

# Selling Sustainability Short?

The Private Governance of Labor and the Environment in the Coffee Sector

by Janina Grabs  
Environmental Policy Lab, ETH Zurich  
jgrabs@ethz.ch;  @JaninaGrabs

Book Launch, 09.06.2020  
Feat. Graeme Auld & Stefano Ponte

---

ORGANIZATIONS AND THE NATURAL ENVIRONMENT

---

## Selling Sustainability Short?

The Private Governance of Labor and the Environment in the Coffee Sector

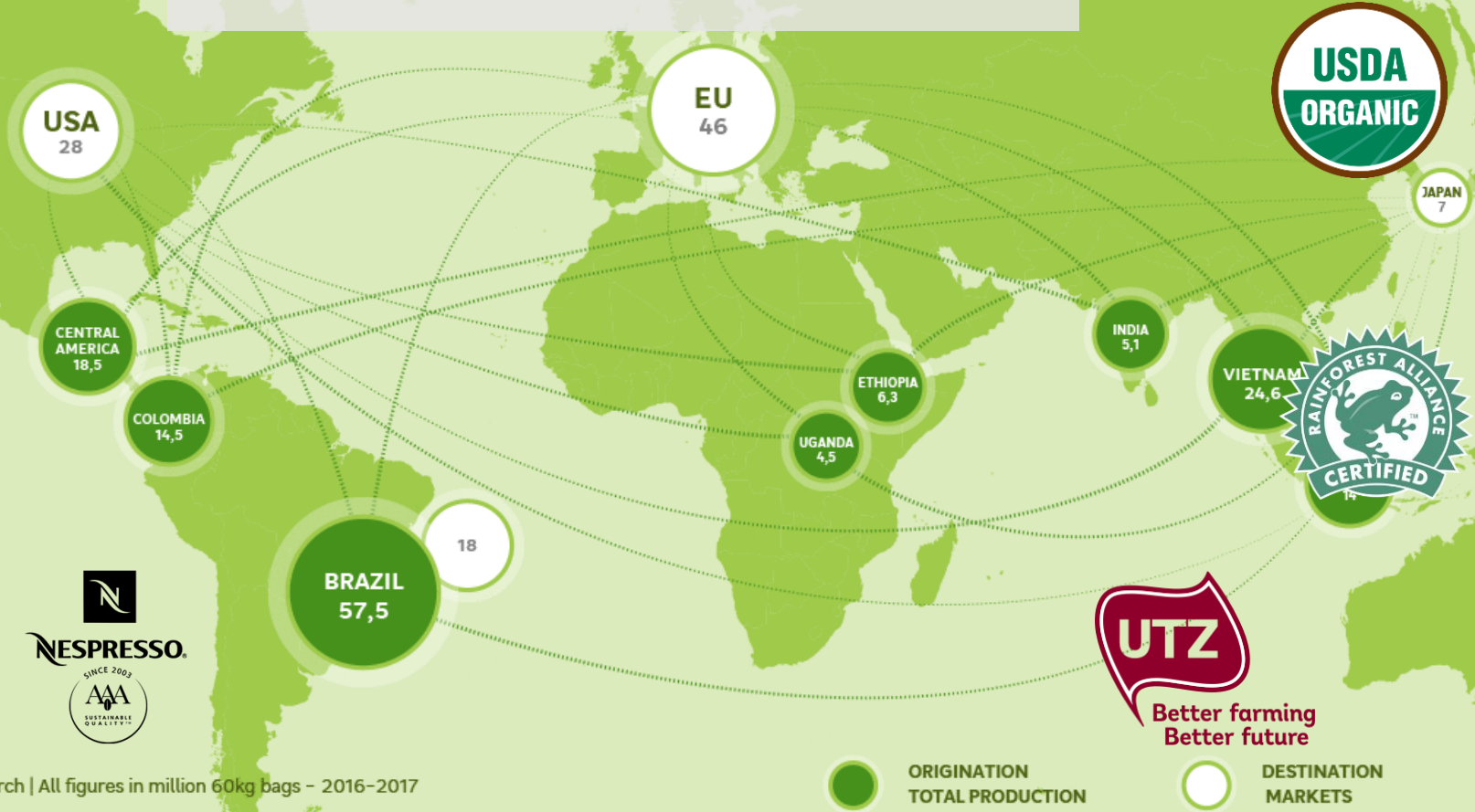


JANINA GRABS

# Motivation and research question



# The global coffee sector



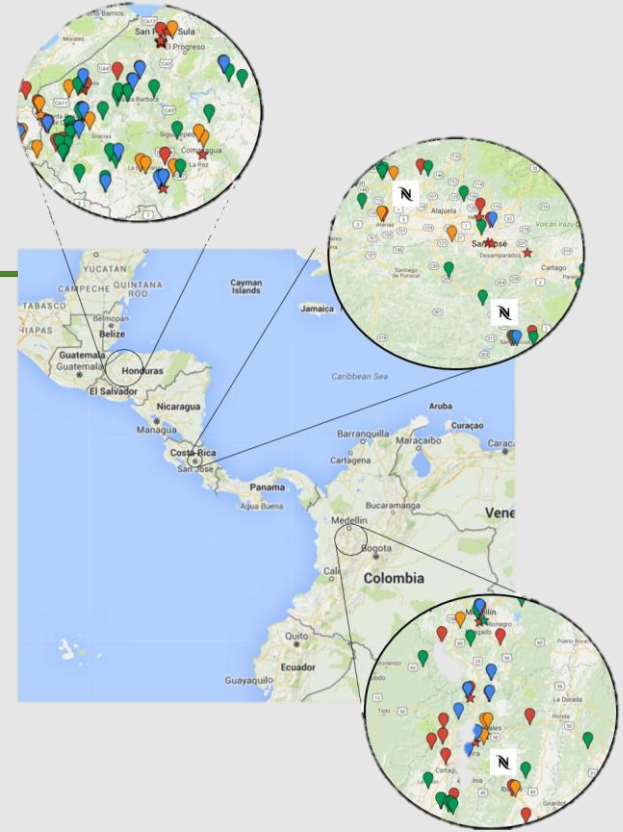
Source: SUCDEN Research | All figures in million 60kg bags – 2016–2017



Can market-driven governance provide effective private regulation of sustainable production?



# Mixed-method research design





# Peek inside!



1. Introduction
2. The dilemma of effective private governance
3. Defining the goal of a sustainable coffee sector
4. Changing the market
5. Changing farming practices
6. Designing effective private institutions
7. Interacting with public institutions
8. Conclusions

# Results



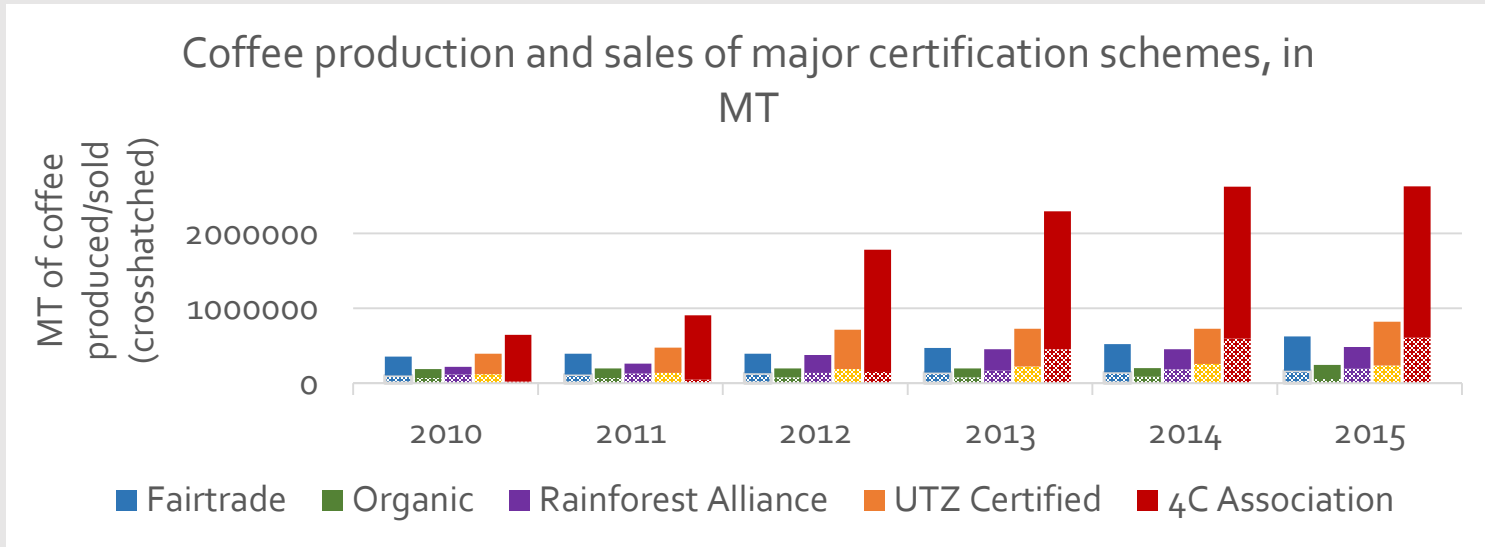
# The institutional design dilemma of private standards

Simultaneous goals:	Persistent market-based benefits	Upscaling and mainstreaming
Standard setting	Reasonably high entry barriers	Provide improvement pathway for lower-performing producers
Standard enforcement	Strict in-group/out-group differentiation Legalistic compliance enforcement	Improvements in capacity to comply Cooperative compliance management
Standard coexistence	Single standard/super-seal	‘Co-opetition’ by segmenting the market and differentiated targeting

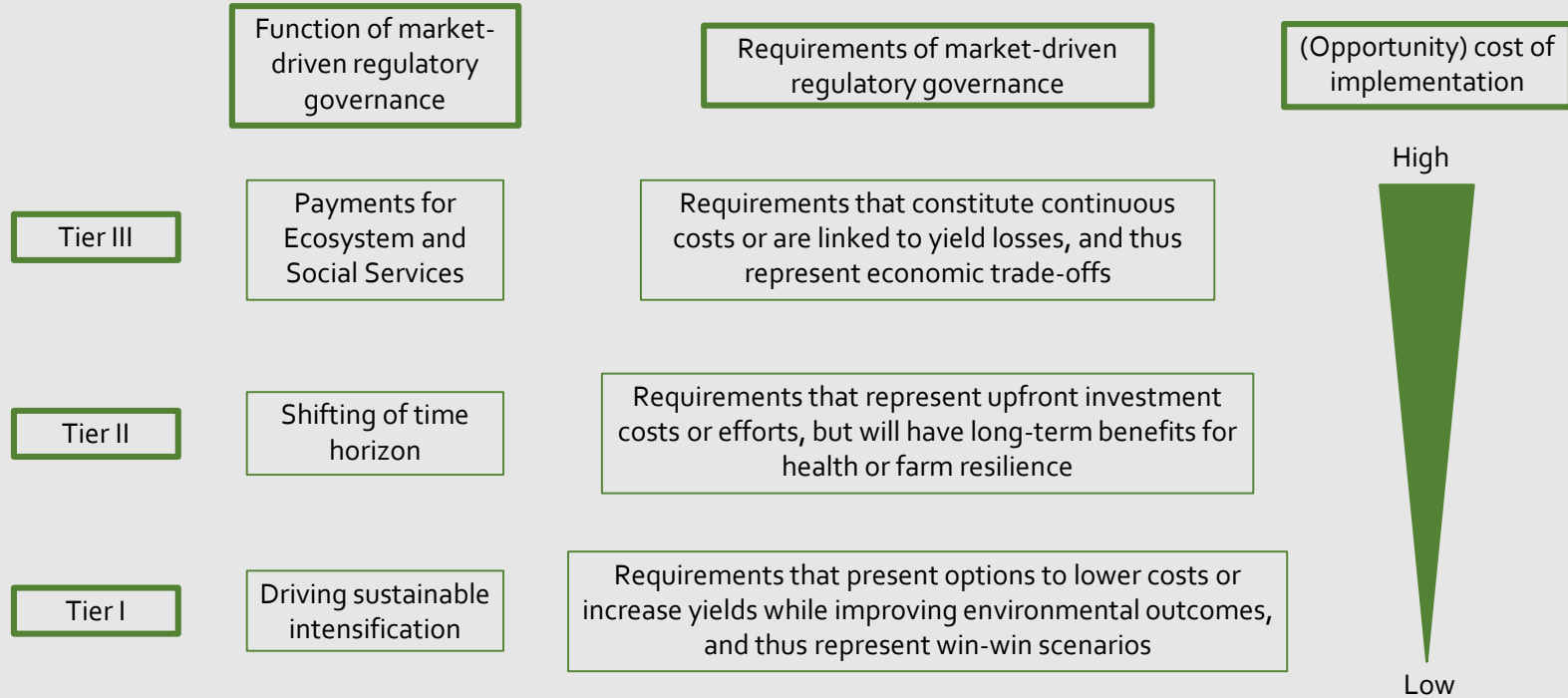


# The development of market incentives

- Crosstemporal information asymmetry, unlimited entry to schemes → collective action problems in conventional market are replicated in niches
- Between 50% and 75% of certified/verified coffee is not sold as such and does not receive a price premium/market access advantage

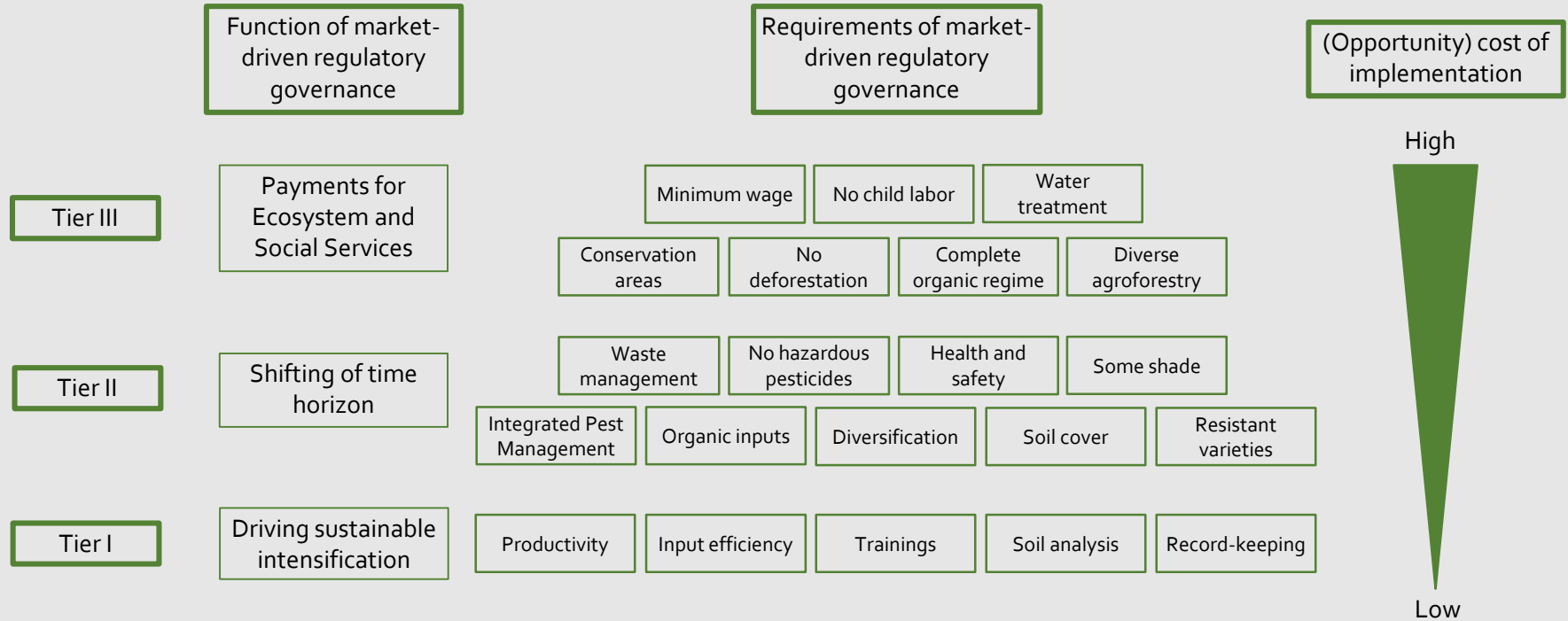


# Does private governance drive producer-level behavior change beyond the status quo? What types of behavior change?

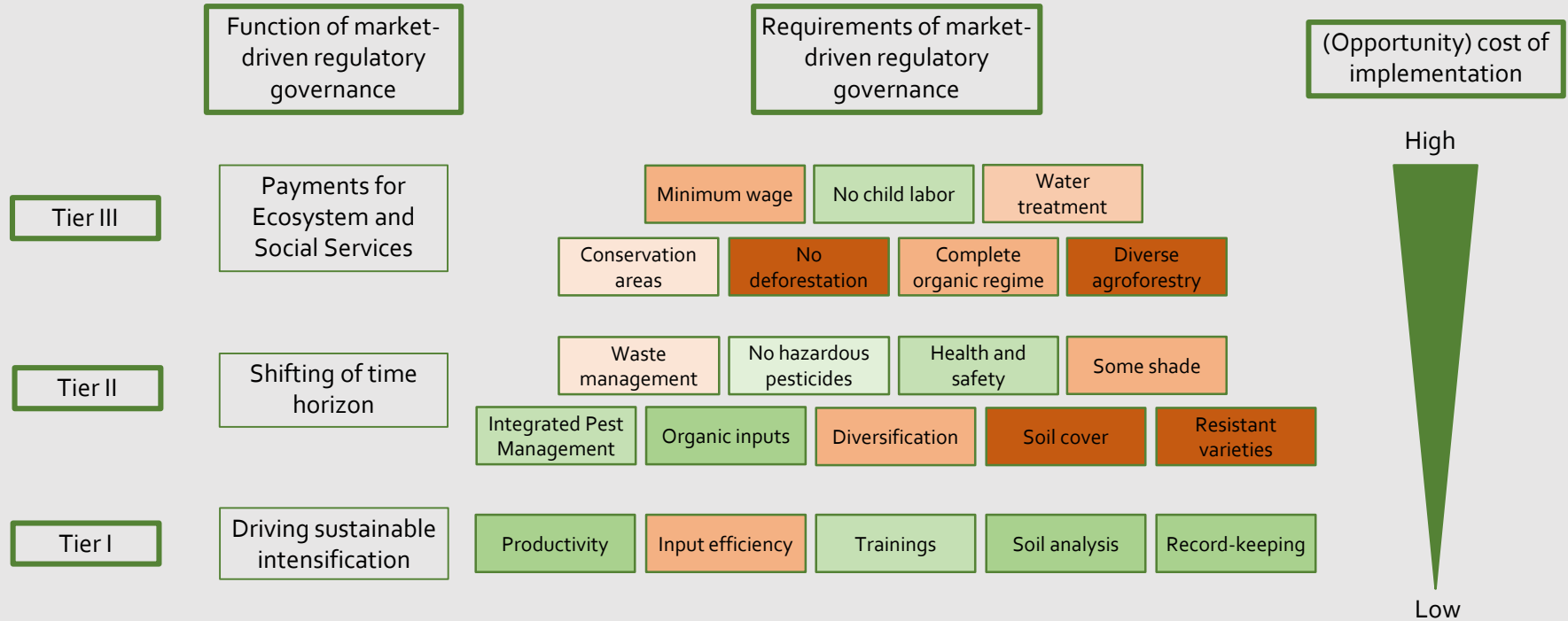




# Does private governance drive producer-level behavior change beyond the status quo? What types of behavior change?



# Does private governance drive producer-level behavior change beyond the status quo? What types of behavior change?





# Conclusions

## Evaluation

- **Partial goal attainment** when allowing for moving goal posts toward definition of sustainable coffee production as intensified production with minimal social and environmental safeguards in place
- Potential of market-driven regulatory governance to **rectify market failures** by internalizing social and environmental externalities has **not been realized**

## Explanation

- **Re-definition of sustainable coffee production** toward more industry-friendly framing
- Competition (both between standards and origins) and information asymmetries regarding sourcing led to **oversupply, premium erosion and loss of differentiation**
- **Clear and non-negotiable rules and prices that cover the opportunity costs** of production are key for effective governance outcomes
- **Effective trainings** need to be more **widespread** to induce behavioral changes
- **National-level institutional differences** are paramount in influencing effectiveness of private regulation

# Implications

- Trend in private standards toward compliance management approach with erosion of significant price incentives:

*"Certification is being adapted to becoming more of a **developmental tool**, where non-compliance results in support rather than exclusion [...] Rather than an in-out certification, it is seen as being a **continuous improvement**, learning approach to certification, which is highly embraced by the sector."*

*"Amongst our members, there is a recognition that **at scale, premiums are unlikely**, but that the standard systems need to be very focused on delivering value to all users of the supply chain."*

- Karin Kreider, Executive Director of ISEAL

- This is likely to lower the ability of standards to act as regulatory mechanisms of high-cost sustainability practices, especially when embedded in highly competitive value chains



# Potential avenues for change

- (Better) buyers' commitments
  - "We had to differentiate from single certifications; committing to one certification could have skewed demand and prices and the overall goal for our partnerships was to source sustainable coffees without falsely increasing the price paid at origin." - US roaster
- Producing-country collective action
  - World Coffee Producers' Forum: Plan to "analyse if the international contributions of coffee, both of the New York and London stock exchanges, reflect the reality of physical market, and give alternative solutions to outlined issues in the Forum" such as "very low prices for producers, excessive volatility, and the largest fraction of the value of the coffee supply chain being held by other agents".
  - Last time, ICA success relied on participation of and collaboration by the United States and Brazil...

# How to get the book

- Available for purchase via Cambridge.org
  - Link:  
<http://www.cambridge.org/9781108835039>
  - 20% discount code: GRABS2020
- Available on Kindle via Amazon.com
- Access in institutional libraries
  - E-book via Cambridge Core
  - Request hard copy w/ librarian!
- Get in touch if neither of those options work 😊

---

ORGANIZATIONS AND THE NATURAL ENVIRONMENT

---

## **Selling Sustainability Short?**

The Private Governance of Labor  
and the Environment  
in the Coffee Sector



JANINA GRABS

[illegible]



# Discussion and questions

