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**Comparison of different Environmental and Social  
Standards in Fair Trade and Other Ethical  
Certification**

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## **Declaration**

I hereby declare that I have written presented Master thesis “Comparison of different Environmental and Social Standards in Fair Trade and Other Ethical Certification” by myself with help of the resources listed in bibliography.

Prague 6 - Suchdol, 19 April 2012

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## **ABSTRACT**

Voluntary adoption of ethical initiatives can have a large influence on how a product can be marketed. Environmental and social standards of such initiatives act as mechanism to determine to what extent the initiatives adhere to their policy. This information is conveyed to the consumer through labeling and therefore the correct labeling of products is especially important in international trade. It plays a significant role in decreasing the threat of information asymmetry gaps and therefore a detailed verification of standards' meanings and level of adherence is necessary. This study performed an in-depth literature review to examine the effect that "detailed" and "generic" standards have on the success of various initiatives. For the purpose of this work, We compared social and environmental standards of six important initiatives (FLO, 4C Association, UTZ Certified, Rainforest Alliance, Forest Stewardship Council, Bird Friendly). Generic standards compared to detailed standards can differ greatly in important criteria. We compared FLO generic standards with the rest of initiatives's generic standards. The findings show that some initiatives promoting themselves as very strict could not in fact prove this according to the list of their generic standards. We also discovered in which standard the most initiatives mutually agree. We suggest that generic standards should not be taken as essential material of initiatives' standard policy and that each initiatives' standards need to be looked from different perspectives as it is important to observe their direct impact on producers. Further, two opposing perspectives were explored from the direct impact that standards have on producers.

**Key words:** standards, ethical, fair trade, environmental, social, certification,

## **ABSTRAKT**

Tato práce se zabývá porovnáním ekologických a sociálních standardů u organizací zabývajících se etickým obchodem. Standardy obecně zaujímají významné místo v mezinárodním obchodě, kde pomáhají snižovat možnost zneužívání informace o produktu v neprospěch producenta či konzumenta tzv. „Informační asymetrii“. Tato práce upozorňuje na skutečnost, že některé etické organizace při propagaci etické politiky používají pouze seznam obecných standardů, ten se ale ne vždy shoduje s úplným seznamem, který daná organizace vyžaduje k udělení certifikace. Práce se zaměřuje na standardy vybraných organizací (FLO, 4C Association, UTZ Certified, Rainforest Alliance, Forest Stewardship Council, Bird Friendly). Všechny zvolené organizace se zaměřují na obchod s rozvojovými zeměmi v tropickém a subtropickém pásmu. Po přezkoumání vyplynulo, že tzv. obecné standardy často nedávají celistvou představu o kritériích nutných pro získávání certifikací. Obecným standardům často chybějí důležité informace o kritériích, které jsou zásadní pro udělení certifikace. Standardy jednotlivých organizací byly porovnány se sociálními a ekologickými standardy Fair tradové organizace (FLO - Fairtrade International). Touto metodou se nám podařilo zjistit, v čem se ostatní organizace zabývajících se etickým obchodem liší či shodují se standardy FLO. Z tohoto zjištění vyplývá, že některé organizace, které jsou obecně brány za přísnější, by ve srovnání obecných standardů ostatních organizací neuspěly. Druhá část práce se zabývá odlišnými pohledy na přímý dopad standardů na producenty. Z odlišných případových studií vyplývá, že dopady jednotlivých standardů nejsou jednoznačné a že tedy není možné stanovovat standardy globálně a to převážně u sociálních kritérií.

**Klíčová slova:** standardy, ethický, fair trade, ekologický, sociální, certifikace

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## List of Abbreviations

|      |   |
|------|---|
| ATO  | Alternative Trading Organizations               |
| BF   | Bird Friendly                                   |
| FLO  | Fairtrade Labelling Organizations International |
| IFAT | International Fairtrade Trade Association       |
| ILO  | International Labour Organization               |
| IOAS | International Organic Accreditation Service     |
| ISO  | International Organization for Standardization  |
| RA   | Rainforest Alliance                             |
| SMBC | Smithsonian Migratory Bird Center               |
| WFTO | World Fair Trade Organization                   |

# 1 Introduction

Nowadays, certified organic or Fair trade<sup>1</sup> products are becoming an important part of the mainstream consumption on the Western markets. Consumers are becoming more aware of world production, mainly green and ethical friendly products. Worldwide „Ethical consumerism“ or „Ethical consumption“<sup>2</sup> has led the „Ethical consumers“ to buy certain products that comply with ecological and social standards. It means that production of these products was made under special circumstances like: no use of chemical pesticides, antibiotics or fertilizers, GMO free, sweatshop free labour<sup>3</sup>, adherence to human and animal rights, benefits for producers, etc.

What is hidden behind the certification mark? The certification mark only helps consumers to support values that they believe in and also works for a producer or a seller as a communication tool between them and the target group of consumers. After fulfilling specific extended standards that conventional trade doesn't have a certification is issued. The rules and depths of the standards can differ, but all the Ethical initiatives distinguish according to mainstream companies by their aim to bring its part to worldwide social and environmental sustainability.

The ethical consumer's behavior can be explained by, more than one motive. Some ethical consumers justify their decision by their desire of consuming better quality and healthier products. They believe that products with ecological certification have a better taste, quality and help to keep their lives in better conditions. Other ethical consumers prefer to buy certified products than regular ones to support eco-friendly business by buying green products to keep worldwide sustainability of the environment. Another group of ethical consumers is, more focused on living conditions of producers and they

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<sup>1</sup> To clarify terminology, 'Fair Trade' (written as two words) used in this paper refers to the movement and the philosophy which can be any kind of trade that is based on better relation with producers and environment. sustainable environment. Whereas 'Fairtrade' (written as one word) refers specifically to the product certification and labelling system FLO.

<sup>2</sup> The term "Ethical Consumption" or „Ethical Consumerism“ was probably disseminated by British magazine called „Ethical Consumer“. This magazine was founded as a non for profit initiative to help guide consumers in buying ethically friendly products with putting emphasis on respecting animal and human rights and with minimal harm to the environment.

<sup>3</sup> „Sweat shop“ comes already from the industrial revolution's era. It was a terminology used for a negative type of work. Usually the middleman exploited workers that worked in very bad conditions for long hours and for a low salary. Nowadays sweat shop is known especially in developing countries, where big clothing, Tobacco or other transnational companies employ poor local people. Cheaply made manufactures stuff is then sold on Western markets for many times higher prices.



believe to make the conditions of producers better by supporting voluntary initiatives<sup>4</sup> standards. Most of the Ethical consumers buy certified products to support a combination of all the mentioned reasons at one.

Certified products also lead to high consumer's trust in the quality of a product. Additionally to this, most of the consumers are not strictly ethical consumers, but mixed consumers. „Thus, consumers might go occasionally to specialized shops, „there is a wide range of organic products available, but normally buy in supermarkets where there is only a narrow range available.“(Dankers, 2003).

The Ethical business<sup>5</sup>, though it is still a business, is focused on many kinds of products. The diversification can be from tropical commodities like coffee, tea and cocoa or tropical fruits to local products like organic meat, eggs, milk and honey offered in specialized organic shops or farmer's markets. Supporting the ethical ways of business doesn't necessary mean that it cannot be profitable (Goldfield & Stoddard, 2009).

The coverage of this work will be focused mainly on the comparison of chosen ethical certifications of voluntary initiatives that operate with environmental and social standards. First two chapters introduce reader with main objectives of the work and the means of achieving it. The thesis itself is divided into eight main chapters, including Introduction and Conclusion. Third chapter (The Concept of Information Asymmetry (the importance of standards, certification and labeling)) explains how important the standards, certification and labeling are in the globalized world in accordance to the risk of Asymmetric Information.

In the following chapter (Towards Environmental Sustainability and Social responsibility) we introduce particular initiatives with extended standards. In the fifth chapter (Comparison of Environmental and Social Standards), we compare them according to the chosen methodology and we discuss the discovered results. Content of the following chapter (Initiatives Promoting Environmental and Ethical Standards) monitors direct impact of standards on producers from both positive and negative sides of particular cases. The direct impact of standards on producers is discussed and analyzed in a last chapter. The Conclusion concentrates on final observations and convictions.

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<sup>4</sup> Voluntary initiative in this text refer to an organization/institution or a profit company, that extends its voluntary standards of production process of a certain product.

<sup>5</sup> Ethical business used for the purpose of this paper refers to any kind of business that differs to the mainstream conventional type of business by its ethical consideration.

## **1.1 Literature Review**

The main sources used for the purpose of this paper are available secondary sources, mainly accessible in scientific journals. The other sources were reached from official websites of mentioned voluntary initiatives in this paper. There are some books available, but they are mostly dedicated to the explanation of the ideology of Fair trade movement which was not useful for the purpose of this paper.

Since environmental, social or ethical standards have first appeared, the public interest rose and the interest also rose in academic fields. Many academic authors have dedicated their works to the subject of ethical trade. The authors come from different domains because ethical business can be observed from the marketing perspective, economical, environmental, social, biological etc. Nowadays searching for sources dealing with topics of Ethical trade gives a long list of available articles dedicated to this topic but they come from different scientific domains.

There are many authors who look at the initiatives more from the consumer's and market perspective. The authors that dedicated their works to introduction of the ideology of spreading the knowledge and awareness of initiatives on markets are for example Professor Geoff Moore, Dr. Anna Hutchens, Margaret Levi and April Linton, who describes how the situation is in the USA.

On the other hand, shorter list of sources more focused on specific problematics of ethical type of trading can give us more interesting looks from different perspectives. The authors that have dedicated their work to ethical standards are divided in two parts, according to their attitude to the topic. We have divided these authors into two groups. First group is considering Ethical type of trading and volunteer standards as something that is very positive for boosting poor economies and making world environment more sustainable.

In the second group, we have put authors that are critical and skeptical about the whole idea of ethical type of trading. Backgrounds and though ethical businesses are officially considered as something that must be supported because it helps the poor and saves the world, not all academics working in the field of ethical business will agree on it. Half of the authors are actually very critical of the topic. Subject of social and environmental standards has been widely discussed. Nowadays it is a very significant and important

topic. There can be many subtopics connected directly or indirectly to it. Among subtopics appears just one criterion, or two close criteria's that are discussed in the source. As a subtopic can be considered the issue of discussed child labour and gender equality in fair trade (Lyon et al, 2010)

In most of the cases, many publications focus just on Fair trade but more specifically Fairtrade (FLO). Often the sources describe particular cases of qualitative manner. Most of the research of this character is based on local situation and on a research method of an author of the text. These gathered information's are often interesting, but they are not too relevant for the global knowledge and awareness. The truth is then very much based on author's credibility which can be biased by subjective point of view.

## 2 Objectives and Methodology

### 2.1 Objectives

The paper seeks to critically analyze, compare and discuss various aspects of environmental and social standards of voluntary initiatives operating with tropical and subtropical regions according to promoted standards. The reason for mainly focusing on internationally known initiatives is double. Firstly, there are too many operating voluntary initiatives worldwide that it would not be possible to write a relevant comparison of all of them, secondly for the purpose of this paper will be mostly important to mention some known and significant initiatives as representatives of specific goals in standards.

The comparison will be based on two main pillars; social and environmental. We assume, that mentioned pillars are considered as the most important segments for ethical trading initiatives. We will be comparing social and environmental generic standards<sup>6</sup> for small producers of Fairtrade International partnership with generic standards of various ethical initiatives operating in tropical and subtropical regions. This coverage is limited to the most internationally known and specific initiatives involved in trade with tropical and subtropical countries (Fairtrade International FLO, Forest Stewardship Council, Rainforest Alliance, 4C Association, UTZ Certified) or with potential to become an important initiative in the future (Birdfriendly®)<sup>7</sup>.

The objective is to discover whether these initiatives are based on the same or similar generic standards as FLO is. Find out whether generic standards can be considered as relevant information of initiatives promoted goals. We will be also seeking differences between each environmental and social standards, whether there are standards in which all initiatives agree and otherwise.

The social or environmental segments are two of three main determinants of FLO<sup>8</sup>. For the purpose of this paper, FLO's social and environmental generic standards served as a paradigm for our comparison. The reason for choosing FLO certification mark as a

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<sup>6</sup> Generic standards are ment to be the summary of the whole list of standards. Some of the initiatives have a list of generic (basic, main, summary) standards which is a summary of the broader list of standards. Some initiatives use the extended list of standards mainly as a complete list of criteria for becoming a certified producer.

<sup>7</sup> Birdfriendly® will represent shade grown initiatives that might in the future become important certifiers.

<sup>8</sup> As a third segment is often considered an economical standard for fair trade/ Fairtrade partnership.

paradigm for other initiatives' standards appearing in the text was the assumption that its mark is expected to be the most known and recognized by the public. The assumption is that most of the initiatives promoting eco and social friendly certification are often using similar standards, though their main aims differ. We would like to observe, whether some standards are very strict only in one segment or if they are very liberal in the second segment.

On the other hand, we will be seeking both similarities and differences between FLO's environmental and social standards and standards' of chosen initiatives. Albeit, all the mentioned initiatives are focused on „Western“ markets where they sell the products. Initiatives can differ in consistency of rules, standards, establishment and procedure of certification cycle. The assumption is that though researched initiatives focus on different fields, some criteria can extremely differ and otherwise.

The second objective of this thesis is to compare and analyze direct impacts of cooperation with voluntary initiatives on producers. Last chapter will focus on highlighting advantageous and disadvantageous impacts of particular economic, social and environmental standards of chosen voluntary initiatives from the producers' perspectives. The output of evaluated pros and cons of particular extended standards will be consideration of long-term or short-term direct impacts on producers in developing countries.

## **2.2 Methodology**

The claims will be achieved by using secondary sources that will be compared and evaluated. The information and data will be analyzed from accessible secondary sources: mostly academic articles from academic journals or official documents of each voluntary initiative. The official documents will be mostly used in the first part (Comparison of standards), because we will need the particular data as the voluntary initiatives promote them. The chosen methodology is a comparative qualitative research based on literature review together with the followed discussion and the use of SWOT analysis.

### **a) Comparison of Social and Environmental Standards**

The investigated initiatives' standards will be divided in two segments by their social and environmental characteristics. Each standard's criteria will be compared to standards that will be made for the purpose of this work. Our indicators will be the environmental and social standards inspired by FLO's criteria. For feasible comparison, the standards will be

transformed in an illustrative table which will help to show us if there are significant differences between each initiatives's standards. The expected results will be double. Firstly to confirm or dismiss the hypothesis that all voluntary initiatives are interested in both environmental and social segments, though their main goals differ. If initiative has two types of standards; generic and extended, we will be working with generic to observe, whether the short version of standards corresponds with the extended standards. Secondly, to analyze which initiative has the most extended and strict standards with use of chosen indicators. Both parts will emerge in discussion and results of this chapter.

#### **b) Comparison of Standards' impacts on producers**

In the second part of the thesis, we will be focusing on contribution of standards to producers. Firstly, the situation will be mapped by using a literature review. By mapping the situation of particular cases, we will be analyzing the situation of producers globally. The particular cases will work as a data for SWOT analysis that will be used after. The SWOT analysis, though is usually used for business planning or marketing purposes, will be appropriately chosen for the coverage of our work, which will help illustratively understand standards' strengths, weaknesses, opportunities and threats emerging from the fourth chapter and initiatives profiles in the fifth chapter. The SWOT analysis will provide us with a framework for reviewing all the pros and cons of each standard, that will be used for the later discussion. The discussion will provide us with a final reevaluation of each subtopics that appeared earlier in both above mentioned chapters.

### **3 The Concept of Information Asymmetry**

The subheading of this chapter is the importance of standards, certification and labeling. In the chapter we will engage into the relation between the consumer and the producer in a modern globalized world and the methods that could strengthen the trustworthiness between these both sides in a world that doesn't permit direct contact of a consumer and producer. Further we will present means of building trustworthiness to a particular business. We will introduce and explain the role of methods that are known for ensuring consumer's confidence towards a product that he or she buys.

The concept of Information asymmetry was introduced by three economists George Akerlof, Michael Spence, and Joseph E. Stiglitz. The asymmetric information was a detailed market analyze of the absence of real knowledge from buyer's or seller's side. The asymmetry refers to the abuse of side A over the side B during the business arrangement. This emerges from a better knowledge of a product (or any tradable thing) by side B, which is in an advantage over the side A. In the concept of standards and certifications the asymmetric information plays an important role because it is also applicable to ethical products. As Amstel et al. refer to the disputation of determining the real Eco-friendly product that a consumer purchases, they point out that consumer's decision is only made based on the opportunistic behavior of specific brands or products which can be sold for much higher price (van Amstel, et al., 2006). In accordance to this fact, both Ippolito and Kirchhoff assume that this creates strong incentives for cheating (Ippolito, 1990; Kirchhoff, 2000 in Jahn et al., 2005).

Due to this reason the terms of labeling, certification and standard setting play significant roles in business. The labeling can help to narrow the information gap between a seller and a buyer by adopting transparent extended standards (van Amstel, et al., 2006). Labeling can be a symbol or a mark that makes the product recognition by consumer effortless. „Environmental labeling has become a popular tool to promote environmentally preferable consumption and production patterns.“ (OECD, 1997). Standards are agreements containing technical specifications that are used as guidelines. They can be of environmental; organic; labour; social and normative characters. Other important role of standards is augmentation of a product price. „The objectives of standards are to raise the quality of output, to protect workers, consumers or the

environment from potential hazards, or to ensure compatibility among products or intermediates,, (Moenius, 2004).

Adopting some standards could be also vital for the emerging economies or for the developing countries (Albano, et al, 2001). The ISO 9000 for example shrinks the difference in information asymmetries and shows the credibility of a specific product. So the tendency is clearly to adopt these standards as it is beneficial not only for the economy of developing countries (increases in countries exports) but also for the customer who can determine which product is a high quality product.<sup>9</sup>

Worldwide standards are established under the ISO which was founded after the Second World War in Geneva. The aim of using internationally unified standards is to meet the needs and expectations of consumers worldwide. Standards ensure required character of products and services such as quality, environmental consideration, safety, reliability, efficiency and interchangeability. The ISO's importance is that it had an influence on modern global economy (Yates & Murphy, 2007).

On the other hand a certification is a procedure by which a third party gives written assurance that a product, process or service is in conformity with certain standards. The certification is based on fulfillment of standards. With growing emphasis on corporate responsibility and also increasing demand for environmentally and socially ethical products certification can be the good solution for all the stakeholders involved in ethical business. The reliability of the quality labels depends on the type of external audit and their implementation. The important character of certification system is the fact that inspections are carried out by independent bodies (Schultze, et al., 2008)

The topic to discuss would be who audits the third parties that give the certification? Dankers adds that the use of label is usually controlled by a certification body, which can sometimes be an owner of the label.“ (Dankers, 2003). According to Gabriele Jahn et al., the certification is vulnerable to opportunistic behavior. The authors focused on Dutch market where they compared how the system changed since the 1980 when the system of private eco-labeling regulation replaced governmental command-and-control regime. They came with the discovery that “self-regulation“ was deceptive and that it served corporate interests instead of the public good.” (van Amstel, et al., 2006). Other authors

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<sup>9</sup> Information Asymmetries as Trade Barriers: ISO 9000 Increases International Commerce



add, that only reliable control procedure can reduce the risk of food scandals.” (Jahn, et al., 2005).

They discovered that certification which main aim is to guarantee the required quality is not in reality guaranteed by that. They observed the information on product labels and came to the conclusion, that in most of the cases, the standards were neither binding neither transparent. They warned that standards of researched eco-labels were too vaguely and broadly described that eco-labels might often be unclear about how they standardize criteria (van Amstel, et al., 2006). The authors pinpoint that vague formulations used on labels do not exactly specify the words like “sustainable” and “environmentally friendly”. Also important is the fact that we face not only an information gap between the producer and buyer but also between the certification body (that gives the eco certificates) and the buyer. The whole process of how thoroughly the certification body executes their audits is unclear. There is also the lack of information how the process of penalties or sanctions work. Recently positive steps from the EU have occurred recently as they already started the “Organic” system with straight formulation.

## 4 Social and Environmental Initiatives and Their Standards

The global issue of conserving the world or local ecosystems became actual in the second part of the 20th century. Not that the direct impact of human intervention wouldn't be seen ever before<sup>10</sup>, but with the increase of industry and grow of world's human population in accordance to information access, the question of environmental sustainability became more discussed. The significant events as proposal to strategies for sustainable development by the UN in 1983 (Dankers, 2003) or even more known Earth Summit in 1992 in Rio de Janeiro worked as a reflection of a new world condition. These and other events led to criticism and foundation of initiatives with different means (pest management, campaign against deforestation, prohibition of GMO, waste management, water protection, species protection, etc.) of saving environment. Closer look to some important eco initiatives are introduced in this chapter.

On the other hand social responsibility to workers and producers has its roots already in the 19th century. It started as a reaction to inhumane working conditions in newly quickly developing industrialized countries. Two main pioneers that advert to inhumane treatment of workers were British Robert Owen and French Daniel Legrand (Visano, et al., 2002). The beginning of the 20th century was full of worker's uprisings and discontent to the poverty caused from the political situations. As a direct result of the social discontent the ILO<sup>11</sup> was established. Robert Owen and Daniel Legrand's ideas worked as a baseline for the Constitution of the ILO that was founded at the end of the First World War (Dankers, 2003). Nowadays, ILO's convention is applicable to all UN member states though reality can differ. The voluntary initiatives with extended social standards are a good tool for assuring customers that their products are certified against humane working practices. One of the movements that stands for strict adherence of labourers rights is Fair trade. In our text we will focus more in details on Fairtrade International, which is the only „real“ mentioned Fair trade initiative in this paper. The rest of the initiatives are not far from Fair trade standards because most of them seem to

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<sup>10</sup> Good example of historical interventions to the environment with direct impacts to the ecosystem could be e.g. settlement of Australia in the 19th century.

<sup>11</sup> ILO is one of the UN agencies. The ILO is specialized in labour and social justice. It has an internationally recognized convention, under which specific rules can work be done. All the signatories (UN member states) should follow it. Though the convention's rules are very often break even in the „Western countries“. The main ILO rules are: prohibition of child labour, gender equality, prohibition of forced labour, care of pregnant women and during motherhood, etc.

be operating with similar social standards. In the following chapter, we will introduce the whole movement's importance and influence on the development of standards.

#### **4.1 Fair Trade movement**

Fair trade movement can be understood by more than one explanation, but the most widely known is „Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade.“ (WFTO and FLO, 2009). Another explanation of fair trade terminology is given by Maseland and de Vaal: “Fair trade refers to the consumer movement that has come up in several Western countries in the past decades, in which people feel obliged to pay prices above market level for products produced under certain conditions in Third World countries.“ (Maseland & De Vaal, 2002). On the contrary Leclair considers fair type of trading as an alternative to free trade „The Fair Trade movement is a unique response to the continued pursuit of unrestrained free trade through the GATT/WTO process.“(Leclair, 2002).

Historically had Fair trade movement appeared right after the World War Second, when different kind of charities tried to support poor people by offering their products. The first approaches of fair trade were more politically focused than market oriented as we know them now. In Europe, it was Oxfam UK who first started to offer crafts in exchange to support Chinese refugees that emigrated from the communist China (Kocken, 2006). In the USA, it was first SERRV and Ten Thousand Villages (Kocken, 2006), who first engaged with helping through trading. During this era, first shops were opened in Western Europe and North America.

The specialized shops were called World shops and offered international stuff as handy craft and other traditional products. Initiatives inspired by Fair trade movement have been transforming over the decades until now. The historical development of fair trade movement can be identified by more than one model. Example of development identification gives us Dr. Tallontire, who identifies four main periods of development in the ATO<sup>12</sup>; partnership model - goodwill selling (mid- 1950s to early 1970s), solidarity trade (1970s to late 1980s), mutually beneficial trade (1990s), and trading partnerships (1990s and the emerging trend) (Tallontire, 2000, pp.167-169 in Moore, 2004). His explanation of these Fair trade development periods shows us how Fair trade movement adapted to the different world trends. We could see that it copied historical periods, firstly

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<sup>12</sup> ATO means Altearnative trading organizations, which are similar as fair trade. By selling products, they support economy of poor people. It can often be connected to church charitas.

the world solidarity was important which later turned into mutual solidarity that further transformed into partnership. Professor Moore gives us a perspective of different establishment of periods, which he divides in four main groups. On the other hand Fair trade movement, according to Professor Geoff Moore (Moore, 2004), can be divided into four main groups; producer organisation in developing countries, buying organisations in developing countries (ATOs), umbrella bodies consist of the following 6 organisations (IFAT<sup>13</sup>, FLO, NEWS, Shared Interest, EFTA, Fair Trade Federation), conventional organisations like supermarkets. As from these examples, we can see that Fair trade movement is not connected only with one organization, but it is a whole system, that can be understood from more perspectives. For our purposes we have chosen Fairtrade International – FLO to be a representant of Fair trade for the purpose of this work.

## **4.2 Fairtrade International**

The role of Fairtrade Labelling Organizations International is to be an umbrella organization that was founded in 1997 for the purpose of unification of different Fair trade initiatives worldwide. The Fairtrade International become the most recognized and important Fair trade organization worldwide with its headquarter in Bonn, Germany. It is internationally recognized by its certification mark (black symbol of a person set in a blue and green field, see annex no. 4 ) which was introduced in 2002. The certification mark is used on products that comply with FLO's standards and can be given only after fulfilment of demanded certification criteria. After an applicant is recognized as a credible candidate FLO sends their auditors to verify compliance with their standards. Next step is an evaluation of all findings. On the basis of results from the evaluation, another staff (which was not involved in the last two steps) will take a certification decision. If the organization was certified a 3 year so called „Certification cycle“ is launched. The whole proces is under the control of FLO-CERT Check body (FLO-CERT, 2009).

### **4.2.1 Standards**

FLO-CERT is the certifier system which certifies products for The Fairtrade®. The main goal of FLO-CERT is to give a guarantee and build a mutual trust through Fairtrade Standards control system. FLO Standards are divided in six substandard operating fields that are focused on specific areas. The six substandard fields are divided in; Standards for small producer organizations, Standards for hired labour, Standards for contract

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<sup>13</sup> Nowadays called WFTO.

production, Trade standards, Product standards for small producer organizations and Product standards for hired labour. All of these departments have their own methodologies according to which the certification can be given. Most of the standards, especially the environmental and social are similar, but each department contains further explanation and detailed specific list. All the social standards are inspired by the ILO Convention's standards and National legislations. If the national legislation is stricter than the FLO's standards, the national legislation must be followed. For the purpose of this work, we will be focusing only on the first specific field „Standards for small producer organizations“.

Receiving a Fairtrade certification there is a must to meet certain criteria; organization must be compound of small producers only or at least half of the members must be small producers. Fairtrade® follow the international labour standards that were set by the ILO. These rules ban all kind of discrimination. The corporal punishment, mental or physical coercion or verbal abuse is forbidden, neither any type of sexual intimidation is not tolerated. The ILO working rules also incorporate age standards in the agenda. People that are younger than 15 years cannot work, if the legislation of a producer's country doesn't promote older age.<sup>14</sup>

If possible, the local Fairtrade organization should help to ensure schooling for children, organize trade union meetings visits or support creation of worker's organisation if union is not present. The salaries for employees are set and regularly paid. The cooperated Fairtrade organization must set maternity leave, social security provisions and non-mandatory benefits according to national laws or according to CBA regulations.

The Fairtrade organization puts great emphasis on health and safety conditions. In every Fairtrade farm must be access to first aid kits, clean drinking water, clean toilets and hand washing facilities.

Environmental standards are set by the specific complex of rules. Fairtrade promotes the low use of fertilizers, herbicides and pesticides. If the use is necessary it must be consulted in advance. In the case the chemicals will be used, the local Fairtrade organization must provide personal protective equipment to workers. Chemicals can only be used under strict rules; not near ongoing human activities, it cannot seep into water. The important part of environmental rules is a pest management. The employees must get

a training about it. Big importance is given to the waste management. Fairtrade promotes reducing of waste, possible reusing or recycling. GMO seedling is not allowed to be used. Lastly, original vegetal and animal species should not be harmed due to farming activities (FLO, 2009b).

### 1: Generic environmental standards for small producers

| <i>Environmental</i>                             |   |
|--|---|
| <i>Environmental protection and management</i>   | <i>Ensure coordinated action and capacity building among producers to achieve the goal of a sustainable production system.</i>  |
| <i>Pest management</i>                           | <i>Ensure the safe handling of pesticides, the use of integrated pest management tools, and aims at reducing the amounts of pesticides used as much as possible.</i>  |
| <i>Soil and water</i>                            | <i>Fertile soils and clean and available water are important for the sustainability of the production system.</i>   |
| <i>Waste</i>                                     | <i>Reducing, reusing, handling and recycling waste in a manner that is appropriate to the respective materials reduces risks from hazardous waste and leads to an improved environment and work place.</i>  |
| <i>Genetically Modified Organisms (GMO)</i>      | <i>Genetically Modified (GM) crops do not contribute to sustainability in the long run. GM crops increase dependencies on external inputs and discourage an integrated approach in the production system thus inhibiting resiliency. GM crops may also have potential negative impacts on human health and to the environment.</i>  |
| <i>Biodiversity</i>                              | <i>The loss of natural ecosystems is a threat to the sustainability of the production system because the benefits provided by biodiversity can be lost. These benefits include 19 Generic Fairtrade Standard for Small Producer Organizations, May 2011 enhanced water conservation, soil fertility, potential alternative crops, hosting of natural enemies, and a reserve of products important to local communities. Biodiversity and natural habitats can also provide a buffer to mitigate and adapt to the effects of climate change.</i> |
| <i>Energy and greenhouse gas (GHG) emissions</i> | <i>Agriculture is vulnerable to climate change. It also has the potential to reduce climate change by reducing emissions, increasing carbon sinks, enhancing biodiversity and maintaining natural habitats. Strengthening the sustainability of local production systems by lowering dependencies on external inputs may be an important way of adapting to climate change.</i>   |

Source: FLO (FLO, 2009)

## 2: General social standards for small producers

| <b>Social (Labour Conditions)</b>                       |   |
|---|---|
| <i>Freedom from discrimination</i>                      | <i>This section intends to prevent discrimination against workers based on the content of ILO Convention 111 on Discrimination. The Convention defines discrimination as “any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation”</i>   |
| <i>Freedom of labour</i>                                | <i>This section intends to prevent forced or bonded labour based on ILO Conventions 29 and 105 on Forced Labour. “Forced or compulsory labour shall mean all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily”</i>  |
| <i>Child labour and child protection</i>                | <i>This section intends to prevent labour that is damaging to children based on ILO Convention 182 on the Worst Forms of Child Labour addressing “work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children” and on ILO Convention 138 on Minimum Age. “The minimum age specified in pursuance of paragraph 1 of this Article shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years”.</i>  |
| <i>Freedom of association and collective bargaining</i> | <i>This section intends to protect workers against discrimination when defending their rights to organize and to negotiate collectively based on ILO Convention 87 on Freedom of Association and Protection of the Right to Organize, ILO Convention 98 on the Right to Organize and Collective Bargaining and ILO Recommendation 143 on Workers’ Representatives. “Workers and employers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorisation. Workers’ and employers’ organizations shall have the right to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programmes.”</i> |
| <i>Conditions of employment</i>                         | <i>This section intends to provide for good practices regarding the payment of workers and their conditions of employment based on ILO Convention 100 on Equal Remuneration and on ILO Convention 110 on Conditions of Employment of Workers.</i>   |
| <i>Occupational health and safety</i>                   | <i>This section intends to prevent work-related accidents by minimizing hazards in the work place. It is based on ILO Convention 155 on Occupational Safety and Health.</i>   |

Source: FLO (FLO, 2009)

### 4.3 UTZ Certified

This ethical programme was founded by Dutch coffee roaster, Ahold Coffee Company in Guatemala in 1997 (Giovannucci, et al., 2008). The original name was UTZ Kapeh. In 1999 this ethical programme introduced its standards, which are called Code of Conduct. UTZ Certified is compared to FLO diefferent in their establishment. UTZ Certified promotes sustainability and better conditions for producers but on a big scale. Albeit they

are promoting an alternative method of trade, they are suppliers for important and worldwide recognized companies that demand huge amount of coffee. In comparison to FLO, UTZ certified focused more on middle and large-scale producers than on small scale producers (Stellmacher, 2008). This is also an explanation for their cooperation with important companies. In their sustainable coffee program are involved companies like IKEA, Douwe Egberts, and many others.<sup>15</sup> (UTZ Certified, 2011). Due to the fact, that UTZ certified is an important and big supplier we can assume that the quality of standards would be probably lower, because there is a potential that its business would be more conventional and less controllable.

#### 4.3.1 Standards

Code of Conduct contains the list of rules dedicated to farm management, dealing and selling products. The main goal is to improve labour conditions and increase of living (good agricultural and business practises) standards of the producers. UTZ Certified is not mainly focused on social standards but also puts emphasize on environment of agriculture as well. Standards of UTZ certified, the same as FLO, are both focused on three main parts; environmental, social and economic (business and agricultural practices). UTZ certified refers to „Continuous improvement“ during the fulfilment of its standards. This means that in the first year of receiving the certification, producers must fulfil only core criteria. Those are the most important and necessary for receiving the certification. Fulfilment of UTZ certified standards is based on so called „continuous improvement, which means that every year the producer must gain more control points. These control points are given for every successfully complied standard.

### 3: UTZ Certified Code of Conduct

| <b>Good Agricultural &amp; Business Practices</b>                                 | <b>Social Criteria</b>                                    | <b>Environmental Criteria</b>                                 |
|---|---|---|
| <i>Smallholder organization &amp; internal control system</i>                     | <i>No forced and child labor</i>                          | <i>Biodiversity protection and strengthening</i>              |
| <i>Producer training on good agricultural practices and post-harvest handling</i> | <i>Transparent and accountable group management</i>       | <i>Prevention of soil erosion</i>                             |
| <i>Cocoa farm maintenance</i>   | <i>Equal opportunities for men and women</i>              | <i>Protection of water sources</i>                            |
| <i>Soil management &amp; fertilization</i>  | <i>No discrimination, respectful treatment of workers</i> | <i>No deforestation of primary forest; use of shade trees</i> |
| <i>Integrated Pest Management</i>   | <i>Access to health care</i>                              | <i>Protection of endangered species</i>                       |
| <i>Product flow control</i>   | <i>Access to education</i>                                | <i>Conservation plan for natural</i>                          |

<sup>15</sup> In the case of the Czech republic UTZ Certified cooperates with IKEA, Albert and Cremesso



|  |  |   |
|--|--|---|
|  |  | <i>habitat</i>  |
| <i>Record keeping</i>  | <i>Health and safety training</i>  | <i>Minimized environmental pollution</i>                |
| <i>Annual internal inspections</i>   | <i>Safe and healthy working conditions</i>   | <i>Responsible use of agrochemicals</i>                 |
| <i>Traceability, physical and administrative separation of certified tea</i> | <i>Accident and emergency procedures</i>   | <i>Environmental conservation plan</i>                  |
| <i>Professional Farm management</i>  | <i>Freedom of association and collective bargaining</i>                                  | <i>Waste management</i>                                 |
| <i>Hygiene rules for quality and food safety</i>                             | <i>Wages according national legislation or collective bargaining</i>                     | <i>Forest protection</i>                                |
| <i>Quality control during harvest and processing</i>                         | <i>Working hours and overtime regulation</i>   | <i>Efficient and responsible energy use</i>             |
| <i>Soil Management: responsible fertilizer use</i>                           | <i>Use of protective clothing and equipment</i>  | <i>Respect for natural habitats and protected areas</i> |
| <i>Proper training of workers</i>  | <i>Access to decent housing, clean drinking water and sanitary facilities</i>            | <i>Treatment of contaminated water</i>                  |
| <i>Accident and emergency procedures</i>                                     | <i>Application of national laws and ILO conventions regarding wage and working hours</i> | <i>Use of native tree species as coffee shade trees</i> |
| <i>Freedom of cultural expression</i>  |  |   |
| <i>Monitoring of business processes</i>                                      |  |   |
| <i>Record keeping of fertilizers &amp; agro chemicals</i>                    |  |   |
| <i>Good housekeeping practices</i>   |  |   |
| <i>Hygiene rules and practices</i>   |  |   |
| <i>Traceability</i>  |  |   |

Source: own processing based on UTZ Certified documents (UTZ Certified, 2010), (UTZ Certified, 2009a), (UTZ Certified, 2009b)

#### **4.4 4C Association (The Common Code for the Coffee Community)**

The 4C Association was created for the purpose of a better communication and cooperation between the coffee producers, cooperatives, exporters, traders, importers, roasters, retailers and standard setting body, trade unions, public institutions and individuals (4C Association, 2009c). The 4C Association was founded as an platform for the purpose of uniting all the mentioned stakeholders with the objective to produce and process coffee with sustainability. Its mission is already observable in its name (4C means Common Code for the Coffee Community). Founded in 2003 with the support of German, Swiss and British national institutions and the European Coffee federation 4C (4C Association, 2011).

#### 4.4.1 Standards

Standards of 4C are based on following rules inspired by Millenium Development Goals in its social, environmental and economical sections. On the contrary, 4C has a list of unacceptable practices that must not be accepted from the members. The Practices are; worst forms of child labour, bonded and forced labour, trafficking of persons, prohibiting membership of or representation by a trade union, forced fiction without adequate compensation, failure to provide adequate housing, failure to provide potable water to all workers, cutting of primary forest or destruction of other forms of natural resources that are designed as protected areas, use of pesticides banned under the Stockholm Convention on Persistent Organic Pollutants and listed in the Rotterdam Convention on Prior Informed Consent (PIC), immoral transactions in business relations according to international covenants, national law and practices. (4C Association, 2009b) .

Certification can be achieved by fulfilling of certain standards. On the contrary, above mentioned Unacceptable practises are the first steps that must be achieved to be able to become a certified producer. In the second phase, the potential certified producer will need to comply with the extended standars. These are divided in three pillars (according to the topic); society, environment, economy and in 3 colours (according to the importance of fullfilment); red, yellow, green. The red colour refers to the need of discontinuity of the practise, yellow colour indicates a practice that need to be improved within transitional time, green colour refers to the desirable practice. To be able to receive the certification, the producer must meet at least half of the criteria fulfilled in red in equality to green in one dimension.

Third phase is the verification procedure. The producers ability to comply with standards is checked by „Verifying companies“<sup>16</sup> through a complex of announced and unannounced visits. If the verification is positive, license to sell 4C compliant coffee is given. Next verification will take a place during a 3 year period, but unannounced visits can occur anytime 4C Association (4C Association, 2009a). Because 4C standard is considered as lower criteria standard, there was an agreement between the RA, that all RA certified producers can also use 4C certification without any verification or extra cost.

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<sup>16</sup> The verifiers are approved independent third-party companies that are accredited against ISO 65 or equivalent.

#### 4: Environmental and Social standards of 4C Association

| <b>Environmental</b>                          |  |
|---|--|
| <i>Conservation of biodiversity</i>           | <i>Conservation of biodiversity, including protected or endangered native flora and fauna is supported.</i>                                |
| <i>Use and handling of chemicals</i>          | <i>Use of pesticides is minimized</i>  |
|   | <i>Harmful effects of pesticides and other chemicals used on human health and the environment are minimized</i>                            |
| <i>Soil conservation</i>                      | <i>Soil conservation practices are in place</i>  |
| <i>Soil fertilitz and nutrient management</i> | <i>Fertilizers are used appropriately.</i>   |
|   | <i>Organic matter management is in place</i>   |
| <i>Water</i>                                  | <i>Water resources are conserved</i>   |
|   | <i>Wastewater management is in place</i>   |
| <i>Waste</i>                                  | <i>Safe waste management strategies are implemented</i>  |
| <i>Energy</i>                                 | <i>Preferential use of renewable energy.</i>   |
|   | <i>Energy conservation</i>   |
| <b>Social</b>                                 |  |
| <i>Freedom of bargaining</i>                  | <i>Workers and producers have the right to found, to belong to and to be represented by an independent organisation of their choice</i>    |
|   | <i>Workers have the right to bargain collectively.</i>   |
| <i>Discrimination</i>                         | <i>Equal rights with respect to gender, maternity, religion, ethnicity, physical conditions and political views are secured.</i>           |
| <i>Right to childhood and education</i>       | <i>Children have the right to childhood and education</i>  |
| <i>Working condition</i>                      | <i>Workers receive a labour contract</i>   |
|   | <i>Working hours comply with national laws, international conventions and / or collective bargaining and overtime work is remunerated.</i> |
|   | <i>Wages comply with nationallaws or sector agreements. Employer ensures proper occupational health and safety conditions.</i>             |
|   | <i>Employer ensures proper occupational health and safety conditions</i>   |
|   | <i>Seasonal and piece rate workers are treated equally</i>   |
| <i>Capacity and skill development</i>         | <i>Business partners and workers within the 4C Unit receive trainings to improve their skills and capacities</i>                           |
| <i>Living conditions and education</i>        | <i>4C Units work towards improving living conditions and support the basic education of business partners and workers.</i>                 |

Source: 4C Association (4C Association, 2010)

#### 4.5 Rainforest Alliance

Rainforest Alliance formed out of activist movements against deforestation that were popular in the 80's. It was founded after the meeting of environmentalist in 1986. It was primarily founded as an environmental initiative with the aim to support of rainforest in exchange to tolerate forest business in a sustainable way. Their motto is: „best way to keep forests standing is by ensuring that it is profitable for businesses and communities to do so“ (Rainforest Alliance,) Nowadays, their main aim is to protect eco-system and

endangered species through the use of a certification mark (frog in a green field, see annex no. 6) which is labelled on their products. The RA is focused on a big scale of certified products, that can be fruit, tea, coffee, vegetables and wooden products, but particularly gives certification for stakeholders involved in travel business which in comparison to other chosen initiatives's standards is unique.

#### **4.5.1 Standards**

The prerequisite for joining Rainforest Alliance standards is given by Sustainable Agriculture Network. It has 10 main guiding principles containing some social standards like working conditions inspired by ILO convention. The other social standards are focused on health protection and community building which should be build on mutual trust and solidarity. Principals definitely give more space to environmental standards. Firstly, the whole management of farms must be transparent and with good organization. Emphasise is put on conservation of the environment by water conservation and soil conservation which are part of the whole ecosystem conversation in the area. Rainforest Alliance also supports shade grown coffee, but it doesn't belong to their necessary criteria. Part of SAN's agenda is focused on protecting the wild life management in accordance with saving endangered species (Sustainable Agriculture Network, 2010). SAN operates with two main types of standards; Farm standards and Group standards. The second one is focused on associations or coops of smaller farmers, that would not be able to get certified by themselves. The certification is in this case is more benevolent to them, which means that they can fulfil some of the criteria during first years of certification cycle, which reminds the improvement plan that is similar to 4C Coffee's certification cycle. (Sustainable Agricultural Network, 2012). First phase in becoming a certified producer is to apply for the programe by sending a filled application form. After the application is received, the certification body can visit a farm. The so called "Certification cycle" a 3 year plan, starts at this point. Firstly Certification audit verifies the compliance with all the necessary standards. If the certification is approved, the cycle starts. In the first and second year, annual audits are conducted, which verifies ongoing fullfilment of the standards. After 3 year cycle passes, new audit is demanded. During the cycle two other types of audits are also conducted; verification audits ( verifies plans and documents from passed year), research audits which means unannounced visits. (Sustainable Agriculture Network, 2012).

## 5: Environmental and Social standards of Rainforest Alliance

### **1. Management System**

*Social and environmental management systems (according to the complexity of the operation) must be in place so that auditors can confirm that farms are operated in compliance with the Sustainable Agriculture Network (SAN) standard and the laws of the respective countries. Most farmers find that such a system not only improves conditions for workers and the environment, but also results in better-organized and more efficient farms.*

### **2. Ecosystem Conservation**

*Farmers must conserve existing ecosystems and aid in the ecological restoration of critical areas. They can achieve this by taking steps that protect waterways and wetlands from erosion and contamination, prohibit logging and other deforestation, maintain vegetation barriers and prevent negative impacts on natural areas outside farmlands.*

### **3. Wildlife Protection**

*Certified farms serve as refuge for wildlife, and therefore farmers should monitor wildlife species on farms. This is particularly important for endangered species and their habitats on the land, which farmers should take specific steps to protect. This includes educating workers, prohibiting hunting and the removal of plants and animals from their lands, protecting nesting places, and either releasing captive wildlife or registering animals with the proper authorities.*

### **4. Water Conservation**

*The SAN standard requires that farmers conserve water by keeping track of water sources and consumption. A farm's practices and machinery may need to be modified — or new technology installed — in order to reduce water consumption or to avoid contamination of springs and rivers on and near the property. Farmers should have the proper permits for water use, treat wastewater and monitor water quality.*

### **5. Working Conditions**

*Farmers must ensure good working conditions for all employees, as defined by such international bodies as the United Nations and the International Labour Organization. The SAN standards prohibit forced and child labor and all forms of discrimination and abuse. Workers should be aware of their rights and of farm policies. They should benefit from legally established salaries, work schedules and any benefits required by the national government. If housing is provided, it must be in good condition, with potable water, sanitary facilities and waste collection. Workers and their families should have access to healthcare and education. Read more about the SAN standards and relevant International Labour Organization (ILO) conventions.*

### **6. Occupational Health**

*Certified farms must have occupational health and safety programs to reduce the risk of accidents. This requires that workers receive safety training — especially regarding the use of agrochemicals — and that farmers provide the necessary protective gear and ensure that farm infrastructure, machinery and other equipment is in good condition and poses no danger to human health. The SAN standard contains extensive criteria for establishing a safe work environment. This includes avoiding the potentially harmful effects of agrochemicals on workers and others, identifying and mitigating health risks and preparing for emergencies.*

### **7. Community Relations**

*The SAN standard requires farmers to be good neighbors and inform surrounding communities and local interest groups about their activities and plans. They should consult with interested parties about the potential impacts of their farm and contribute to local development through employment, training and public works.*

#### **8. Integrated Crop Management**

*The SAN encourages the elimination of chemical products that pose dangers to people and the environment. Farm managers must monitor pests and use biological or mechanical alternatives to pesticides where possible — and if they determine that agrochemicals are necessary to protect the crop, they are obligated to choose the safest products available and use every possible safeguard to protect human health and the environment.*

#### **9. Soil Conservation**

*A goal of SAN's sustainable agriculture approach is the long-term improvement of soils, which is why certified farms take steps to prevent erosion, base fertilization on crop requirements and soil characteristics and use organic matter to enrich soil. Vegetative ground cover and mechanical weeding are used to reduce agrochemical use whenever possible.*

#### **10. Integrated Waste Management**

*Certified farms are clean and orderly with programs for managing waste through recycling, reducing consumption and reuse. Waste is segregated, treated and disposed of in ways that minimize environmental and health impacts. Workers are educated about properly managing waste on the farms and in their communities.*

Source: Sustainable Agriculture Network (Sustainable Agricultural Network, 2010 a)

### **4.6 The Smithsonian Bird Friendly Shade Grown Coffee**

The Smithsonian Migratory Bird Center (SMBC), has developed organic shade grown coffee certification to protect migratory birds and their natural habitats. Shade grown is simply a method of growing coffee (or other similar plants) in the natural shade which is created by the canopy of diversified originally grown plants. The scientists from the SMBC have observed, with the increased number of sun grown coffee trees there was a significant decrease of migratory bird species. Birdfriendly® was founded as a solution to the continual decrease of migratory birds by an institution of the National Zoo of the USA in 1999 (Smithsonian Migratory Bird Center,a).

„The Smithsonian Migratory Bird Center encourages the production of shade-grown coffee, and the conservation of migratory birds, through its "Bird Friendly®" seal of approval.“ (Smithsonian Migratory Bird Center c)

The initiatives supporting shade grown coffee appeared at the end of the 20th century (Mas & Dietsch, 2004). The migratory species of birds, were hardly affected by the rapid change of ecosystem that they were used to. „Only recently has it come to light that the way coffee is produced profoundly affects migratory bird diversity and other ecological indicators of environmental health.“ (Rice & Ward) SMBCs program for certifying “Bird-Friendly” coffee uses rigorous criteria which were developed by a working group of experts at the First Sustainable Coffee Congress in 1996 (Mas & Dietsch, 2004). The criteria were related exclusively to management of the shade canopy, though organic

certification which is a prerequisite to participation in the program. Traditionally, the farms in Latin America were surrounded by many different kind of plants and trees. The coffee plants grew in the shade of tropical fruit trees or other original tree species. The trees were important for birds. Place where they lived and also consumed insect. This kept decreasing number of insect which nowadays have to be eliminated by heavy chemical use (Rice & Ward).

#### **4.6.1 Standards**

Important standard for Bird Friendly® is to be certified against organic, which is a prerequisite for a farm to become BF certified, the organic standards apply to all BF coffee. Other criteria for fulfilling BF rules is to guarantee environmental protection by strict as Dr. Robert Rice says: „bio-physical standards developed from the fieldwork in a number of Latin American countries“<sup>17</sup>. Bird Friendly® promotes biodiversity in order to guarantee shelter and food for birds, especially migratory ones. Coffee can be certified only if it is a part of the agroforestry ecosystem, which cannot be a part of any natural reservations. BF has a detailed description of what exactly is meant by "Shade grown coffee". It has a very specific and detailed description of the needed percentage of a canopy cover, which must contain different stratas. Each strata has its prescribed percentage and meters that covers (see Annex no.1). Water protection is also a part of Bird Friendly® criteria. The Vegetational buffer zones must be around every water stream. Detailed prescription is also given to processing, storage and transportation of coffee beans (Fischershworring, 2002). BirdFriendly doesn't include social standards to their agenda, on the other hand, as Dr. Robert Rice mentions: “many of the coffee producers that meet the BF criteria are small producers with tiny plots of land and members of cooperatives<sup>18</sup>, a great proportion of the BF coffee is also fairtrade certified-making those BF coffees products with a social and economic set of standards that meet FT certification“ (Rice, 2012) some farms are involved in other certification systems, that meet the social standards.

Becoming a BF certified producer, the producer needs to contact an inspector to visit a farm. The listed inspectors work for organic certification companies on the U.S. Department of Agriculture's accreditation list for the National Organic Program and are both trained for with BF standard's criteria. Which can save time and money of producer. BF certification is free, but the USDA certification is paid. Certification is valid for 3

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<sup>17</sup> Based on e-mail communication with Dr. Robert Rice.

<sup>18</sup> Based on e-mail communication with Dr. Robert Rice.

years, but unannounced inspection visits can occur any time. This method, the same with previous initiatives guarantee the adherence to the rules. BF certified producer, in comparison to other initiatives mentioned in this text, must fulfill all the criteria. If there is even one unfulfilled the certification is rejected.

## 6: Bird Friendly environmental criteria

|  |
|--|
| <p><b>Canopy height</b></p> <p>≥12 meters for the canopy formed by the □ "backbone" species</p>  |
| <p><b>Foliage cover</b></p> <p>≥40%, ideally measured during the dry season and after whatever pruning is done, when the nature of deciduous species and cultural practices have minimized foliage presence.</p>   |
| <p><b>Diversity of woody species (trees and shrubs)</b></p> <p>Ten or more woody species (in addition to the “backbone” species), with at least 10 of these representing 1% or more of all individuals counted in the inspector’s sample, and dispersed throughout the production area.</p>  |
| <p><b>Total floristic diversity</b> The sum total of all species observed in the inspector’s sample—both woody and herbaceous species. Other than the criterion for woody species (above), no minimum for total floristic diversity.</p> <p>Herbaceous species noted in sampling - often as ground cover--but not considered critical in attaining certification.</p>  |
| <p><b>Structural diversity</b></p> <p>The “architecture” or profile of the shade should reveal obvious layers or strata of foliage—preferably three: the stratum formed by the “backbone” species and others of similar height; the “emergent” stratum, normally composed of native forest species of the region; and a layer beneath that formed by the backbone species made up of shrubs, small trees and fruit plants like <i>Musa</i> spp. (bananas) and citrus. The emergent layer, as well as the lower stratum should each account for about 20% of the foliage volume, with the remaining 60% of foliage volume attributed to the principal canopy made up by the backbone species and species of similar height.</p> |
| <p><b>Leaf litter</b></p> <p>As in organic standards, it should be present.</p>  |
| <p><b>Herbs or forbs on ground layer</b></p> <p>Should be present; no specific amount stipulated.</p>  |
| <p><b>Living fences</b></p> <p>Where appropriate, these should be present.</p>   |
| <p><b>Vegetative buffer zones alongside waterways</b></p> <p>Should exist and be composed of native vegetation. For creeks and small streams, at least 5 meter swath on each side is required; for rivers, the buffer should be at least 10 meters wide on each side.</p>  |
| <p><b>Visual characterization (“Geshtalt”)</b></p> <p>Along the shade gradient, it should at least fall into the category of the more diverse commercial polyculture.</p>  |
| <p><b>Organic certification</b></p> <p>Must exist and be current from a USDA accredited certification agency.</p>  |

Source: (Smithsonian Migratory Bird Center, 2008)



## 7: Organic standards

| <b>Environmental</b>                  |   |
|---------------------------------------|---|
| <b>Organic crops</b>                  | <i>verifies that irradiation, sewage sludge, synthetic fertilizers, prohibited pesticides, and genetically modified organisms were not used.</i>  |
| <b>Organic livestock</b>              | <i>producers met animal health and welfare standards, did not use antibiotics or growth hormones, used 100% organic feed, and provided animals with access to the outdoors.</i>   |
| <b>Organic multi-ingredient foods</b> | <i>product has 95% or more certified organic content. If the label claims that it was made with specified organic ingredients, you can be sure that those specific ingredients are certified organic.</i>   |
| <b>Crop standards</b>                 | <i>Land must have had no prohibited substances applied to it for at least 3 years before the harvest of an organic crop.</i>  |
|                                       | <i>Soil fertility and crop nutrients will be managed through tillage and cultivation practices, crop rotations, and cover crops, supplemented with animal and crop waste materials and allowed synthetic materials.waste materials and allowed synthetic materials.</i>                               |
|                                       | <i>Crop pests, weeds, and diseases will be controlled primarily through management practices including physical, mechanical, and biological controls. When these practices are not sufficient, a biological, botanical, or synthetic substance approved for use on the National List may be used.</i> |
|                                       | <i>Operations must use organic seeds and other planting stock when available.</i>   |
|                                       | <i>The use of genetic engineering, ionizing radiation and sewage sludge is prohibited.</i>  |
| <b>Livestock Standards</b>            | <i>Animals for slaughter must be raised under organic management from the last third of gestation, or no later than the second day of life for poultry.</i>   |
|                                       | <i>Producers must feed livestock agricultural feed products that are 100 percent organic, but they may also provide allowed vitamin and mineral supplements.</i>  |
|                                       | <i>Dairy animals must be managed organically for at least 12 months in order for milk or dairy products to be sold, labeled or represented as organic.</i>  |
|                                       | <i>Preventive management practices must be used to keep animals healthy. Producers may not withhold treatment from sick or injured animals. However, animals treated with a prohibited substance may not be sold as organic.</i>  |
|                                       | <i>Ruminants must be out on pasture for the entire grazing season, but for not less than 120 days. These animals must also receive at least 30 percent of their feed, or dry matter intake (DMI), from pasture.</i>   |
|                                       | <i>All organic livestock are required to have access to the outdoors year-round. Animals may only be temporarily confined due to documented environmental or health considerations.</i>   |
|                                       | <i>Organically raised animals must not be given hormones to promote growth or antibiotics for any reason.</i>   |
| <b>Handling Standards</b>             | <i>All non-agricultural ingredients, whether synthetic or non-synthetic, must be included on the National List of Allowed Synthetic and Prohibited Non-Synthetic Substances.</i>  |
|                                       | <i>In a multi-ingredient product labeled as “organic,” all agricultural ingredients must be organically produced, unless the ingredient(s) is not commercially available in organic form and listed on Section 205.606.</i>   |

| <i>Environmental</i>                      |  |
|---|--|
|   | <i>Handlers must prevent the commingling of organic with non-organic products and protect organic products from contact with prohibited substances.</i>                                |
| <i>Labeling Multi-Ingredient Products</i> | <i>Products sold, labeled, or represented as organic must have at least 95 percent certified organic content.</i>  |
|   | <i>Products sold, labeled, or represented as “made with” organic must have at least 70 percent certified organic content. The USDA organic seal may not be used on these products.</i> |
|   | <i>Products containing less than 70 percent organic content may identify specific ingredients as organic in the ingredients list.</i>  |

Source: (USDA Organic, 2011)

## **4.7 Forest Stewardship Council**

Forest Stewardship Council is a multi-stakeholder, not for profit and non governmental organization that operates in the management of the world’s forests. According to the official documents: „FSC applies the directive of its membership to develop forest management and chain of custody standards, deliver trademark assurance and provide accreditation services to a global network of committed businesses, organizations and communities.“(Forest Stewardship Council, a). The FSC cooperates with Rainforest Alliance. FSC forestry business can use RA logo on their products (Forest Stewardship Council, a). The organization was established in 1993 as a response to continual and warning global deforestation. According to Initiative review 2010: „The FSC represented the first effort to define a global certification system for sustainable forest management. The FSC system defines a generic global baseline standard for responsible forest stewardship that serves as the basis for a series of national standards developed through local consultation processes.“ (Potts, van der Meer, & Daitchman, 2010)

### **4.7.1 Standards**

The Forest Stewardship Council is based on a set of 10 principles and 57 criteria that they follow. These standards are same for any certified product against Forest Stewardship Council. As after their name, they care about Forest management but their standars also care about social aspects as well. FSC must respect every law and international treaties and agreements of a country in which they work in forest management. The important part is given to the indogenous people, whose rights must be respected. This point is important especially because forest management is usually operating in rain forest or far North East, where indogenous people are still living. Big emphasise is given to environmental protection. FSC is focused on biodiversity promotion and dissemination, water resources management and protection. Though FSC is about forest management,

one of its principle is dedicated to the planation of new trees. The important part of FSC's agenda is to keep detailed records and monitoring. (Forest Stewardship Council, 2002)

First step for becoming a certified FSC producer is to contact FSC accredited certification body, which will provide you with first estimated regarding costs. Secondly, an applicant sign an agreement with the certification body. Afterwards the certification body provided with information about an applicant makes an audit report on which the certification body approves the certification. If the application is rejected, there is a possibility to take a second try after the reasons for declining are fixed. The certification is valid for 5 years which is in comparison to above mentioned initiatives longer. On the other hand, the verification checks are conducted every year (Forest Stewardship Council,b).

## **8: Standards Forest Stewardship Council**

### *COMPLIANCE WITH LAWS AND FSC PRINCIPLES*

*Forest management shall respect all applicable laws of the country in which they occur, and international treaties and agreements to which the country is a signatory, and comply with all FSC Principles and Criteria.*

### *2) TENURE AND USE RIGHTS AND RESPONSIBILITIES*

*Long-term tenure and use rights to the land and forest resources shall be clearly defined, documented and legally established.*

### *3) INDIGENOUS PEOPLES' RIGHTS*

*The legal and customary rights of indigenous peoples to own, use and manage their lands, territories, and resources shall be recognized and respected.*

### *4) COMMUNITY RELATIONS AND WORKER'S RIGHTS*

*Forest management operations shall maintain or enhance the long-term social and economic well being of forest workers and local communities.*

### *5) BENEFITS FROM THE FOREST*

*Forest management operations shall encourage the efficient use of the forest's multiple products and services to ensure economic viability and a wide range of environmental and social benefits.*

### *6) ENVIRONMENTAL IMPACT*

*Forest management shall conserve biological diversity and its associated values, water resources, soils, and unique and fragile ecosystems and landscapes, and, by so doing, maintain the ecological functions and the integrity of the forest.*

**7) MANAGEMENT PLAN**

*A management plan — appropriate to the scale and intensity of the operations — shall be written, implemented, and kept up to date. The long-term objectives of management, and the means of achieving them, shall be clearly stated.*

**8) MONITORING AND ASSESSMENT**

*Monitoring shall be conducted — appropriate to the scale and intensity of forest management — to assess the condition of the forest, yields of forest products, chain of custody, management activities and their social and environmental impacts.*

**9) MAINTENANCE OF HIGH CONSERVATION VALUE FORESTS**

*Management activities in high conservation value forests shall maintain or enhance the attributes which define such forests. Decisions regarding high conservation value forests shall always be considered in the context of a precautionary approach.*

**10) PLANTATIONS**

*Plantations shall be planned and managed in accordance with Principles and Criteria 1-9, and Principle 10 and its Criteria. While plantations can provide an array of social and economic benefits, and can contribute to satisfying the world's needs for forest products, they should complement the management of, reduce pressures on, and promote the restoration and conservation of natural forests.*

Source: (Forest Stewardship Council, 2002)

## **5 Comparison of Environmental and Social Standards**

In the last chapter, we have closely introduced environmental and social generic standards of particular initiatives. This helped us to better understand in which domain is each initiative the most active. We have realized that some of the initiatives have two versions of standards. First version (generic) is the one, that we have used for the purpose of this work in the case both versions occurred, the second one is more extended and we call it „Detailed“. The detailed list of standards usually contains explanation of the whole process of certification and also explains particular exceptions for specific standards. This part is broader and mostly important to producers with specifics. First version is usually used for promotion and basic knowledge about the initiative's extended standards. The standards are expected to be the same, only the detailed explanation is expected to be reduced in generic standards.

We have discovered, that some of the initiatives don't use the list of generic standards as a short version of their detailed standards. In some cases, the generic standards didn't correspond with detailed standards. More vague and transparent terms often occurred in the generic list. This fact obviously doesn't mean that a particular standard would not be important for the certification, but it makes the comparison more difficult and less clear. For example for UTZ certified, we used 3 different generic standards (coffee, tea, cocoa). We have realized that informations in the generic standards differ in very general indicators. After comparing the detailed standards for these products, we realized that all the detailed standards are the same except very particular criteria that are specific for each product. Due to this we had to make our own chart with the mixed information from both three generic standards.

The informations that we have gathered from the generic standards of each initiative, will be compared with FLO's standards. We will be working only with generic standards as we also used the generic FLO standards as a paradigm of this work. If the standard is not present in the generic list, but on the contrary it appears in the detailed list, we will mark this passage with the symbol of a star (\*).

## 9: Environmental standards

| <i>Environmental criteria</i>                              | <i>4C</i> | <i>Birdfriendly (Organic USDA)</i> | <i>Rainforest Alliance</i> | <i>Forest Stewardship Council</i> | <i>UTZ Certified</i> | <i>Fairtrade Int. (FLO)</i> |
|--|-----------|------------------------------------|----------------------------|-----------------------------------|----------------------|-----------------------------|
| <i>Consideration of environmental standards in general</i> | ✓         | ✓                                  | ✓                          | ✓                                 | ✓                    | ✓                           |
| <i>Pest management</i>                                     | X         | ✓                                  | ✓                          | ✓                                 | ✓                    | ✓                           |
| <i>Soil protection</i>                                     | ✓         | ✓                                  | ✓                          | ✓                                 | ✓                    | ✓                           |
| <i>Water protection</i>                                    | ✓         | ✓                                  | ✓                          | ✓                                 | ✓                    | ✓                           |
| <i>Waste management</i>                                    | ✓         | ✓                                  | ✓                          | ✓                                 | ✓                    | ✓                           |
| <i>Prohibition of GMO</i>                                  | X         | ✓                                  | ✓*                         | ✓                                 | ✓*                   | ✓                           |
| <i>Biodiversity</i>  | ✓         | ✓                                  | ✓*                         | ✓                                 | ✓                    | ✓                           |
| <i>Energy use</i>  | ✓         | X                                  | ✓*                         | X                                 | ✓                    | ✓                           |
| <i>Green house gas elimination</i>                         | X         | X                                  | ✓*                         | X                                 | X                    | ✓                           |

Source: own processing based on informations from previous chapters

As mentioned above, the FLO generic standards worked as a model for the environmental criteria in the chart above. By creating a chart we can easily map, which parts are compared to the FLO the same or different. First significance is the fact that none of the initiatives are completely identical to the FLO's pillar in their generic standards. The only exception is RA, but according to our criteria (considering only generic standards) doesn't comply with FLO in 4 criteria.

All of the initiatives comply with some extended environmental standards, but most important environmental criteria are soil protection, water protection, waste management and biodiversity. The less eco-friendly initiative according to our results is the 4C Association, which accomplished only 6 of 9 criteria. Three of 6 initiatives comply with 7 criteria. Interesting point is that UTZ certified doesn't comply with Green house gas elimination and prohibition of GMO which is interesting, because both 4C Association and UTZ Certified are officially considered as more conventional than the rest of the

initiaves. From this we can conclude, that these both initiatives that are focused on bigger market cannot comply with all the standards. On the other hand BF and FSC mutually agree in all the criteria. The interesting fact is that BF, which is officially considered as one of the initiative with the strickest environment standards didn't accomplish all the criteria. This fact means, that comprehension of the generic standards make a difference between the real policy of each initiative and their promoted materials. If we compare our results to a comparison of five environmental initiatives in the Netherlands that were described in a work Eco-labeling and information asymmetry: a comparison of five eco-labels in the Netherlands compared 5 eco-labels (van Amstel, et al., 2006), we can conclude that our results are identical in the point of absence of the particular meaning of specific criteria. We can see that generally, for most of the initiatives are the environmental criteria very important and apart from some exceptions, they were not that significant they mostly comply with the mentioned criteria. On the other hand, we need to take in account, that most of the initiatives have their specific standars that are not indicated in the generic standards.

#### 10: Comparison of social standards

| <i>Social criteria</i>                              | <i>4C</i> | <i>Birdfriendly (Organic USDA)</i> | <i>Rainforest Alliance</i> | <i>Forest Stewardship Council</i> | <i>UTZ Certified</i> | <i>Fairtrade Int. (FLO)</i> |
|---|-----------|------------------------------------|----------------------------|-----------------------------------|----------------------|-----------------------------|
| <i>Consideration of social standards in general</i> | ✓         | X                                  | ✓                          | ✓                                 | ✓                    | ✓                           |
| <i>Freedom from discrimination</i>                  | ✓         | X                                  | ✓                          | ✓                                 | ✓                    | ✓                           |
| <i>Freedom of labour</i>                            | ✓         | X                                  | ✓                          | ✓                                 | ✓                    | ✓                           |
| <i>Prohibition of child labour</i>                  | ✓         | X                                  | ✓                          | ✓                                 | ✓                    | ✓                           |
| <i>Child protection</i>                             | ✓         | X                                  | ✓                          | ✓                                 | ✓                    | ✓                           |
| <i>Freedom of association/collective bargaining</i> | ✓         | X                                  | ✓*                         | ✓                                 | ✓                    | ✓                           |
| <i>Conditions of employment</i>                     | ✓         | X                                  | ✓                          | ✓                                 | ✓                    | ✓                           |
| <i>Health</i>                                       | ✓         | X                                  | ✓                          | ✓                                 | ✓                    | ✓                           |
| <i>Safety</i>                                       | ✓         | X                                  | ✓                          | ✓                                 | ✓                    | ✓                           |

Source: own processing based on informations from previous chapters

The FLO's generic social standards emerge from the ILO's convention and due to the fact that other ethical initiatives use these standards, there are no differences between them. As we see in the chart, except BF, the other initiative agree on all the criteria. The most surprising conclusion is the fact, that BF, though is officially considered as a strict eco-friendly initiative doesn't take in an account any social standards. We can mark that 4C Association and UTZ Certified are more strict in social standards than with their environmental criteria.

From the both charts emerges that creation of social criteria is easier and worldwide more unified than the creation of specific environmental standards. The question would be, whether social standards are more unified due to ILO, which sets the worldwide unified system. Or due to the fact, that inhumane treatment is more significant and for standard setting bodies more visible. On the other hand, question of environmental protection seems to be more varied. If we ask us questions like what are the means of environment protection, or what are the ways of biodiversity protection? The answers from different sides would not be equal. Opinions based on scientific research and estimations extensively differ and approaches for environment saving can be relative in comparison to social criteria which are easier to create.



## **6 Initiatives Promoting Environmental and Ethical Standards**

Nowadays, there are many initiatives that try to make the working conditions for producers more feasible in exchange to raise the environment sustainability and biodiversity at the same time. The ethical market is becoming bigger and more interesting for business stakeholders. The biggest success achieved still growing ethical coffee production. Which according to Sustainable Review of 2010 has highest sales volume as commodity (Potts, van der Meer, & Daitchman, 2010). This is also a reason, why new initiatives are in a suitable position and due to this factor, more and more initiatives are being established. On the other hand, though they are globally considered as something beneficial. Some of their standards are widely discussed from more than one perspectives.

### **6.1 Criteria for Standards from the Critical Perspective**

First of all it is to be discussed how environmentally friendly and ethical these standards really are in equity to help develop poor economies? This is probably the most discussed question by authors that are critical to the idea of advantageous standards. One of the important criteria for ethical standards is to earn premium price for selling products, which is one of the ways how to boost small farmers economies. By selling certified products can producers earn extra money compared to conventional producers. Specifically, we can find it in Fairtrade.

On the other hand, some producers argue that if they are also certified against organic they can never have such a high volume of production as conventional farmers. That brings us to the question whether it is economically more profitable to sell less for more money or to produce more and sell more for a lower price per unit? Further, it can sometimes mean, that they even earn less money per yield than uncertified conventional farmers earn. Additionally, the type of human labour needed for organic production can be even more difficult (Beuchelt & Zeller, 2012. Beuchelt and Zeller analyzed the conditions of Fair trade and organic farmers in Nicaragua and came with a conclusion that in a period of ten years, organic certified producers became relatively poorer. Further on, Sushil Mohan depicts that Fairtrade do not guarantee the quantity that will be sold at that price (Mohan, 2010) also (Levi & Linton, 2003) shares which is confirmed in the article about growing organic cotton in Uganda. The article mentions that Ugandan ministry of Agriculture, Animal Industry and Fisheries warns farmers to venture in the risky production of organic, because the organic initiative doesn't guarantee purchase of

the production. The estimated percentage of crops destroyed by pest in Africa every year is 20% - 30% (Nwilene et al, 2008). Further, pest in the North of Uganda is too aggressive, that the volume of the organic crop can be a half of the regular one (Daily monitor, 2010). Though they get organic price premiums they are becoming poorer than conventional farmers. In the case that the farmers start earning money and become richer there is a great threat that they would not be able to adjust to a new situation. Socio economic situation in the area can suddenly change a lot. Getz and Shreck state: "The extremely rapid growth of the venture strained relationships among the various players and made it difficult for the cooperative to function effectively. As a result, the cooperative's members decided to limit membership and closed the cooperative." (Getz & Shreck, 2006)

Another critical opinions are held against environmental standards. Sometimes the extent standards are too high and strict that it is not possible for most of the farmers to adjust their environment and become a certified producer. For example, in the case of Birdfriendly standards, which has a very specific environmental criteria. The criteria are for example buffer zones around water sources, or it orders exact lengths of each layers of certain tree species that must or mustn't grow in the area of a certified field. These extended standards are too specific that it is a very high possibility that many producers would not be able to reach them. Anna Hutchens assumes that specific strict criteria for standards can work as prerequisites to Fairtrade market entry and that small producers are marginalized and that larger producers are Fairtrade's primary beneficiaries. (Hutchens, 2011). This is closely connected to the idea, that most of the initiatives are not focused on the poorest producers, that obviously are not rich enough to be able to finance the certification mark and meet all the criteria.

Social criteria are often inspired by the ILO convention. Most of the initiatives are inspired by ILO, but in some cases, they are even more adjusted. Sometimes it can be hard to apply our „Western“ practices on rural population which follows the traditional hierarchy or original family roles. Cross cultural standards differ internationally and the distinction between rural and urban areas are as well noticeable. In the case of Fairtrade, the work is strictly prohibited to the children, though in some cultures it is very usual, that children help their adults with work. Professor Hutchens describes in her work, how banning children labour on Taveuni island is considered as something incomprehensible. In some cultures it can be understood that children are lazy if they don't help the

community they belong to. It doesn't mean, that children are forced to do hard labour work. For instance she mentions that: „children follow parents when they collect nuts on their land, while children are not allowed in the processing (Hutchens, 2011).

Similar issue can be discussed with another important social criteria "gender equality". Likewise is the prohibition of children labour, can gender equality be controversial in many geographical regions. Especially in those communities, where men are traditionally the breadwinners and heads of families. Women in most of the rural communities in Asia, Africa or South America are considered as not strong enough to be able to deal or sell at the markets. According to the work of Lyon, Bezaury and Mutersbauch, are women due to this allowed to occupy less valued positions and at the same time must take care of household and children. This is a traditional role for most of rural women (Lyon et al, 2010). The gender issue is specifically checked in social initiatives, not in organic ones. From both of these examples emerges, that applied standards cannot be operated globally due to socio-economic habits in each geographical areas as it in most of the initiatives' agendas. The diversity of the economic conditions, geography, industrial and legal infrastructure, social rules and safety nets among the developing countries vary widely, which can emerges in different sustainable development priorities (Potts, 2010).

Significant role plays the issues of education and trainings which are covered in most of the initiatives. For example Fair trade initiatives put details on children education, but also on comprehensive and vocational trainings. While organic and other environmental standards focus mainly on trainings in the field of green practices. Part of Fairtrade agenda is to give a training in international export market. " The farmers' limited education affected the ability of members to educate one another about the workings of the international exportmarket, let alone how Fair trade provided an alternative to the conventional export market." (Getz & Shreck, 2006). This give us an evidence, though education is supported by the initiatives in general, the reality can differ. Foregoing, women must take care of children and household which means they don't have an extra free time to access trainings.

Though environmental standards are maintained to contribute to the environmental sustainability and biodiversity of rural areas, people are usually not aware what the environmental protection really means. As Maylee Thavat depicts from her research when interviewing rural producers of rice in Cambodia, mentions that most farmers interviewed understood organic only to be an absence of chemical fertilizers or pesticides

and they were not aware of comprehensive and integrated farm management system (Thavat, 2011). This assumption is also confirmed by two American academical authors (Christy Getz and Aimee Shreck) who researched communities in Mexico and the Dominican republic. “the certification process prioritized the demands of the market to such a degree that the farmers were largely unaware that they were participating in anything ‘alternative’, and it simultaneously reinforced socio-economic inequalities within the communities.” (Getz & Shreck, 2006).

Some initiatives are dealing with a problem, that they are not open to a wide market access so their products are not recognized by many customers. This would be for example disadvantage of Birdfriendly initiative or other very specific initiatives focusing on forest management and agroforestry. “The market for certified products is relatively new and small compared with the overall wood trade, there are few brokers, and as yet there are no trade magazines and few product shows.” (Dickinson, 1999)

Though the initiatives have positive objectives, they can be competitive to each other. Which confirms the assumption that though they are created to follow strict environmental and social standards they are mainly business oriented. Daryl Reed mentions as examples the creation of own certification programmes by large companies as Starbuck’s. Further he mentions for example Utz Kapeh or Rainforest Alliance that these initiatives in the contrary to Fairtrade Int. are mainly „oriented towards corporations (rather than ATOs), do not offer price subsidies to small producers, and are much more amenable to the use of plantation production“ (Reed, 2009).

## **6.2 Criteria for Standards from the Positive Perspective**

Official public opinion about the volunteer initiatives promoting environmental and social standards is globally considered very positive. The prove to this idea is clearly seen by the public opinion in the Western countries. There is even much evidence to support these claims. By supporting good standards it is possible to avoid bad practices. It can obviously be the way for making the trade fairer and also more sustainable. All the initiatives mentioned above have very strong moral standards and if they are followed right, they can help the poor economies to develop and also protect the environment at the same time.

Certification marks on sold products can offer many benefits to producers. In the case study of Mexian community producing tomatoes and herbs, they firstly mentioned the

possibility of accessing large and important US organic marketplace and niche market “involved a higher and more stable price structure than equivalent conventional markets “(Getz & Shreck, 2006). In the case study of Dominican republic’s organic bananas trade the certified producers easily gained access to the market in general (Getz & Shreck, 2006) which gave them new possibility in trading.

From the socio-economic point of view, certain aspects of Fair trade and organic market participation can enhance social standards. Especially Fairtrade and organic offer producers premium extra price for their products compared to conventional products. The idea is that by gaining more money, the producers can enhance their socio-economic situation which means that this would make living conditions of the families better.

Most of the initiatives are inspired by the ILO. The ILO must be officially followed by all signatories, in reality is only particular in the case of developing countries. The initiatives give producers and also consumers confirmation of adherence to these rules, that otherwise should be followed but in reality are not. The big advantages of Fair trade and environmental initiatives is creating cooperations, which give producers more freedom and independency of middlemen. The cooperatives are important not only for social lives of the members (meeting at school, membership, nurseries for children) but mainly because it is a big security back up. Social criteria for entering the Rainforest Alliance or UTZ Certified are lower than for Fairtrade or, because Rainforest Alliance and UTZ Certified both accept individual producers or group producers, producer organizations and contract farming (Kolk, 2011). Initiatives promote social community building by advising the newcomers. The approach of ensuring fruitful participation of communities in the certified market, the Forest Management Trust<sup>19</sup> proposes that communities form joint ventures with successful private-sector forest enterprises (Dickinson, 1999).

Gender question is again included in Fairtrade, and 4C. On the other hand environmental initiatives don’t mention it. Women’s opportunities for participation in coffee organizations, particularly in communities with high rates of male out-migration. ((Lyon et al, 2010). The social initiatives help to empower women that would otherwise be force to work. The initiatives give them needed support, which helps the women be more sure in their businesses.

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<sup>19</sup> Forest Management Trust is a not for profit organization and a cooperating partner of Forest Stewardship Council. Its aim is to manage not protected forest areas under environmental standards.

From the environmental point of view being a certified producer means for farmers the possibility to learn about different green approaches which can have a direct impact on their health. Producers often use chemical pesticides without inappropriate protective clothing. The pesticides are used in an insufficient distance from a human activity and water sources. Producers using an organic certification mark are protected from exposure to many toxic pesticides which keeps them in a better and healthier condition. Arguably, it had a direct impact on the integrity of local ecological systems (Getz & Shreck, 2006). It is noted, that producers sometimes want the certification just because they believe it would guarantee to them primary development assistance. They believe that they would seem more trustworthy (Klooster, 2006).

Nevertheless, the complex system of trainings like e.g. integrated pest management which in details explains the farmers how to eliminate the pest by using natural methods. There is a wide range of new skills that local people are taught from the initiatives. Rural communities are empowered by training to deal with an altruistic business partner, in this case the initiatives support and assure that both; the community and the stakeholders adhere to the standards (Dickinson, 1999). For example Rainforest Alliance and Forest Stewardship Council focus on developing and applying standards for erosion control and logging slash management in logged stands (Klooster, 2006) to prevent fires. They focus on training forest technicians in the right forest management. Further on, they check sawmills which are often the source of pollution in an area. The sawmills must be adjusted to the environmental standards and not pollute the surrounding environment.

### 6.3 SWOT Analysis of Promoted Initiatives

The SWOT analysis is created from the gathered informations that appeared in previous chapters. The chart of the SWOT analysis is concipated from the gathered informations. In the parenthesis we can find marks At the end of every sentence is noted which initiatives can belong to the particular statements.

#### 11: SWOT analysis

| <b>Strenghts</b>  | <b>Weaknesses</b>   |
|---|---|
| <i>Support from the initiatives (4C, BF, RA, Org, FSC, UTZ, FT)</i> | <i>Small market access (organic)</i>                      |
| <i>Community building(4C, BF, RA, Org, FSC, UTZ, FT)</i>            | <i>Poorest are usually not included(FLO,BF,RA, FSC, )</i> |

| <b>Strenghts</b>   | <b>Weaknesses</b>  |
|--|--|
| <p><i>Support of education and trainnings(4C, RA,FSC,UTZ, FT)</i></p> <p><i>Support to women (4C, RA,FSC,UTZ, FT)</i></p> <p><i>Health (4C, RA,FSC,UTZ, FT)</i></p> <p><i>Safety (4C, RA,FSC,UTZ, FT)</i></p> <p><i>Precautionary measure (4C, RA,UTZ, FT)</i></p> <p><i>Independency on middlemen (FT, RA,)</i></p>   | <p><i>Standards are too high, some producers are rejected (mainly BF, 4C, RA,UTZ, FT, organic)</i></p> <p><i>Smaller crops compared to non certified producers due to absence of chemical pesticides (mainly organic, BF, )</i></p> <p><i>Less volume of organic production (mainly organic, BF, )</i></p>   |
| <b>Opportunities</b>   | <b>Threats</b>   |
| <p><i>Enhance socio-economic living standars of producers (mainly BF, 4C, RA,UTZ, FT, organic)</i></p> <p><i>Globally well accepted (FT,RA,4C)</i></p> <p><i>Fertile soil, clean water for the future generations (BF, 4C,FSC, RA,UTZ, FT, organic)</i></p> <p><i>Conservation of natural resources for next generation (BF, 4C,FSC, RA,UTZ, FT, organic)</i></p> <p><i>Saving endangered species (BF,RA, FSC)</i></p> <p><i>Integrated pest management (BF, FSC, RA,UTZ, FT, organic)</i></p> | <p><i>Demand smaller than the production (organic, FSC, RA,BF)</i></p> <p><i>Mistrussfulness from local governments (BF, 4C,FSC, RA,UTZ, FT, organic)</i></p> <p><i>Competition between producers((BF, 4C,FSC, RA,UTZ, FT, organic)</i></p> <p><i>Competition between producers((BF, 4C,FSC, RA,UTZ, FT, organic)</i></p> <p><i>Organic farmers may become poorer (BF, organic)</i></p> <p><i>Extremely rapid growth of venture (FT)</i></p> |

Source: own processing based on informations from previous chapters

### **6.3.1 Strenghts**

As we see in the SWOT table, environmental and social standards have lots of positive characters, but also some negative. As the biggest strenghts of the standards that I have noticed were health, safety, precautionary. These principles appear in every standards and are very big advantage for the living conditions of producers. The education and community building appears mainly in Fair trade initiatives. It is meant as an education for children which is considered as an input for next generation. Community building also appears in Rainforest Alliance and FSC.

### **6.3.2 Weaknesses**

To become a part of initiatives is mostly complicated and especially for the poorest producers, who cannot afford the adjustment of their farms neither afford the accreditation. For all the standards, process of entering is similar, though the payment and conditions are not the same. Small market access is mainly problematic part of shade grown coffee. The biggest weakness of the organic is having smaller volume compared to non organic producers.

### **6.3.3 Opportunity**

The biggest opportunity is seen in a better managed ecosystem protection and ecological farm management. All the initiatives make steps for protecting the nature which can even have a global impact, though their conditions differ. The conservation means opportunity for future generations.

### **6.3.4 Threats**

The biggest threat is seen in the possibility of selling the whole certified production. Sometimes if the demand is not high enough, the producers must sell the certified production for a price of a conventional production. This is a threat for most of the producers. Which may mitigate with raising interest of costumers. Competition between the farmers is another of threats but this is based on local relations and appear only in some cases.



## 7 Discussion

In our coverage we have come across interesting discoveries in the topic of environmental and social standards. The purpose of our work was not to crucially compare different initiatives as we can see it in many works dedicated to the comparison of ethical standards. This field is being screened by many scholars or institutions and we can already work with their gathered information. Most of the comparisons focus on initiatives with similar goals or dealing with the same agricultural commodity. These initiatives are compared or divided according to different criteria. The comparison of these initiatives often overlaps. Very often the comparisons focus on ethical initiatives dealing with coffee, where they compare prices, certification cycle's procedure, establishment, budget etc. Coffee commodity is particularly a very popular for comparisons because it has lots of data available and many combinations of different indicators can be used for work. Additionally, the coffee is the most widely spread Fair traded commodity worldwide. Due to this, we see a lack of comparisons which focus on more ethical initiatives that deal with various subtropical and tropical agriculture commodities.

From the second part of the work, it is necessary to comment that there are many arguments for profitability of the standards use. What emerges from our discoveries is the fact that environmental criteria are mostly always beneficial. The compliance with environmental standards has direct impact on health of producers. On the other hand, according to our discovery, socioeconomic status of a producer often declines in accordance of cooperation with green mainly organic initiatives. This fact could support the question how difficult would be to convince rural population to transform into more environmental friendly agribusiness if it may not guarantee the economical contribution? The process of convincing farmers to cooperate with the voluntary initiatives would be an interesting topic to inquire. We can assume, that the main incentive for becoming a certified producer would be mainly the economic reasons. If the cooperation doesn't accomplish their expectancy, they might take against the initiatives.

The disadvantage of the researched topic is a never ending transformation of information and rules of voluntary initiatives. The standards of each initiative are updated almost every year, according to their official websites. Secondly, we are experiencing

progressing big boom within the world of ethical initiatives. There are several well-known initiatives but thousands of smaller that can soon become important players. With arrival of new initiatives the standards can become stricter. New findings for standards setting can be discovered on which base new standards can be used. This could be an example of shade grown coffee which has recently become known in the USA. Rainforest Alliance has started program „Green your travel“ on sustainable tourism. As tourism has been the fastest growing industry in the world (Neto, 2003), we can expect that more initiatives engaged in sustainable tourism will appear in the future. The sustainable tourism is both a topic for developed but also developing countries.

After the further investigation of accessible information about initiatives we have noticed that that initiatives‘ don‘t always provide all important documents on their publicly accessible websites. Difficulty that appeared during writing about ethical initiatives was a discrepancy between provided information from each initiative. This can lead to misunderstanding of an initiative standards. What has appeared as crucial discrepancy was an absence of standardized descriptions of each criteria from different initiatives. Information in a list of generic standards often didn‘t correspond with initiatives‘ objectives. We find this fact mainly counterproductive for initiatives themselves, because the generic standards are used as an information tool for potential consumers.

The most of the initiatives seem to provide all the needed information. In reality we came across difficulties that sometimes the information was not accessible from the websites. This was a case of FLO whose one of a particular social standard was adherence to national legislation‘ s in operating countries in the fact, that the legislation would be more strict than FLO‘ s standards. The unanswered question is, in which countries is the local legislative higher than the FLO standards and which of the social standard it would be? The FLO doesn‘t have this information.<sup>20</sup> This fact may lead to the opinion, that standards setting are not enough verified. Further inquiry of this particular topic might bring and interesting findings.

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<sup>20</sup> According to e-mail communication with FLO.

### **7.1.1 Direct Impact of Social Initiatives on Producers**

The focusing fact is emerging from the previous chapters. Firstly, in the fourth chapter we have introduced all the initiatives promoted in this paper. By analyzing the gathered information from the official sources and by only reading their standards all seemed as very progressive and correct way of doing business of 21st century. We received a perspective emerging from particular stories. This could be compared with the official standpoints. Paradoxically, the facts in some cases differed according to the planned improvements for the community. In some case studies the primary plan turned into a negative situation. One of the significant examples can be for example extra premium price. This at the first look seems to be very practical in supporting producer's economy. But what if the premium price is only a little bit higher than the regular price and due to a smaller volume of yield caused by absence of chemical pesticides (particularly case of organic production) the farmer becomes in the end poorer? This is one example how good approach can turn into a counter-productive pattern and how important it is to look at the standards from many perspectives and always try to admit many threats and consequences emerging from standards.

The similar discovery emerges from the prohibition of children labour or engaging women in work. As it appeared in the fifth chapter, children labour is forbidden by all the initiatives, except BF/organic. In the fifth chapter we could see an example of how prohibition of children labour can affect some traditional communities. The most significant fact is that globally applied rules cannot work within every society. What a specific rule can adjust for one society, cannot be always applied to another one.

I have come to the conclusion that those authors that criticized the standards don't probably look at the initiatives as they were business initiatives but as a nonprofit organizations that promote trading through social business. The truth is, that most of these initiatives officially consider themselves as not for profit organizations and in this way they should follow the principles of non-profiting from the activity they operate with. On the contrary they cannot be not for profit as far as they promote trading. To be able to compete the conventional trade practices and promote ethical trading at the same time, the initiatives still must be profitable and market competitive.

As both chapters, the critical perspectives and even positive perspectives are in accordance, that all social standards are strongly inspired by the convention of the ILO. The question would be, why these standards are not automatically followed in every

signatory country if the standards are not anything particular for the ILO signatories? Of course in the case of Fair trade, they are more extended in details. But after comparing the convention type of business with Fair trade standards, we have to argue that standards are not anything unusual and unknown to the developing countries.

### **7.1.2 Direct Impact of Environmental Standards on Producers**

Similarly, like in the case of social initiatives. We had a possibility to compare official information with the real case studies and the facts that emerge from it. From the previous chapters emerges one significant truth applied in on environmental initiatives in general which is the fact that stricter and environmentally friendly the initiatives are, then less economically interested they are for producers. The example can be seen when comparing Bird Friendly initiative (which in our case is the strictest initiative in ecology albeit it doesn't comply with our findings based on generic standards comparison) to other initiatives. The high standards that Bird Friendly promotes, naturally discourage producers from the cooperation. This means that for other less thoughtful initiatives is easier to find new producers. This confirms our findings about big initiatives 4C and UTZ Certified whose standards are more benevolent to the new farmers. For the producers in general is environmental protection important only if it has a direct impact on their livelihood and their lives. More important seems to be other benefits from the cooperation with voluntary initiatives. What else emerges from the previous chapters is the fact, that sometimes the producers are not aware enough what environmental protection and conservation means.

## 8 Conclusion

Our work uncovered the importance of extended standards as routes towards a socially responsible and environmental sustainable behaviour. The opinions on environmental and social standards in trading can be looked from different perspectives as significantly seen in the previous chapters. As stressed at the beginning of the study, the extended environmental or social standards play an important role in the International Trade. Their role is to guarantee the expected quality of a product through a system of certification. This means that only detailed controls can ensure the required quality of a product. The initiatives mentioned in the thesis are based on independent certification bodies check which should guarantee the adherence to demanded standards whose controls are based on annual monitoring and evaluation. The most ingenious means of verification are unannounced visits. These are the only tools of verification that an independent certification body uses for control of a traded product. But while most of the public believe that certifications are strictly controlled, there also appeared different opinions which would support the governmental control over the certification procedure to assure the standards are followed.

As we assumed at the beginning that both environmental and social standards would be crucial for all the mentioned initiatives, we have observed that if an initiative builds its main promotion on only one of the standards it doesn't guarantee either minimum of compliance with standards that are not crucial for an initiative. This means that there is no moral rule for ethical initiatives to be always involved in both standards. This means that initiatives that support only social or environmental standards have no duty to comply with other ethical standards, neither at a low level. In our work, this was particularly applicable to Bird Friendly that doesn't need to comply with any social criteria. On the other hand, in most of the cases the presence of social standards works as an indicator of environmental standards and reversely, as we had assumed at the beginning.

The big importance to this subject plays system of cross certification. This is a system for certified producers against different standards at one time. The fact that most of the initiatives comply with similar standards and producers can take an advantage of this can actually turn in a profit. The crossed certified producers can owing to adherence to many

standards find more possibilities for purchase. Albeit, Bird Friendly doesn't put social standards among their priority, farms they cooperate with are often certified against FLO. This makes Bird Friendly coffee products with a social and economic set of standards that meet fairtrade certification. The case of crossed certification of Fairtrade and FLO is not quite extended. For example certified against Rainforest Alliance is automatically certified against 4C Association. It is not exceptional to find farms that are certified against more standards at one.

Another interesting discovery was the fact, that if initiatives promoting the social standards are always inspired by the Convention of the ILO. The ILO works as a paradigm for all the ethical initiatives involved in social standards. The ILO was widely that promoted that it is now considered as the only right list of social standards for labour. On the other had, such a model does not exist for the environmental initiatives. The environmental standards are often inspired by the Millennium Development Goals, that do not explicitly give a fully-fledged list of criteria. This is also a reason, why most of the frequently used environmental standards are contain vague, not in depth explained criteria in comparison to social standards. The topic of standard setting for environmental initiatives would be an interesting subject for further research.

From the literature review of the positive and critical perspectives emerges that most of the voluntary initiatives operating worldwide do not adjust their criteria for standards in accordance to the geographical location. In the case that they adjust the standards in accordance to geographical or cultural differences the standards are not adjusted enough. From the thesis emerges that individual approach to every specific place or a community is more important than adherence with extended standards. The cultural and religious backgrounds of most of the producers are so incomparable, that it cannot be possible to expect only benefits while applying the same standards worldwide.

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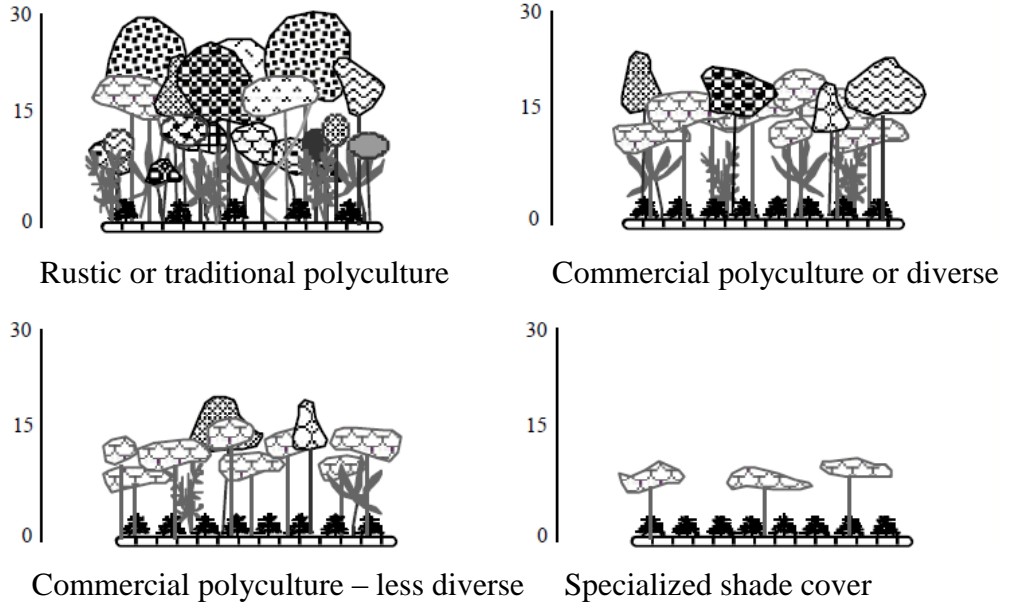
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## 11 Anex

### 1) Division for shade cover of BF certification



Source: Smithsonian Migratory Bird Center (Smithsonian Migratory Bird Center 2008)

- rustic or traditional polyculture, the most diverse and easily determined to be BF
- commercial polyculture (diverse) – usually meets BF standards
- commercial polyculture (less diverse) – often does not meet standards for BF
- specialized shade cover – does not meet the shade criteria for BF





4) FLO logo



5) Forest Stewardship logo



6) Rainforest Alliance logo



7) 4C (Common Code for the Coffee Community) logo



8) UTZ certified logo