

Faculty of Tropical AgriSciences



Czech University of Life Sciences Prague

**Faculty of Tropical
AgriSciences**

Comparison of impact of current ethical trade certifications available in the Czech Republic on small farmers in developing countries

Bachelor thesis

Prague 2018

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DECLARATION

I hereby declare that I have done this thesis entitled “Comparison of impact of current ethical certifications of trade in the Czech Republic on small farmers in developing countries” independently, all texts in this thesis are original, and all the sources have been quoted and acknowledged by means of complete references and according to Citation rules of the FTA.

In Prague, 20th April 2018

.....

Tereza Bendová

Acknowledgements

I would like to thank my supervisor Ing. Jiří Hejkrlík, Ph.D. for his time that gave my bachelor thesis, his ideas, advice and patience. Also my family and friends for supporting me throughout the studies. As well I would like to thank Mrs. Daniela Honigmann for her kind and friendly invite to Fair & Bio shop.

Abstract

Small farmers are just those who suffer from food shortages, they face market entry problems, they do not get information about prices or technologies that could make it easier for them to work. And it's only voluntary ethical standards that can help them - with access to the market or a boost to their competitiveness. This bachelor thesis deals with the comparison of 11 selected standards available in the Czech Republic and their potential impacts on small farmers in developing countries. A direct comparative analysis of selected standards based on a defined set of indicators has been carried out concerning their origin, control and impact. This analysis emerged as the winning standard of Fairtrade International that fully won economic criteria, requires all social criteria and is positioned at the top of the principles and decision-making processes. In second place was Naturland Fair and in third place was Fair for life which lags behind in economic criteria.

Key words: small holder, private certification, regulation of value chains, labels, brands

Abstrakt

Jsou to drobní zemědělci, kteří trpí nedostatkem potravin, čelí problémům při vstupu na trh, nedostávají se jim informace o cenách či technologiích, které by jim mohly ulehčit práci. A jsou to právě dobrovolné etické standardy, které by jim mohly pomoci k přístupu na trh či posílit jejich konkurenceschopnost. Tato bakalářská práce se zabývá porovnáním vybraných 11 standardů, které jsou dostupné v České republice a jejich potencionálními dopady na malé zemědělce v rozvojových zemích. Byla provedena přímá srovnávací analýza vybraných standardů založená na definovaném souboru ukazatelů, které se týkají jejich vzniku, kontroly a dopadů. Z této analýzy vyšel jako vítězný standard Fairtrade International, který vyžaduje všechna ekonomická i sociální kritéria a umístil se na vrcholu ve fungování standardu. Na druhém místě se umístil Naturland Fair a třetí místo obsadil Fair for Life, který zasotal od prvních dvou standardů v ekonomických kritériích.

Klíčová slova: drobní zemědělci, soukromá certifikace, regulace dodavatelského řetězce, štítky, značky

Content

1.	Introduction	1
2.	Current problems of global market access for small farmers in developing countries	2
3.	CSR and regulation of international supply chains by private ethical certifications.....	8
4.	Quick overview of the industry processing products from developing countries in the Czech Republic (coffee, cocoa) and use of the ethical labels	13
4.1	Coffee	13
4.2	Coffee market in the Czech Republic.....	14
4.3	Cocoa.....	15
4.4	Cocoa market in the Czech Republic.....	16
5.	Selected certifications	18
5.1	Fairtrade International	18
5.2	Naturland Fair	19
5.3	Fair for life	20
5.4	UTZ	20
5.5	Rapunzel Hand in Hand	21
5.6	Rainforest Alliance	21
5.7	GLOBALG.A.P.....	22
5.8	WFTO	23
5.9	Starbucks C.A.F.E.....	23
6.	Objectives.....	25
7.	Methodology.....	25
7.1	List of criteria for ethical certifications	25
7.2	Impact - Economic dimension	27
7.3	Impact - Social dimension	27
7.4	Methodology of market survey in the Czech Republic	28
8.	Results and discussion.....	29
8.1	Tables of comparison	29
8.2	Comments to the table	35
8.3	Summary of brands and labels used in the Czech Republic	36
9.	Discussion.....	39
10.	Conclusions.....	41
11.	List of References	43

List of tables

Table 1 Principles and processes for the granting of the standard.....	29
Table 2 Impact of standards.....	32

List of abbreviations

CSR – Corporate social responsibility

4C - The Common Code for the Coffee Community

UNIDO – United Nations Industrial Development Organization

ISO – International Organization for Standardization

EU – European Union

FAO – Food and Agriculture Organization of the United Nations

FI – Fairtrade International

FLO – Fairtrade Labelling Organizations International

FFL – Fair for Life

RA – Rainforest Alliance

SAN – Sustainable Agriculture Network

GRASP – GLOBALG.A.P Risk Assessment on Social Practice

WFTO – World Fair Trade Organization

ILO – International Labour Organization

IMO – Institute for Marketecology

1. Introduction

The issue of small farms remains popular. An example of this may be the year 2014, which was the year of family farms, according to the FAO. Small farms are often oppressed by large agricultural conglomerates that have a dominant position on the grocery market. They often do not have up-to-date information on the prices of individual crops, so they sell their crops below the market price.

The option of avoiding and selling at adequate prices could be ethical certification, which has enjoyed great interest in recent years, especially in the Western world. And it contributes to this today, when people are increasingly thinking about what they eat, where the food comes from, by who and how it was grown and do not mind paying for it. An example may be coffee, the world's most important commodity. Demand for certified coffee in developed countries is growing strongly and has higher retail prices, while uncertified coffee stagnates. This is not just a trend of coffee, but also other commodities such as tea, cotton, cocoa.

Nowadays there are many standards and so it is difficult for the customer to orient themselves. This work is intended to bring this topic closer. While focusing on two major commodities that are important for small farmers – coffee and cocoa. An important standard for coffee was 4C Association, but it is not included in this thesis because it joined the Sustainable Coffee Program in 2016 and created a Global Coffee Platform.

This thesis deals with the comparison of 9 standards whose products can be found on the Czech market according to the criteria concerning their origin, as well as how they work and their impact on small farmers. The thesis is divided into chapters. The first chapter describes the problems that small farmers face when entering the markets, the second chapter is about the regulation of global supply chains, the third chapter is focused on the Czech cocoa and coffee markets and the last chapter of literature review describes compared standards.

2. Current problems of global market access for small farmers in developing countries

In developed countries, there may seem to be enough food for all, but the opposite is true. The number of undernourished people declined in the 1970s but has risen again since the mid-1990s (LANG 2010). Food is distributed unevenly across the planet - on the one hand, there are 815 million people, who suffer from hunger (FAO 2018) while on the other hand, there are 1.9 billion overweight people (HLPE 2017). Over the last half-century, there has been a change in how crops are cultivated and how to keep animals. We are trying to get the most yields of crops to feed the planet, but the question remains whether we are doing well.

In 2016 108 million people faced the food crisis, which is about 35% more people than the previous year. The causes of food shortages are many. The food crisis has affected countries which have problems with conflict. There are various causes here - there is a disruption of food production, the movement of the population to cities, pillaging of crops and livestock. In areas with conflicts, the access to food is limited, poor access to medical facilities and in some cases no access to drinking water. This is the problem faced by countries in Africa – Burundi, Central African Republic, Democratic Republic of Congo, Nigeria, Somalia, South Sudan and Sudan, and countries in Asia and the Middle East - Afghanistan, Iraq, Syria, and Yemen. The next cause is natural disasters like El Niño. The drought that hit the counties thanks to El Niño also led to below-average cereal production and livestock losses. This is another problem in Africa - Somalia, Ethiopia, Djibouti, Malawi, Madagascar, Lesotho, Zimbabwe, Mozambique, Swaziland and in the Caribbean – Haiti. Another cause is price decline on international cereal markets, which declined significantly in 2016. The highest prices were recorded in Nigeria and South Sudan (FSIN 2017). Many poor countries rely on global food supply and therefore these countries are sensitive to world food prices (Lagi et al. 2011). Bellemare (2011), Fraser and Rimas (2011) point out that food prices have recently been very often associated with riots. In recent years, food riots are most well-known from the Arab Spring which began in Tunisia and Algeria in 2011, resulting in the overthrow of regimes, for example

in Tunisia or Egypt. The paradox is that 80 % of people who suffer from hunger are small food producers – such as farmers, fishermen or livestock farmers, who face a lot of market entry problems and spend more money on basic food than they earn on their farm produce (OXFAM 2011). Small food producers are mostly family farms, which produce 80% of the world's food and own 75% of all agricultural resources in the world (FAO 2017). These farmers have to face several challenges. The first is the sustainability of the environment when it comes to protecting the planet. The second is the growth of yields, as the world's population is still growing, so the growing need for food needs to be met. And the third challenge is to increase productivity and diversify livelihoods. This is important to get rid of poverty and hunger (FAO 2014).

More than two-thirds of farms in rural areas in developing countries are small farms (Skjöldevald 2012). There are many definitions where most of them refer to having only a small plot of land, usually up to two hectares of land (HLPE 2013). In each country, small farming can mean something different. For example, small farms in Mozambique are less than 10 ha without irrigation, fruit trees or plantations. If a farm has irrigation, it can not be more than 5 hectares to still be considered a small farm. Likewise, it must have fewer than 10 bovine animals, less than 50 sheep/pigs or goats or less than 5 000 poultry (HLPE 2013). In Tanzania, a farm is between 25 and 50 square meters or has fewer than 50 bovine animals or 5-100 goats/pigs or sheep or 50 to 1,000 chickens/rabbits/turkeys or ducks. Mostly it is a farm where work is done by families - one or more households (HLPE 2013).

Poverty is also linked to the food crisis. Poverty is a complex problem. It is an obstacle to human development and economic growth. Currently, more than 700 million people live for less than \$ 1.90 USD PPP (purchasing power parity) per day (UNDP 2016). Defining poverty is not easy, there are many theories about its origins and causes. The definition of Peter Townsend (1977) reads: „Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities, and have the living conditions and amenities which are customary, or at least widely encouraged or approved, in the societies to which they

belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary patterns, customs and activities.”

The poorest inhabitants are mostly small farmers in rural areas who are dependent on agriculture. They are often limited by limited access to resources, technologies, services or markets (FAO 2017). Although household income, which feeds on agriculture, is declining, the number of rural households is still rising (Skjöldevald 2012). Agriculture will be important in the future for rural development and poverty alleviation in rural areas. There is a great potential for job creation (Skjöldevald 2012). Poor developing countries could reduce poverty by expanding exports to rich, developed countries.

Although trade has been liberalized thanks to progressive multilateral agreements, a number of obstacles remain.

Import duties are the first of the obstacles by developed countries to prevent external competition. Duty is the amount that the importer must pay for imported goods, either by the percentage of the value of the goods or by a certain amount for each piece of goods (Neumann et al. 2010). The average duty rate for all commodities is 4%. For developing countries it is considerably higher than 25%. This difference is evident in all products, but the highest difference is in agriculture (Geithner & Nankani 2002). The issue of duty also includes so-called tariff peaks, which are high tariffs (higher than 15%), which are imposed mainly on sensitive products (WTO 2018). 30% of all tariffs in the EU protect the processing industry (Cheng 2007).

Another obstacle for farmers in developing countries is customs escalation. Their aim is to protect the domestic processing industry and discourage its development in the countries of origin of primary raw materials where more processed products are imposed higher duties than on primary raw materials (Lankes 2002; WTO 2005). For example, for cocoa beans the duty is 0%, but for cocoa powder it is 15% (FAO 2018). Thus, customs escalation hinders access to the market for developing countries, especially in agriculture, and also prevents diversification of exports (McCorriston 2004). Cheng (2007) also mentions that customs escalation is perceived as a source of

environmental damage as the exporting countries rely too much on exporting primary raw materials, which can lead to the depletion of natural resources.

Anti-dumping measures are another of the protectionist measures. When dumping means that products are sold at prices below production costs (WTOa 2018). Anti-dumping laws aim to prevent foreign goods from being sold for less than its fair value (Mankiw & Swagel 2005). The traditional users of these measures are the countries of the European Union and the US, where these measures were mainly directed against developing countries (Prusa 1999). However, developing countries have become increasingly active in recent years, mainly India, Argentina, Brazil and South Africa (Geithner & Nankani 2002). The mere threat of anti-dumping measures is sufficient to prevent domestic firms from hindering competition from abroad, as the anti-dumping duties are 10-20 times higher than normal and are not easily eliminated (Mankiw & Swagel 2005). However, this measure can be used to prevent imports of products that are simply cheaper.

There are also technical barriers that can hinder developing countries in trade. Whether it's standards and regulations or different specific requirements such as size, shape, design. There are also packaging and labeling requirements. Sanitary and phytosanitary measures relating to the protection of human health, plant health, food safety, food quality (WTO 2005). These barriers reduce the growth of trade, as in some cases stricter measures are applied for products from other countries than domestic deliveries. Henson (2001) also mentions that these technical requirements and measures are the biggest obstacle to agricultural and food exports to the EU. In developing countries, there is a problem regarding access to resources needed to meet these standards required by developed countries, whether standards, scientific or technical knowledge, appropriate technologies, finance, etc. (Henson & Loader 2001). Here are these issues specifically:

The first is finance. Badiru (2015) states that the most common sources of credit are their relatives or friends, non-governmental organizations and co-operatives, while institutions such as banks are inaccessible.

The second problem is infrastructure and, consequently, the subsequent transport of products. Poor infrastructure where developing countries have very little road network development and poor roads (Skjöldevald 2012). Murphy (2012) mentions that nearly half of poor agricultural communities are more than 4 hours by car from the nearest market town. This poor road system and geographic dispersal in developing countries increases costs, whether it is for goods transport to the market or for buyers, but it can also increase costs such as coordination or health care (Matoti et al. 2008; HLPE 2013). Good infrastructure is important for transporting fast-pacing crops or crops/foods that need post-harvest fast processing such as tea or sugar (Shepherd 2007).

Thirdly, technological limitations where they have insufficient access to inputs such as good soil quality, good quality seed, or technologies that could make the work easier - such as irrigation systems or storage facilities (Murphy 2012). This includes the lack of mechanical equipment and motoring that are lacking in rural areas and could help to increase productivity (HLPE 2013).

As a further limitation, we can point to a limitation of production where farmers with a small farm size cannot produce as much as large farms. This is also related to the fact that they have to leave some crops for their own needs or seasonal production. This includes the question of quality. For global markets, it may appear to be inadequate, but a family farm is very often suited to providing quality products (Skjöldevald 2012). Since most farms have laborious production technologies, more attention is paid to production and thus there is a higher quality chance, the farmer notices that there is something wrong, collects only the produce that is ready to be delivered to costumers (Brown 2005). For example, when manually harvested French beans are produced from small farms from Madagascar to European supermarkets, their quality is excellent and thus they receive a price that is two to three times higher than the price they receive from producers who produce these beans industrially - there is no manual pickup (Minten et al. 2009). There are crops that are mostly grown by small farmers - fresh fruit and vegetables, manioc, baobab leaves etc.

Small farmers face competition from all sides, be they large international businesses or even domestic businesses. One way to get a market position is organizing into groups.

When well-functioning cooperatives can have a positive impact, they can provide access to resources and services, negotiate better prices and contracts. It is a kind of mutual support among farmers (HLPE 2013). On the other hand, there may also be a failure of cooperatives, the most often being that the role of the cooperative is not understood, the cooperative does not involve its members in decision-making processes, is not able to compete with other businesses, secure loans or provide transportation (Ortmann & King 2007).

These barriers to entry into the international market have led to the emergence of many voluntary standards that affect both domestic and international markets. These voluntary standards allow farmers access to alternative trade such as fair trade or organic farming, when they differentiate their product from others, thus gaining access to other markets (Murphy 2012).

Murphy (2012) mentions several recommendations. The first is to avoid post-harvest losses that are high in developing countries. This could be avoided, for example, by improving storage. Farmers do not have anywhere to store their crops, so it is impossible for them to sell goods later and thus avoid seasonal pricing. The second recommendation is the need to build good infrastructure not only for access to global markets but also for regional ones. As a third recommendation, it is precisely this differentiation of the product from other specific certifications, since in recent years the dietary habits of the urban population have changed (Elepu 2009). People move from the countryside to the cities, the middle class grows, the per capita income increases, the number of women is growing. More people own a refrigerator or car. All this leads to consumers becoming more demanding in terms of food safety and quality (Elepu 2009). HLPE (2013) recommend to strengthen the organization of smallholder groups, reducing transaction costs, gaining the necessary market information and ensuring access to new technologies.

3. CSR and regulation of international supply chains by private ethical certifications

At the time when companies are interested in what is going on in the world, whether the products that people buy are not only of high quality but also produced under decent working conditions, we are increasingly confronted with the concept of corporate social responsibility (CSR).

The first definition of CSR appeared in 1953 in the book "Social Responsibilities of the Businessman" written by Hooward Bowen. And although more than 60 years have passed since then, there is still no uniform definition of this concept (Kašparová & Kunz 2013). We can cite the formulation of the European Union, which defines CSR as a "concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (COM 2001).

It could be said that CSR is becoming part of the new economy. Businesses realize that they are profiting not only from their customers but also from their employees and the planet they live on. Companies are moving from the perspective of "profit only" to the so-called triple-bottom-line, which is actually the three pillars the company focuses on - economic, social and environmental. So they are not only concentrating on economic success but also on the social area where they are trying to do something extra for their employees, gender balance in the workplace or equal global opportunities. And last but not least, there is an effort to help the planet, either by saving water or energy or by eco-producing (Kuldová 2010; Kašparová & Kunz, 2013).

It may seem that CSR is a concept that has originated in developed countries and that it is used mainly by large multinational corporations. However, one can look into the past and find out that its origins can be found in developing countries in ancient times that usury is condemned in most religions such as Christianity, Hinduism, Islam, and Buddhism, and these religions are thousands of years old (Visser 2008).

Visser (2008) points out that CSR cannot be separated from the socio-political reform process in developing countries. Each of the developing countries faces another problem, such as tax evasion or poverty, which is not taken into account in CSR. Conversely, local CSR concepts would be more effective here, which could address the challenges the country faces, whether it be unemployment, crime or deforestation.

Small businesses usually do not even know that they are complying with CSR, it is natural for them. They have a connection to the community where the enterprise is located and its relation to the locality (Trnková 2004). UNIDO mentions in its report that the implementation of CSR in small and medium-sized enterprises in developing countries would be positive and would open up new business opportunities, which would increase revenue for the enterprise, and the community would also benefit from it, for example by improving the livelihood of not only producers but also workers and their families. The biggest problem here is that they do not have the resources available for implementation (UNIDO 2013).

There are authors who see a lot of benefits in CSR. Benefits include, for example, the company's reputation, the building of long-term partnerships or the motivation and loyalty of the company's employees (Pearce II & Doh 2005; Weber 2008). Husted and Allen (2001) state that CSR can be a competitive advantage that occurs when the company is superior in either the product attribute, product image, design, price, service, or corporate reputation. Asemah (2013) argues that engaging in CSR can reduce operating costs by, for example, planning a better, more optimal way for transportation, reducing costs but at the same time protecting the environment. Carroll and Shabana (2010) see a reduction in costs in that companies can realize tax benefits. Michel and Buler (2016) point out that in most of the studies the benefits that companies make by implementing CSR in their corporate strategy outweigh the costs they will have to incur.

Some authors criticize the concept of CSR. Doane (2005) points out that it is not possible for the market to bring short-term financial returns and long-term social benefits. Therefore, the financial profit of companies always prevails over the principle. Devinney (2009) points out that CSR's intention is very noble but practically unattainable. Global

firms that operate in many political and legal jurisdictions do not have clear corporate standards and do not operate in a single company. One of the biggest criticisms is that the whole concept of CSR is voluntary. Furthermore, companies, by addressing environmental and social issues, can achieve lower profitability, and companies have no experience with social issues and solutions (Blowfield & Frynas 2005). Wang (2008) claims that returning to humanity is actually a return to advertising because corporate philanthropy is a type of advertising that shapes the image of companies. In addition, there have been cases where local supply companies working for global companies have falsified their records to ensure that everything is in line with standards. Managers of these companies, of course, feel cost and quality are a higher priority than that of human rights such as child labour or forced labour (Doane 2005).

The importance of standards has grown in recent years. They were created to address various issues ranging from ethical, environmental, to social issues. Navdi and Waltring (2002) mention that standards are important for several reasons. First, they reduce transaction costs. Secondly, there is a risk for different entities in the chain. Standards can be perceived as instruments to strengthen market integration and reduce poverty for small farmers in developing countries (Ruben & Zuniga 2011).

Voluntary standards are based on reducing the poverty of farmers living mainly in rural areas by strengthening their market access and linking them with national market chains. In particular by improving their production and supply conditions. It seeks to strengthen competitiveness and also bargaining conditions for small farmers (Muradian & Pelupessy 2005; Ruben & Zuniga 2011).

Standards can be distinguished from different perspectives. Depending on whether they are focused on a process or product; according to the agricultural reach, whether it is regional, national or international; by function, if it is social, working, environmental, quality, safety or ethical standards; depending on which players are on the market, whether they are public, private (NGO) or public private standards (INEF 2002). There are standards that are designed directly for consumers (costumer facing) by having their logo on the packaging (Fairtrade, Bio, Fair for Life, UTZ ..) or, the professional standards

on the packaging are not found and are only part of the documentation accompanying the product (B2B) (WFTO, GLOBALG.A.P.) (Hejkrlik 2017).

"Certification is a (voluntary) assessment and approval (accredited) party (accredited) standard" (Velthuis 2003). Auriol and Schilizzi (2003) see certification as a process in which the consumer is familiar with product quality through a third-party guarantee system. There are both product and process certifications. The difference is that product certification is related to consumption, while process certification is related to production. For example, in the production of goods looking at the impact on the environment - they play the role of the eco-label. The goal of certification is to achieve the set output and make it accessible to interested parties - consumers, governments, banks etc. (Velthuis 2003). Auriol and Schilizzi (2003) also mention what is obvious, that the more expensive the certification process is, the fewer organizations/companies will be able to afford it.

Certification needs to be audited. There are different types of audits, such as environmental audits. These audits are trying to help organizations achieve accountability and control their environmental practices (Darnall 2009). In addition, they can be quality audits. These, according to Duff (2009) do not have a definitive definition. However, Dvořáček (2003) mentions that the subject of this type of audit is either the final outputs of the production activity, a product audit and / or they are the conditions that are implemented in each stage of production, a system audit. There could also be an ethical audit. Like the previous two, this audit is a voluntary audit. An ethical audit is: "a process in which the auditor examines, measures, evaluates, and reports on the state of ethical liability in an enterprise, or on compliance with information that the enterprise provides about the ethical aspects of the company's business in terms of the values and expectations of stakeholders" (Tetřevová 2017).

Audits are mostly performed by independent certifying staff (Jahn et al. 2004). However, the audit does not have to be performed by an external entity - there are several types that are called first, second and third party audits (Woodhouse 2003), and some even mention the fourth party audit. A first party audit is performed by the same authority that creates the standard. An example of such an audit is Starbucks Coffee Sourcing,

which sets standards for social and environmental production. However, its control is carried out by an independent organization (Muradian & Pelupessy 2005). This is the weakest type of audit (Hejkrík 2017). Second party - self-regulation is done by the platform of companies. An example is the SAI (Sustainable Agriculture Initiative Platform), which was set up in October 2002 in order to introduce sustainable cultivation practices and international trade in different types of products (Muradian & Pelupessy 2005). Another example is the World Fair Trade Organization, where the ethical commitment is also created by membership in the organization (Hejkrík 2017). Third party - inspection is carried out by an impartial and independent body (Loconto & Dankers 2014). The control is independent and affected by the companies in the supply chain. This is the best way of looking at potential conflicts of business interests. Examples of such an audit are Fairtrade, Rainforest Alliance, IMO Fair for Life, UTZ or BIO certification (Hejkrík 2017). The last type is the fourth party - regulation by a company / organization platform. An example of such a regulation is, the Common Community for the Coffee Community (4C Association), which was set up in 2003 and contains a number of ethical rules for the production of coffee based on ILO standards (Muradian & Pelupessy 2005).

4. Quick overview of the industry processing products from developing countries in the Czech Republic (coffee, cocoa) and use of the ethical labels

When we look into the era before 90s in the Czech Republic, people did not have such opportunities for purchases, while now that the market is open, we can enjoy luxury goods and exotic goods such as bananas, coffee or tea, whenever we want them. All of these products are grown by producers in developing countries who receive a price for their crops, which often does not even cover the costs incurred in growing crops. These purchase prices have affected recent players in the market, which are the chain stores, in many countries accounting for two-thirds of the grocery market (CI 2010). This chapter focuses on coffee and cocoa as two key commodities for small farmers in developing countries.

4.1 Coffee

Coffee occupies the second position of the importance of a commodity in terms of volume and value. Produced in 106 countries, approximately 70% of all coffee is produced by small farmers on family plots, which are very often poorly available, in places where the government invests at least. Most, about 90% of the total production is produced in developing countries (SSI 2010; Komínek 2015).

The commodity price of coffee is determined on two world exchanges, the robust price is determined on the London Stock Exchange and Arabic at the Intercontinental Exchange in New York. Producers predominantly argue about future production when they determine the buyer's quantity, price and when they deliver coffee, this trade is called a futures contract, which guarantees certainty for both sides - for producers it is a price that will not affect fluctuations and for buyers the certainty of a certain amount of coffee delivered (Komínek 2015).

Coffee was the first of a variety of standards, the first to produce coffee certification was Fairtrade (1988), followed by the Rainforest Alliance, which created the standards for coffee in 1995. Later, the UTZ, the 4C Association, also included environmental and

social aspects that do not go as deep as Fairtrade, but on the other hand, they are cheaper. Also private certification Starbucks - Starbucks CAFE Practices, which was established in 2004. This standard combines the same with previous social and environmental standards that have been developed in collaboration with Conservation International (SSI 2010; Komínek 2015).

4.2 Coffee market in the Czech Republic

According to FAO, the import of coffee into the Czech Republic has increased several times over the past few years. In 1990, green coffee was sold to the Czech Republic worth US \$ 38,667,000, while in 2014 it was green coffee worth \$ 65,561,000. For roasted coffee, it has risen from \$ 6,834,000 in 1990 to \$ 115,921,000 in 2014 (FAO 2015).

Green coffee was imported to the Czech Republic in 2016 mainly from Brazil (3,765 tonnes), Germany (3,764 tonnes), Vietnam (2,757 tonnes) and Cameroon (1,326 tonnes) (European Coffee Federation 2017). According to the Czech Statistical Office, in 2016, the consumption of coffee beans was 2kg per capita (ČSÚ 2017).

42% of the market for roasting and selling coffee is controlled by 3 companies (Nestlé, Kraft and Douwe Egberts) (Smedley 2015), which are also found on the Czech coffee market.

Tchibo is a German company based in Hamburg and one of the first major foreign coffee makers in the former Czechoslovakia (Jeníček 1997). In 2001, it was already a leader in the coffee market. Tchibo on the Czech market represents Tchibo, Jihlavanka coffee and since 2002 also Davidoss Caféé (Tchibo 2018).

Douwe Egberts expanded into international markets after it was bought by Sara Lee. In 1992, Sara Lee bought Roasters and Packers Prague. These packs have been renamed Douwe Egbert (Douwe Egbert 2018). They also built and retrofitted a packer with a roaster to increase the quality of the coffee (Jeníček 1997).

Kraft Jacobs entered the Czech market later than Tchibo or Douwe Egberts in 1993. Zurich is the headquarters, but production sources are available in other European countries, including the Czech Republic (Jeníček 1997).

Nestlé entered the Czech market in 1992 and became one of the most important investors. However, they are in the field of chocolate and confectionery. Since 2006, Nespresso has expanded its operations by introducing premium coffee systems (Nestlé 2018).

In the Czech Republic, 85 different Fairtrade types of coffee can be found. Among the main Fairtrade brands are Lobodis, GEPA, El-Puente, EZA, Mamacoffee, Cafedirect, Marks and Spencer and Tesco Finest. The average Fairtrade price of coffee in 2012 was 499.6 CZK per 1 kg and the average price of conventional coffee in the same year was CZK 278.3 per kg (Hejkrlik et al. 2012). According to interview with Mrs. Honnigman, higher prices for Fairtrade products are due to a non-existent shortest possible chain and the products are re-imported mainly from Germany and Austria. In 2016, the Czechs bought 326 tons of Fairtrade certified coffee, which is 88% more than a year before (Fairtrade Česko a Slovensko 2017). On the Czech market we can find 3 Fairtrade roasters - Mamacoffé, Volkafé and Fair & Bio (Fairtrade Česko a Slovensko 2017).

In addition to coffee, in the Czech market there are: UTZ (IKEA, Albert Coffee), Rainforest Alliance (McDonald's and Costa Coffee), Starbucks CAFE and Rapunzel Hand in Hand coffee in the Czech Republic. Also non-certified coffee, where ensuring fair production and trade is ensured by WFTO membership (Hejkrlik et al. 2012).

4.3 Cocoa

Cocoa is an Aztec beverage that was imported to Europe in the 16th century. Cocoa is exported mainly from the countries of Africa, Asia, and South America, as there are excellent conditions for growing cocoa - a hot, rainy, tropical climate with lush vegetation that gives it shade. Exports dominate Côte d'Ivoire, which exports about 33% of the total cocoa volume. Almost all cocoa production - approximately 90% of all production - comes from small growers in developing countries. In each country, on every continent, the size of the land is different, but on average it is about two to three hectares (SSI 2010; World Cocoa Foundation 2014).

As with other crops grown mainly by small farmers, they are struggling with poor living conditions, mainly in West Africa, where producers earn around 55 US cents a day, while the poverty line is at 2 dollars a day, leading to the migration of young people to cities,

agriculture is not very tempting for them. There are also fluctuations in market prices, bad access to credit, or poor investment in production that leads to lower returns (SSI 2010). Even in the case of cocoa, farmers could be helped by certification for a decent income. In the case of cocoa, it is organic certification, Fairtrade, UTZ and the Rainforest Alliance, which in 2012 combined certified about 22% of the total cocoa production. The first Fairtrade chocolate bar appeared on the market in 1994, the Rainforest Alliance began with the certification of cocoa somewhat later, and finally the UTZ Cocoa Program with its certification in 2009. Large chocolate companies such as Ferrero, Mars, or Hershey, who are about 45% of the confectionery market, want to process only certified cocoa by 2020 (with the exception of Nestlé and Mondélez) (SSI 2010).

Each year Candy Industry publishes a list of 100 chocolate manufacturers that have reached the highest net sales value for that year. For the year 2017, Mars Inc. was first, followed by Mondelez International, Ferrero group, Meiji co. Ltd., Nestle SA, Hershey Co. (Candy Industry 2017).

4.4 Cocoa market in the Czech Republic

At present, the Czech chocolate market is dominated by 6 multinational companies which in 2015 contributed 81% of consumption. The first is Nestlé Czech Republic, which has a 42% share in sales (Voborníková 2015). The company entered the Czech market in 1992 and was one of the strategic partners in the privatization of a.s. Chocolate factory. This follows the tradition of home production and its product is Orion chocolate (Nestlé 2018). In 1999 it took over the production of chocolate and confectionery and concentrated it on Zora plants in Olomouc and Sfinx in Holešov near Kroměříž (Nestlé 2018).

The second multinational company that participated in 19% sales in 2015 is Mondeléz Czech Republic (Voborníková 2015). The company has been on the Czech market since 1992, under the name of Kraft Food. Mondelez International was renamed in 2012. It is the producer of Fidorka, Milka Chocolate and Bebe products (Mondélez 2018).

The third company with 11% sales on the market is Ferrero Česká (Voborníková 2015). Ferrero Česká was founded in 1994 and its products are Nutella, Kinder Bueno, Surprise etc. (Ferrero 2018). 5% of total sales were owned by Storck Česká republika (Voborníková 2015), which was a separate branch established in 2001. Its products are Merci, Toffeefe etc. (Storck 2018). 4% were Mars and 3% Lindt (Voborníková 2015).

However, over the past few years, more and more chocolate factories have appeared on the Czech market. An example is the family chocolate factory Troubelice, which was established in 2013 and whose cocoa beans come from Ecuador (Čokoládovna Troubelice 2018). Another is Chocolate Lana, which originated in 2015 in Třebíč. This chocolate shop buys beans with UTZ certification (Lana 2018). Or chocolate factory Janek chocolate, which was also created in 2015 in Uherský Brod (Janek 2018). These chocolates factories are usually based on the fact that they want consumers to enjoy chocolate, which is made of honest raw materials.

After the first place of coffee, which sells fair trade products in the Czech Republic, second place is cocoa. In 2015, the "Fairtrade Cocoa Program" was introduced into the Czech Republic, simplifying the conditions for cocoa processors, which increased the sales of Fairtrade cocoa and its products (Fairtrade Česko a Slovensko 2017).

In addition to the Fairtrade Certified Chocolate, we can buy chocolate - UTZ (IKEA, Albert Chocolate), Naturland Fair (Gepa Chocolate), or Rapunzel Hand in Hand chocolates on the Czech market.

5. Selected certifications

5.1 Fairtrade International

Fairtrade International is the oldest and best-known certification, accounting for around 80% of certified Fair Trade products, making it a major player in the sector. Fairtrade International is a non-profit organization of 20 national associations, whose main task is to develop markets and promote Fairtrade (PFCE 2015).



®

Owner: Fairtrade International Association

Headquarters: Germany (Bonn)

History

Fairtrade has its roots in 1988 when the first Fairtrade brand was established, under the Solidaridad Development Agency, the Netherlands. It was named Max Havelaar, a fictitious Dutch figure who held coffee pans in the Dutch colonies. During the 1980s and early 1990s, this initiative was extended to markets across Europe. The year of its foundation is 1997 when Fairtrade International was founded in Bonn, Germany. In 2004, Fairtrade International was divided into two independent organizations - FLO, which sets standards and provides support to producers and FLO-CERT, which cooperates with inspectors and conducts audits of standards and compliance (Fairtrade Internationala 2017).

Main goals

The main objective is to strengthen the position of small farmers in developing countries and ensure that producers' profits cover the average costs of sustainable production. Producers are also paid Fairtrade Premium, which is designed for social, economic and environmental development - such as infrastructure development, healthcare, and various social projects. If producers need it, there is a possibility of pre-financing, support for long-term business partnerships (Fairtrade Internationalb 2017; Fairtrade Internationalc 2017; FLOCERTa 2017).

Audit

The audit is accompanied by the independent audit firm FLO-cert. Before manufacturers can sell their product as a Fairtrade product, they have to go through the entry audit. FLOCERT will randomly select how many farms to visit and who will be interviewed and the audit takes place for several days. The audit report is sent to the headquarters where it is judged by the commission (Fairtrade Internationald 2017). In 2015 FLOCERT received ISO 17065 (formerly - in 2013 ISO 65), which demonstrates quality and a sufficient standard (FLOCERTb 2017).

5.2 Naturland Fair



Owner: Naturland e.V

Headquarters: Germany (Gräfelfing)

About Naturland Fair

The Naturland brand belongs to the brand that marks the quality of the organic market (Naturland 2009). Naturland is an international association of 38,000 farmers in 44 countries and an area of about 320,000 hectares (Naturland 2017), which operates in the areas of sustainable agriculture, fisheries, forests, cosmetics and the textile industry. The standard was launched in 2010 as a result of a partnership with the German company GEPA and stands on three pillars of sustainability - agriculture, social interaction and a fair relationship. In 2010, the organization created the "Naturland Fair" trademark, complemented by its original "Naturland" certification mark on the ethical aspects of the production and production of labelled products. Unlike other standards, it has a lesser definition for small farmers, it only specifies that small farmers manage their farm mainly with the labour force of their family members (PFCE 2015).

Basic principles

The main principles of the standard include the development and promotion of ecological farming at all levels - local, national and global. It seeks to conserve natural resources, protect the climate, preserve biodiversity and animal husbandry and further development of businesses and members that they certify (Naturland 2009).

5.3 Fair for life



Owner: IMOgroup AG

Headquarters: Switzerland (Weinfelden)

Fair for Life was born in 2006 as a result of a partnership between Bio-Foundation and IMO, a certification body represented in 90 countries. In 2013, the IMO became part of the ECOCERT Group and in 2014 the owner of the Bio-Foundation changed to IMOgroupAG (Fair for life 2017).

Fair for life includes 3 requirements, namely organic farming, corporate social responsibility and fair trade (PFCE 2015). All production must have environmental or ecological certification (GLOBALGAP, UTZ, GOT ..) and if it does not, it must meet the integrated production criteria (Fair for life 2017).

The price paid must at least cover production costs, but it is expected to be 10% higher than the normal price in the case of organic products and never be less than the minimum price, which is reviewed every two years (PFCE 2015).

5.4 UTZ



Owner: Foundation UTZ Certified

Headquarters: Netherlands (Amsterdam)

In 2016, more than 850,000 farmers with an area of around 2.7 million hectares in 41 countries worked with UTZ, which (UTZa 2017).

History

At the age of 90, a Belgian-Guatemalan coffee grower and a Dutch coffee roaster came together and UTZ was born under the name "UTZ kapeh", which in Maya Quiché means "good coffee". Originally, the program was mainly focused on the supply chain of coffee but has grown in recent years with certification for products such as cocoa, tea, hazelnuts, rooibos and palm oil (UTZb 2017).

Audit

Even for UTZ, there is a "premium" that is not given in advance nor does it ensure that the cost of producing the products is covered. This price is paid by the first buyer and its amount is on an agreement between the buyer and the producer/producer association. UTZ is available to all producers, not just to small farmers like Fairtrade International (UTZc 2017). An audit is carried out annually and unannounced audits are made by at least 10% of the producers (PFCE 2015).

5.5 Rapunzel Hand in Hand



Headquarters: Germany (Legau)

About

This organization was founded in the 1990s (Rapunzela 2017), and combines the idea of fair trade products and organic farming (Rapunzelb 2017). At present, it includes over 450 products from dried fruits to coffee and chocolate (Rapunzela 2017). The inspections are carried out once or twice a year, without prior notice. Organization criteria are reviewed every two years by independent inspectors. Every two years, the IMO checks compliance with the criteria (Rapunzelc 2017).

Rapunzel Hand in Hand has four main requirements – classical food quality parameters (healthy and fresh products), social criteria (long-term business, supply relations, improved living conditions for farmers especially in developing countries), conservation of resources (organic cultivation, use of minimum energy for production and transport) and controlled organic cultivation (pesticide residues, plasticizers, heavy metals..) (Rapunzeld 2017).

5.6 Rainforest Alliance



Owner: Sustainable Agriculture Network (SAN)

Headquarters: USA (New York)

The Rainforest Alliance was born in 1987 as a response to the mass felling of rainforests, with 20 ha being destroyed every minute. A sustainable forestry program was set up this year to promote biodiversity. The

Crop Standard was first created for bananas (1990), followed by coffee (1995) and citrus (1997) (Rainforest Alliance 2017). At present, 101 different crops grown in 42 countries worldwide are certified with an area of 3.5 million hectares (Milder & Newsom 2015).

The standard is a connection between RA and SAN that is responsible for creating the standard. SAN was founded in 1997, but it was officially established in Mexico in January 2010. It is currently composed of ten member organizations, of which seven are tropical (Milder & Newsom 2015).

RA has been working with large multinational brands such as Chiquita, Marks and Spencer, Mars, Nescafe, etc., which has increased the volume of certified products (PFCE 2015).

5.7 GLOBALG.A.P.

GLOBALG.A.P.

Headquarters: Germany (Cologne)

This organization was created in response to consumer concerns about the quality, food safety, environmental impact, animal welfare and workforce under the name of EUROGAP in 1997. In 2007, it changed its name to GLOBALGAP to make sure that certification is not just about Europe, but has a global expansion. The GAP abbreviation stands for Good Agricultural Practices (GLOBALGAPa 2017).

The company has created additional modules that are voluntary (GLOBALGAPb 2017). Like GRASP, which focuses on the social situation on farms and working conditions (GLOBALGAPc 2017). Furthermore, a module that ensures animal welfare (GLOBALGAPd 2017), Coop, for sustainable water management, which has a number of criteria: protection of water resources, monitoring of water consumption, etc. (GLOBALGAPe 2017).

5.8 WFTO



Owner: WFTO

Headquarters: Netherlands (Culemborg)

WFTO is a global network of organizations established in 1989 (WFTOa 2017). It currently includes around 370 member organizations from over 70 countries (WFTOb 2017). Most members are craft groups, as the WFTO was originally based on the support of marginalized groups. Since May 2013, the organization has stepped up its system of safeguards - including third-party auditing (IMO, FLOCERT, TUV ..) and the use of the brand on products (PFCE 2015).

WFTO does not only focus on the manufacturer, but on all groups - manufacturers, importers, vendors, retailers and wholesalers, all share the same 10 WFTO principles (WFTOc 2017) (opportunities for economically weaker producers, transparency and accountability, fair business practices, fair-rate payments, undeclared work, non-discrimination, gender equality, support for women's economy, freedom of association, ensuring good working conditions, respect for the environment) (WFTOd 2017).

5.9 Starbucks C.A.F.E.



Headquarters: USA (Seattle)

Starbucks and Conservation International have created rules for the ethical acquisition of raw materials called Coffee and Farmer Equity (C.A.F.E.) Practices (Thomas et al. 2012). Nowadays more than 300,000 coffee growers from 25 countries around the world who manage more than 170,000 ha of land are involved in the program (Starbucks 2017). It focuses on social, economic and environmental responsibility (Thomas et al. 2012). SCS Global Service (SCS) is designed to ensure the independence of third-party control. Aspects of coffee production have defined a set of criteria and Smallholder Scorecards (SCS 2017). There are so-called "Zero Tolerance" criteria (no child labour, minimum wage payments, etc.)

that are necessary for producers to be part of the program (CERES 2014).

Basic criteria

- product quality - meeting high standards
- economic responsibility - which includes economic transparency and requires suppliers to provide proof of payment
- social Responsibility – Third-party verifiers, minimum wage payments, no forced labour, child labour, or discrimination access to education and health care, freedom of association, etc. are assessed
- environmental protection – is also assessed by third party verifiers, recycling waste, minimizing water pollution, managing soil erosion, maintaining biodiversity and reducing agrochemical use (CERES 2014; Starbucks 2017).

6. Objectives

The main objective of this bachelor thesis is to compare various certification schemes available in the Czech Republic, their guarantee systems and potential impact on small farmers in developing countries. At the same time to evaluate the availability of products and brands with such certification.

7. Methodology

The literature search is written from secondary data that was available from electronic sources, such as websites of individual standards and their official documents, and from electronic articles available in the EBSCO database. This search was used by the keywords: "smallholder, private certification, regulation of value chains, labels, brands." And all sources used are referenced. Four colours are used in the comparison tables – blue (100 % meeting the criterion), red (failure to meet the criteria), orange (not 100 % failure or meeting the criterion) and grey (for criteria that cannot be compared).

7.1 List of criteria for ethical certifications

All standards were assessed by a set of defined criteria provided below. The criteria were partially taken from Hejkrлік (2017).

Legal form	Some standards have emerged as a private initiative by non-profit organizations, associations of companies concerned, or created directly by individual firms. Other standards have been created and guaranteed by the state.
Independence of certification	How regulatory systems work from the point of view of control independence in controlled subjects. We recognize 4 types: first party - the weakest type of control, second party – self-regulation by the platform of companies, third party - regulation by an independent third party, the most reliable form, and fourth party - regulation by the platform of companies.

Guarantor of standard	It contains the name of the organization that is responsible for the quality of the standard.
Creating a standard	How the standard arises and who is approached, consulted, or whose consent is needed to approve a new standard. Certain certification systems offer high involvement of target groups (producers or affected companies in the supply chain) and the standard is based on the consensus of a wide group of participants. Others decide on the form and course of certification without their participation only on the basis of expert committees or consultants from the relevant supply chain - within the most specialized standard-setting council.
Audit do/make	Name of the organization that is entrusted (accredited) with audits and their evaluation. Sometimes the role of a certification organization is directly linked to the creation of standards. In these cases, there may be a conflict of interest, and therefore better systems of delegated accountability for their own audits to independent professional audit organizations that do not have the ability to influence the standard.
Frequency and method of auditing	The most rigorous way to perform audits is the repeated physical audit of a business / organization every year. This method is also the most costly, so many systems perform full physical audit and certificate renewals, usually every three years. Meanwhile, there may be an annual visit and a quick check, or just a remote document check.
Local audit	Some systems send their auditors from the organization's headquarters, others have regional country group representations, and others use the services of local hired auditors. Local audit, of course, allows for the best adaptation to local conditions, reduced transport costs and local language skills
The primary focus of the standard	This criterion assesses whether the standard is primarily focused on the assessment of production and the entire supply chain in environmental, social or economic terms as the main areas of sustainable development.
Product focus of standard	Some standards focus only on one product, others on more products or directly on the entire industry. One product-only standards typically offer the strictest rules for cultivation or sale, and thus guarantee a major impact on changing these practices. On the other hand, their impact on the sustainability of the entire sector or system is low.
Geographical distribution	There are standards that have a defined geographic focus only on poor so-called developing countries. Most standards, however, lack this definition and can be certified by producers from any country where the product is

	produced, bred or cultivated. So the consumer cannot see where products from developing countries come from.
Small producers	If there is a definition of small producers.

7.2 Impact - Economic dimension

Economic requirements of individual standards, such as:

- long-term business relationships between producers and subscribers
- a requirement for the buyer to provide their suppliers with part of the payment for the products delivered in the form of a prepayment advance (Fairtrade, NATURLAND Fair, Fair for Life)
- support for community development, or direct payment to various development projects of groups of farmers or employees
- the minimum purchase price of the products

7.3 Impact - Social dimension

Social requirements of individual standards such as:

- to what extent is the standard referenced and requires compliance with the International Labour Organization (ILO)
- general working conditions (compliance with locally applicable labour law and general human rights, form of employment contracts)
- demand for capacity building (education)
- prohibition of such child labour (under 15 years of age) which prevent the child's mental development
- prohibition of forced labour
- prohibition of any racial, ethnic, religious, gender and other discrimination
- a decent wage
- employee health protection - protective equipment, knowledge of potential hazards in the use of agrochemicals
- setting up mechanisms and structures for democratic decision-making

7.4 Methodology of market survey in the Czech Republic

Information was collected from websites of standards and supermarkets, stores. Last but not least, visiting supermarkets. These visits took place over 4 days. The first was January 9th, 2018 in the following stores:

- Penny market, Revoluční 724/7, 110 00 Prague
- Supermarket Albert, Náměstí Republiky 656/8, 110 00 Prague
- Mark & Spencer, Náměstí Republiky 1, 110 00 Prague
- Billa, V Celnici 1031/4, 110 00 Prague
- Delmart, V Celnici 1462/10, 110 00 Prague
- Kaufland, Střelničná 2270/46, 182 00 Prague

The second visit to supermarkets took place on January 25th, 2018 in the following stores:

- Supermarket Tesco, Národní 63/26 113 89 Prague
- Lidl, Na Poříčí 1068/23, 110 00 Prague

The third visit to supermarket and store was held at the Černý Most shopping center at Chlumecká 765/6, 198 19 in the Sklizeno and in the Globus hypermarket on January 27th, 2018.

The fourth visit to a store was on 1st February 2018 and was to the Fair & Bio Store at Sokolovská 327/29, 186 00 Prague and included an interview with store manager Mrs. Daniela Honigmann.

8. Results and discussion

8.1 Tables of comparison

PRINCIPLES AND PROCESSES FOR THE GRANTING OF THE STANDARD									
	Fairtrade International	Naturland Fair	Fair for life	UTZ	Rapunzel Hand in Hand	Rainforest Alliance	GLOBALG.A.P.	WFTO	STARBUCKS C.A.F.E.
Legal form	Non-profit platform of about 20 national and regional non-profit organizations. In Czech Republic represented by Fairtrade Czech and Slovakia.	Non-profit organisation of more than 40 000 mainly German farmers.	Group of companies from all over the world.	Non-profit organization, which owns 100% UTZ Certified Limited Company.	Private company.	Non-profit organisation/ platform.	Non-profit association. Executive power has company FoodPLUS GmbH.	Non-profit association of several hundred fairtrade organisations (producers and traders).	Private company.
Independence of certification	An independent third party.	Regulation by company / organization platform.	An independent third party.	An independent third party.	Company's own standard, audit performed by an independent auditor.	An independent third party.	Regulation by company / organization platform.	Self-regulation by the platform of companies.	Company's own standard, audit performed by an independent auditor.
Guarantor of standard	Fairtrade International e.V.	Naturland e.V.	IMOgroup AG	UTZ Certified Foundation	Rapunzel Naturkost	Sustainable Agriculture Network (SAN)	GLOBALG.A.P.	WFTO	Company Starbucks
Creating standard	With the participation of producers, traders and the non-profit sector, through a separate Standards Council.	Through two separate councils for creating and approving standards elected by the General Assembly of all members.	Through the Fair for Life standard, which includes 3-4 members. Selected participants in the entire supply chain, governmental and non-governmental organizations, commemorate new standards in two public	The Standard is developed by the Standards Commission on the basis of input from actors in the supply chain.	Internally by Rapunzel.	The standard is developed by the 12-member Expert Board of the Environmental Organization Platform (SAN). Revision takes place every 5 years by involving a number of representatives of the entire sector. The	The standard is developed in collaboration with different Technical Councils (separately for each product type), the Focusing Groups and the Certification Council.	The standard is proposed by the working group and then approved by the general meeting of all WFTO members.	The standard is created in collaboration between Starbucks company and non-governmental organization Conservation International.

			rounds of comments.			consultation process is published on the SAN web site.			
Audit do/make	Hired independent auditors by company FLO-cert. The FLO-cert inspection board decides on the audit.	Hired certifications companies and their auditors. The certification board Naturland which consists of 20 members decides about the audits.	Hired auditors directly from IMOSwiss AG.	The list of accredited companies is not published. Producers can choose any certification company that has valid accreditation ISO 65, EN 45011, or performs certifications such as GlobalGAP.	Hired certification company bio.inspecta AG (Switzerland).	Hired certification firms and their auditors from companies accredited at least to ISO 65. For example: Sustainable Farm Certification, RA-Cert, SalvaNATURA.	More than 140 accredited certifications companies.	The audit is carried out as mutual oversight between members. Certification certificates are only certified by independent auditors from professional certification organizations such as FLO-CERT, IMO ...	The quality of the system is guaranteed by SCS Global Services, which accredits a number of smaller local certification companies to control the C.A.F.E. Certification decisions are taken by Starbucks.
Frequency and method of auditing	Entry audit, annual surveillance, physical audit every 3 years. More moderate conditions for small businesses. Possible unannounced audit.	Entry audit, annual physical audit, including interviews with employees. Random audit is possible. The course is organized on the basis of the IFOAM recommendation for social audit.	Entry audit, annual physical detailed audit, including interviews with employees. Random audit is possible.	Entry audit, annual physical audit. Possible unauthorized audit (at least 10% of subjects must be unannounced audit).	The audit is repeated every two years.	Entry audit, annual surveillance, physical audit every 3 years. Possible unannounced audit.	Annual full physical audit.	Input and annual self-assessment. Guarantees of two other members. Physical audit accounts for only about 3% of members per year.	The audit must be carried out at least once a season.
Local audit	Local own auditors for groups of countries.	Local subcontracting certification for groups of countries.	Local custom auditors for groups of countries by selected certification organization.	Local own auditors for groups of countries.	Local auditors of bio.inspecta AG for groups of countries.	Local custom auditors for groups of countries by selected certification organization.	Yes.	Yes. Training is taking place in all regions.	Local own auditors for groups of countries.

	Fairtrade International	Naturland Fair	Fair for life	UTZ	Rapunzel Hand in Hand	Rainforest Alliance	GLOBALG.A.P.	WFTO	STARBUCKS C.A.F.E.
The primary focus of the standard	Social - largely for small producers (80%).	Social - largely for small producers.	Social - largely for small producers (40%).	Environmental, for small and big producers with a social component.	Social and environmental, for small and big companies.	Environmental, for small and big producers with social component.	Environmental and social. Group of standards focuses on good agricultural practices, which include product quality.	Support discriminated and small artisans and farmers in developing countries.	Social.
Product focus of standard	More than 20 agricultural tropical products. Football balls, wood and gold.	Food, forestry, fishing, cosmetics and textile.	Food, cosmetics, textile, handcrafted products, minerals. Special standard called „Fair Wild“ for forestry products.	Coffee, cacao, tea, rooibos, hazelnuts.	Products sold by company Rapunzel.	Agricultural products, tourism industry and forestry products. SAN/RA has a special standard for breeding cattle.	Agricultural products.	Handcrafted products and food.	Coffee from company Starbucks.
Geographical distribution	Only producers from developing countries – more than 50% of certificated organizations from Latin America.	Mainly producers from OECD (almost 80%), but from developing countries too.	Mainly producers from developing countries – almost 50% from Latin America, producers from OECD – about 5%.	Products come from 34 countries around world. About 8% of world productions coffee, 13% cocoa and 1,4% tea are certificated.	Products come from 16 producers company Rapunzel from different developing countries.	Certified products come from more than 100 developing countries. About 10% cocoa, 11% teas and 15% bananas are certified.	World.	Producers in developing countries, in OECD countries.	World.
Small producers	The definition of a small producer exists. It is also the main target group of the system.	It has a less restrictive definition for small producers than other certifications. It simply specifies that small farmers must manage their farm primarily with the workforce of their family.	There are definitions. The standards of producer organizations are primarily intended for small producers - dependent on family work, as well as for producers with 1 to 5 permanent farmers and a temporary workforce.	There is a standard for small producers.	There are rules for democratically managed groups of small producers.	No, small producers have only some exceptions to the compliance standard.	GRASP standard exists in two versions – both - for producer groups and for individual companies.	Yes. There are both - independent family businesses or groups in associations or cooperatives.	Yes, there are special rules for small farmers up to 12 hectares.

SOCIAL CRITERIA									
	Fairtrade International	Naturland Fair	Fair for life	UTZ	Rapunzel Hand in Hand	Rainforest Alliance	GLOBALG.A.P.	WFTO	STARBUCKS C.A.F.E.
Capacity Building / Training	Yes. From the first year of certification, the producer organization must perform at least 1 activity in connection with capacity building of its members. Within 6 years of certification, an internal system for checking and analysing members' needs must be put in place.	With buyer support, producer organizations have to put in place capacity building measures. Naturland provides a list of activities as a guideline for organizations.	Required building of members' capacities for employees by the organization. In social analysis, capacity building activities are specified, these activities must be known to workers.	Since 2013, it has been improving the effectiveness of training programs. UTZ has been involved in supporting the Sustainability Xchange platform, which provides access to training and the transfer of experience.	Yes.	RA has developed a lot of technical and supportive activities to help introduce the best agricultural practices.	No, but the general standard also requires employee training in occupational safety and hygiene.	From 2 years of membership, it has to develop a plan and a budget for capacity building according to the needs of the producers. Organizations working with small producers need to develop their managerial skills, marketing and manufacturing skills.	Yes. The employer supports training or workshops for workers on skills, financial literacy or other languages.
Decent wage	Yes. At least at the local minimum wage level.	Yes. At least at the local minimum wage level.	Yes. At least at the local minimum wage level.	Yes. At least at the local minimum wage level.	Yes. The standard requires at least a minimum national wage, which has long been increased to so-called "living wage".	Yes. At least at the local minimum wage level.	Yes. At GRAPS standard at least at the local minimum level.	Yes. Minimum wage at national or regional level.	Yes. At least at the local minimum wage level or average in the industry.
Prohibition of child labour	Yes. FI prohibits child labour.	Yes.	Yes. Prohibition of work for children under the age of 15 (or older age if so defined by law).	Yes. It seeks to eliminate child labour on all certified farms.	Yes.	Yes. Prohibited work of a child under 15 years of age.	Yes. GRASP standard also includes a record of how to ensure compulsory school attendance for employees' children.	Yes. It respects the UN Convention on the Rights of the Child and a national or local child employment law.	Yes. Starbucks does not enter into a contract with people under the age of 14.
Freedom of association	Yes. It asserts the right and freedom of association of workers.	Naturland includes special requirements in countries where the right to freedom of	Yes. If freedom of association is legally limited, organizations must be certified by the	Yes.	Yes.	Yes. The company allows workers freedom of association.	Yes.	Yes. If it is limited by law or political environment, the organization will allow for	Yes. As recommended for more points, the standard even recommends

		association is limited by law. In this case, the employer facilitates the development of parallel means of independent pooling.	introduction of measures to create independent unions.					independent and free association.	creating a support fund.
Health protection at the workplace	Yes, the requirements are strict beyond the ILO.	Yes. For companies with more than 10 employees.	Yes. A safe and hygienic working environment is ensured through adequate health and safety protection.	Yes. Programs are provided to raise awareness of the health risks of pesticide use and the use of protective equipment.	Yes.	Yes. Prevention is provided as a safety training, equipment.	Yes.	Yes. Even within general product standards	Yes. Health and safety training is provided for all workers at least 1 / year free of charge during working hours.
Prohibition of discrimination	Discrimination is forbidden and may result in the cancellation of certification.	The auditor must check the reasons for the recruitment and dismissal of employees.	Interviews with staff during the audit must ensure that there is no discrimination.	Yes.	Yes.	Yes. Companies must not discriminate against employees who work with them or job seekers.	YES GRASP requires at least a minimum local policy of non-discrimination.	The organization must demonstrate that it is taking measures to ensure that no discrimination is tolerated.	Yes. The requirement is ZERO TOLERANCE.

ECONOMIC CRITERIA

	Fairtrade International	Naturland Fair	Fair for life	UTZ	Rapunzel Hand in Hand	Rainforest Alliance	GLOBALG.A.P.	WFTO	STARBUCKS C.A.F.E.
Better purchase price	After consultations with all interested parties, FT are set at minimum prices. They are updated regularly and online and are the starting point for bargaining. If the market price of the product is higher than	If there is a minimum fixed FI price, at least one must be paid. If this is not the case, the production cost is + 10%. If the average local production costs are not known, the buyer must pay a price at least 10% higher than	Requires only a minimum price agreement of 2 years of certification. The price is expected to be higher than the current market price by 5% for common products and 10% for organic products. The price is not determined by	The price is not fixed. It does not require production costs to be at least covered. It does not give producers a minimum price to overcome market prices.	Under the Standard, the redemption price must be at least the average price for a product of similar quality and origin.	No.	No.	WFTO does not set a minimum percentage that should be added to the conventional price but there are still criteria to check whether the price level is justified by taking into account production costs, prevailing market prices and other	No.

	minimum price, the market price must be paid.	the market price.	the standard but is the result of price negotiations.					fair prices as FI prices.	
Payment in advance	Pre-financing must be provided on request up to 60% of the contract.	Up to 60% of the contract must be provided on request.	Up to 50% must be pre-funded. In the case of contract farming, pre-financing is supported but not required.	No.	No, the standard only mentions that Rapunzel can pay in advance.	No.	No.	The buyer must provide at least 50% of the price if requested by the manufacturer.	No.
Community development	For each product, premiums are determined by FI and available online. It pays the responsible collective body not to a single member. It contains a fixed social allowance for community and business development.	The surcharge is given by the FI supplement, or by a 10% increase in the price.	The surcharge is recommended to be set at 10% of the purchase price, may not be less than 5%. For plantations, this is between 7-10% of the cost of the contingency. The surcharge must be reviewed every two years.	No.	By default, the redemption price must include an agreed contribution to community development.	The Standard specifically requires the creation of tools and rules for cooperation with the local community.	No.	No, the surcharge is included in the price.	No.
Long-term business relationships	FI does not require buyers to commit to certified organizations for a minimum number of years. The main requirement is to focus on the supply plan the buyer must provide to the manufacturers. The length of the plan differs by product. E.g.: 12 months for cocoa, 3 months for tea.	Long-term commitment is required but not specified. However, Naturland insists on the reliability of the business partnership. Business partners must demonstrate that they have regular communication.	Specifies that the buyer must commit to a long-term partnership. There is no minimum time commitment and no criteria for assessing the length of cooperation.	No.	In general, long-term business relationships are required.	No.	No.	The manufacturer or buyer must maintain transparent and trustworthy business relationships with his / her partner within 2 years prior to verification. Written contracts must provide details of delivery times, price and wage conditions	No.

8.2 Comments to the table

The work deals with the impact on small farmers, so it is important to mention whether selected certifications have a definition for small farmers. The table shows that all comparisons have this definition, only Naturland Fair, RA and STARBUCKS C.A.F.E. they are less restrictive than the rest of the certifications.

PRINCIPLES AND PROCESSES FOR THE GRANTING OF THE STANDARD

Four criteria are compared to principles and processes of standardization. The top 3 standards are FI, FFL and UTZ, which were placed at the top in two of the four criteria. Rapunzel Hand in Hand fell to the worst of these criteria and failed in two criteria.

As already mentioned, at best, to avoid a potential conflict of business interests, it is a third party. This independence of control is provided by FI, FFL, UTZ and RA. On the other hand, the weakest type of controls from selected certifications are used by Rapunzel Hand in Hand and STARBUCKS C.A.F.E.

It is important for the creation of a standard whether the target groups can be involved in the creation, FI placed best here, on the other hand, the worst was Rapunzel Hand in Hand, where the creation takes place only internally.

As far as the frequency and the way in which the audits are conducted, more than half of the comparisons of certifications have strict audits. (Naturland Fair, FFL, UTZ, Rapunzel Hand in Hand, GLOBALG.A.P, STARBUCKS C.A.F.E.). At the opposite end, the WFTO is located where a physical audit only takes place at around 3% of the members a year.

All the certifications have passed the criteria for local audits, which means that they have regional representation for country groups or use the services of local hired auditors. Local auditing allows for the best adaptation to local conditions, reduced transportation costs and local language skills.

IMPACT - SOCIAL CRITERIA

For social criteria, all certifications have come to the same level. Everyone requires decent wages, forbids child labour and tries to fight against it, as well as discrimination that, if proven, could lead to the withdrawal of certification. Freedom of association is enforced. All standards except GLOBALG.A.P, which do not have a special requirement for capacity building but still require employee training on hygiene and work, have this requirement.

ECONOMIC CRITERIA

In this section, four economic criteria are compared. On the top is FI, which meets all 4 selected criteria, right behind it is Naturland Fair with 3 criteria. At the opposite end, there are 3 standards that fell under all four criteria - UTZ, GLOBALG.A.P. and STARBUCKS C.A.F.E.

FI and Naturland Fair are best positioned for the better purchase price criterion. On the other hand, a better price is not paid by 4 of the compared standards - UTZ, RA, GLOBALG.A.P and STARBUCKS C.A.F.E.

Payment in advance is provided by 4 standards - FI, Naturland Fair, FFL, and WFTO standards. The remaining 6 standards do not allow this option.

GLOBALG.A.P, WFTO, STARBUCKS C.A.F.E. and UTZ are not at all concerned with the development of communities. In contrast, payments for various development projects are best provided by FI and Naturland Fair.

The long-term business relationship criteria has two winners - FI and WFTO. The requirement for long-term business partnerships does not concern RA, UTZ, GLOBALG.A.P and STARBUCKS C.A.F.E.

8.3 Summary of brands and labels used in the Czech Republic

A survey that was made at stores, visits to websites, and communications with store representatives was about finding out the availability of different products of the above-mentioned certifications.

Fairtrade

Tea	<u>Mark & Spencer</u> teas, <u>Delmart</u> - English Tea Shop, <u>NaZemi</u> - Fair Tea - Gunpowder, Korakundah, Darjeeling, Earl Grey, <u>Tesco</u> – finest gold tea, <u>Sklizeno</u> – Clippec tea
Chocolate	<u>Mark & Spencer</u> chocolate, <u>Billa</u> - Chocolate Libeert, <u>Delmart</u> - some Stella chocolate, <u>NaZemi</u> - Seed and Bean chocolate, <u>Lidl</u> - some J.D.Gross chocolate, <u>Fair & Bio store</u> - Zotter Chocolate, <u>Kaufland</u>
Coffee	<u>Mark & Spencer</u> coffee, <u>Freshbedýnky</u> - Guatemala Adenisa coffee, <u>Starbucks</u> coffee, <u>Tesco</u> – finest coffee, <u>Globus</u> – Tchibo barista espresso and cefé crema, <u>Fair & Bio store</u> - Coffee from Fair & Bio Roasters, Coffee Cooperative Women's Adelante, <u>NaZemi</u> - Fair Café, <u>Kaufland</u>
Bananas	Available in <u>Mark Spencer</u> , <u>Freshbedynky</u> , <u>CountryLife</u> and <u>Sklizeno</u>
Others	<u>Billa and Globus</u> - Ben & Jerry's Ice Cream, <u>Mark & Spencer</u> – marmalades, sugar cane, <u>NaZemi</u> – sugar cane, <u>Fair & Bio store</u> - Bala Soccer Balls, FAIR SQUARED Cosmetics

UTZ

Biscuits	<u>Penny</u> - Desirre and COVO biscuits, <u>Billa</u> - Clever biscuits, Manner (also in <u>Globus</u>), <u>Tesco</u> -Bahlsen biscuits, <u>Lidl</u> - Sondey biscuits
Chocolate	<u>Albert</u> excellent – chocolate, Boccia and Bel'Chic pralines (Tesco) in Billa, Truffettes pralines in Delmart, Fin Carré chocolate, some chocolate and pralines J.D.Gross, Palace (Belgian chocolate), Hatherwood (mint chocolate) in Lidl, Ikea chocolate, Marti choc box of chocolates, Duc D'O milk truffles, Sarotti chocolate in Globus
Coffee	<u>Penny</u> , <u>Tesco</u> , <u>Globus</u> - different types of Tchibo coffee, <u>Albert</u> – coffee, basic coffee, <u>Ikea</u> coffee, <u>Lidl</u> - Bellarom (espresso, cappuchino), <u>Tesco</u> - L'or espresso
Others	<u>Albert</u> - Choco exclusive – different types of nuts in chocolate, Basic products – tea, choco drink., <u>Billa</u> - Ice cream, <u>Lidl</u> - Castello cocoa, Ballino Ice Cream, Galatelli Ice Cream

Rainforest Alliance

The products bearing the RA certification are mainly bananas in the Czech Republic, namely: the Dole bananas that are available in the Albert and Tesco supermarkets, the fyffes bananas, which are sold at Billa and Delmart assortments and the Chiquita bananas in Globus. Next, Dole pineapple in Lidl. In addition to bananas and pineapples, they are Unilever ice cream, namely Magnum, some Mondélez International and Danone products, and Mars sweets. In Lidl, we can find Lord Nelson tea. Last but not least, McDonald's and Costa Coffee have the RA certification, and Costa Coffee is committed to making Rainforest Alliance certified 100% coffee (Costa Coffee 2018).

Rapunzel Hand in Hand

Rapunzel chocolate and coffee is sold in smaller shops and health stores. Rapunzel Hand in Hand chocolates are available in Globus hypermarkets in the Healthy Diet Department. There are also e-shops where we can find, besides chocolates, coffee with this certification such as bionebio.cz, biosfera.cz, zelenyeshop.cz or e-shop prozdravi.cz.

Starbucks C.A.F.E.

90% of all Starbucks coffee in the Czech Republic is certified.

WFTO

For imports of handcrafted products and uncertified fairtrade products to specialized fairtrade stores such as Prague Fair & Bio shop, where products from cooperatives such as bowls, jewellery, candlesticks, baskets, etc. can be found.

GLOBALG.A.P.

Most standard retail chains require standard from their suppliers. Examples: Globus hypermarkets have GLOBALG.A.P certified importers of tropical destinations. Additionally, this certificate is accepted by Ahold (Albert 2018).

Naturland Fair

The products of German company GEPA - example Kaufland. In addition to Kaufland, GEPA chocolates can be bought at e-shops - zelenyeshop.cz, biooo.cz, kvalitazde.cz or fairtradeobchudek.cz. Fair & Bio shop offers fruit tea or curry sauce from the Welt Partner.

Fair for Life

We have not yet found any products on the Czech market with this certification. The only exception is the KhoiSan sea salt at the fairobchod.cz e-shop. Fair & Bio shop had tees certified by Fair for life, but that was around two years ago.

9. Discussion

There are many studies that compare ethical certification among themselves, but most of them focus on a particular commodity such as coffee or bananas, and none of them compares all of the above-mentioned certifications with these criteria. This work came about as filling a gap. Moreover, it is only a theoretical comparison, as it is not determined whether in practice all selected criteria work as they should.

Among the selected criteria, the best-performing - Fairtrade International, placed best in the economic criteria, fulfilled all 4 selected criteria, all social criteria, and 2 of the 4 criteria in the creation and process of awarding the standard. This result is not surprising, as Fairtrade is one of the oldest, most elaborate and most widespread ethical standards (Hejkrík 2017). And differs from other certifications by trying to increase the profits of producers, while other certifications are trying to change the production process (Janvry et al. 2015). Although the objectives of the individual certifications overlap, each of the standards compared has the priorities that form that standard (Dragusanu 2014). These results are influenced by selected criteria where environmental criteria are not taken into account in this work and they are not so important for small farmers, such as economic and social criteria.

The first example of an existing study is Ruben and Zuniga (2011), which focus on coffee makers in Las Segovias, northern Nicaragua, comparing Fairtrade, Rainforest Alliance and Starbucks C.A.F.E standards. The results of the study have shown that Rainforest Alliance, and Starbucks certified producers have higher net income and household incomes, which is due to their more diversified income composition and not so much reliance on coffee as Fairtrade producers. Fairtrade producers, on the other hand, have better access to credit and are able to negotiate a better selling price. The most important contribution of Fairtrade is the strengthening of a local farmers' organization which also ensue from the results of this work. The FI sets a minimum so-called social contribution to community development. In addition to FI, this social contribution is also provided by the Naturland Fair, which refers to the FI's social contribution. However, the Ruben and Zuniga studies did not include this standard in their work.

The study “International guide to fair trade labels” shows that fair trade labels (including FI, FFL, WTFO and Naturland Fair) differ from sustainable development labels (RA, UTZ) by not requiring producers to associate with collective organizations and thus do not even require the participation of producer organizations in managing the organization. The criterion of association with producers in organizations is not used in this thesis but the thesis agrees with other conclusions on meeting all social criteria such as prohibition of discrimination, child labour, forced labour or freedom of association. The economic criteria in this study have been won by the WTFO, because they have chosen a different way of assessing the criteria - when, for example, they recognized a community development that is not defined, it is only directly included in the price (PFCE 2015).

Another major study “The State Of Sustainability: Initiatives Review” shows that most standards predominate social and environmental requirements above economic ones. This may be due to the fact that each standard came into being for another purpose when sustainable labels were created to meet sustainable development measures. While fair trade labels originated mainly to ensure that producers get their work well and fairly paid. This thesis does not mention environmental criteria as mentioned above, but agrees that standards prevail over social requirements above economic ones. When most of the standards have failed in economic requirements, and social standards are required by all standards. In this study, the GLOBALG.A.P. standard has been dropped, as more stringent criteria have been used than in this thesis, and the labour standards index, which includes, for example, freedom of association, prohibition of discrimination, forced labour, etc., has reached 0% because these criteria are included in the GRAPS module, which is optional (SSI 2010).

From a study by Max Havelaar France, it is clear that Fairtrade certification improves the wellbeing of the family of manufacturers. In particular, the minimum price that allows producers to free themselves from the risk of price fluctuations. It creates economic stability, allowing farmers to invest in farms, increasing their profitability. The study emphasizes that certification should not be perceived as a major transformation factor, since if the family of producers still cannot meet all the needs beyond the basic, they have trouble saving money (Laroche & Guittard 2009).

10. Conclusions

The results of the work show that 4 of the compared standards - FI, FFL, UTZ, and GLOBALG.A.P. succeeded in the principles and award of the standard where each of them met 2 criteria at 100% and another 2 criteria were met, but there were some reservations. FI meets the independence of certification and creating a standard. However, there could be improvement in the audit frequency since the physical audit is done every three years, while other standards perform this physical audit every year. A second improvement could occur with local auditors where FI has local auditors for certain groups of countries, but other standards hire national auditors. FFL and UTZ succeeded 100% as well as FI in independence. And also in the frequency of the audit, which takes place every year. Instead, the gaps are in the local audit as well as the previous standard and furthermore in the creation of a standard where more participants could be involved. GLOBALG.A.P. succeeded in 100% audit frequency and local audits. The comments are about independence when it comes to a fourth party and the creation of a standard where more members could be involved as in previous standards. On the contrary, the Rapunzel standard fell to the worst, failing in two of the four criteria, namely independence, the creation of a standard that is purely internal, and no other participants are awarded. Furthermore, there is no 100% in local audits as in previous standards. The only 100% success criterion is the frequency of the audit, which takes place every two years.

In social criteria, there are no differences between certifications, as all the social criteria being compared mentioned above - a total of 6 criteria is required by all standards. Only at GLOBALG.A.P., there is no special requirement for capacity building, but the general standard also requires staff training in occupational safety and hygiene.

The biggest difference is the comparison of economic criteria, where the differences between the different standards are seen. FI achieved 100% of all criteria. Second place belongs to Naturland Fair which achieved 3 out of 4 criteria at 100%. The only deficiency occurs in long-term relationships where a general commitment is required but is not firmly specified. In contrast, the three standards failed completely across all four criteria - UTZ, GLOBALG.A.P. and Starbucks C.A.F.E.

The overall winner was the FI, which ranked the top in all criteria, requiring 100% social criteria, economic criteria, and 75% principles and processes for awarding the standard. The second was Naturland Fair, which meets up to 100% of social criteria, 88% of economic criteria and 63% of principles and processes for awarding the standard. The third FFL also achieved 100% of social criteria, 75% of principle and processes and 63% of economic criteria.

Regarding certified products available in the Czech Republic, the largest selection is in specialized stores. They are ready for customers demanding this type of merchandise where Fair & Bio offers around 850 certified products. Another place where customers have a fairly large selection of Fairtrade products is Mark & Spencer.

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