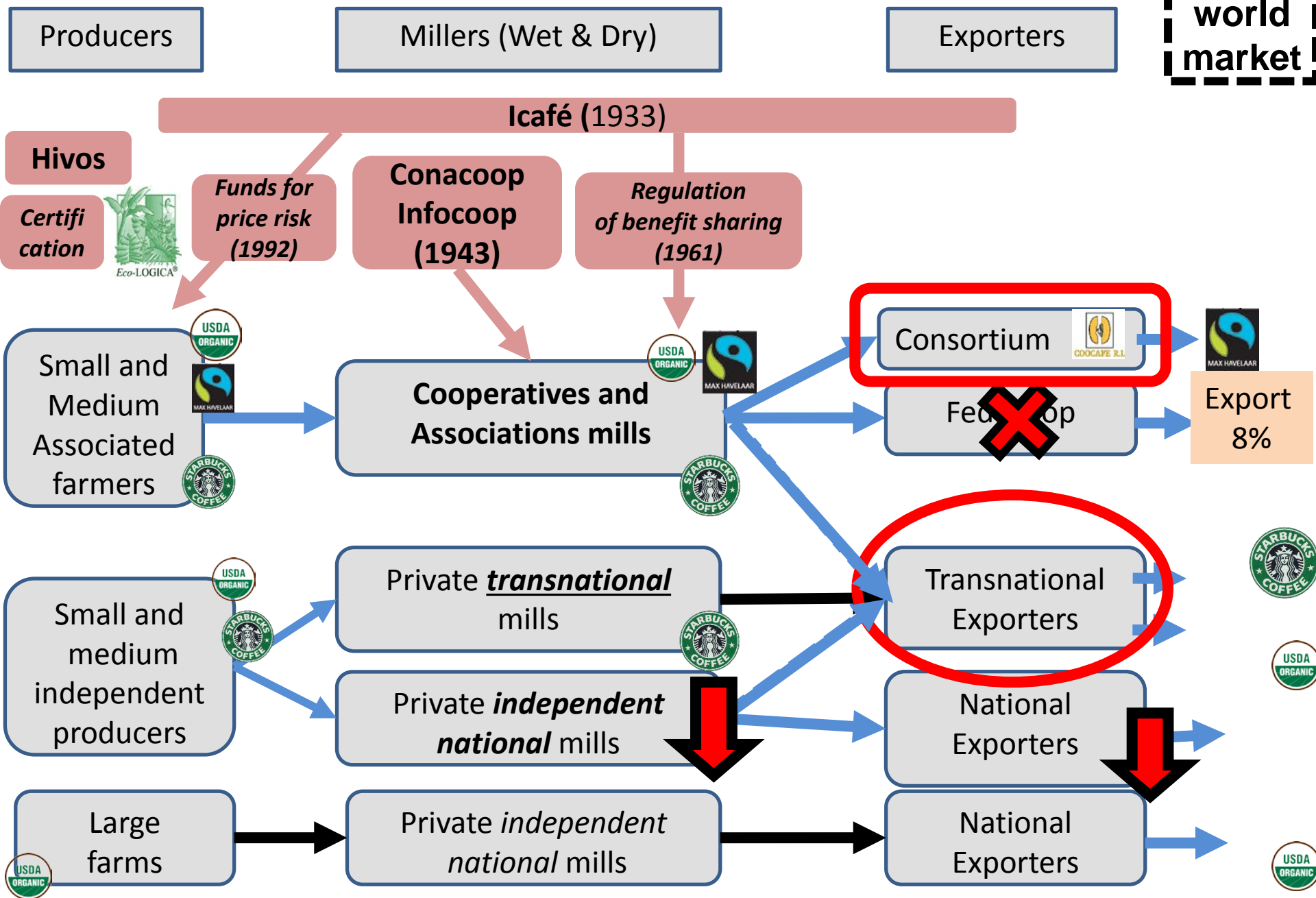
Demand driven GVC





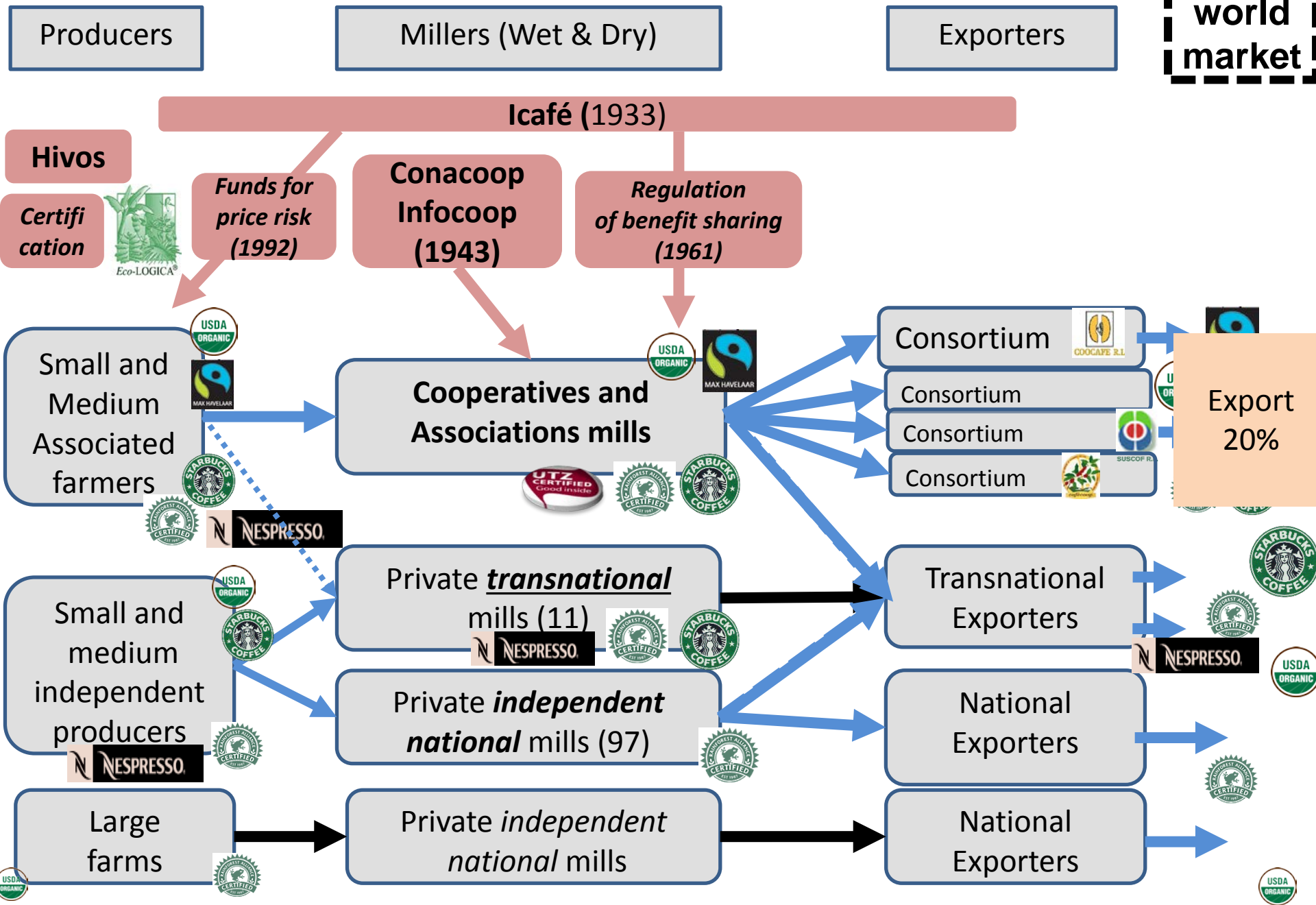
Sustainability standards and dynamics of GVC: from the 90s to nowadays

world market





Sustainability standards and dynamics of GVC: from the 90s to nowadays



Conclusion

- Sustainability standard **strengthen of demand driven** global governance of coffee GVC (even if diversity of effects according to standards due to promotion mode)
- Sustainable standard are “forced opportunity” for national actors – however they **do not modified** drastically the national value chain governance **toward more hierarchical governance driven by multinational.**
- Instead, in the Latin American countries understudies, the national coffee value chains are **still dominated by a combination of market, modular or relational governance mode.**
- **Conducive public policies or/and international cooperation supports** dedicated to the strengthening of farmers’ organizations (investment, quality, management) enable **balancing risks of increasing power asymmetry in favor of transnational firms** in context of rising sustainability standard demand [unlike cases in Africa, such as Kenya (Pinard et al., 2011)]

Thank you - Gracias - Merci !!

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