

# Monitoring the Sustainability Status of the Dutch Coffee Sector

## Tracking Progress Beyond Certification



Barbara Kuepper, Retno Kusumaningtyas

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## About this report

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Contacts:

PBL: Mark van Oorschot, mark.vanoorschot@pbl.nl

Profundo: Barbara Kuepper, b.kuepper@profundo.nl

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## Authorship

This report was researched and written by Barbara Kuepper and Retno Kusumaningtyas. Correct citation of this document: Kuepper, B. and R. Kusumaningtyas (2020, October), *Monitoring the Sustainability Status of the Dutch Coffee Sector – Tracking Progress Beyond Certification*, Amsterdam, The Netherlands: Profundo.

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## Summary

**Coffee is an important, globally traded tropical commodity that has seen considerable gains in sales over the last decades.** For the Netherlands, it is estimated that a total of 99,000 tonnes of roasted and instant coffee have been consumed in 2018, equalling around 130,000 tonnes of green coffee beans and 3.3 cups of coffee per capita per day. The value of the Dutch coffee market reached about € 1.15 billion, with further growth expected. The key sales channel are retailers with around 70 percent, reflecting the importance of home consumption. Within retail sales, the private label segment of the leading retailers takes up a larger market share than the total segment of branded coffee.

**Coffee production is linked to various social, economic, and environmental sustainability issues, especially at the producer side of the supply chain.** Issues on several social and environmental aspects persist, despite the efforts of public and private actors worldwide in the past decades to improve production conditions. The need to tackle these issues has gained broad recognition among sector stakeholders. For many years, the sustainability status of the coffee consumption in the Netherlands was evaluated based on the share of sales covered by a set of voluntary certification schemes (Rainforest Alliance/UTZ, Fairtrade, Organic / Biologisch and 4C) as reported in member surveys of the sector organisation Koffie & Thee Nederland and verified by the statistical office CBS. However, this data on certified consumption only provides a partial view on sustainability initiatives of the Dutch coffee sector. Over the last decade, a broadening approach can be observed, generally referred to as certification and beyond: additional industry-driven verification schemes have emerged, as well as various multi-stakeholder platforms, pre-competitive networks, and individual company-driven sustainability projects.

**In consideration of the changing landscape of international sustainability initiatives, this research had the main objective to identify and recommend options for a more comprehensive monitoring approach.** Monitoring beyond certified market shares can provide a broader picture of the progress of the Dutch sector in tackling sustainability issues in the coffee supply chain. The members of Koffie & Thee Nederland account for a large share of the domestic market, but a part of the Dutch coffee market is not covered by the sector organisation. Therefore, the scope of this research also includes non-members to account for the internationalisation of the Dutch coffee market.

**The results of this research should not be interpreted as a measure of impacts, but rather as a measure of engagement and commitment of Dutch private market actors to sustainability issues.** An evaluation of company policy criteria cannot replace an assessment of the actual outcomes and impacts achieved on the ground. While it is for example broadly agreed that voluntary certifications have generated benefits to coffee farmers and shifted the public opinion about what practices are acceptable in agricultural production, they are no universal remedy to economic, social, and environmental sustainability concerns. Impact measurement is a crucial element for judging the credibility of initiatives aiming to solve the pertinent sustainability issues in the coffee sector, however, such an analysis was outside the scope of this study.

**An assessment of the coverage and assurance of voluntary sustainability schemes shows that multi-stakeholder certification schemes on average reach the highest scores of all assessed.** As examples of conventional sustainability approaches, the principles and criteria of nine voluntary sustainability schemes that are used for certifying coffee production were assessed regarding their coverage of four key sustainability topics: community and labour rights protection; environment and water protection; forest and biodiversity protection; and issues in relation to the circular economy. Also, assurance levels were scored based on indicators relating among others to transparency, third-party auditing, complaints procedures, and non-compliance measures. Assessing the coverage of sustainability issues in criteria as well as the assurance levels provides relevant information on the credibility of a scheme.

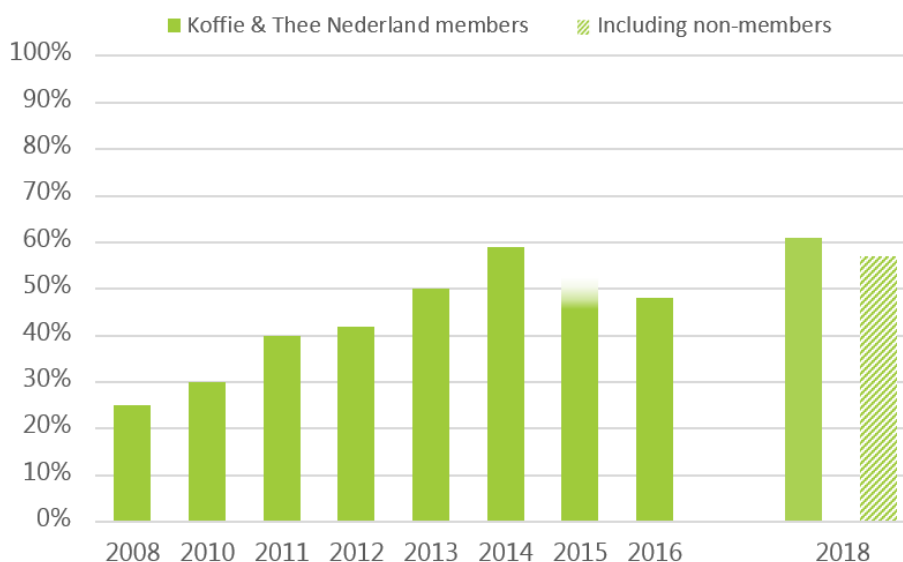
The assessed schemes included a selection of independent, multi-stakeholder schemes as well as industry-initiated schemes, and multi-issue as well as single-issue schemes. The multi-stakeholder certification schemes on average score higher than industry-initiated schemes. The industry-initiated schemes Nespresso AAA and Starbucks C.A.F.E Practices appear in the middle field; their analysis shows coverage of a reasonably broad range of sustainability issues and a fairly robust approach to improving the sustainability of coffee sourcing. Overall, the multi-stakeholder schemes with more in-depth provisions for sustainability principles

were also found to have more thorough assurance provisions. Moreover, the independent certification schemes are usually more transparent and thus offer a more robust standard level of assurance.

**The Dutch market for certified coffee, including company-initiated schemes, saw an increase by around 12 percent between 2016 and 2018.** This is the result of an industry survey including input from a range of coffee market actors in the Netherlands, both members and non-members of Koffie & Thee Nederland. The responding companies represent an estimated 85 percent of the Dutch consumption of coffee (based on net import of green bean equivalents - GBE) in 2018. The results show that the share of domestic coffee sales certified under independent multi-stakeholder certification schemes (Rainforest Alliance / UTZ, Fairtrade, Organic, 4C) reached around 56 percent in 2018, based on reported volumes. If industry-initiated schemes are also included, the reported share rises to 57 percent. At 60 and 61 percent, respectively, the average shares of only the members of Koffie & Thee Nederland are somewhat higher. Previous surveys among the association members had shown that the average share of certified sales (including 4C) among Koffie & Thee Nederland members reached 59 percent in 2014 but dropped to 48 percent in 2016, thus seeing an increase of 12 percent points until 2020.

Keeping in mind the differences in the data base between surveys, this represents a similar level as was previously reported by the Koffie & Thee Nederland sector survey in 2014 (Figure 1). Due to the non-response by some larger roasters and retailers, the resulting shares should be interpreted as conservative estimates, notably for industry-initiated schemes.

**Figure 1 Certified coffee shares on the Dutch market (2008 to 2018)**



Source trend data: Koffie & Thee Nederland, in: CBS (2017), "Duurzame agrogrondstoffen: Koffie"; Note: No 4C-share was reported for 2015; no data available for 2017.

Source 2018 data: Profundo company survey, January to March 2020. Both the shares reported by Koffie & Thee Nederland members (solid bars) as well as those by a broader selection of coffee sector actors (shaded bar) are given.

**Many Dutch market actors still rely on voluntary certifications to fulfil their sustainability commitments.**

The position in the market is an important determinant of the sustainability approach of companies. Certification levels are often high among large roasters and the private labels of retailers. Some mainstream coffee roasters report low shares of certified coffee sold. Moreover, the specialty coffee SMEs participating in the survey mostly report low shares of certified coffee (except for Organic). In the specialty market segment, long-term relationships and direct trade with coffee farmers, specialised traders and small-scale roasters and related high levels of traceability are often chosen as a strategy and seen as more efficient to ensure responsible supply chains. Specialty coffee buyers more commonly pay price premiums based on the quality of the coffee instead of certification.

Where companies define the increase in certified coffee as a sustainability target, reported shares are in some cases still quite low with multi-year targets for full coverage. At the same time significant volumes

produced globally in compliance with independent certification schemes are not sold at a premium due to a lack of market demand. This is also due to the emphasis that companies place on specific coffee qualities in their purchasing decisions. The lack of uptake and missed premiums to cover farmers' investments hamper in turn the ability of high-scoring schemes to achieve the desired improvements on the ground

**Next to certification, complementary approaches involving multi-stakeholder cooperation platforms and individual improvement projects are increasingly co-initiated and supported by Dutch market actors.** The coffee sector has brought forward that a sole focus on certified shares as an indicator is not adequately reflecting the much broader efforts of the industry to tackle sustainability issues in the value chain. In its 2015 status reporting, Koffie & Thee Nederland mentioned a range of more than 50 sustainability-related projects initiated or supported by its members. Moreover, Koffie & Thee Nederland and several of its members are part of European and international networks and convened Dutch market actors to find joint solutions to improved transparency and monitoring. Therefore, the second part of this research aimed to provide a picture on the broadening efforts of companies in the coffee sector, complementary to the certification and labelling approach. Relevant initiatives, their approaches and objectives as well as the involvement of Dutch market actors were identified by reviewing a broad body of literature as well as seeking input from expert interviews.

**There is broad recognition that targeted collective interventions by all sector stakeholders are needed to address the underlying sustainability issues.** Such multi-stakeholder and pre-competitive collaborations involve worldwide commitments at different levels and by numerous actors with direct and indirect links to the Dutch market. Examples of the diversity of initiatives are the Global Coffee Platform and the Sustainable Coffee Challenge connecting international private and public actors on various sustainability issues. Furthermore, the Futureproof Coffee Collective is involving Dutch small- and medium-sized (specialty) coffee roasters with a focus on transparent and fair payment of coffee farmers. A non-exhaustive qualitative inventory of international collaborations and platforms illustrates the multitude of additional initiatives, increasingly involving and supported by (Dutch) market actors (Table 1).

**Table 1 Examples of pre-competitive sustainability collaborations and multi-stakeholder platforms**

Name	Focus	Type
Global Coffee Platform (GCP)	Broad	Public-private collaboration
Sustainable Coffee Challenge (SCC)	Broad	Public-private collaboration
International Coffee Organization (ICO)	Economic, social, environmental sustainability	Intergovernmental organisation
World Coffee Research (WCR)	Access to improved varieties	Scientific research
SAFE Platform	Climate change adaptation, smallholder finance, gender, youth	Private sector, donors & NGOs
Coffee & Climate (C&C)	Climate change adaptation / mitigation	Public-private collaboration
Futureproof Coffee Collective (FCP)	Economic sustainability	Pre-competitive collaboration
International Coffee Partners (ICP)	Climate change adaptation, gender, farmer collaboration	Pre-competitive collaboration
Living Wage Lab	Economic sustainability	Private sector, public sector, NGOs & certifiers
Living Income Community of Practice	Economic sustainability	Private sector, NGOs & donors



Several large traders, roasters, and retailers with presence on the Dutch market are members of the Global Coffee Platform and smaller networks and have made varying levels of commitments under the Sustainable Coffee Challenge. Only few small- and medium-sized (SME) Dutch coffee companies were identified as members in the international collaborations, likely owed to resource constraints. However, SMEs receive information on international sustainability developments, sourcing risks and available approaches via branch organisations like Koffie & Thee Nederland and the European Coffee Federation or their coffee trader. Despite their large market share in Dutch coffee sales, the leading retailers are also underrepresented in this complementary approach. They largely focus their sustainability activities on increasing the share of certified coffee, sometimes in combination with smaller individual projects.

In addition to these multi-stakeholder initiatives, many projects by individual companies or in cooperation with partner organisations exist, covering a wide range of sustainability topics from the upstream producer to the downstream consumer level. Projects involving individual companies focusing on the Dutch coffee sector are more likely to deal with environmental issues in the midstream and downstream sections of the supply chain, like energy use or waste recycling, while this is usually outside of the focus of the production-related collaboration platforms. The Commitments to reduce energy consumption in the supply chain between 2005 and 2020 are monitored and reported under the Multi-year Agreements on Energy Efficiency (MJA3). Relevant steps have already been set and there is still some time to achieve the targeted energy use reduction.

**At present, it is not possible to complement trends in certified shares in the Dutch coffee consumption with a quantitative estimate of the engagement with and accomplishments of the broadening approach in the sector.** There is undoubtedly potential for international targeted collaborative interventions in relation to important issues like the vulnerable economic position of coffee farmers and the challenges of climate change. At the same time, the fragmentation of sustainability initiatives and the need for more transparency are remaining barriers to be tackled. There is also broad recognition that the impact of all sustainability approaches, be it certifications or broader developments, should be monitored and assessed in relation to their impacts on the ground. Finding structured approaches to monitoring and impact assessment has been identified as a priority by the Dutch industry as shown in the outcomes of the 2018 Roundtable discussions organised by Koffie & Thee Nederland for its members.

**Building on this recognition, concrete steps by the industry are required in the near-term to develop and apply comparable impact metrics.** The prevailing lack of a standardised approach and data hitherto means that the addition of other quantitative or qualitative elements to a monitor remains unfeasible for now. A sector-wide strategy with transparent information on comparable metrics would be particularly important to show results and measure progress of the approaches used to achieve living income for coffee farmers. An intermediary step to complement the present monitoring could be to comprehensively map the commitment to and involvement in broader multi-stakeholder sustainability approaches and targeted support projects of the different industry actors active on the Dutch market.

**Relevant frameworks have already been developed, such as the Accountability Framework and the sustainability metrics proposed by the Global Coffee Platform and the Sustainable Coffee Challenge.** For the near future, comprehensive monitoring and analysis of the efficiency and impact of sustainability interventions in commodity markets is dependent on the availability of comparable baseline studies; on the application of overarching frameworks with standardised and measurable key performance indicators; on transparent and consistent publication of data; and on regular longitudinal studies to analyse the progress. This would prevent scattering of resources, catalyse stronger outcomes and impacts, promote availability of standardised data, and finally increase consumer and market trust in certification systems and complementary company sustainability approaches.

Koffie & Thee Nederland could play an important role in encouraging its members as key sector actors to adopt and systematically and publicly report in line with these guidelines. Broadening data gathering efforts to the sourcing practices of (foreign) companies active on the Dutch market is outside the reach of Koffie & Thee Nederland but would benefit the informational value of a monitor for the whole of the Dutch consumption.

**It is important to bear in mind that the Dutch sector is not acting in isolation but is part of a highly internationalised market.** Increased collaboration on key sustainability issues across the sector and with other stakeholder groups, pooling of resources and learning from experiences in achieving impacts could accelerate endeavours to achieve a more sustainable coffee supply chain. Cooperation at the EU government level, like member-state cooperation established for other commodities under the Amsterdam Declaration Partnership (that focuses on the issue of deforestation), could help in achieving agreement on common challenges, cooperative approaches, uniform monitoring frameworks and increased market coverage.

**More transparency on outputs and outcomes would contribute to consistent monitoring reports doing more justice to the efforts on broadening approaches to tackling sustainability issues.** The Dutch government could promote transparency and reporting by Dutch companies by better using the regulatory options provided by the EU Directive on non-financial reporting, and uptake of due diligence principles in CSR-regulation. This should also be done for foreign companies active on the Dutch market, by their own national authorities. The renewal of the Responsible Business Conduct (RBC) Policy in autumn 2020 offers entry points to introduce relevant measures in RBC Agreements between sectors, civil society organisations, trade unions and the Dutch government.

## Samenvatting

**Koffie is een belangrijke, wereldwijd verhandelde tropische grondstof waarvan de verkoop de afgelopen decennia aanzienlijk is gestegen.** In Nederland is naar schatting in 2018 in totaal 99.000 ton gebrande koffie en oploskoffie geconsumeerd, wat neerkomt op ongeveer 130.000 ton groene koffiebonen per jaar of 3,3 kopjes koffie per hoofd van de bevolking per dag. De waarde van de Nederlandse koffiemarkt bedroeg dat jaar ongeveer € 1,15 miljard en verdere groei wordt verwacht. Het belangrijkste verkoopkanaal is de detailhandel, goed voor ongeveer 70 procent van de koffieverkopen. Dit weerspiegelt het grote aandeel van thuisconsumptie in de Nederlandse koffieconsumptie. Binnen de detailhandel hebben de huismerken van de leidende supermarkten inmiddels een groter aandeel dan de merken van grote koffiebranders samen.

**Koffieproductie gaat gepaard met sociale, economische en ecologische duurzaamheidsvraagstukken, vooral aan de productiekant van de toeleveringsketen.** Problemen met verschillende sociale en milieuaspecten blijven bestaan, ondanks dat publieke en private partijen zich in de afgelopen decennia ingespannen hebben om de productieomstandigheden wereldwijd te verbeteren. De noodzaak om deze vraagstukken aan te pakken, wordt breed onderkend door alle spelers in de sector. Jarenlang werd de mate van duurzaamheid van de koffieconsumptie in Nederland beoordeeld op basis van de marktaandelen van koffie geproduceerd en gecertificeerd onder de voorwaarden van vrijwillige marktstandaarden voor duurzame productie. Deze koffieproducten zijn voor de consument zichtbaar door het voeren van logo's en keurmerken (Rainforest Alliance / UTZ, Fairtrade, Organic / Biologisch en 4C). Deze marktaandelen werden afgeleid uit de ledenenquêtes van de brancheorganisatie Koffie & Thee Nederland en werden gecontroleerd door het Centraal Bureau voor de Statistiek (CBS). De marktaandelen van deze standaarden geven echter maar gedeeltelijk een beeld van alle duurzaamheidsinitiatieven in de Nederlandse koffiesector. In de afgelopen tien jaar is een bredere benadering ontstaan, welke doorgaans aangeduid wordt als 'meer dan keurmerken alleen': er zijn op initiatief van marktpartijen eigen bedrijfsgebonden standaarden bijgekomen, evenals multi-stakeholder platforms, pre-competitieve netwerken, en duurzaamheidsprojecten van individuele bedrijven.

**Tegen de achtergrond van dit veranderende landschap van internationale duurzaamheidsinitiatieven in de koffiemarkt, was het hoofddoel van dit onderzoek het identificeren en aanbevelen van opties voor een meer omvattende monitoring.** Monitoring die verder gaat dan de marktaandelen van gecertificeerde koffie kan een breder beeld geven van de vorderingen van de Nederlandse sector bij het aanpakken van duurzaamheidsvraagstukken in de koffieketen. De leden van Koffie & Thee Nederland vertegenwoordigen een groot deel van de Nederlandse markt, maar een deel van de Nederlandse koffiemarkt is in handen van bedrijven die niet door de brancheorganisatie worden vertegenwoordigd. Daarom is in dit onderzoek ook gekeken naar de initiatieven van bedrijven die geen lid zijn van Koffie & Thee Nederland, ook om rekening te houden met de toenemende rol van buitenlandse bedrijven op de Nederlandse markt.

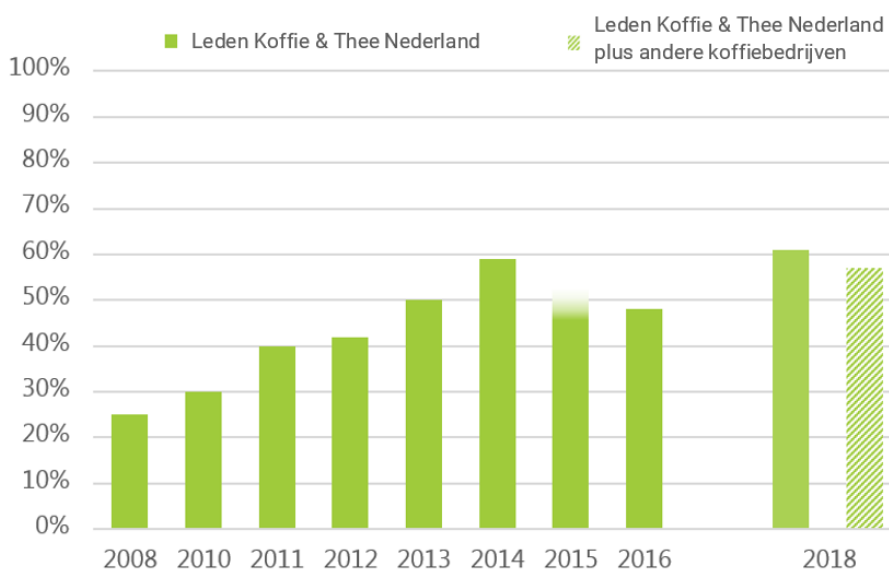
**De uitkomsten van dit onderzoek moeten niet worden geïnterpreteerd als een maatstaf voor effecten, maar eerder als een maatstaf voor betrokkenheid van Nederlandse private marktpartijen bij duurzaamheidsuitdagingen.** Een evaluatie van de criteria van marktstandaarden waarop bedrijven hun beleid afstemmen, kan een beoordeling van de feitelijke resultaten en effecten die zijn bereikt in de herkomstgebieden van koffie niet vervangen. Hoewel er brede overeenstemming is dat het certificeren van de productieomstandigheden voordelen heeft opgeleverd voor koffieboeren en dat de bekendheid met standaarden de publieke opinie hebben veranderd over wat aanvaardbare praktijken zijn in de productie van landbouwgrondstoffen, bieden marktstandaarden geen alomvattende oplossing voor alle economische, sociale en ecologische duurzaamheidsproblemen in de koffiesector. Het meten van effecten is een cruciaal element voor het beoordelen van de geloofwaardigheid van initiatieven die gericht zijn op het oplossen van duurzaamheidsproblemen in de koffiesector, maar een dergelijke impact-analyse viel buiten het bestek van deze studie.

**Een beoordeling van de dekking en betrouwbaarheid van standaarden voor duurzame koffieproductie laat zien dat standaard-voerende organisaties waarbij een brede groep belanghebbenden betrokken is het hoogste scoren.** De principes en criteria van negen koffiestandaarden zijn beoordeeld op vier belangrijke duurzaamheidsthema's: bescherming van lokale gemeenschappen en arbeidsrechten; milieu- en

waterbescherming; bescherming van bossen en biodiversiteit; en de bijdrage aan een circulaire economie. Ook werd de mate van betrouwbaarheid van de standaarden beoordeeld op basis van indicatoren met betrekking tot onder meer transparantie, controle door derden, klachtenprocedures en maatregelen bij niet-naleving. Deze beoordeling van zowel de mate waarin duurzaamheidsvraagstukken in criteria zijn vertaald als de mate van betrouwbaarheid geeft relevante informatie over de geloofwaardigheid van een standaard.

Tot de beoordeelde standaarden behoren zowel onafhankelijke multi-stakeholder platforms als door bedrijven opgezette standaarden. Sommige standaarden richten zich op meerdere duurzaamheidsvraagstukken, andere slechts op één thema. De multi-stakeholder standaarden scoren gemiddeld hoger dan de door bedrijven opgezette standaarden. Binnen die laatste categorie scoren Nespresso AAA en Starbucks C.A.F.E. Practices relatief goed, in het middenveld van alle beoordeelde standaarden. Deze twee hebben criteria met betrekking tot een redelijk breed scala aan duurzaamheidsvraagstukken en een vrij robuuste manier om de duurzaamheid van koffie-inkopen te verbeteren. Over het algemeen bleken de multi-stakeholder platforms die robuustere criteria hebben voor verschillende duurzaamheidsvraagstukken ook sterkere criteria ten aanzien van de betrouwbaarheid van de standaard te hebben. Bovendien zijn de onafhankelijke standaarden doorgaans transparanter en bieden ze daarmee ook een hoger niveau van betrouwbaarheid.

**Figuur 1 Aandeel van gecertificeerde koffie op de Nederlandse markt (2008 - 2018)**



Bron: 2008-2016 data: Koffie & Thee Nederland, in: CBS (2017), "Duurzame agrogrondstoffen: Koffie"; N.B. In 2015 werd geen aandeel voor 4C gerapporteerd en voor 2017 ontbreken data.

Bron 2018 data: Profundo enquête, januari tot maart 2020. Zowel het aandeel van gecertificeerde koffie in de verkopen van Koffie & Thee Nederland leden (gekleurde balk) als het aandeel in de verkopen van een bredere groep van spelers op de Nederlandse koffiemarkt (gearceerde balk) is weergegeven.

**De Nederlandse markt voor gecertificeerde koffie, inclusief de door bedrijven opgezette systemen, kende een stijging van ongeveer 12 procent-punt tussen 2016 en 2018.** Dit blijkt uit een enquête onder diverse spelers op de Nederlandse koffiemarkt, zowel leden als niet-leden van Koffie & Thee Nederland. De bedrijven die de enquête invulden vertegenwoordigen naar schatting 85 procent van de Nederlandse koffieconsumptie (op basis van de netto import van 'groene bonen equivalenten') in 2018. De resultaten laten zien dat het Nederlandse marktaandeel van koffie die is gecertificeerd volgens de criteria van onafhankelijke multi-stakeholder standaarden (Rainforest Alliance / UTZ, Fairtrade, Organic, 4C) in 2018 op 56 procent lag. Dit resultaat is gebaseerd op gerapporteerde volumes. Wanneer ook door de sector opgezette standaarden worden meegerekend, stijgt het gerapporteerde marktaandeel naar 57 procent. Wanneer alleen naar de leden van Koffie & Thee Nederland gekeken wordt, ligt het aandeel in hun verkopen met respectievelijk 60 procent (alleen multi-stakeholder standaarden) en 61 procent (alle standaarden) iets hoger. Uit eerdere enquêtes onder de leden van Koffie & Thee Nederland bleek dat het aandeel van gecertificeerde koffie (inclusief 4C) in de verkopen van Koffie & Thee Nederland-leden in 2014 59 procent

bedroeg, maar in 2016 was gedaald naar 48 procent. Tussen 2016 en 2020 is dit aandeel dus met 12 procentpunten gestegen.

Rekening houdend met de verschillen in onderliggende data tussen de enquêtes, betekent dit dat het aandeel van gecertificeerde koffie in 2020 vergelijkbaar is met het aandeel dat eerder gemeld werd op basis van de Koffie & Thee Nederland sector-enquête in 2014 (Figuur 1). Aangezien sommige grotere koffiebranders en supermarkketens niet gereageerd hebben op de voor dit onderzoek verstuurd enquête, moeten de gerapporteerde marktaandelen worden geïnterpreteerd als conservatieve schattingen, met name voor het aandeel van door bedrijven opgezette standaarden.

**Veel Nederlandse marktpartijen vertrouwen nog steeds op certificering om hun duurzaamheidsverplichtingen na te komen.** Hun positie in de markt is een belangrijke bepalende factor voor de manier waarop koffiebedrijven duurzaamheid benaderen. Het aandeel van gecertificeerde koffie is vaak hoog bij grote branders en bij de huismerken van supermarkten. Andere koffiebranders rapporteren vaak een kleiner aandeel verkochte gecertificeerde koffie. Met name de MKB-bedrijven die zich op speciale koffiesoorten richten rapporteren meestal een klein aandeel voor gecertificeerde koffie (met uitzondering van biologische koffie) in hun verkopen. In dit marktsegment voor speciale koffie worden vaak langdurige, directe handelsrelaties aangegaan tussen koffieboeren, gespecialiseerde handelaren en kleinschalige koffiebranders. De daarmee samenhangende hoge mate van traceerbaarheid wordt dan gezien als een meer efficiënte strategie om verantwoorde toeleveringsketens te waarborgen. Kopers van speciale koffie betalen vaker premies uit op basis van de kwaliteit van de koffie dan op basis van keurmerken.

Onder de bedrijven die als duurzaamheidsdoel kiezen om het aandeel van gecertificeerde koffie in hun verkopen te laten groeien, zijn de gerapporteerde aandelen in sommige gevallen nog steeds vrij laag en ligt het doel om alleen gecertificeerde koffie te verkopen vaak nog vele jaren in de toekomst. Tegelijkertijd worden wereldwijd aanzienlijke hoeveelheden koffie die geproduceerd zijn volgens de criteria van onafhankelijke standaarden niet verkocht tegen een meerprijs, vanwege een gebrek aan marktvraag. Dit heeft ook te maken met de grote nadruk die bedrijven leggen op de specifieke koffiekwiteit in hun aankoopbeslissingen. Dit gebrek aan afzetmogelijkheden voor gecertificeerde koffie en - daarmee samenhangend - het mislopen van een meerprijs die de extra investeringen van boeren kan dekken, belemmert op zijn beurt het vermogen van de robuustere standaarden om de gewenste verbeteringen voor koffieboeren te realiseren.

**Naast het inkopen van gecertificeerde koffie, beginnen en steunen Nederlandse marktspelers steeds vaker aanvullende initiatieven zoals multi-stakeholder samenwerkingsplatforms en eigen verbeteringsprojecten.** De koffiesector stelt dat een eenzijdige focus op het marktaandeel van gecertificeerde koffie onvoldoende de veelzijdige inspanningen van de sector in beeld brengt om duurzaamheidsvraagstukken in de koffieketen aan te pakken. In haar rapportage over 2015 noemde Koffie & Thee Nederland al een reeks van meer dan 50 duurzaamheidsgerelateerde projecten die door haar leden waren opgezet of ondersteund. Bovendien maken Koffie & Thee Nederland en een aantal van haar leden deel uit van Europese en internationale netwerken, en hebben ze Nederlandse marktpartijen opgeroepen om gezamenlijke oplossingen te vinden voor meer transparantie en monitoring. Daarom is het tweede deel van dit onderzoek gericht op het geven van een beeld van de bredere inspanningen van bedrijven in de Nederlandse koffiesector, als aanvulling op het vergroten van het marktaandeel van gecertificeerde koffie. Relevante initiatieven, hun benaderingen en doelstellingen en de betrokkenheid van Nederlandse marktpartijen, werden onderzocht door een uitgebreid literatuuronderzoek, aangevuld met interviews met deskundigen.

**Breed wordt erkend dat doelgerichte, collectieve initiatieven van alle belanghebbenden in de koffiesector nodig zijn om de diepgewortelde duurzaamheidsvraagstukken in de sector aan te pakken.** Dergelijke multi-stakeholder en pre-competitieve samenwerkingsverbanden worden nu vaak op mondiaal niveau opgezet door een groot aantal spelers actief in verschillende stadia van de koffieketen, die direct en indirect zijn verbonden met de Nederlandse markt. Voorbeelden van de diversiteit aan collectieve initiatieven zijn het Global Coffee Platform en de Sustainable Coffee Challenge, die op internationaal niveau publieke en private spelers met elkaar verbinden rond verschillende duurzaamheidsvraagstukken. Het Futureproof Coffee Collective met Nederlandse kleine en middelgrote branders van speciale koffiesoorten

heeft een focus op transparantie en het eerlijk betalen van koffieboeren. De in dit onderzoek gemaakte inventarisatie van internationale samenwerkingsverbanden en platforms pretendeert geen volledigheid maar illustreert wel de veelheid aan pre-competitieve duurzaamheidsinitiatieven in de koffiesector, waarbij steeds meer (Nederlandse) marktpartijen betrokken zijn (zie Tabel 1).

**Tabel 1 Belangrijke pre-competitieve duurzaamheidsinitiatieven in de koffiesector**

Naam	Focus	Type
<b>Global Coffee Platform (GCP)</b>	Breed	Publiek-private samenwerking
<b>Sustainable Coffee Challenge (SCC)</b>	Breed	Publiek-private samenwerking
<b>International Coffee Organization (ICO)</b>	Economische, sociale en ecologische duurzaamheid	Multilaterale organisatie
<b>World Coffee Research (WCR)</b>	Toegang tot verbeterde koffievariëteiten	Wetenschappelijk onderzoek
<b>SAFE Platform</b>	Aanpassing aan klimaatsverandering, financiering kleine boeren, gender, jeugd	Private sector, donoren & NGOs
<b>Coffee &amp; Climate (C&amp;C)</b>	Aanpassing aan en beperking van klimaatsverandering	Publiek-private samenwerking
<b>Futureproof Coffee Collective (FCP)</b>	Economische duurzaamheid	Pre-competitieve samenwerking
<b>International Coffee Partners (ICP)</b>	Aanpassing aan klimaatsverandering, gender, samenwerking tussen boeren	Pre-competitieve samenwerking
<b>Living Wage Lab</b>	Economische duurzaamheid	Private sector, publieke sector, NGOs & keurmerken
<b>Living Income Community of Practice</b>	Economische duurzaamheid	Private sector, NGOs & donoren

Verschillende grote handelaren, koffiebranders en supermarktketens die op de Nederlandse markt actief zijn, zijn lid van het Global Coffee Platform en van kleinere netwerken, en hebben verschillende toezeggingen gedaan in het kader van de Sustainable Coffee Challenge. Slechts enkele kleine en middelgrote (MKB) Nederlandse koffiebedrijven zijn lid van deze internationale samenwerkingsverbanden, wat waarschijnlijk te wijten is aan hun beperkte middelen. Via brancheorganisaties als Koffie & Thee Nederland en de European Coffee Federation of via hun koffieleveranciers krijgen MKB-bedrijven echter ook informatie over internationale duurzaamheidsontwikkelingen, risico's in herkomstgebieden en beschikbare oplossingen. Ook de leidende supermarktketens zijn ondervertegenwoordigd in deze collectieve duurzaamheidsinitiatieven, ondanks hun grote marktaandeel in de koffieverkoop in Nederland. Zij richten hun duurzaamheidsdoelen vooral op het vergroten van het aandeel van gecertificeerde koffie in hun verkopen, soms in combinatie met kleinere duurzaamheidsprojecten die ze zelf hebben opgezet.

Naast deze multi-stakeholder initiatieven bestaan er in de koffiesector veel verbeteringsprojecten die door individuele bedrijven zijn opgezet, alleen of in samenwerking met partnerorganisaties. Deze projecten richten zich op een breed scala aan duurzaamheidsthema's, van het upstream-producentenniveau tot het downstream-consumentenniveau. Projecten waarbij Nederlandse koffiebedrijven zijn betrokken richten zich vaker op het aanpakken van milieukwesties in de midstream- en downstream-delen van de toeleveringsketen, zoals energieverbruik of afvalrecycling, terwijl dit doorgaans buiten de focus ligt van de in Tabel 1 genoemde internationale samenwerkingsplatforms die zich doorgaans op het upstream-deel van de keten (de koffieboeren) richten. Zo zijn er door de Nederlandse koffiesector toezeggingen gedaan om het energieverbruik in de toeleveringsketen tussen 2005 en 2020 te verminderen, die worden gemonitord en gerapporteerd in het kader van de Meerjarenaafspraken Energie-efficiëntie (MJA3). Relevante stappen zijn gezet en er is nog enige tijd te gaan om de gestelde doelen te halen.

**Op dit moment is het niet mogelijk om, bovenop het monitoren van de ontwikkeling van het marktaandeel van gecertificeerde koffie op de Nederlandse koffiemarkt, een kwantitatieve inschatting te maken van de resultaten van de betrokkenheid van de Nederlandse koffiesector bij andere duurzaamheidsinitiatieven in de sector.** Er liggen ongetwijfeld mogelijkheden voor internationale samenwerkingsverbanden in de koffiesector om belangrijke duurzaamheidsvraagstukken, zoals de kwetsbare economische positie van koffieboeren en de uitdagingen van klimaatverandering, aan te pakken. Tegelijkertijd blijven de versnippering van collectieve en individuele duurzaamheidsinitiatieven en de behoefte aan meer transparantie belemmeringen die moeten worden aangepakt om tot een zinvolle beoordeling te komen. Breed wordt erkend dat alle duurzaamheidsbenaderingen, of het nu gaat om certificering of andere initiatieven, gecontroleerd en beoordeeld moeten worden op hun lokale impact in koffieregio's. Het vinden van een systematische aanpak om deze impact te monitoren en beoordelen is door de Nederlandse koffiesector tot prioriteit gemaakt, zoals blijkt uit de uitkomsten van de ronde-tafel discussies die Koffie & Thee Nederland in 2018 voor haar leden organiseerde.

**Er is behoefte aan concrete stappen van de koffiesector om beoordelingskaders te ontwikkelen die de vergelijking van verschillende duurzaamheidsinitiatieven mogelijk maken.** Door het huidige gebrek aan een gestandaardiseerde benadering en aan vergelijkbare data, blijft het toevoegen van andere kwantitatieve of kwalitatieve elementen aan een duurzaamheidsmonitor voor de Nederlandse koffiemarkt voorlopig onhaalbaar. Een sector-brede strategie om transparante informatie te verzamelen op basis van een gestandaardiseerd beoordelingskader is vooral belangrijk om resultaten te laten zien en de voortgang te meten van de benaderingen die worden gebruikt om onder andere een leefbaar inkomen voor koffieboeren te realiseren. Een tussenstap zou kunnen zijn om voor alle marktpartijen die op de Nederlandse markt actief zijn de inzet, toezeggingen en betrokkenheid bij bredere multi-stakeholder initiatieven en verbeteringsprojecten volledig in kaart te brengen.

**Er zijn al beoordelingskaders ontwikkeld, zoals het Accountability Framework en de maatstaven zoals voorgesteld door het Global Coffee Platform en de Sustainable Coffee Challenge.** In de nabije toekomst is uitgebreide monitoring en analyse van de efficiëntie en impact van duurzaamheidsinitiatieven in grondstofmarkten afhankelijk van de beschikbaarheid van vergelijkbare basis-studies; de toepassing van overkoepelende beoordelingskaders met gestandaardiseerde en meetbare prestatie-indicatoren; de transparante en consistente publicatie van gegevens; en regelmatige longitudinale studies om de voortgang te analyseren. Dit zou versnippering van middelen voorkomen, het zou een katalysator kunnen zijn voor betere resultaten en meer impact, het zou gestandaardiseerde gegevens beter beschikbaar maken, en tot slot zou het het vertrouwen van de consumenten en de markt in de duurzaamheidsbenaderingen van bedrijven en de rol van certificering kunnen versterken.

Koffie & Thee Nederland zou een belangrijke rol kunnen spelen bij het stimuleren van haar leden om deze beoordelingskaders over te nemen en om op basis daarvan systematisch en transparant te rapporteren. Het aanvullend verzamelen van gegevens over de inkooppraktijken van andere (buitenlandse) bedrijven die actief zijn op de Nederlandse markt valt buiten het bereik van Koffie & Thee Nederland, maar zou de informatieve waarde van een duurzaamheidsmonitor van de Nederlandse koffieconsumptie ten goede komen.

**Het is belangrijk om te beseffen dat de Nederlandse koffiesector niet op zichzelf staat, maar deel uitmaakt van een sterk internationaal georganiseerde markt.** Nauwere (internationale) samenwerking met andere groepen belanghebbenden rond belangrijke duurzaamheidsvraagstukken, het bundelen van beschikbare middelen en het leren van ervaringen zouden de inspanningen om een duurzamere koffieketen te realiseren kunnen versnellen. Samenwerking op EU-niveau, vergelijkbaar met de samenwerking tussen lidstaten in het Amsterdam Declaration Partnership (met betrekking tot grondstoffen die een rol spelen bij ontbossing), zou kunnen helpen om overeenstemming te bereiken over gemeenschappelijke uitdagingen, gezamenlijke benaderingen, uniforme monitoringkaders en een grotere marktdekking.

**Meer transparantie door de bedrijven in de koffiesector over de resultaten van hun initiatieven kan eraan bijdragen dat monitoring rapporten meer recht doen aan andere initiatieven om duurzaamheidsvraagstukken aan te pakken.** De Nederlandse regering zou transparantie en rapportage door bedrijven in de koffiesector kunnen bevorderen door beter gebruik te maken van de mogelijkheden die de EU-richtlijn over niet-financiële rapportage biedt. Andere lidstaten zouden hetzelfde kunnen doen ten

aanzien van hun koffiebedrijven, waarvan sommigen ook op de Nederlandse markt actief zijn. Ook kan de evaluatie van het Internationaal Maatschappelijk Verantwoord Ondernemen (IMVO) beleid in het najaar van 2020 aanknopingspunten bieden om aanvullende maatregelen op te nemen in de IMVO-convenanten over levensmiddelen tussen sectoren, maatschappelijke organisaties, vakbonden en de Nederlandse overheid.



## Abbreviations

<b>AFi</b>	Accountability Framework Initiative
<b>CBS</b>	Centraal Bureau voor de Statistiek   Statistics Netherlands
<b>COSA</b>	Committee on Sustainability Assessment
<b>CSER</b>	Corporate Social and Environmental Responsibility
<b>ECF</b>	European Coffee Federation
<b>EU</b>	European Union (28 member countries in 2018/2019 including the UK)
<b>GBE</b>	Green Bean Equivalent
<b>GCP</b>	Global Coffee Platform
<b>GHG</b>	Greenhouse Gas
<b>GIZ</b>	German Agency for International Cooperation
<b>HCV</b>	High Conservation Value
<b>HCS</b>	High Carbon Stock
<b>ICC</b>	International Coffee Council of the International Coffee Organization (ICO)
<b>ICO</b>	International Coffee Organization
<b>ICP</b>	International Coffee Partners
<b>IDH</b>	Sustainable Trade Initiative
<b>IFC</b>	International Finance Corporation
<b>IPM</b>	Integrated Pest Management
<b>IRBC</b>	International Responsible Business Conduct agreement
<b>LDC</b>	Louis Dreyfus Company
<b>NKG</b>	Neumann Kaffee Gruppe
<b>NGO</b>	Non-governmental Organisation
<b>PBL</b>	Planbureau voor de Leefomgeving   Netherlands Environmental Assessment Agency
<b>RA</b>	Rainforest Alliance
<b>RVO</b>	Rijksdienst voor Ondernemend Nederland   Netherlands Enterprise Agency
<b>SCC</b>	Sustainable Coffee Challenge
<b>SCP</b>	Sustainable Coffee Platform (IDH)
<b>SEG</b>	Sustainability Export Group of the European Coffee Federation
<b>SMEs</b>	Small- and medium-sized enterprises
<b>TCLI</b>	Task Force for Coffee Living Income
<b>VSS</b>	Voluntary Sustainability Schemes
<b>WCR</b>	World Coffee Research

## Introduction

The CBS-monitor on Sustainable Agro-Commodities 2017 concluded, based on market shares sold under certification schemes, that the sustainability status of coffee marketed and consumed in the Netherlands was lagging other commodity supply chains. This decreasing trend was partially the result of industry actors questioning the real impact that could be achieved with certification schemes as well as the costs attached to sourcing certified coffee.

In the last ten years, some actors in the coffee sector opted to shift their sourcing to company-driven schemes. This shift is based on the assertion that such industry-initiated schemes have at least comparable sustainability criteria to the common certification schemes. Assessing the criteria applied by the various sustainability schemes can help to evaluate their credibility.

As a prerequisite to quantifying the market share covered by different sustainability approaches, a quantification of the total import, processing, and sales of (certified) coffee in the Netherlands is required. Next to the sales of members of the sector association Koffie & Thee Nederland, it is believed that a sizeable volume of (conventional or certified) coffee, especially coffee sold under own brands of retailers, is directly purchased in other countries. In contrast, various small buyers with own purchase channels are responsible for an unknown share of the market. Both types of actors are partly operating outside of Koffie & Thee Nederland, whose data formed the basis of the CBS monitoring. While hard figures are lacking, the sector estimates that approximately 10 to 20 percent of coffee sales in the Netherlands are accounted for by companies that fall outside of the association. This includes imports of coffee beans as well as roasted and packaged coffee.

The Directorate General for International Cooperation of the Ministry of Foreign Affairs has asked the Netherlands Environmental Assessment Agency (PBL) to research the status of sustainability in trade and marketing of coffee in the Netherlands. In this report, Profundo is presenting the results of research into these questions in the period from January to April 2020.

Chapter 1 describes the methodology used in conducting the research as well as data uncertainties that influenced the results. Chapter 2 provides a brief overview of the coffee market structure globally and the role of the Netherlands more specifically. The key sustainability issues in the coffee chain as well as approaches to tackling these are described in Chapter 3. Chapter 4 presents the results of the assessment of key voluntary sustainability schemes commonly used in the Dutch coffee sector against a set of social and environmental criteria. Moreover, it summarises the findings on the share of certified coffee in the Dutch market in 2018. Chapter 5 gives an overview of pre-competitive sector collaborations and public-private platforms and maps the involvement of players with direct or indirect links to the Dutch coffee market. Lastly, key areas of company-driven corporate social and environmental responsibility activities observed among coffee sector actors in the Netherlands are highlighted. The conclusions in Chapter 6 reflect on the findings of the analysis and provide recommendations for monitoring the sustainability of the Dutch coffee market.

## Chapter 1 Methodology

### 1.1 Research objective

This research aims to create a more complete overview of the status of sustainability in the Dutch coffee sector than is currently available and to recommend options for more comprehensive monitoring of progress. This includes the role of commonly used, independent certification schemes as well as more recently introduced industry-initiated verification schemes for coffee sourcing.<sup>a</sup> Other, more diversified sustainability initiatives taken by companies are also considered. In addition, it is intended to cover a broad share of the sector by including data on companies that are not linked to Koffie & Thee Nederland. These findings may allow to identify future options for action to stimulate sustainability in coffee sourcing and consumption.

### 1.2 Research questions

The following research questions were defined to provide input on suggested options for action:

- What is the volume of import, processing, and sales of coffee in the Netherlands?  
This question concerns the mapping of the total import, processing, and sales by the different types of companies involved in the processing and marketing of coffee, such as importers, roasters / packers, retailers, and caterers.
- What is the percentage of the market that is covered by the different sustainability standards?  
This question examines which share of coffee sales in the Netherlands is certified by widely supported certification schemes as well as company-specific initiatives.
- What is the quality and credibility of the company initiatives?  
To assess the performance and reliability of business initiatives and compare them with independent sustainability standards, a benchmark is required.
- Which elements should be added to the monitoring of agro-commodities to do justice to sustainable business initiatives?  
The CBS agro-monitor mainly looked at the extent to which certified agro-commodities were sold on the domestic market. This question aims to identify additional elements (quantitative and qualitative) that may allow to better reflect new sustainability initiatives.

### 1.3 Data collection

#### 1.3.1 Trade and processing statistics

Data on the import and export of coffee to and from the Dutch market was drawn from statistical databases (Statistics Netherlands (CBS), Eurostat, Prodcorn). HS codes considered included:

- 090111 Coffee (excluding roasted or decaffeinated)
- 090112 Decaffeinated coffee, excluding roasted
- 090121 Roasted coffee (excluding decaffeinated)
- 090122 Roasted, decaffeinated coffee
- 210111 Extracts, essences, and concentrates, of coffee

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<sup>a</sup> Jointly referred to as VSS (Voluntary Sustainability Schemes) or certified coffee in the remainder of the document.

- 210112 Preparations with a basis of extracts, essences or concentrates of coffee.

Net imports and estimates for green bean processing ratios were used to draw conclusions on the coffee available for domestic consumption, including at home and out of home consumption.

### 1.3.2 Data collection on sustainability-related activities

This research project aims to provide a representative picture of the status of sustainability on the Dutch coffee market. Consequently, it was aimed to identify and approach a selection of companies that import and market a large share of the coffee consumed in the Netherlands, including traders, roasters, and vendors. Companies from all types of sales channels were contacted, including B2B, food service (sales to e.g. cafés and restaurants, offices, or canteens), retailing and direct sales to consumers.

As there is no complete overview of companies available that are active in the coffee sector, the list was created based on several different sources. Koffie & Thee Nederland, the industry association of Dutch coffee and tea companies, represents leading coffee sector actors, including green coffee traders, roasters and packers that account for a significant share of the Dutch coffee market. Koffie & Thee Nederland informed its member companies about the research and encouraged them to provide input.

Additional companies in the Dutch coffee sector which are not association members were identified by analysing coffee market reports and specialised media. Furthermore, LISA data based on extracts from the General Business Register (Algemeen Bedrijven Register, ABR) were consulted to identify relevant companies.<sup>1</sup> The ABR is maintained by CBS and forms the basis for analysing economic statistics. Companies registered with the Dutch Chamber of Commerce are classified based on economic activity and number of personnel. With the help of these additional sources, especially large- and medium-sized companies that are not members of Koffie & Thee Nederland were identified with a focus on the following economic activities:

- Processing of coffee;
- Wholesaling of coffee;
- Retailers with own-brand coffee;
- Coffee service for businesses;
- Food service, canteens, and contract catering.

A total of 68 companies, including 36 KTNL members, were approached between January and March 2020. Companies were requested to provide details on:

- the volume of coffee (green beans, roasted, instant) imported, purchased and exported;
- the volume of coffee sold on the Dutch market falling under one or more voluntary sustainability scheme (VSS);
- other activities in relation to coffee sustainability at the different stages of the supply chain.

A total of 26 companies have provided input (38 percent response rate), of which 18 Koffie & Thee Nederland members. In total, it is estimated that the responding companies represent around 85 percent of the Dutch consumption of coffee (based on green bean equivalents (GBE)) in 2018. To ensure business confidentiality, all data was anonymised in the analysis.

## 1.4 Assessment of voluntary sustainability schemes

### 1.4.1 Scoring criteria

The study benchmarked the criteria of a set of certification and verification schemes (Voluntary Sustainability Schemes (VSS)) to ascertain the quality and credibility of these standards in guaranteeing a sustainable coffee supply chain. The assessment applied existing national and international guidelines on responsible business and sustainability issues with relevance for the coffee sector. The assessment looked at four sustainability topics:

- Community and labour rights protection;
- Environment and water protection;
- Forest and biodiversity protection; and
- Relevant issues in relation to the circular economy.

Issues concerning the circular economy were included to be able to account for efforts on this topic as pointed out by the coffee sector. However, it is important to note that this topic is less relevant in schemes that focus on sustainability issues at the production side of the supply chain.

Moreover, the standards' level of assurance was assessed, with assurance here referring to a combination of provisions to ensure that coffee production complies with the requirements of the sustainability principles set by the schemes. Examples are: whether a third-party auditor is required; whether an accredited auditor is required; whether field observation is required; whether the auditing report is publicly available; whether consultation with relevant stakeholder is conducted; or whether sanctions apply in cases of non-compliance. The combination of the selected sustainability principles and the (sufficient) level of assurance are important aspects of the robustness and credibility of the standards and serves as a selection criterium for use of standards in the Dutch trend of certified market shares.

Table 7 in Appendix 1 of this report provides an overview of the detailed sustainability and assurance principles included in the VSS appraisal. The assessment applied three possible scorings, dependent on specific conditions (Table 2).

**Table 2 Coffee sector VSS benchmark scoring**

Score	Conditions
2	The standard has provisions that explicitly address the issue defined in the benchmark principles. The standard refers to other (specific) relevant standards.
1	The standard has a general provision on the issue.
0	The standard does not have relevant provisions on the issue.

In interpreting the benchmark results, it is important to consider that these are based on the underlying criteria of the different schemes. However, the scoring of these criteria in relation to the sustainability topics as well as the schemes' level of assurance does not necessarily allow to draw conclusions on the eventual implementation on the ground as well as outcomes and impacts of adopting the VSS. To evaluate implementation, outcomes, and impact of VSS, continuous (field) monitoring and evaluation of changes on the ground are required. These activities were outside the scope of this research.

### 1.4.2 Voluntary sustainability schemes included in the assessment

Initiatives to make the production of coffee more sustainable fall into several different categories. Voluntary sustainability schemes (VSS) which are members of the International Social and Environmental Accreditation and Labelling Alliance (ISEAL) are measurable and independently audited and monitored from producer to retailer. This definition is consistent with the definition in the Letter of Intent that the Dutch coffee sector published in 2011. Under this definition, four global certification standards are relevant for the coffee sector:

- Fairtrade International (FLO) / Max Havelaar
- Organic (IFOAM) / EU Organic<sup>b</sup>
- Rainforest Alliance / UTZ<sup>c</sup>
- 4C.

Furthermore, in recent years also a range of companies have launched coffee-related schemes that verify the adherence to varying numbers of sustainability criteria. The following industry-initiated schemes, which include sustainability principles as well as assurance provisions in relation to mechanisms and principles for the verification process, are included in the assessment:

- Nespresso AAA (Nestlé)
- C.A.F.E. Practices (Starbucks)

Two of the schemes that have been included are focussing on single themes but are applicable in different commodity sectors. Alliance for Water Stewardship (AWS), an ISEAL member, focusses on the sustainable use of water. Climate Neutral / Klimaatneutraal Product aims to help companies and organizations to become and deliver products or services that are 'climate-neutral'. Organic IFOAM covers some of the labour criteria, but due to their narrow thematic focus the Organic standards have been categorised as single-issue standards in the assessment.

The focus of the assessed VSS is mainly on the producer level, albeit with different focus areas. Only Climate Neutral is including CO<sub>2</sub>-emissions along the complete supply chain. However, it is very limited in its coverage of other sustainability areas.

### 1.4.3 Assessment process

The assessment principally used documents of each scheme that were publicly accessible. Where these were not available the scheme owner was contacted to request information. The initial results of the assessments were sent to each of the organisations managing the VSS to obtain feedback and to acquire additional relevant policy documents that were not publicly available. Five of the selected schemes provided feedback on the initial results. The feedback was assessed to evaluate whether the input warranted revision of the original assessments.

## 1.5 Profiling of other sustainability related activities in the coffee sector

A range of other sustainability-related activities have been implemented in the coffee sector over time. Due to the sheer range of industry-initiated as well as collaborative approaches, it was not possible to provide a complete mapping of activities within the scope of this research. Instead, it

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<sup>b</sup> The IFOAM Organic standards are the basis of other organic standards, including EU Organic (certified by SKAL in the Netherlands). Most organic coffee sold in the Netherlands is certified as EU Organic and labelled as 'Biologisch'.

<sup>c</sup> Rainforest Alliance and UTZ finalised the integration of their schemes in 2020 with the launch of a new Rainforest Alliance Certification Program in June 2020. As this launch took place after the research period for this analysis, the benchmark is still referring to the previous criteria.

was chosen to profile the farthest developed international pre-collaborative approaches and collaboration platforms that bring together many international stakeholders and reach a sizeable coffee market share. Furthermore, an attempt was made to categorise more commonly used approaches and examples of corporate social and environmental activities of individual companies with direct links to the Netherlands. However, due to the large number of coffee sector players this can only be a snapshot to illustrate the multitude of approaches to sustainability and provide a view on the potential of these alternatives compared to VSS. In this context, the new Coffee Barometer, which is expected towards the end of 2020, will be an important source of information on the sustainability status of the broader international market.

## 1.6 Conversion rates

Coffee trade is often reported in bags of 60 kg net green coffee or the equivalent thereof, i.e. GBE: green bean equivalent. Green coffee refers to the naked bean form before roasting.

In converting green beans to roasted and instant coffee, the conversion rates published by the International Coffee Organization (ICO) were applied. The following ICO conversion rates were most relevant for this research:

- Roasted coffee to GBE: net weight of the roasted coffee multiplied by 1.19;
- Instant coffee to GBE: net weight of instant coffee multiplied by 2.6.<sup>2</sup>

For the conversion from roasted or instant coffee to cups of coffee it is assumed that 7g of coffee are used to prepare one cup of coffee. For the calculation of per capita consumption, a Dutch population in 2018 of 14.6 million people of age 15 and older was applied based on CBS data.

## 1.7 Data uncertainties

In calculating net available coffee for the Dutch consumption (green beans, roasted, instant), it must be taken into account that there are considerable data uncertainties. Green beans are processed domestically and then also partially re-exported in the form of roasted and instant coffee. Data collection on processing (Production of Manufactured Goods, Prodcop) and trade are separate processes which observe and cover different market segments. Combined with the fact that data quality for values is better than for volumes and possible inconsistencies due to unknown stocks of green beans, calculations of overall available roasted and instant coffee for the Dutch market can only provide indications.<sup>3</sup>

Monitoring of progress in sustainability should preferably be based on data from regular longitudinal studies analysing data from the same set of actors. The quantitative data on VSS-compliant coffee in this research is based on an ad-hoc survey among a partially different set of companies than surveyed in earlier monitoring by Koffie & Thee Nederland. Data on coffee purchases and sales by Dutch companies and the share of certified coffee sold could only be obtained from a section of the Dutch coffee market, albeit representing a significant share. Information on volumes sold and certified shares is treated as confidential business information by many companies. Consequently, there is a lack of consistent data across the sector. It cannot be excluded that this situation creates a certain bias; for example, companies with higher ambitions to improve sustainability may be proportionally overrepresented in the analysis as they may be more willing to share information; at the same time, some companies for which high shares of certified coffee were expected did not participate.

The divergent data base from previous surveys impacts the comparability and continuity of monitoring from earlier years. While this should be kept in mind when comparing and interpreting the results, the data certainly allow to give an indication on the developments during recent years.

As companies at various stages of the supply chain were approached for data, it is likely that certain volumes were double counted due to overlapping flows. If a company is sourcing its coffee from another Dutch importer or roaster who also participated, these volumes may be considered twice. However, the reported volumes that respondents sourced from Dutch companies are considerably smaller than volumes of direct imports, suggesting that this error is also small. Furthermore, volumes reported as double-certified were only assigned to the scheme with the larger volume to avoid double-counting.



## Chapter 2 Coffee market structure

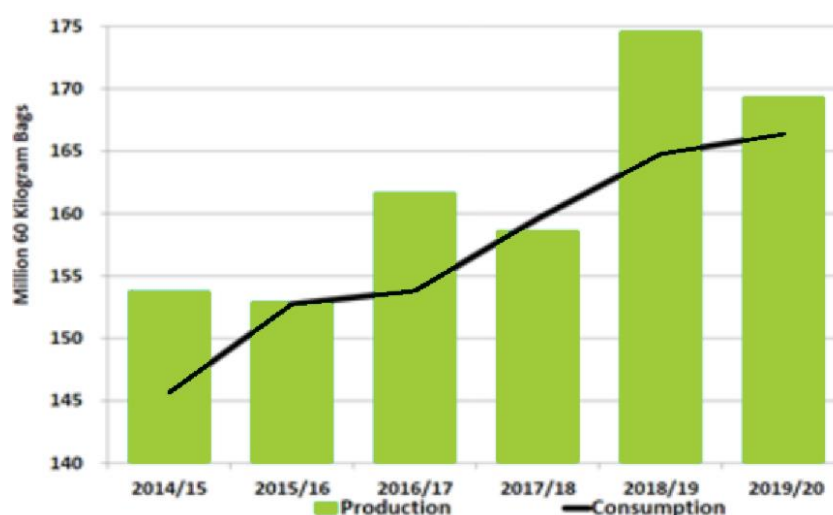
This chapter sets the scene by providing an overview of the overall coffee market (section 2.1) and its key actors (section 2.2). It further looks at the position of the Netherlands in this market (section 2.3) and the key sales channels and brands (section 2.4).

### 2.1 Global coffee production and consumption

World coffee production is estimated at 168.9 million bags (60 kg) in 2019/20, while consumption is expected to exceed production somewhat at a projected 169.3 million bags.<sup>d</sup> However, the Covid-19 pandemic is deemed a considerable, still largely unpredictable downside risk to global coffee consumption.<sup>4</sup>

As illustrated in Figure 2, both production and consumption have increased during the last five years. The year-on-year variations in production are partly due to off-years in the Brazilian biennial Arabica coffee crop cycle.<sup>5</sup>

**Figure 2** World coffee production and consumption, 2014/15 to 2019/20



Source: USDA (2019, December), *Coffee: World Markets and Trade – 2019/20 Forecast Overview*.

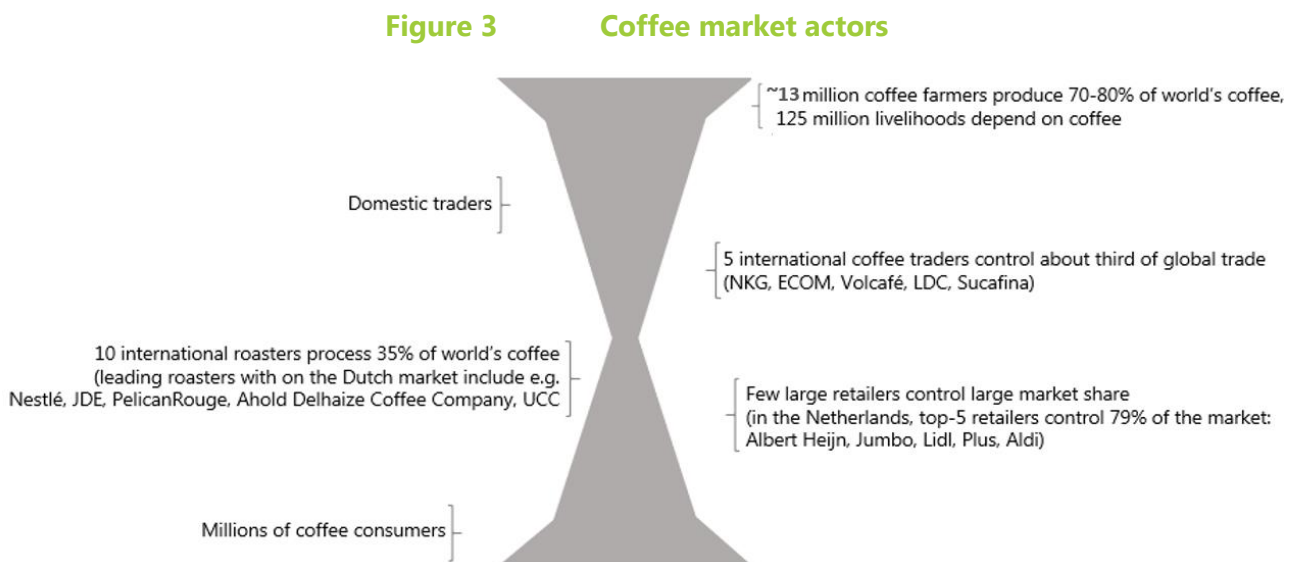
The coffee market consists of two distinct segments: commodity-grade coffee and speciality coffee. Commodity-grade coffee relies on *robusta* and commercial-quality *arabica* beans that are traded on a highly competitive (spot) market as an undifferentiated bulk product. The speciality coffee market is still only accounting for a small share but is increasingly relevant especially in mature markets, representing a transition of part of the market from bulk commodity to a buyer-driven and quality-focussed chain that mostly consumes high-quality *arabica* beans.<sup>6</sup>

Key global markets for coffee consumption are the EU (28 percent) with Germany as the largest market, the U.S. (16 percent) and Brazil (14 percent).<sup>7</sup> The coffee sector in developed markets is mature with low growth rates and shifts rather to pricier products such as capsules and specialty coffees. The highest growth rates for coffee sales are currently observed in emerging markets.<sup>8</sup>

<sup>d</sup> Falling back on stocks to fill the supply gap.

## 2.2 Key coffee market actors

The coffee sector has the typical hourglass shape that many mature tropical commodity sectors show: at the top, the production phase involves millions of often small farmers; trading volumes are concentrated with a few large and increasingly consolidated roasters and traders; the product is sold by a small number of concentrated retailers, whereas the bottom of the value chain has millions of consumers (Figure 3). Value adding largely takes place in consuming markets, illustrated by the much larger volume of green beans exported by producing countries in comparison to roasted coffee volumes.



Source: own elaboration based on Fairtrade International (n.d.), "Coffee"; Distrifood (2019), "Marktaandeelen"; Panhuysen, S. and J. Pierrot, J. (2018), *Coffee Barometer 2018*, pp. 5-9; Enveritas, in: Carto (2019, December 5), "Map of the month: Bringing smallholder producers out of poverty".

The leading traders and roasters usually operate in multiple regions and markets. Names like NKG, ECOM or Volcafé may not even be known to consumers despite being responsible for supplying sizeable volumes of coffee to the Dutch market, be it directly or indirectly.

The coffee roasting step is highly fragmented but ongoing consolidation means that a small number of leading roasters control a substantial share of the market. Globally, Nestlé (Switzerland) accounts for around 25 percent of the coffee sales, followed by JAB Holdings (Luxembourg, including Jacobs Douwe Egberts (JDE) as a key brand) with around 12 percent.<sup>9</sup> On the third place follows Italian Lavazza with around 2.5 percent. Recent mergers and acquisitions included Nestlé in 2018 securing the global right to sell consumer and food service products under the brand name Starbucks, a segment that generated € 1.7 billion in 2017.<sup>10</sup> JDE agreed on a cooperation with Illy to produce the capsules for the Italian brand.<sup>11</sup> Meanwhile, Lavazza expanded its geographic reach by purchasing Mars' coffee business.<sup>12</sup>

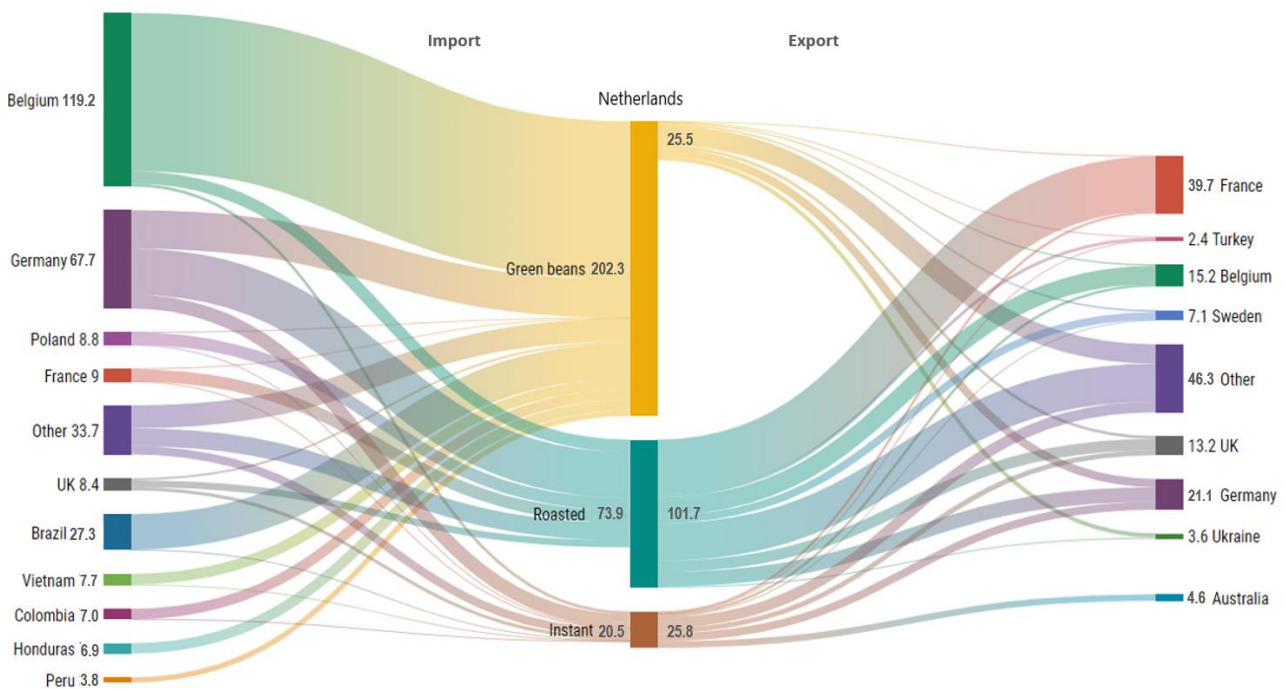
A key driver for mergers and acquisitions at the roasting and retailing level are the attractive margins. According to 2018 analysis by Bernstein Research, Nestlé's powdered and liquid beverages business was marked by margins of 22 percent, not yet considering the additional Starbucks business that had a margin of 24 percent. These margins contrasted with concurrent global coffee prices at a 12-year low.<sup>13</sup>

## 2.3 Position of the Netherlands in European coffee trade

The EU coffee trade is dominated by imports via Belgium and Germany, together accounting for 83 percent of the total.<sup>14</sup> Belgium's leading role as a coffee importer to the EU is owed to the large coffee bean storage capacity in the Port of Antwerp.<sup>15</sup> At the same time, it is re-exporting a large share of this volume to other, mostly EU destinations, including the Netherlands.

The significant share of coffee re-exported from other EU neighbours means that it is hardly possible to identify the true origin of coffee consumed in the Netherlands based on coffee trade statistics (Figure 4). In 2018, other EU countries accounted for almost 80 percent of Dutch coffee imports, including 68 percent of green bean imports, 98 percent of roasted coffee imports and 88 percent of instant coffee imports. Direct imports of value-added roasted or instant coffee from producing countries is still negligible. The Netherlands also re-exports growing volumes of green coffee beans to other EU countries, but more importantly large volumes of roasted coffee after the processing of green beans.<sup>16</sup>

**Figure 4 Coffee flows to and from the Netherlands, 2018 (1,000 tonnes of product)**

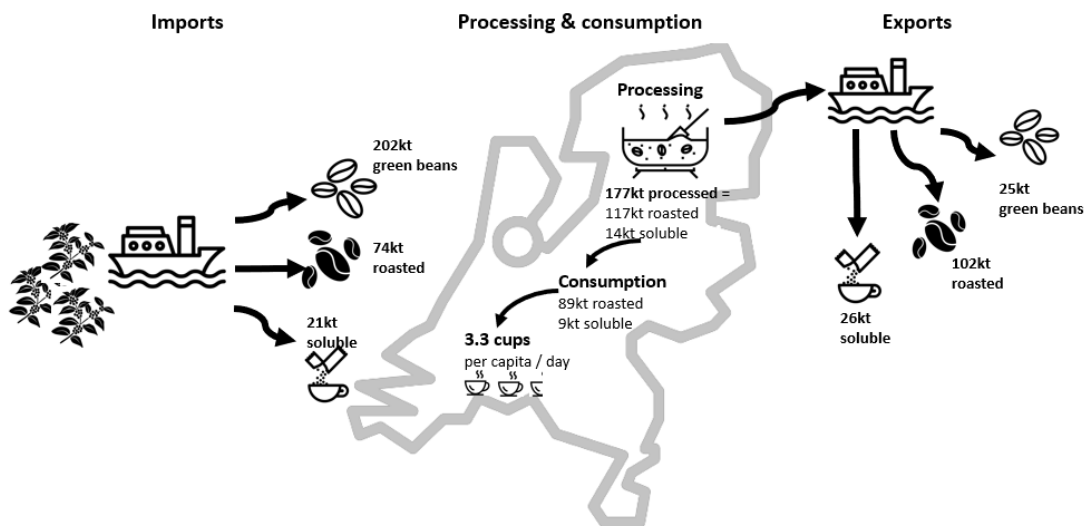


Source: own elaborations based on *CBS Statline* (2020), "Goederensoorten naar land; natuur, voeding en tabak", viewed in March 2020.

After exports, domestic consumption in the Netherlands in 2018 totalled an estimated 89,000 tonnes of roasted and 9,000 tonnes of instant coffee (Figure 5), or approximately 130,000 tonnes of green beans. The Dutch coffee consumption equals around 3.3 cups per capita per day.<sup>e</sup>

<sup>e</sup> Of the population aged 18 and older. Differences with other calculations for coffee consumption can be caused by using different population samples (choice of age group; consumption per capita or only considering coffee drinkers) and calculation based on net available volume vs. consumer survey.

**Figure 5 Dutch coffee trade, processing and consumption, 2018 (1,000 tonnes)**



Note: division of products resulting from processing partly estimated due to lack of detailed and standardised data.

Source: own elaborations based on: *CBS Statline* (2020), "Goederensoorten naar land; natuur, voeding en tabak", viewed in March 2020; *CBS Statline* (2020), "Verkopen; industriële producten naar productgroep (ProdCom)", viewed in March 2020; *CBS Statline* (2020), "Bevolking, geslacht, leeftijd en burgerlijke staat, 1 januari", viewed in March 2020; Icons by *The Noun Project*.

## 2.4 Key coffee sales channels and brands in the Netherlands

The Dutch coffee market had a value of roughly € 1.15 billion in 2018. This value is expected to increase to € 1.24 billion in 2022.<sup>17</sup> According to estimates, 70 percent of coffee in the Netherlands is consumed at home, with supermarkets as key sales channels. The remaining 30 percent are consumed out-of-home, in cafés, offices or as take-away.<sup>18</sup>

Sales by volume of ground coffee, pads and instant coffee in Dutch supermarkets (excluding hard discount) is decreasing in recent years, reaching a combined market share of 72.9 percent in 2019. This decrease is due to growing sales of coffee beans (18.5 percent by volume in 2019) and capsules. While accounting for only 8.5 percent of the volume, capsules contribute more than 20 percent of sales by value.<sup>19</sup> Due to the Corona pandemic, it is likely that at-home consumption and with this the role of retailers as coffee sales channel will see a (temporary) increase.

The largest share of the Dutch coffee market is held by retailers' private labels, despite a slight decrease in their value share in the last years.<sup>20</sup> According to 2016 figures, around 38 percent of retail value sales in the Netherlands were accounted for by brands, while retailers' private labels accounted for 62 percent.<sup>21</sup> JDE and Nestlé are the leading branded coffee roasters, followed by Italian Lavazza.<sup>22</sup> For branded coffee, a shift in the retail distribution has been observed, with increasing sales via discount-oriented channels such as low-price retailer Action, discount drugstore chain Kruidvat and internet coffee specialists such as Koffievoordeel.<sup>23</sup>

As the leading branded manufacturers focus on roasting, they are dependent on coffee traders to supply them with green coffee beans. The coffee trading market is highly concentrated, with a small number of companies controlling a considerable share of the global market. These companies are mostly privately-owned and operating on a highly competitive market, making it difficult to obtain data on their overall size or market share, let alone sales on a regional or national level.<sup>24</sup> It remains thus unclear how much of the coffee consumed on the Dutch market was originally sourced from leading green coffee traders like Neumann Kaffee Gruppe (NKG), Ecom Trading, Volcafé (ED&F Man), Olam International and Louis Dreyfus Company (LDC).

## Chapter 3 Social and environmental sustainability issues in the coffee sector

The global coffee market is continuously growing and reaching a billion-dollar value, but at the same time it has been recognised for decades that the coffee value chain is associated with a large variety of social, economic and environmental sustainability issues especially at the production level. This chapter provides a brief overview of the most prevalent sustainability issues in the coffee sector, at the producer level (section 3.1) as well as at the mid- and downstream stages (section 3.2), to frame the further analysis of sustainability initiatives in the following sections of the report. Section 3.3 provides a summary of the sustainability approach and commitments of the Dutch coffee sector during the last ten years.

### 3.1 Coffee producer level

Upstream coffee production and processing is linked to a set of complex and often entwined social, economic, and environmental issues. In comparison, the mid- and downstream segments of the value chain are primarily connected to environmental issues around CO<sub>2</sub>-emissions from transport and processing, and waste from packaging and serving.

Table 3 illustrates the most important sustainability issues prevailing at the coffee producer level. Many coffee-producing countries have low development indices, struggle with widespread poverty, lack effective social infrastructure and have limited resources to prevent deforestation, harmful impacts from pesticide use and water pollution. In combination with a highly volatile coffee market and an unequal distribution of profits in the coffee value chain, this creates vulnerability for millions of coffee farmers and workers and their families. Especially the persistent inability of many coffee farmers to earn a living income is recognised as a key salient sustainability issue by all stakeholders from civil society to industry (see e.g. also sections 3.3.2 and 5.1.3).

However, while the unfair profit distribution and need to find strategies to ensure living income has been recognised for decades, the situation has not markedly improved for the millions of small farmers and workers who produce most of the coffee in the Global South. Production costs on farms in the form of labour and inputs increased while world market prices for green beans fell, leaving many farmers below the poverty line as their income decreased.<sup>25</sup> Value adding takes largely place in consuming countries.

**Table 3 Key sustainability themes at coffee producer level**

**Living conditions of smallholder farmers:** Smallholder farmers have limited access to the market, finance, inputs, services, and knowledge. They also suffer from price fluctuations, small volume, and low incomes, which often results in them living in poverty.

**Child labour:** Poor smallholder families are unable to hire labourers, meaning that family members are frequently called upon to fulfil these roles. Children are exposed to dangerous works and cannot attend school.

**Deforestation:** Trees are cut down a) to grow new crops, and b) for fuel use. This results in the loss of ecosystem services and biodiversity and contributes to climate change.

**Climate change:** Coffee contributes to climate change as GHG-emissions are released through deforestation, fertiliser use, wastewater processing, transportation of the green beans, as well as during preparation of the drink.

**Pesticide use:** The coffee plant is susceptible to diseases, resulting in frequent use of pesticides. This has negative impacts on humans and the environment.

**Water use and wastewater generation:** Growing and processing of coffee cherries requires huge amounts of water. This can lead to drought and the pollution of surface water.

Source: De Vos, B. (2019), *How to Improve Sustainability in the Coffee Supply Chain?*, Wageningen, Netherlands: Wageningen University & Research, p. 2.

The coffee industry is characterised by a high compound annual growth rate (CAGR) of 5.5 percent (2018 to 2025).<sup>f26</sup> While the annual value of the global industry reaches approximately US\$ 200 billion, estimates for investments in sustainability efforts of the sector range between US\$ 350 million and US\$ 530 million annually, or up to 3 percent of its global value.<sup>27</sup> With an annual Fairtrade Coffee Premium of around US\$ 160 million (including an additional price premium of around US\$ 60 million for organic coffee), Fairtrade estimated that its premiums accounted for around 30 to 45 percent of industry investment.<sup>28</sup>

#### **Letter by coffee producer associations to leading international coffee companies**

In a letter sent in September 2018 to the leading coffee companies globally, a coalition of coffee growers' associations expressed "[...] *their deepest concern with the current situation in the coffee market that is generating a deep economic, social and potentially political crisis, and unrest among coffee producers all over the world.*" The associations stress that every link in the chain needs to be profitable for the coffee value chain to be sustainable. They also point to the consumers, who need to understand "[...] *why coffee is at risk, not just for threats such as climate change but, in a more immediate way, the lack of economic sustainability of millions of coffee growers who are paid less than*

Coffee growers are not only faced with unequal income distribution, but also bear most of the industry risks. These include exchange or market price risks, crop loss risks due to external factors like weather, pests, or diseases, rising costs of production and high transaction costs.<sup>29</sup> These struggles in turn foster other issues like child labour, which still exists in coffee production in various countries. Farmworkers on coffee plantations are also highly vulnerable, often working below the minimum wage and with conditions analogous to slavery still occurring today, even on certified farms.<sup>30</sup>

Environmental problems like unforeseen climate events, deforestation, high pesticide use, and water impacts add to the volatility of coffee production. Climate change has become a genuine threat to coffee production in the mid-term; however, a lack of economic sustainability may force small coffee farmers out of business already in the short term.<sup>31</sup> While the coffee industry as a whole has a strong interest in safeguarding coffee production also under changing climatic conditions, coffee farmers remain most vulnerable to climate-induced weather events and diseases.<sup>32</sup>

Finding solutions to these challenges is complex as farm sizes are often so small that productivity or price increases will not be enough to lift farmers out of poverty. Moreover, notwithstanding the important role that farm-gate prices can play in achieving a living income for farmers, proper management and the consideration of various influencing factors are required to avoid unwanted market effects as prices may again come under pressure from oversupply.<sup>33</sup>

### **3.2 Mid- and downstream stages of the supply chain**

In the mid- and downstream sections of the coffee supply chain, the most relevant sustainability issues are CO<sub>2</sub>-emissions, packaging material and waste. CO<sub>2</sub> emissions are connected to processing, packaging production, transport, and consumption. In addition, packaging is connected to resource depletion and waste creation. The boom of single-serve coffee capsules in recent years has contributed to the waste volumes. The recyclability of aluminium capsules has

<sup>f</sup> The CAGR is calculated as the mean annual growth rate over a specified period of time.

increased considerably, however, return rates remain low (e.g. Nespresso currently reaches a global recycling rate of 30 percent for its capsules).<sup>34</sup>

### 3.3 Sustainability strategy of the Dutch coffee sector

#### 3.3.1 2011 to 2015

A large part of the Dutch coffee sector is represented by the association Koffie & Thee Nederland (previously Koninklijke Nederlandse Vereniging voor Koffie en Thee (KNVKT)). Pointing to the importance of coffee as an export product from developing countries and the importance of its production for the livelihoods of millions of farmers and workers, KNVKT published a declaration of intent ('Naar drie kwart duurzame koffie') in 2010 to present its efforts to make the coffee supply chain more sustainable. An action plan for the period from 2011 to 2015 sketched the envisaged approach. The sector emphasised its commitment to contribute to better working conditions for coffee farmers (people); strengthen the (economic) position of all supply chain stakeholders (added value); continuously reduce the emissions from transport along the supply chain; and to reduce the waste and energy footprint in processing (environment).<sup>35</sup>

#### **Koffie & Thee Nederland - Action Plan commitments 2011 to 2015**

##### *Origin:*

- Upscaling of sustainable growing conditions.
- From 8 percent to 25 percent sustainably produced coffee in 2015 globally.
- From 25 percent to 75 percent sustainable produced coffee on the Dutch market in 2015.

##### *Transport:*

- Reduction of sector emissions of CO<sub>2</sub> by 20 percent via 'Smart transport' (Lean and Green)

##### *Production:*

- Energy efficient coffee roasting.
- Measures in the rest of the chain, e.g. use of organic residual flows, transport, packaging waste.
- 30 percent energy efficiency improvement in 2020 compared to 2005.

##### *Consumption:*

- Reduction of energy consumption when brewing and keeping coffee warm.
- Increasing the sales of sustainably produced coffee in the Netherlands in 2015 to 75 percent.

The declaration of intent was turned into an action plan ('Sustainability from origin to coffee cup') with measures and projects. The Ministry of Economic Affairs, Agriculture and Innovation and the Secretary of State for Infrastructure and Environment supported the action plan through a Green Deal (Green Deal B-93) that was agreed on for the five-year period.<sup>36</sup> Other supporters included the Sustainable Trade Initiative (IDH) and a number of certification organisations. An expert working group was involved in the implementation and monitoring of the objectives under the supervision of KNVKT.<sup>37</sup>

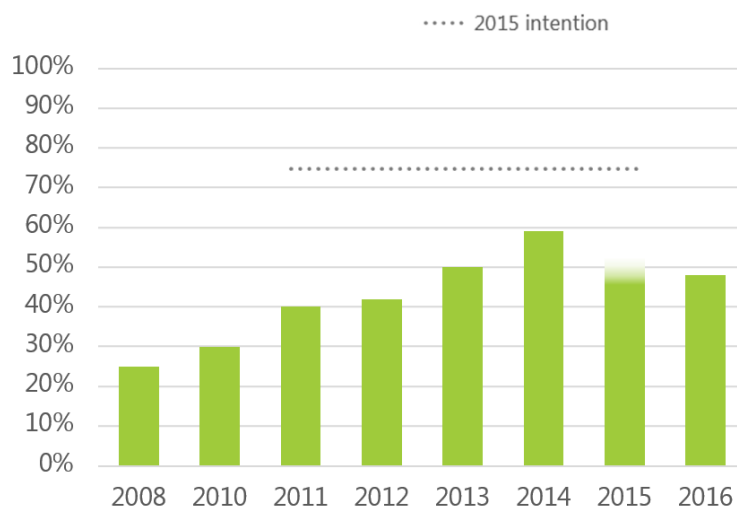
For the results on green transport, sustainable packaging, energy-efficient production and smart use of organic residual flows, the Netherlands Enterprise Agency (RVO) and the Ministry of Economic Affairs and Climate agreed to quantify and monitor at sector and company level in the context of the Long-Term Agreements on Energy Efficiency (MJA3) (see section 5.2.5).

In 2015, Koffie & Thee Nederland reported that their goal of 75 percent certified coffee sold on the Dutch market by their members could not be realized but stagnated around 50 percent based on

2014 figures (Figure 6). In addition to the four key schemes considered in the reporting, an additional nine percent of the coffee consumed on the Dutch market was certified under the criteria of the then 4C Association, taking the total to 59 percent.<sup>38</sup>

Until 2017, updates of the figures related to certified flows by Koffie & Thee Nederland members were published in the 'Monitor Duurzame Agro-grondstoffen' by CBS, that aims to monitor the progress in achieving sustainability goals in different agro-commodity sectors in the Netherlands. The VSS-compliant share reported by Koffie & Thee Nederland members showed a decrease in the following years, totalling 48 percent in 2016 (including 6 percent 4C coffee).<sup>39</sup>

**Figure 6 Share of certified coffee in the Netherlands, 2010 to 2016**



Note: No 4C-share was reported for 2015.

Source: Koffie & Thee Nederland, in: CBS (2017), "Duurzame agrogrondstoffen: Koffie".

The decrease in the share of certified coffee and the missed goal of 75 percent was partly explained with a more diversified sustainability approach by coffee sector companies. In addition, Koffie & Thee Nederland pointed to the ongoing internationalisation of the Dutch coffee market as a likely factor in the declining proportion of certified coffee reported. As the import of roasted certified coffee to the Dutch market by parties that are not linked to the sector association increased, the certified share may have been underreported.<sup>40</sup>

The sector also argued that sector stakeholders increasingly looked for other ways to include sustainability criteria in their procurement besides the use of certified coffee. Reference was made to the increasing number of industry-initiated VSS as well as the implementation of projects by individual companies to realise improvements in local conditions within their coffee chain with own standards, support programmes and purchasing conditions.<sup>41</sup> The sector also argues that individual company programmes may be able to make more direct investments in comparison with certification schemes.<sup>42</sup>

For sustainability issues at the producer side of the chain, Koffie & Thee Nederland was a founding partner of the public-private Sustainable Coffee Program (SCP) that was coordinated by IDH.<sup>43</sup> In 2016, the SCP merged with the 4C Association to create the Global Coffee Platform (GCP, see section 5.1.1).

In its 2015 status reporting, Koffie & Thee Nederland mentioned a range of more than 50 sustainability-related projects in producing countries initiated by its members, including climate change adaptation, gender and youth, quality improvements, improved agricultural practices, organisational development, education, and healthcare and sanitary conditions. Other goals



included ambitions related to emission reduction, circular economy goals, and the stimulation of the consumption of sustainable coffee.<sup>44</sup>

### 3.3.2 Developments since 2015

The sustainability approach of Koffie & Thee Nederland, as the branch organisation representing a large part of the Dutch coffee sector, has further evolved during the last years. The sector members have stated a general ambition to be more sustainable and supportive of coffee farmers and their communities. Most sector stakeholders acknowledge the various additional developments besides certification, but also see a need for more and better insight into the efforts, preferably including verification by a third party.

Remaining barriers to developing shared solutions to the prevalent sustainability issues in the coffee sector as identified during a Roundtable organised by Koffie & Thee Nederland in October 2018 included importantly the fragmentation of sustainability initiatives in the coffee sector, the lack of a structured approach to measuring impact, and achieving transparency. Creating a common understanding of the levers and barriers to achieving a living income was identified as an essential first step before agreeing on and implementing non-competitive collaborative actions and investments to tackle the sustainability issues of the sector. This recognition was picked up in the development of a 'Strategy Handbook' by the Task Force for Coffee Living Income (TCLI) under the lead of the Sustainable Trade Initiative (IDH) and with contributions of various civil society organisations, multi-stakeholder initiatives, producers, traders, roasters and retailers. It explores effective sourcing and pricing strategies to close the income gap.<sup>9, 45</sup> Furthermore, the importance of international cooperation was stressed as the challenges reach beyond the Dutch sector.

In the process, Koffie & Thee Nederland defines its role among other in supporting and helping to achieve meaningful debate and cooperation between stakeholders; representing the Dutch coffee sector within the international coffee community; and contributing to improving transparency and monitoring of the sustainability efforts and results, including but not limited to certification standards.<sup>46</sup>

As part of its international representation, Koffie & Thee Nederland actively participates in the Sustainability Expert Group (SEG) of the European Coffee Federation (ECF), which represents the coffee sector on the European level and communicates with EU institutions, and organised a sustainability conference with ICO and the European Commission in June 2019.<sup>47</sup> The ECF conducted a mapping of stakeholder initiatives that will be published shortly. Koffie & Thee Nederland furthermore performed risk analyses of a selection of countries of origin to map the concrete environmental and social risks, as part of food sector commitments under the International Responsible Business Conduct (IRBC) agreements. These analyses are available to the association members. In the downstream section of the supply chain, Koffie & Thee Nederland also committed to actively engage in making progress towards a circular economy, for example in relation to packaging sustainability and compliance with the Energy Efficiency Agreement.<sup>48</sup>

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<sup>9</sup> Company contributions include Ahold Delhaize, Ecom, JDE, Lavazza, Mercon, Nescafé, Nespresso, NKG, Olam, S&D, Starbucks, Taylors and Tchibo. Other contributors include Conservation International, Fairtrade, Global Coffee Platform, The Living Income Community of Practice, Rainforest Alliance and the Sustainable Coffee Challenge.

## Chapter 4 Voluntary sustainability schemes

This chapter presents an overview of the key VSS applied in the coffee sector (section 4.1) and the results of the benchmarking of these schemes against a common set of sustainability criteria (section 4.2). This is followed by a brief description of the status of certified coffee globally (section 4.3) and on the Dutch market (section 4.4), including the results of an industry survey conducted in early 2020.

### 4.1 Key voluntary sustainability schemes for coffee

A range of voluntary sustainability schemes (VSS) applicable to the coffee sector exist that aim to tackle social, livelihoods and environmental. Independent VSS used by coffee roasters and retailers include Rainforest Alliance/UTZ, Fairtrade and Organic. They promise to achieve better social, economic, and environmental outcomes despite lacking public regulations in producing countries. It is broadly agreed that VSS have generated benefits to farmers and importantly have shifted the conversation about what practices are acceptable in agricultural production.<sup>49</sup>

However, VSS are no universal remedy to economic, social, and environmental sustainability concerns. Research has shown mixed impacts of these schemes on different measures of sustainability, often questioning the efficiency of certification schemes to achieve sustained change. A common remark by researchers is the call for standardised, robust evaluation criteria, and procedures to assess the effectiveness of VSS.<sup>50</sup> However, such standardisation is, among other reasons, also hampered by the emphasis on different priorities by different standards (prices/income, quality/productivity, environmental sustainability).<sup>51</sup> In addition to the more recently added 4C scheme, some coffee sector companies have chosen individualised approaches of verification with a focus on their own supply chains. Starbucks C.A.F.E. Practices and Nespresso's AAA schemes are examples of industry-initiated VSS that are applied to large coffee volumes and that have publicly available criteria that need to be complied with by their suppliers. Studies on the implementation, monitoring and impact of these schemes are still hardly available.<sup>52</sup>

Table 4 provides an overview of the key VSS for coffee.

**Table 4 Key voluntary sustainability schemes for coffee**

Scheme	Characteristic	ISEAL
4C	The Common Code for the Coffee Community was created through a participatory consultation with stakeholders in the coffee sector. Responsibility for operating the 4C Certification System now belongs to 4C Services GmbH.	
Fairtrade	Fairtrade is a scheme initiated by a multi-stakeholder group that aims at promoting better prices, decent working conditions and a fairer deal for farmers and workers in developing countries.	x
EU Organic/IFOAM	IFOAM is the umbrella organization for the organic agriculture movement, with close to 800 affiliates in 120 countries. The EU Organic Regulation is endorsed under the IFOAM Standard (Regulations: (EC) Nr. 834/2007, (EC) Nr. 889/2008 and (EC) Nr. 1235/2008). Skal is the control authority responsible for the inspection and certification of organic companies in the Netherlands.	
Rainforest Alliance	Rainforest Alliance is an international NGO that provides certification to advance best practices for land use, farm management, and the stewardship of natural resources. In January 2020, the merger with UTZ was finalized. A new certification programme is expected to be published in June 2020.	x

Scheme	Characteristic	ISEAL
Nespresso AAA	Nespresso AAA is an industry-initiated scheme, developed by Nestlé in partnership with the Rainforest Alliance.	
C.A.F.E. Practices	C.A.F.E. Practices is a green coffee sourcing guideline with third-party evaluation initiated by Starbucks.	
AWS	AWS is a multi-stakeholder initiative to promote a universal framework for the sustainable use of water.	x
Climate Neutral	'Klimaatneutraal gegarandeerd' or Climate Neutral is a scheme initiated by the Climate Neutral Group to help companies and organizations become and/or deliver products or services that are 'climate-neutral'.	

## 4.2 Assessment of voluntary sustainability schemes for coffee

The following sections present the results of the assessment of commonly used VSS (see Table 4) against four sustainability topics as well as measures to assure the implementation of the standards' requirements. A detailed overview of the principles evaluated under each sustainability topic is provided in Appendix 1 .

- **Community and labour rights protections**

Among the nine VSS in the coffee sector, six include principles of labour rights protection in their requirements. VSS that focus on a specific subject, e.g. organic production, CO2-footprint, or water protection, do not consider labour issues in their principles. VSS with labour rights protection requirements generally have comprehensive principles on these issues, including VSS managed by the industry such as Starbucks' C.A.F.E. Practices and Nespresso AAA.

VSS with requirements on labour rights protection adhere to the ILO's Declaration on Fundamental Principles and Rights at Work.<sup>h</sup> Further, standards with high scores for this assessment require the establishment of a grievance mechanism to response employee complaints and to solve violations and conflicts, a good occupational health and safety policy, and actively addressing human rights risks faced by women.

The UN's Universal Declaration of Human Rights (Article 25.1) states that a living income is a human right.<sup>53</sup> The living income discussion is currently one of the important sustainability issues that the sector is trying to address. The industry depends heavily on labourers that are exposed to risks, such as migrant labourers and seasonal workers that are often living in conditions that would not be considered decent from a human rights lens. VSS with requirements on labour rights protection oblige the certificate holders to pay workers' salaries that meet the official minimum wages. 4C requires a higher wage (living wage) for permanent workers whereas Fairtrade and Rainforest Alliance set living wage and living income as criteria for improvement that the certificate holder should achieve. Fairtrade and Rainforest Alliance have been active in and partnering with the Global Living Wage Coalition in developing methodologies to calculate living wage in the coffee sector.<sup>54</sup> Furthermore, Fairtrade offers a calculation model to obtain a voluntary living income reference price. This reference price refers to the price a farmer should get to achieve a living income, considering the following key

<sup>h</sup> ILO's Fundamental Principles covers four areas: (1) freedom of association and effective recognition of the right to collective bargaining; (2) elimination of all forms of forced or compulsory labour; (3) effective abolition of child labour; and (4) elimination of discrimination in respect of employment and occupation.

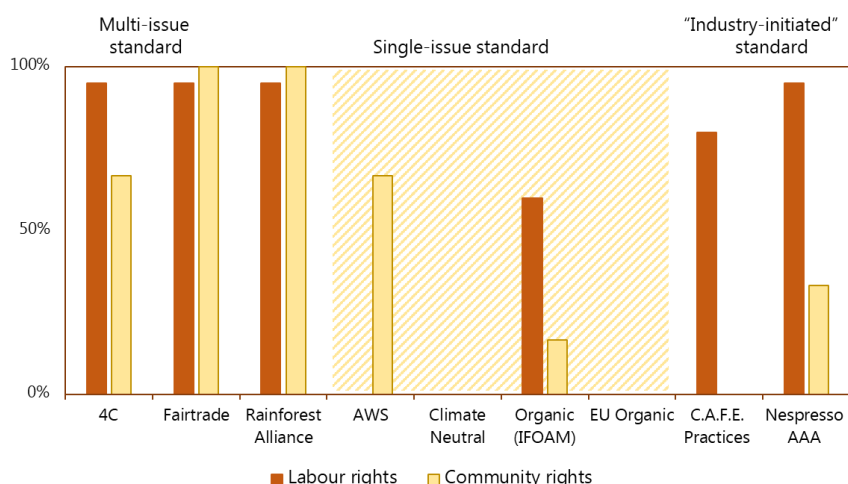
parameters: cost of a decent standard of living; sustainable yields; viable farm size; cost of sustainable production.<sup>55</sup>

- **Community rights**

Among the assessed VSS, only Fairtrade and Rainforest Alliance have comprehensive requirements in addressing community rights protection. The essential indicators for community rights protection are the implementation of a human rights due diligence process based on active consultation with the affected groups, and the establishment of effective operational-level grievance mechanisms that are transparent, fair, and easily accessible to the local community. 4C has general provisions on the implementation of human rights due diligence processes and the establishment of a grievance mechanism. While AWS and Nespresso AAA have general provisions on the implementation of a human rights’ due diligence process, they fail to offer a provision of active consultation and the establishment of a grievance mechanism for the process.

Figure 7 presents an overview of the assessment results of principles for community and labour rights protection.

**Figure 7 VSS principles for community and labour rights protection**



Note: For better comparison, the labour and community rights protection principles are weighed equally, and presented as a percentage of the principles included in the assessment.

- **Environment and water protection**

Except for Climate Neutral, all VSS have requirements for both environmental and water protection and most cover the product value chain. Climate Neutral currently has a limited provision on waste management but does not include requirements for conservation of water in water-scarce areas. Fairtrade, IFOAM Organic and Rainforest Alliance have all provisions selected for the assessment. Some VSS fail to include explicit provisions for the reduction of direct and indirect greenhouse gas (GHG) emissions<sup>i</sup> and for the implementation of Integrated Pest Management (IPM) practices that minimise the use of pesticides.

Integrated pest management (IPM) is necessary to control pests while considering its impact on the ecosystem. The implementation of IPM in coffee farming has several advantages:

<sup>i</sup> Indirect in this context refers to GHG emissions that are a consequence of the activities of the certified entity but occur at sources owned or controlled by another entity.

- prevent outbreak of new pests;
- prevent development of pest strains resistant to cheap and commonly available chemical pesticides;
- prevent increased health risks to humans and livestock; and
- prevent an overall increase in the costs of coffee production.

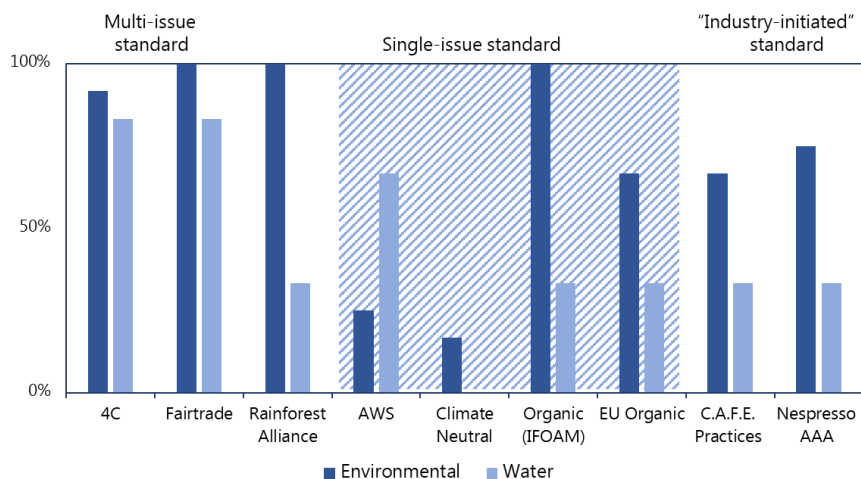
However, the implementation of IPM faces challenges in smallholder production, as farmers for example often perceive that pesticide use simplifies pest management and produces higher and better yields. IPM is less appealing because of the high labour requirements.<sup>56</sup> The sector needs collective efforts of key stakeholders to encourage more adoption of IPM practices among smallholders, such as designing and implementing educational programs aimed at a careful application of pesticides. Also, stakeholders need to improve the IPM techniques and encourage farmers to adapt and make modifications to the current practices that can potentially reduce pesticide use. Most of the VSS included in the assessment have provisions for the implementation of IPM, except for AWS, Climate Neutral and Nespresso AAA.

Irresponsible coffee production and processing can adversely affect water availability and quality. There are several ways of coffee farming and processing, and the differences between responsible and harmful practices throughout the whole production process have significant implications for water resources. Coffee farming in agroforestry systems improves water filtration, reduces soil erosion, and decreases sedimentation. On the contrary, sun-grown coffee farming contributes to soil degradation and accelerates erosion, runoff, and sedimentation of water sources.

Coffee wet milling is the most common way to process coffee. However, this process uses water inefficiently, and the wastewater often pollutes water resources. Only few mills (less than 15 percent globally) apply technologies and practices to mitigate the harmful impact of wet milling on coffee. The SCAA (Specialty Coffee Association of America) estimates that only 5 percent of certified mills are treating wastewater appropriately.<sup>57</sup>

Among the schemes, 4C and Fairtrade have the most comprehensive provisions on the protection of water resources. Figure 8 presents an overview of the results for the assessment of principles for environmental and water protection.

**Figure 8 VSS principles for environmental and water protection**



Note: For better comparison, the environmental and water protection principles are weighed equally, and presented as a percentage of the principles included in the assessment.

- **Forest and biodiversity protection**

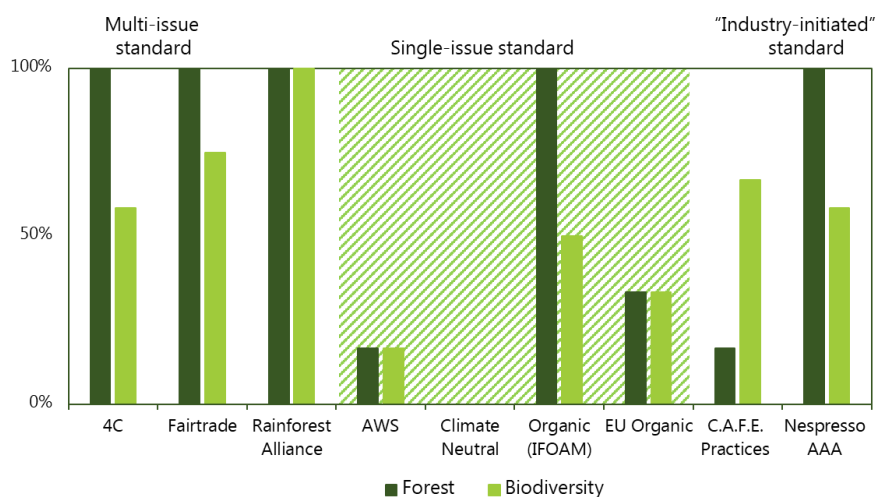
Technological improvement can only account for a limited increase in global coffee production. The Global Coffee Production and Land Use Change report (2014) report estimated that an annual increase of 100,000 hectares of coffee farms is needed globally to meet the increasing coffee demand. Coffee farm expansion can contribute directly to deforestation.<sup>58</sup> VSS in the coffee sector have also paid attention to this issue by setting requirements that contribute to the protection of off-farm vegetation and biodiversity, such as a zero-deforestation requirement, no conversion of High Conservation Value (HCV) areas, and preserving natural vegetation near bodies of water. Five out of the nine VSS have comprehensive provisions to avoid deforestation in coffee farming. 4C, Nespresso AAA, Fairtrade, IFOAM Organic and Rainforest Alliance all have provisions to avoid deforestation, and two schemes provide clear cut-off dates for "no deforestation", which are 2006 for 4C and 2014 for Rainforest Alliance.

Moreover, most VSS (except for single issue standards, such as AWS, Climate Neutral and EU Organic) have provisions to avoid coffee farming in high conservation value (HCV) areas and protected habitats. To assure the conservation of biodiversity, 4C, Nespresso AAA, C.A.F.E. Practices, IFOAM Organic and Rainforest Alliance require an environmental impact assessment for coffee production. However, only Rainforest Alliance explicitly requires the impact assessment to be conducted by an independent party.

The introduction of monoculture farming in coffee production to increase the production volume is linked to aggravated soil erosion and threats to biodiversity, especially in HCV areas. To maintain the on-farm biodiversity, most of the VSS also set requirements for biodiversity protection. Fairtrade, 4C, Nespresso AAA, C.A.F.E. Practices and Rainforest Alliance certify only shade-grown coffee farms that can support more abundant biodiversity than monoculture farming. Further, the standard policy assessment revealed that the Rainforest Alliance has the most comprehensive provisions on biodiversity protection.

Figure 9 presents an overview of the results for the assessment of principles for forest and biodiversity protection.

**Figure 9 VSS principles for forest and biodiversity protection**



Note: For better comparison, the forest and biodiversity protection principles are weighed equally, and presented as a percentage of the principles included in the assessment.

- **Relevant topics in the downstream and consumer part of the supply chain**

The general principle of the circular economy is to close the circle of coffee production and processing system, reducing resource consumption and environmental pollution. The assessment found that the standards do not cover most of the circular economy principles selected for the assessment. Therefore, including these principles in benchmarking was not feasible. The analysis found that the VSS are more focussed on the sustainability issues in the upstream part of the supply chain, such as implementation strategies for the recycling of organic waste, and efficient water use in the production and processing.

IFOAM Organic and Nespresso AAA consider other circular economy issues, including to actively pursue strategies for the reduction of packaging waste and the introduction of more environmentally friendly packaging material. No specific reference to targets for the return and recycling of packaging waste (e.g. capsules) is made by schemes.

Only Nespresso AAA has a provision that requires the use of performance indicators for the management of logistics to minimise the environmental impact of the transportation method chosen.

- **Standard level of assurance**

Assurance is the combination of measures that provide guarantees for coffee production to comply with the requirements of sustainability principles laid down in the different types of schemes, both broad market standards and industry-initiated schemes. 4C, AWS, C.A.F.E. Practices, Fairtrade, IFOAM Organic, and Rainforest Alliance require an accredited independent third-party certification body to implement audits. EU Organic also requires an independent third-party body; however, it is unclear whether accreditation is also obligatory. Meanwhile, Nespresso AAA and Climate Neutral currently only implement a self-assessment by farmers with verification from a partner organisation.

The publication of certification holders displays transparency of the scheme and enables public scrutiny of the scheme practices. Climate Neutral, AWS, Fairtrade and Rainforest Alliance publish a list of the certification holders on their website. IFOAM Organic requires its certification bodies, i.e. Skal in the Netherlands, to publish current lists of certified operators, including name, location, and scope of certification. None of the assessed schemes publish withdrawn or discontinued certificates.

Except for Nespresso AAA and C.A.F.E. Practices, all VSS have explicit requirements to implement annual surveillance. Only IFOAM Organic, Fairtrade and Rainforest Alliance include the provision on unannounced audits when there is an indication of noncompliance.

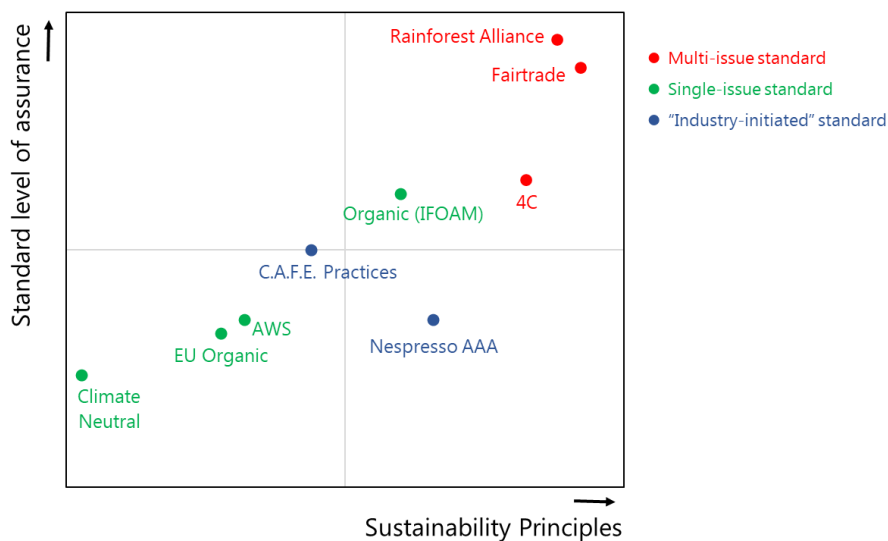
Three of the VSS – Fairtrade, Rainforest Alliance, AWS - are members of ISEAL. The ISEAL Alliance is a global membership association for sustainability standards. ISEAL's mission is to strengthen sustainability standard systems for the benefit of people and the environment. ISEAL members are committed to the ISEAL's Credibility Principles and follow Codes of Good Practice in setting standards, assuring compliance and monitoring impacts. More active participation of the coffee schemes in an alliance such as ISEAL could benefit the schemes and improve their access to information on trends and changes in the sustainability landscape, in sustainability standards and business needs, as well as guide them to evolve further.

Four VSS - 4C, IFOAM Organic, Fairtrade and Rainforest Alliance - have an explicit requirement for an easily accessible and responsive complaints mechanism for affected communities and require auditing providers to have a grievance system in place. Only AWS has an explicit

requirement for active engagement of relevant stakeholders (the surrounding community) during audits and surveillance, by providing an opportunity for stakeholders to either meet with the audit team or submit written submissions. Fairtrade and Rainforest Alliance require the auditor to engage external stakeholders when a complaint is reported.

Overall, VSS with more in-depth provisions for the sustainability principles also have more thorough provisions to guarantee the schemes' level of assurance, except for Nespresso AAA. Generally, multi-stakeholder schemes are more transparent and thus offer a more robust level of assurance. The assessment also found that Rainforest Alliance and Fairtrade have the most comprehensive provisions for both sustainability principles and level of assurance. Figure 10 provides an overview of the schemes' provision of sustainability principles (excluding the principles for the circular economy) combined with the assurance level.

**Figure 10 VSS sustainability principles vs level of assurance**



### 4.3 Certified coffee on the global market

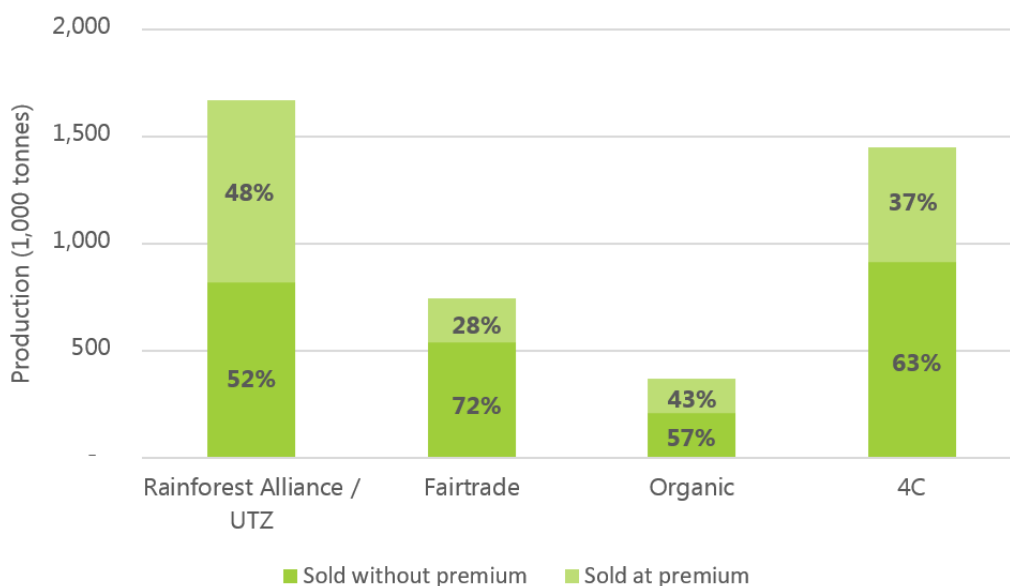
Reporting hard figures on certified volumes of commodities like coffee remains difficult. Many coffee producers are certified by more than one standard, and reliable data is lacking on the commonly observed practice of multiple certifications.

The Coffee Barometer 2018 estimates that in 2017, around 50 percent of global coffee production at farm level was certified under 4C, Fairtrade, Organic, and Rainforest Alliance/UTZ. This result is higher than the 25 percent objective of certified coffee production globally that the Dutch coffee industry had aimed to contribute to by 2015. When also considering Starbucks' C.A.F.E. Practices and Nespresso AAA, the share of certified production increases to around 55 percent.<sup>59</sup>

Meanwhile, the supply–demand imbalance that limits the growth potential of the VSS-compliant coffee market perseveres. Of the four key certification schemes, shares between 28 percent and 48 percent of the compliant production volumes were sold at a premium in 2017 (Figure 11). While the remaining volumes also enter the global coffee supply chain, this disparity means that farmers face considerable difficulties to obtain compensation for the investment costs in obtaining certification and little incentive to increase the share of certified production. The sold share is considerably higher for company-driven schemes Nespresso AAA and C.A.F.E. Practices, owed to the direct link with roasters.



**Figure 11 Global coffee production under VSS produced and sold at premium, 2018**



Note: Organic and 4C estimates for 2018.

Source: Rainforest Alliance (2020), *Coffee Certification Data Report 2019*; Fairtrade International (n.d.), "Key data: Fairtrade coffee"; Panhuysen, S. and J. Pierrot (2018), *Coffee Barometer 2018*, p. 19; 4C Services (n.d.), "Impact and continuous improvement"; own estimates.

The mismatch between production and sales of compliant produce limits the ability of these schemes to have broader impact. Growers absorb significant costs to comply with the standards but may struggle to recapture them without an adequate market.<sup>60</sup>

#### 4.4 Certified coffee on the Dutch market

Table 5 shows the results of the recent survey among coffee companies in the Netherlands. As 2019 data was not yet fully available at the time, the shares refer to 2018. Presented are reported volume shares covered by the VSS presented in Table 4. When comparing to the monitoring results from 2010 to 2016 (Figure 6), it should be considered that the new data set differs from earlier surveys. Data by half of the Koffie & Thee Nederland members could be included, albeit covering a larger market share by volume. Meanwhile, also data from non-members has been used. In total, data from 26 companies could be included in the analysis, of which 18 members of Koffie & Thee Nederland. Based on estimates of total domestic coffee consumption (see section 2.3), the responding companies represented around 85 percent of the market in 2018. Koffie & Thee Nederland members accounted for the largest share with an estimated 76 percent of domestic consumption.

The share of the four key certification schemes in the surveyed consumption reached 56 percent. When also considering the industry-initiated schemes, this share increased to 57 percent. When only considering members of Koffie & Thee Nederland, the shares were somewhat higher at 60 percent and 61 percent, respectively. This is an increase by around 12 percent from 2016, and a similar level as was reported for 2014 (see Figure 6).

**Table 5 Share of certified coffee sourced by Dutch coffee sector actors (2018, GBE)**

VSS	Certified share of total monitored consumption	Certified share of monitored consumption Koffie & Thee Nederland members	Certified share of monitored consumption non-members
Rainforest Alliance*	35%	38%	9%
Fairtrade / Max Havelaar*	8%	9%	<1%
Organic	3%	3%	6%
4C	10%	11%	0%
Other	>1%	>1%	>1%
<b>Total key schemes</b>	<b>56%</b>	<b>60%</b>	<b>15%</b>
<i>Total all certified</i>	<i>57%</i>	<i>61%</i>	<i>16%</i>

Note: Considering reporting by respondents on schemes listed in Table 4; Reporting by 26 respondents, of which 18 members of Koffie & Thee Nederland.

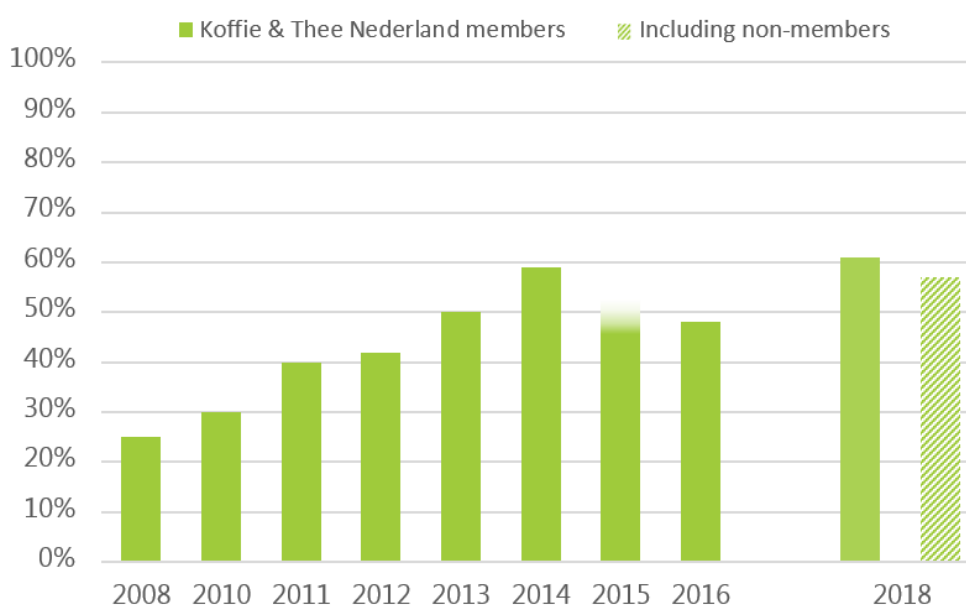
≥3% of total double certified, incl. Organic, Fairtrade, RA/UTZ, Klimaatneutral / Climate Neutral.

\*Distribution between standards partly estimated.

Source: Company survey, January to March 2020.

Non-members reported lower shares of certified purchases at an average of 15 percent for the key schemes and 16 percent for all considered schemes. The average is influenced by the difference in volumes handled by individual companies and the small sample size in this category. Certified shares in this group show a large variation, ranging between zero and 100 percent. No or small shares of certified coffee in sales were reported by some conventional coffee companies, as well as specialty coffee companies focussing on direct sourcing relationships.

**Figure 12 Certified coffee shares on the Dutch market (2008 to 2018)**



Note: No 4C-share was reported for 2015; no data available for 2017. For 2018, shares reported by Koffie & Thee Nederland members as well as those by a broader selection of coffee sector actors have been considered.

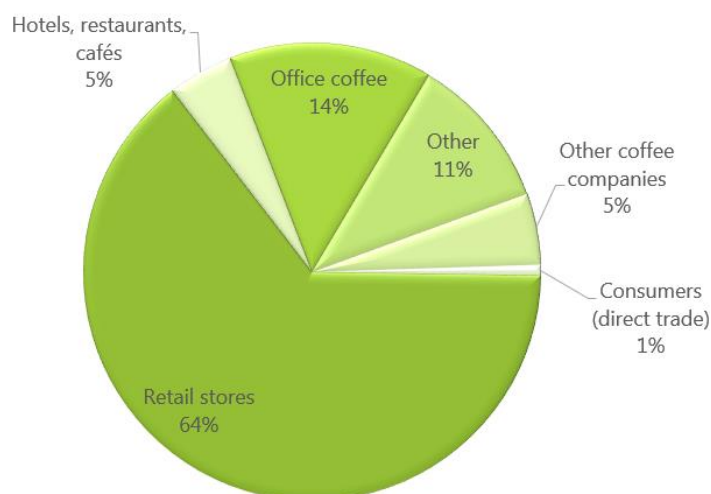
Source: Koffie & Thee Nederland, in: CBS (2017), "Duurzame agrogrondstoffen: Koffie"; Company survey, January to March 2020.

While the data base thus differs from previous years, the market coverage and the large share accounted for by members of Koffie & Thee Nederland indicates that the volume of certified coffee consumed on the Dutch market has increased from 2016. The fact that private label brands of retailers (see below for details) are only partially included but publicly report high certification rates suggests that the share on the total market may be somewhat higher. Similarly, the reported share of 'other schemes' and importantly the industry-initiated schemes was influenced by the sample of companies responding to the survey and was likely higher. The presented shares are conservative estimates.

Fairtrade provided own data on sales in the Netherlands. These suggest an overall market share on the domestic market of around 6 percent in 2019. Retail coffee sales had an estimated share of 4 percent Fairtrade coffee and accounted for around 42 percent of Fairtrade-certified sales, while out-of-home accounted for 58 percent. According to these figures, coffee sold in the Netherlands generated US\$ 3.1 million in Fairtrade premium.<sup>61</sup>

As shown in Figure 13, the survey findings indicate that key sales channels for total certified coffee in the Netherlands are retail stores (around 64 percent of certified volume). Out-of-home consumption accounted for 35 percent of the total, with office coffee as the most important channel.<sup>62</sup>

**Figure 13 Key sales channels for certified coffee, 2018**



Source: Company survey, January to March 2020.

In the Netherlands, VSS-compliant coffee is primarily sourced and sold by larger roasters and the leading grocery retailers. The private label brands of retailers report a particularly high share of commitments to and/or attained sales of certified coffee:

- Ahold Delhaize (AD) (parent of Albert Heijn) accepts Rainforest Alliance, Fairtrade or "equivalent standards" as sustainable.<sup>63</sup> In 2019, 96 percent of the own-brand coffee was certified according to one of these standards.<sup>64</sup> AD has the 2020-target of sourcing 100 percent certified coffee in its own-brand coffee products by 2020.<sup>65</sup> This is also the commitment that the retailer made under the SCC (see section 5.1.2).
- Aldi Nederland (part of Aldi Nord, Germany) does not report recent results on certified coffee. It aimed to achieve a target of at least 30 percent of the raw coffee certified according to the Rainforest Alliance/UTZ, Fairtrade or EU Organic by the end of 2016; and 50 percent at the end of 2020.<sup>66</sup> Its melanges also contain 4C coffee.<sup>67</sup>

- Jumbo expects of the suppliers of its private label coffee that all coffee is certified by Rainforest Alliance/UTZ or Fairtrade. As of October 2019, this accounted for 97 percent of its private label coffee products.<sup>68</sup> Jumbo also offers Climate Neutral-certified Fairtrade and EU Organic coffee.<sup>69</sup>
- In 2018, Lidl Nederland (part of Schwarz Group, Germany) reached its goal of having 100 percent of its private label coffee certified according to Fairtrade, Rainforest Alliance/UTZ or EU Organic.<sup>70</sup> In its 2019 corporate due diligence report, Lidl states that it maintains this target until the end of 2020. However, it adds the proviso that this is only feasible if the availability of the commodity is guaranteed.<sup>71</sup>
- Since 2012, retailer Plus applies the Fairtrade certification to all its private label coffee. Plus states that it sources all its private label coffee from the suppliers of eleven farmer cooperatives in six countries: Brazil, Honduras, Nicaragua, Peru, Tanzania; and Uganda. Plus indicates that in 2018, it has paid US\$ 625,162 in Fairtrade premiums for coffee.<sup>72</sup> In addition, the retailer states that all its private label coffee is certified as Climate Neutral.<sup>73</sup>

For the large, multinational roasters with presence on the Dutch market, certification schemes are also important, albeit recording differing shares. For example, JDE reported for its global supply chain in 2018 a share of 22 percent certified coffee, with an aim to increase this share to 40 percent by 2025. Moreover, it aims to achieve 100% responsible coffee by 2025, including either coffee certified under Rainforest Alliance, Fairtrade or 4C, or coffee sourced under its own Common Grounds supplier engagement programme (see also 5.2.2).<sup>74</sup> Nestlé reported for 2019 that 65 percent of the global Nescafé coffee supply was responsibly sourced according to its own definition, with a goal to reach 70 percent by 2020 (Nespresso's AAA, Starbucks' C.A.F.E. Practices, Certifica Minas, Comexim app, Olam's AtSource). For Nespresso, it aims for 100 percent of its permanent range to be sourced through its AAA Program by 2020.<sup>75</sup>

Among small- and medium-sized coffee buyers in the Netherlands, there is a difference between the ones focussing on conventional-quality coffee and the specialty coffee roasters. SME roasters focussing on the conventional quality market frequently rely on sourcing coffee under VSS as part of their sustainability approach. For SME specialty coffee buyers, the commonly applied VSS only play a marginal role. In this market segment, long-term relationships and direct trade with specialty coffee producers, specialised traders and small-scale roasters and related high levels of traceability are often chosen as a strategy to ensure responsible supply chains. Moreover, specialty coffee buyers more commonly pay price premiums based on the quality of the coffee, while VSS are not considered to guarantee high-quality produce. The only certification that has a niche in the specialty sector and is expected to continue to do so is Organic. Some specialty coffee companies see the commonly used certifications as counterproductive due to the extra costs for farmers.<sup>76</sup>

## Chapter 5 Multi-stakeholder and company-driven sustainability initiatives

The recognition by all stakeholder groups in the coffee sector of the need and urgency to act on social and environmental sustainability issues has driven the uptake of certified coffee supplies. At the same time, a multitude of initiatives and projects have emerged over the years, initiated in multi-stakeholder processes involving different interest groups or by individual companies. Value chain actors are often supported by public and private organisations, such as public donors and industry associations. Partnerships between non-profit organisations and coffee industry actors are also common practice.

This chapter first provides examples of key pre-competitive collaborations and public-private platforms in which large roasters and traders are more likely to be involved (section 5.1). SMEs with a focus on the Dutch market as well as the leading retailers more often run individual projects in selected geographies (section 5.2).

Due to the large number of coffee companies with activities on the Dutch market, ranging from small to large companies and from direct (e.g. Dutch roasters or retailers) to more indirect links (e.g. globally operating traders supplying roasters with presence on the Dutch market), it is not possible within the scope of this project to provide a comprehensive overview of the activities of all relevant actors on the Dutch market. The aim is rather to highlight:

- Initiatives of companies that control a large market share, either as traders, roasters or retailers;
- examples of companies that take more unique approaches;
- commitments of companies within initiatives and platforms that bring together larger groups of stakeholders, encourage collaboration and joint learning, and have defined a certain level of common objectives.

### 5.1 Pre-competitive sector collaboration and public-private platforms

Earlier phases of multi-stakeholder collaborations in the coffee sector focused on promoting the uptake of certified coffee to transform the coffee sector. Examples include the 4C Association or IDH's Sustainable Coffee Platform (SCP). In recent years, this approach has shifted. A multitude of pre-competitive collaboration and public-private platforms using other approaches to solve sustainability issues in the coffee chain have been formed. This is owed to the broad recognition that targeted collective interventions by all sector stakeholders are needed to address the underlying sustainability issues.<sup>77</sup>

Such collaborations range from global partnerships to national platforms, can involve different mixes of stakeholders and have various regional focusses. There is considerable overlap in membership, on the corporate side as well as regarding implementing organisations and donors. In an ideal scenario, such collaborations allow to pool resources, adopt commonly accepted baselines, key performance indicators and transparent reporting, and exchange knowledge on joint challenges and successes to accelerate efficiency.

Based on interviews and literature review, examples of pre-competitive collaborations and platforms that stand out as most evolved, involve a broad group of stakeholders and have links with the Dutch market are briefly profiled in the following sections. Examples of participating industry stakeholders with substantial links to the Dutch market and their commitments are provided.

**Table 6 Examples of pre-competitive sustainability collaborations and multi-stakeholder platforms in the coffee sector**

Focus	Type	Key results	Links with Netherlands (examples)
<b>Global Coffee Platform (GCP)</b>			
Broad	▪ Public-private collaboration	▪ Sector dialog to align activities & investments, scale successful approaches ▪ Sustainability Framework (with SCC) ▪ Country networks & action platforms	▪ 120 members ▪ Traders: Volcafé, Ecom, Olam ▪ Roasters & retailers: JDE, Nestlé, UCC, Aldi Nord ▪ Banks: ABN Amro, Rabobank ▪ Partners: IDH, Rainforest Alliance
<b>Sustainable Coffee Challenge (SCC)</b>			
Broad	▪ Public-private collaboration	▪ Sustainability Framework (with GCP) ▪ Database of member commitments ▪ Action networks ▪ Annual progress reporting on commitments	▪ 147 partners ▪ Traders: Ecom, Mercon, NKG, Sucafina ▪ Roasters & retailers: Hesselink, Illycaffé, JDE, Moyee, Nescafé, Nespresso, PelicanRouge, Ahold Delhaize, McDonald's, Starbucks
<b>International Coffee Organization (ICO)</b>			
Economic, social, environmental sustainability	▪ Intergovernmental organisation	▪ Coffee Development Report ▪ Leadership on implementation of London Declaration	▪ 49 producer & consumer country governments (incl. the European Union (EU))
<b>World Coffee Research (WCR)</b>			
Access to improved varieties	▪ Scientific research	▪ Best practice guides ▪ Hybrid development ▪ Farmer field trials	▪ >100 research partners ▪ >100 coffee sector actors contribute annually or per pound sold ▪ Collaboration with international research institutes
<b>SAFE Platform</b>			
Climate change adaptation, smallholder finance, gender, youth	▪ Private sector, donors & NGOs	▪ Creation & funding of projects, small interventions, learning initiatives ▪ >120,000 farmers reached ▪ Toolkit development ▪ Top-level quantitative project results on website	▪ 22 partners ▪ Traders: Ecom ▪ Roasters: Starbucks ▪ Partners: Hivos, Solidaridad, Rainforest Alliance, collaboration with GCP
<b>Coffee &amp; Climate (C&amp;C)</b>			
Climate change adaptation / mitigation	▪ Public-private collaboration	▪ Training of farmers / trainers ▪ Methodology & toolbox	▪ 11 members ▪ Traders: NKG ▪ Roasters: Starbucks ▪ Implemented by HRN Stiftung & CI
<b>Futureproof Coffee Collective (FCP)</b>			
Economic sustainability	▪ Pre-competitive collaboration	▪ Open source tool for true-cost accounting ▪ Pilots in Colombia & Peru	▪ >15 Dutch SME (specialty) roasters ▪ Coordinated by MVO-Nederland
<b>International Coffee Partners (ICP)</b>			
Climate change adaptation, gender, farmer collaboration	▪ Pre-competitive partnership	▪ Technical project assistance, from design to implementation ▪ Top-level quantitative project results on website	▪ 8 family-owned coffee companies ▪ Traders: NKG ▪ Roasters: Lavazza ▪ Implemented by Hanns R. Neumann Stiftung
<b>Living Wage Lab</b>			
Economic sustainability	▪ Private sector, public sector NGOs & Certifiers	▪ Co-creation & experimentation ▪ Platform to exchange best practices, lessons learned on realizing living wage for supply chain workers	▪ Roasters: Moyee ▪ FNLI as industry association ▪ Coordinated by Hivos & FairFood
<b>Living Income Community of Practice</b>			
Economic sustainability	▪ Private sector, NGO & donors	▪ Learning & collaboration between stakeholders ▪ Methods & guidance to achieve living income	▪ Traders: Olam ▪ Roasters: Nestlé ▪ Banks: ABN Amro

### 5.1.1 Global Coffee Platform

The GCP convenes around 150 coffee companies and organisations from all parts of the world to establish a joint platform to scale impact with the spending on sustainability. The GCP was established in 2016 out of the recognition that hundreds of traders, roasters, retailers, NGOs, governments, donors, and sustainability initiatives all try achieving their own sustainability agendas regardless of duplication, short-term focus, or fragmentation. At the same time, it was recognised that this may hamper supply to match demand by 2030.<sup>78</sup> A multi-stakeholder initiative for increasing and establishing sustainability in the coffee sector, the GCP is heavily focussed on building dialogue among its members to align activities and investments and scale successful approaches.<sup>79</sup> The GCP is partnering with the German GIZ, IDH (founding member), ISEAL Alliance and the Rainforest Alliance.<sup>80</sup>

The GCP and the Sustainable Coffee Challenge (SCC) (see section 5.1.8), in cooperation with the Committee on Sustainability Assessment (COSA), the Rainforest Alliance and the Waterwatch Cooperative, in 2017 launched a jointly developed Sustainability Framework with common metrics to allow measuring progress towards sustainability in the coffee sector.<sup>81</sup> International coffee companies contributing to the framework development included among other Starbucks, McDonalds, Pelican Rouge, and Sucafina.<sup>82</sup> It includes 15 high-level global indicators of sustainability and defined intervention pathways with suggested investments, actions and outputs (see Appendix 3 ).<sup>83</sup> The connected Global Coffee Data Standard project displays the metrics that were developed in a multi-stakeholder approach to operationalise the initial basic common indicators for farm-level coffee sustainability. The aim is to achieve functionality across origins and comparability over time.<sup>84</sup>

This approach could form a constructive tool for transparent metrics and monitoring of sustainability efforts; however, as there is no obligation to share and publish data there is a risk that it will remain unclear in how far targets have been met or are on track.

Furthermore, Sachs et al (2019) highlight in their analysis that several of the defined outputs and outcomes of the GCP are relevant for supporting farmers' economic viability. However, outputs that would align with companies' co-responsibility for economic sustainability in low price environments are lacking.<sup>j,85</sup>

GCP members with relevance for the Dutch market include:

- Various coffee international green coffee traders with direct or indirect links to the Dutch market (e.g. Volcafé; ECOM Agroindustrial; Olam International).
- Roasters with relevance for the Dutch market include JDE, Nestlé, UCC and Aldi Nord.<sup>k</sup>
- Other Dutch actors include financial institutions ABN Amro and Rabobank.<sup>86</sup>

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<sup>j</sup> Sachs et al. note that one of the closest outcomes to supporting farmers' economic viability is under standards / certification: "*Improved price received for coffee exceeds cost of production.*" The "output" in that pathway ("*Pounds of green coffee produced in compliance with a standard*") does not measure company action that would lead to this outcome. However, a significant volume of coffee globally is produced, but not sold under VSS; a more helpful indicator would thus measure company purchases of VSS-compliant products, such as "*Pounds purchased in compliance with a standard*", or even "*Percentage of supply certified.*"

<sup>k</sup> Aldi has own coffee roasting facilities in Germany.

## 5.1.2 Sustainable Coffee Challenge

The Sustainable Coffee Challenge (SCC) was introduced during the Paris climate meeting in 2015 at the initiative of Conservation International and Starbucks to “*make coffee the first sustainable agricultural product in the world*”. The public-private cooperation involves actors from across the global coffee industry, including governments and NGOs.<sup>87</sup> It seeks collaboration of coffee sector actors and organisations toward collective goals by pooling knowledge, standards and financial instruments. This should lead to strengthening the role of the producer and the implementation of sustainable coffee farming techniques.<sup>88</sup> The SCC allows stakeholders to publicly state their commitments to sustainability and report on progress over time. In a joint process with the GCP, the SCC in 2017 launched a Sustainability Framework and related metrics that are further developed in a collaborative process (see section 5.1.1).

As of June 2019, the SCC counted 83 sustainability commitments by 55 stakeholders, of which more than half from large retailers and roasters (51 percent), while traders only accounted for 6 percent.<sup>89</sup> Since then, the number of commitments has increased to 102.<sup>90</sup> Most of the commitments focused on sustainable sourcing policies (35 percent), technical assistance (31 percent) and climate change (31 percent).<sup>1</sup> Furthermore, 27 stakeholders reported investments of US\$ 531 million towards achieving 33 commitments, of which approximately 72 percent directed towards global actions and 28 percent directed towards specific countries.<sup>91</sup>

Despite the availability of common metrics in the Sustainability Framework, a lack of alignment with such measurable indicators is highlighted in SCC’s annual review. Among roasters (18 actors) and retailers (12 actors) as the largest stakeholder groups in the SCC, respectively 61 percent and 79 percent have commitments with metrics. The report also notes that “*[m]ost stakeholders continue to work on an individual project mentality, with few co-investments across peer companies and/or organizations.*” In 2019, ten SCC stakeholders reported to some degree on their commitments, among which five companies (including Nescafé and Nespresso (Nestlé) and Starbucks).<sup>92</sup>

In addition to individual commitments, four action networks have been formed:

- Scaling up Sustainable Coffee Sourcing: experience exchange on sourcing commitments, seeking to increase the demand for sustainable coffee by clarifying the business case.<sup>93</sup>
- Coffee farm renovation & rehabilitation: collective target of sustainably renovating and rehabilitating 1 billion trees by 2025. To date 331 million trees have been provided.<sup>94</sup>
- Improved labour conditions and supply: knowledge sharing on best practices to ensure a continued supply of labour, promote good labour conditions and improve farmer prosperity.<sup>95</sup>
- Coffee and forest mapping & monitoring: Developing a coffee and forest mapping and monitoring toolkit to improve the understanding of coffee production systems, identify forest loss risk and monitor changes in coffee and forest cover.<sup>96</sup>

The SCC defined several targets for the period from 2020 to 2025 to maintain a diversified supply of coffee that meets growing global demand while improving the livelihoods of farmers, preserving forests and avoiding carbon emissions (Figure 14).

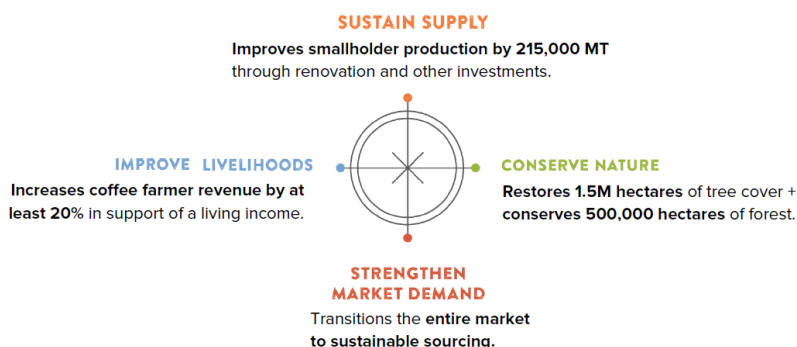
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<sup>1</sup> Actors can select more than one actor type. Many commitments also select more than one intervention type.



## Figure 14 Sustainable Coffee Challenge targets 2020 to 2025

*The coffee sector secures 100 million tonnes of carbon and*



Source: Sustainable Coffee Challenge (2020), *We Are Up to the Challenge*, p.2.

Some companies with relevance to the Dutch market are members but have not published commitments, for example Hesselink Koffie and Illycaffé. Published commitments by Dutch companies of different sizes, or by companies with important direct or indirect links to the Dutch market include among other:

☛ Ahold Delhaize:

- 100 percent of own brand coffee products globally sourced under an acceptable certification standard by 2020 (status April 2019: not reported under the SCC).<sup>m</sup>
- Member of action network on sustainable sourcing.<sup>97</sup>

☛ JDE:

- 100 percent responsibly sourced coffee by 2025 (status: not reported under the SCC).
- Directly reaching over 500,000 coffee and tea smallholders by 2025 (status: not reported under the SCC).
- Investing € 10 million over 5 years (until 2025) to improve smallholder farmers' access to finance (in partnership with IDH) (status: not reported under the SCC).
- Member of all four action networks.<sup>98</sup>

☛ McDonald's Corporation:

- By 2020, 100 percent of coffee verified as supporting sustainable production (status: not reported under SCC).
- Member of action network on sustainable sourcing.<sup>99</sup>

☛ Moyee Coffee:

- Extension of FairChain philosophy through expansion of coffee roasting, packing, and branding capacity in Ethiopia to provide 50 jobs and roast 500,000 kgs of coffee in developing countries by 2020 (status: not reported under the SCC).
- By 2018, training of 300 smallholder farmers with 25 trainers through train-trainer-program in Ethiopia, by 2018 (status: not reported under the SCC).
- Member of action network on coffee farm renovation & rehabilitation.<sup>100</sup>

☛ Nestlé:

- Nescafé: by 2020, 70 percent of global coffee supplies sourced responsibly (status April 2019: 70 percent complete; in 2018, 55 percent of global coffee supplies responsibly sourced).

<sup>m</sup> UTZ, Rainforest Alliance and Fairtrade, or equivalent.

- Nescafé: distribute 220 million coffee plantlets by 2020 (status April 2019: 80 percent complete; in 2018, 21.9 million plantlets distributed; since 2010, total of 181.8 million plantlets distributed).
- Nescafé: by 2020, improve coffee farm economics in at least four sourcing countries (status April 2019: 40 percent complete).
- Nescafé: by 2020, monitor and improve labour rights in at least two coffee sourcing countries (status April 2019: 40 percent complete; monitoring programme in one sourcing country).
- Nespresso: by 2020, source towards 100 percent of permanent coffees through the Nespresso AAA Program, increase share of certified coffees in the Nespresso AAA supply, improve farmers' livelihoods solutions, extensive agroforestry program in coffee landscapes, investment of CHF 500 million to sustain the plans 2014 to 2020 (status August 2018: 90 percent of total coffee volume sourced under the Nespresso AAA Program; 51 percent from Rainforest Alliance and/or Fairtrade; planting of more than 2.5 million native trees since 2014 in five coffee sourcing countries).
- Nescafé is member of all four action networks; Nespresso is member of coffee and forest mapping & monitoring network.<sup>101</sup>

#### ☛ Pelican Rouge Coffee Roasters

- By 2019, implementation of soil improvement of a multi-party programme in Cameroon, in cooperation with MVO-Nederland and other partners (status: not reported under SCC).
- By 2017, improve the education provided by a school in Nicaragua (status: not reported under SCC).<sup>102</sup>

#### ☛ Starbucks Coffee Company:

- By 2020, invest US\$ 50 million in its Global Farmer Fund to provide affordable access to credit to coffee farmers to finance tree renovation and infrastructure improvements. Partners include among other Root Capital, Fairtrade Access Fund, International Finance Corporation (IFC), Inter-American Development Bank (IDB) and trader Mercon. Assurance is third-party audited (status April 2019: 90 percent complete, US\$ 46 million have been committed and advanced).
- On-going target to source 100 percent of its coffee under C.A.F.E. Practices or another externally audited system (status October 2019: 99 percent verified as sourced under C.A.F.E. Practices since 2015).
- Distribute 100 million coffee trees by 2025 in coffee communities where it sources green coffee (status August 2019: 40 million trees have been provided, 40 percent complete).
- Starbucks is member of all four action networks.<sup>103</sup>

### 5.1.3 International Coffee Organization (ICO)

The International Coffee Organization (ICO) is the main intergovernmental organisation for coffee. It brings together governments representing 98 percent of the world production and 67 percent of world consumption with the mission to strengthen the global coffee sector and promote its sustainable expansion. The Netherlands is represented as part of the European Union.<sup>104</sup> Sixteen industry representatives from producing and consuming countries are members of the ICO Private Sector Consultative Board (PSCB), allowing the private sector to comment on ICO activities.<sup>105</sup>

In relation to sustainability, ICO aims to increase awareness of the threat to sustainability posed by negative economic conditions for coffee farmers.<sup>106</sup> ICO supported the adoption of the Sustainability Framework developed by GCP and SCC (see section 5.1.1).<sup>107</sup> In September 2019, ICO presented its first Coffee Development Report (CDR), which focussed on the economic sustainability of coffee production.<sup>108</sup>

In the same month, international coffee roasters and traders as well as the European Coffee Federation (ECF) signed the so-called London Declaration on the economic sustainability of coffee, under guidance of ICO. Signatories and supporting organisations commit to acting on several sustainability-related themes, with a focus on price levels and price volatility.<sup>109</sup> It further includes a

call on the International Coffee Council (ICC, the highest body of the ICO with representatives of all member governments) to endorse the Declaration and instruct the ICO to closely cooperate with coffee sector organisations including the GCP, the SCC, and the World Coffee Producers Forum, to ensure involvement of farmer voices in the process; increasing transparency through the provision of high-quality data and analytics; exploring the set-up of a global multi-stakeholder funding mechanism and mobilising support from public and private sector; and to set up a framework for monitoring of progress in realising the commitments and their impact on the sustainability of the coffee sector and specifically on farmers.<sup>110</sup>

To draw up a roadmap for the implementation of commitments and to recommend further actions on the London Declaration, the set-up of a public-private task force and supporting technical working groups was agreed in December 2019 under ICO leadership. Outcomes are expected to be presented in September 2020.<sup>111</sup>

- Company signatories of the London Declaration include ECOM Trading, Illycaffè, JDE, Lavazza, Mercon, Nestlé, NKG, Olam International, Starbucks, Sucafina, Tchibo and Volcafé. In addition, the ECF approved the Declaration at its Council meeting in December 2019.
- Supporting organisations are the Latin American and Caribbean Network of Fair Trade Producers (CLAC), Fairtrade International, Global Coffee Platform (GCP), Hanns R. Neumann Stiftung, the Sustainable Trade Initiative (IDH), National Coffee Association of the USA, Oikocredit, Rainforest Alliance, the Russian Association of Coffee and Tea Producers (RusTeaCoffee), Specialty Coffee Association, and Sustainable Coffee Challenge (SCC).

#### 5.1.4 World Coffee Research

The World Coffee Research (WCR) aims to “[...] create a toolbox of coffee varieties, genetic resources and accompanying technologies and to disseminate them strategically and collaboratively in producing countries to alleviate constraints to the supply chain of high quality coffee.” In doing so, it has partnered among other with researchers from the International Center for Tropical Agriculture (CIAT); CIRAD, a French academic institute with important activities in coffee research; and Kew Gardens, a leading botanical research centre.<sup>112</sup> Within the SCC (see section 5.1.2), the WCR has set a target for 2027 to expand access to improved varieties for coffee farmers worldwide.<sup>113</sup>

- Various coffee companies with direct or indirect relevance for the Dutch market are contributing to the work of the WCR with annual payments, including JDE (up to US\$ 500,000); Lavazza and the Starbucks Foundation (up to US\$ 249,999); Illycaffè and Lavazza Professional (up to US\$ 99,000); LDC Suisse, Olam Specialty Coffee and UCC (up to US\$ 39,999). The list of roasters and importers contributing pennies per pound of green coffee purchase include Dutch importer Trabocca and specialty coffee company Dave’s Koffiebranderij,<sup>114</sup>

#### 5.1.5 SAFE Platform

The international SAFE Platform initiative is managed by Hivos and co-financed by its members. Members include among other several CSOs, donors, the GCP, the Specialty Coffee Association and the Rainforest Alliance.<sup>115</sup>

The SAFE Platform implements projects that seek to scale up innovative approaches in four main strategic areas: climate-smart agriculture; improvement of smallholders’ financial literacy and their access to financial services; creation of commercial relationships in responsible supply chains; inclusion of gender and youth as a transversal component. The focus of activities is currently on South American coffee and cocoa producing regions. Top level quantitative project results are reported on the project websites.<sup>116</sup>

Large-scale projects are supported with approximately US\$ 1 million funding; small interventions receive support of up to US\$ 70,000 and short-term learning initiatives have a low budget. SAFE collaborates closely with the GCP, acknowledging mutual benefits between the regional co-funding portfolio of the SAFE Platform and GCP's work with National Country Platforms as well as involving GCP member companies in concrete local actions.<sup>117</sup>

- Individual company members with direct or indirect relevance for the Dutch coffee sector include Ecom Trading and Starbucks.

### 5.1.6 Coffee & Climate

Started in 2010, Coffee & Climate (C&C) is an open global partnership of coffee companies and public partners who strive to address the negative effects of climate change in coffee and help the sector to adapt. It trains coffee farmers and their trainers using its own C&C methodology and provides a toolbox to promote climate adaptation and mitigation practices. Implementing agents are the Hanns R. Neumann Foundation and Conservation International.<sup>118</sup>

- Company members with direct or indirect relevance for the Dutch coffee sector include coffee trader NKG and roaster Starbucks.

### 5.1.7 Futureproof Coffee Collective

The Futureproof Coffee Collective was launched in 2019. It is a Dutch initiative with support by MVO Nederland, Solidaridad, and the Dutch Good Growth Fund and in collaboration with expert organisations. Mostly SME companies active on the Dutch market are involved in this collective. The aim is to bring transparency to the social and environmental impacts of the coffee industry by way of true cost accounting. To this end, an open-source accounting tool to calculate the true price of coffee under consideration of the social and environmental footprint of coffee production is under development. A pilot was conducted in Colombia and expansion to Peru was kicked off in March 2020.<sup>119</sup>

- Company members are Simon Levelt, Moyee Coffee, Koffiebranderij Peeze, Blanche Dael, Bocca Coffee, Coffee Quest, Douque, This Side Up Coffees, Mocca d'Or, Santas, Single Estate, Kinti, Fair Chain, Hesselink, Boot, Fairtrade Original and Special Roast Coffee Roasters.

### 5.1.8 International Coffee Partners

International Coffee Partners (ICP) is a pre-competitive partnership of eight European family-owned coffee companies. It aims to improve the livelihoods of smallholder coffee farmers by improving their competitiveness based on sustainable practices and improved access to services as well as direct and long-term cooperation with farmers and communities. ICP provides technical assistance (project design, preparation, and implementation) as well as monitoring and evaluation of project results through its implementing partners, Hanns R. Neumann Stiftung. Top-level quantitative results are reported on the website.

Shareholders commit to allocating a fixed annual budget to project activities. Since 2001, about € 15 million have been directly invested. The annual budget amounts to about € 1.3 million.<sup>120</sup> ICP cooperates with various national and international organisations, including IDH and the Rainforest Alliance.<sup>121</sup>

- Individual company members with direct or indirect relevance for the Dutch coffee sector include coffee trader NKG and roaster Lavazza.

### 5.1.9 Living Wage Lab

The Living Wage Lab was launched by Hivos and Fairfood in 2015. Following the approach of a 'Change Lab', it aims to provide a platform to exchange insights on best practices and lessons learned, to develop tools for implementation of living wage, and support each other in the project set up. Collaborations can take various forms, from new technologies to new policies or new business models.<sup>122</sup> As part of the Living Wage Lab, Hivos and Fairfood in cooperation with the Rainforest Alliance were involved in the launch of ALIGN. ALIGN aims to provide guidance for agri-food companies aiming to reduce complexity around the topic of living wage and living income by directing users to relevant resources, tools, and partners.<sup>123</sup>

- The lab partners include Moyee Coffee as a Dutch coffee sector actor.
- Other members include the Federatie Nederlandse Levensmiddelen Industrie (FNLI, which also represents Koffie & Thee Nederland), Fairtrade Max Havelaar and UTZ.

### 5.1.10 Living Income Community of Practice

Founded by German GIZ, Sustainable Food Lab and ISEAL and funded by the German Ministry for Economic Cooperation and Development, the Living Income Community of Practice supports activities focused on improving smallholder incomes towards living income benchmarks and with that achieving a decent standard of living. It is not limited to the coffee sector. The focus lies on fostering of learning and collaboration between stakeholders through the provision of methods and guidance on measuring and reporting information on current and living incomes, understanding the gap between actual and living incomes and to identify strategies to close income gaps.<sup>124</sup>

- Community members with direct or indirect relevance for the Dutch coffee sector include Nestlé and Olam International.
- Dutch bank ABN Amro is also represented.<sup>125</sup>

## 5.2 Corporate social and environmental responsibility activities and individual company projects

The activities in relation to coffee sustainability implemented by Dutch market actors are often relying on increasing the share of certified supplies. Next to these ambitions, other types of individual corporate social and environmental responsibility (CSER) activities have proliferated in recent years. Projects involving individual companies focusing on the Dutch coffee sector are more likely to deal with environmental issues in the midstream and downstream sections of the supply chain, while this is usually outside of the focus of sustainability-related collaboration platforms.

The following overview is not meant to be comprehensive but aims to provide examples of activities on selected sustainability issues. Often initiatives do not fit into one category only but cover several issues.

### 5.2.1 Direct sourcing schemes and relationships with coffee farmers

Initiatives to increase direct sourcing at the producer level can especially be observed among specialty coffee SMEs. Direct sourcing and longer-term relationships with and support for farmers is seen as increasing economics as well as quality. The creation of stronger, more direct links between roasters, processors and importers means that agents and intermediaries are bypassed. Direct sourcing can thus increase the value share that remains with the farmers while also creating

differentiation and increased supply chain transparency towards consumers. Example of a Dutch specialty coffee company:

- Moyee Coffee is taking a unique approach also among specialty coffee SMEs in that it focusses on increasing the value adding in the production countries to achieve its 'Fair Chain' approach. In 2018, Moyee roasted 279 tonnes of coffee. Out of this total, 80 percent (224 tonnes) were roasted and packaged in Ethiopia, of which 164 tonnes were destined for the local market and 60 tonnes for export. Coffee farmers receive a 20 percent FairChain premium resulting in a much larger value share for the coffee-producing country with transparent reporting of the pricing. The aim is to achieve a 50/50 value distribution between producing and consuming side.<sup>126</sup> Additional strategies include the provision of training to improve quality and productivity, provision of inputs and better access to finance for farmers.<sup>127</sup>

### 5.2.2 Community development, access to inputs and trainings

In absence of state provision of community development programmes, various coffee companies have developed such services at different levels of scale. Projects to improve yields at farm level include trainings (farmer field schools), distribution of (improved) planting material or other support to improve the economic situation of farmers. This has the mutual benefit of contributing to supply security and quality.

Some companies cooperate with certification bodies or CSOs to identify priority areas in production regions to initiate projects with the aim to improve social, economic, or environmental conditions. This accounts for example for JDE's Common Ground. Several of the leading traders have also introduced own sustainable sourcing schemes for their clients. Examples include:

- The world's largest green coffee trader, NKG, states that it has invested more than US\$ 10 million in sustainability projects in coffee sourcing regions between 2011 and 2018. Of this, more than US\$ 2 million was spent in 2018, reaching around 130,000 beneficiaries in a variety of projects, e.g. through investments in infrastructure and community services. In addition, US\$ 30 million was provided as financing since 2011, of which 12.4 million to farmers and farmers' organisations. NKG was amongst others involved in setting up Coffee & Climate (section 5.1.6) and International Coffee Partners (section 5.1.8). Its own Hanns R. Neumann Foundation implements coffee-related sustainability initiatives.<sup>128</sup>
- EDF Man's green coffee trading arm Volcafé has implemented a sourcing strategy called Volcafé Way. It has identified farm profitability as the root problem as well as the solution to supply chain stability and to reduce vulnerability of farmers to market volatility. Activities include the training of teams who in turn train farmers on farm management and the facilitation coffee commercialisation to selected roasters. A monitoring and verification programme has been developed in cooperation with FloCERT.<sup>129</sup>
- Coffee trader LDC implements its sustainability objectives in four streams: boost production of certified and verified coffee; train farmers in sustainable production methods; and implement its supplier code of conduct.<sup>130</sup> In cooperation with JDE and IDH, it implements programmes in several coffee growing countries. For example, a project in Vietnam running from 2016 to 2021 is training around 5,500 farmers to adapt to climate change. In cooperation with Starbucks, an LDC project replaced more than 3 million trees in Mexico between 2016 and 2018, reaching more than 7,500 farmers. In addition, technical assistance and training in GAP were provided.<sup>131</sup>
- Green bean trader Sucafina cooperates with CSOs in projects to improve yields per hectare and provide training in Good Agricultural Practices in farmer field schools.<sup>132</sup>
- Various other smaller and larger coffee companies cooperate with IDH on Service Delivery Models (SDMs). SDMs are supply chain structures that provide various services, including training, access to inputs and access to finance. By improving performance, the ultimate aim is to increase profitability and improve livelihoods of smallholders. Examples of large coffee traders partnering in SDM projects include Ecom in Indonesia and LDC in Vietnam. Case reports track deliverables and impact.<sup>133</sup>

- JDE Common Grounds is a coffee supplier engagement programme that has been developed in partnership between JDE and Rainforest Alliance. It includes the assessment of priority issues and the establishment of programmes towards continuous improvement of specific social and environmental conditions in coffee origins. A total of 25 principles cover three focus areas: Sustainability of Land; Equality of People; and Prosperity of Farmers. In 2019, JDE expanded the reach of Common Grounds to 15 key origins. For 2025, JDE aims to achieve 100% of its sourcing to be either certified coffee or coffee sourced from suppliers who are engaged in its Common Grounds methodology; and to reach 500,000 smallholder coffee farmers through direct engagement.<sup>134</sup> Furthermore, JDE states to be committed to investing € 10 million until 2025 to improve smallholder farmers' access to finance.<sup>135</sup>
- Nescafé is monitoring progress through a monitoring and evaluation partnership with the Rainforest Alliance. For that purpose, rural development framework baselines have been established in ten coffee origins within the brand's Farmer Connect program. These will measure progress over the coming years. This process includes tracking of farm economics, productivity, and environmental management. By 2020, the aim is to improve farm economics in seven priority sourcing locations.<sup>136</sup>
- Olam International started rolling out a digital sourcing platform, AtSource, across various commodity sectors including coffee. It allows customers to trace supplies, to calculate a sourcing footprint based on various sustainability indicators, develop targeted action plans and get involved in farmer-focussed projects.<sup>137</sup> Suppliers included in the AtSource platform adhere to the Olam Supplier Code that outlines various principles in relation to social and environmental responsibility.<sup>138</sup> The underlying indicators applied in AtSource are not yet published at the time of writing.

### 5.2.3 Access to finance

Smallholder farmers in many coffee-producing countries are excluded from access to formal financial services. This lack of access to finance hampers investments and with this improvement of farmers' livelihoods. Examples of funds aiming to improve access to finance and involving Dutch stakeholders include:

- In 2018, IDH launched the Farmfit Fund, an impact fund to de-risk investments in smallholder farming. The € 100 million IDH fund takes the highest risk positions in an investment; a second loss guarantee facility (up to US\$ 250 million) is taken by USAID. The Fund is expecting to raise billions of Euros in the coming years to support smallholder farmers in various commodity sectors, including coffee, through the provision of asset finance, input loans, working capital, capex, and renovation and rehabilitation finance. Among the private partners is JDE with a commitment of € 10 million over 5 years. The finance partners include the Rabobank.<sup>139</sup> A pilot was conducted with leading coffee trader NKG in 2019 with the US\$ 25 million Coffee Smallholder Facility that aims to provide short, medium and long-term financing to over 300,000 smallholder farmers in the company's supply chain.<sup>140</sup>
- Starbucks has set up a US\$ 50 million Global Farmer Fund in cooperation with Root Capital, Fairtrade Access Fund, the IFC and the IDB (see also section 5.1.2). By 2019, local partners made loans to farmers within and outside of the company's supply chain in 13 countries. In addition, loan recipients receive technical assistance.<sup>141</sup> In 2018, the company also committed US\$ 20 million for temporary emergency relief to smallholder farmers impacted by critically low coffee prices. Until October 2019, US\$ 20 million were provided to 8,000 farmers in four countries.<sup>142</sup>

### 5.2.4 Sourcing and pricing transparency

Traceability and transparency on sourcing and pricing are key steps in improving sustainability throughout supply chains and in enabling farmers in price negotiations. As has been observed in other commodity supply chains, transparently sharing supply chain information through dashboards allows to create more insights into sustainability issues in supply chains and to eventually integrate monitoring information from other stakeholders, for example in relation to

zero-deforestation approaches. Transparent pricing is another crucial factor in a sector where the value share for smallholder farmers is a key issue in the sustainability discussion.

Supply chain transparency is still a rarity in the conventional, commodity-type coffee sector. Companies in the specialty coffee sector are more likely to publish information on their suppliers or even the pricing structures.

- Nestlé is an exemption among the large coffee roasters in that it started in 2019 to disclose supply chain information. Data includes tier 1 coffee suppliers as well as coffee exporter warehouses in producer countries.<sup>143</sup>
- Among the many SME specialty coffee companies (e.g. Moyee, Bocca, The Coffee Quest) it is more common to provide transparency on sourcing relationships and in some cases also on pricing structures.

### 5.2.5 Circular economy strategies in the coffee sector

The circular economy refers to a model of production and consumption that takes the finite quantity of natural resources into account and imply a reduction of waste and CO<sub>2</sub>-emissions to a minimum. Issues related to the circular economy are increasingly playing a role on the Dutch market.<sup>144</sup> For the coffee sector, issues linked to the circular economy refer importantly to energy use and with this CO<sub>2</sub>-emissions, packaging and waste, and re-use of residual flows.

Strategies to reduce CO<sub>2</sub>-emissions or make the supply chain CO<sub>2</sub>-neutral are linked to carbon emission foot-printing, carbon emission off-setting and carbon emission reduction at different levels of the supply chain.

In packaging waste reduction, improving the recyclability of the complex multi-layer packaging materials and reducing the use of foil and paper are a focus area of several companies. The balance between improved recyclability and quality requirements is mentioned as a challenge in achieving this goal.

Coffee grounds can for example be used to grow mushrooms or to produce pellets and briquettes. This has been implemented for example by some food service companies. Setting up broader collection and recycling of coffee grounds in a sustainable way remains challenging though. The coffee grounds must be processed within a short time, but frequent collection contributes to CO<sub>2</sub> emissions from transport.<sup>145</sup>

Strategies related to the circular economy include for example:

- As part of the Green Deal, the coffee sector agreed to reduce CO<sub>2</sub>-emissions, with progress monitored under the Multi-year Agreements on Energy Efficiency (MJA3). As of April 2020, ten coffee roasting facilities operated by nine companies in the Netherlands are participating in the project.<sup>n,146</sup> It was agreed that in the period 2005 to 2020 companies would aim for 30 percent energy efficiency improvements. The latest monitoring report for 2018 shows that coffee roasters achieved 24.2 percent through process efficiency. Chain efficiency in the production and use phase accounted for 10.4 percent in comparison to 2005 and purchase of renewable energy for 14 percent.<sup>147</sup>
- In June 2020, Koffie & Thee Nederland announced a 'Green Deal' process with Rijkswaterstraat, the Ministry of Infrastructure and Water Management, waste processors and other chain parties. The aim is to jointly switch to compostable coffee pods and tea bags by 2021, leading to a potential addition of 88

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<sup>n</sup> These companies are Ahold Delhaize Coffee Company, JDE, Koffiebranderij G. Peeze, Neuteboom Coffee Roasters, Pelican Rouge Coffee Roasters, Simon Lévelt, Smit & Dorlas Koffiebranders, Starbucks Manufacturing EMEA, United Coffee / Drie Mollen sinds 1818.



million kg extra compost. Ahold Delhaize Coffee Company, Beyers Coffee, JDE and UCC Coffee Benelux are the coffee companies involved so far.<sup>148</sup>

- In 2018, JDE committed to zero waste to landfill by 2021 and 100 percent recyclable or compostable packaging by 2025. In its Dutch factory for instant and liquid coffee, residual flows from the production process are reused as a raw material in its biogas plant, reportedly leading to a 70 percent reduction in CO<sub>2</sub>-emission.<sup>149</sup>
- Several Dutch coffee roasters market their products as Climate Neutral. This applies for example since mid-2019 to Albert Heijn's own brand coffee Perla. Internal CO<sub>2</sub>-reduction has been achieved through use of renewable electricity, reduction of gas consumption through more efficient machines, use of coffee bean skins and membranes as biomass in the roasters, and continuous steps to reduce packaging. CO<sub>2</sub>-compensation projects are chosen in the production countries of the coffee.<sup>150</sup> Hesselink Koffie is another example of a roaster which has calculated its CO<sub>2</sub>-footprint and compensates with carbon credit via Climate Neutral.<sup>151</sup>
- A Dutch public-private alliance has launched a 'circular coffee' project in Peru that seeks to scale up circular practices in the entire coffee value chain in the country, from production on the farm through processing to export and roasting procedures in the Netherlands. The 4-year, € 3 million action plan (2019-2023) will benefit 1,600 farmers, under a deforestation-free gender and family farming approach. It is jointly financed by the Netherlands Enterprise Agency (RVO) and a consortium based on a private public-alliance formed by Solidaridad, JDE, OLAM Peru, a local cooperative, and SERFOR as a representative of the Peruvian Government. The coffee will be acquired by JDE, and the coffee waste from coffee shops will be collected for use in furniture construction panels.<sup>152</sup>
- Peeze reports to operate climate-neutral through, among other, the reuse of residual heat and aluminum-free packaging; the remainder is offset via the purchase of emission rights in production countries. The company also reports a 99 percent reduction in water use through technological improvements. To reduce the impact of packaging, it introduced biobased coffee capsules that are 100 percent industrially compostable.<sup>153</sup>
- McDonald's and La Place restaurants are examples of companies that have coffee grounds collected separately by recycling company Suez.<sup>154</sup> Roaster Hesselink Koffie is promoting this recycling approach among its customers.<sup>155</sup>

## Chapter 6 Conclusions

Until 2016, the Dutch coffee sector, represented by Koffie & Thee Nederland, provided data on shares of certified coffee sold on the Dutch market as a proxy for progress on sustainability. This data was used in the CBS agro-commodity monitor and to evaluate progress against the Green Deal agreed between the sector, represented by Koffie & Thee Nederland, and the Dutch government. In reaction to the decline of certified shares, the sector argued that a sole focus on this indicator was not adequately reflecting the increasingly broadening efforts of the industry to tackle sustainability issues in the value chain.

In response to this argument, this research had the objective to assess the progress of the Dutch sector in tackling coffee-related sustainability concerns and to fill the current information gap. It aimed to identify monitoring options to more comprehensively assess the performance and reliability of a broader selection of sustainability-related sector activities and company projects, and to compare them with independent sustainability standards.

### 6.1 Quantification of the volume of Dutch import, processing, and sales of coffee

Combining trade statistics with the data provided by companies allows to make an estimate on the total import, processing, and sales of coffee in the different segments of the Dutch market. However, a level of insecurity remains. This is caused by lacking data from some market actors, both in- and outside of the sector association, referring among other reasons to business confidentiality; by the fact that it cannot be excluded that some volumes reported by respondents are double-counted due to overlapping supply chains; and the lacking compatibility of national statistical data for trade and processing.

The international coffee trading segment is highly concentrated, with a small number of mostly privately-owned companies controlling a considerable share of a highly competitive global market. Most of the Dutch coffee supplies enter the country via neighbouring EU countries, especially Belgium and Germany, not allowing to draw conclusions on the actual origins. Green beans as well as roasted and instant coffee resulting from processing in the Netherlands are for a part exported to other European countries. The analysis concludes that in 2018 an estimated 130,000 tonnes of coffee (GBE) was consumed in the Netherlands. Key domestic sales channels for coffee are retailers with around 70 percent market share, as home consumption is still accounting for most sales. Within retail sales, private labels (own brands) of the leading retailers account with around 60 percent for a larger share of the market than branded roasters. The market share of companies that are not member of the sector association is difficult to assess due to the limited response rate; however, 10 to 20 percent controlled by non-members seems a realistic estimate.

### 6.2 Market share covered by the different sustainability standards

In aiming to quantify the share of domestic coffee sales that was certified under independent as well as industry-initiated VSS, the fact that only a share of the market could be covered in the survey means that a data bias cannot be ruled out. However, since the respondents make up for a large share of the market it can be assumed that this bias is small. As the CBS monitor solely relied on data from Koffie & Thee Nederland members while this new survey also covers non-members, there is a certain inconsistency when comparing the two datasets. Moreover, while participating association members account for a large share of the coffee market, the fact that half of its members have not provided input may also influence the results.

The analysis concluded that the share of domestic coffee sales certified under multi-stakeholder VSS increased to 56 percent, based on reported volumes. If industry-initiated schemes are also included, the reported share rises to 57 percent. The small difference between the two percentages is rooted in the non-response of some companies for which a larger share of coffee sourced under other schemes, including industry-initiated schemes, was expected. At 60 and 61 percent, respectively, the average certified shares are higher among members of Koffie & Thee Nederland. As the private label brands of retailers with their high certification rates are only partially reflected in the monitoring, the actual share on the total market may be somewhat higher.

The most important scheme remains Rainforest Alliance, accounting for around 35 percent of the total Dutch market consumption, followed by 4C with around 10 percent. The share of Fairtrade-certified coffee is estimated at 8 percent, while Organic reached 3 percent. Double- or even triple-certification is observed for several certification schemes, allowing companies to account for different sustainability issues. Climate Neutral is mostly used as an add-on to other certifications.

Certification levels are high among large roasters as well as among the private labels of retailers. On the other end of the spectrum, specialty coffee SMEs mostly report low shares of certified coffee (except of Organic), pointing to their direct, longer-term sourcing relationships to improve farmer livelihoods and the focus on coffee quality scores.

### **6.3 Assessment of quality and credibility of industry-initiated sustainability schemes**

A benchmark based on with criteria on four key sustainability areas as well as assurance levels was compiled to assess the issue coverage and assurance of industry-initiated (and other) sustainability schemes and compare them with three multi-stakeholder sustainability schemes. The comparison included two industry-initiated schemes (Starbucks' C.A.F.E. Practices and Nespresso AAA); an independent scheme focussing on carbon emission reduction and compensation (Climate Neutral Group); and the Alliance for Water Stewardship (AWS), another ISEAL member.

The schemes have different approaches in addressing sustainability issues in the coffee sector. Most include, at least to some extent, criteria in relation to the four selected sustainability issues, while some focus on specific sustainability issues such as organic production or reduction of the CO<sub>2</sub>-footprint. The assessment illustrates that the independent multi-stakeholder certification schemes score higher on all criteria sets than the industry-initiated schemes (except for EU Organic, which tends to score lower). Overall, the schemes with broader coverage and more in-depth provisions for sustainability principles also have more thorough provisions to guarantee the scheme's level of assurance. None of the schemes include living income as a basic requirement yet.

Moreover, the independent certification schemes are usually more transparent and thus offer a more robust standard level of assurance than the industry-initiated ones. The single-issue standards – logically – fall short on certain content-related issues, but except for Organic (IFOAM) also on providing independent assurance mechanisms.

To obtain a full picture on the robustness and credibility of VSS, a benchmark should ideally not only evaluate and compare the criteria that are put on paper (output) but also be combined with an assessment of their implementation on the ground (outcomes) and achieved results on-the-ground (impacts). Such an appraisal is outside the scope and objectives of this research but would be a valuable and relevant subject for a follow-up research. The results should thus not be interpreted as a measure of impacts, but a measure of engagement and commitment of Dutch private market actors to sustainability issues. Other reports on the global coffee sector, such as the Coffee Barometer, shed more light on this important aspect.

#### 6.4 Broader corporate approach to sustainability issues: Social and environmental responsibility activities of coffee companies

There is undoubtedly broad recognition today among all stakeholders of the serious sustainability issues in the coffee supply chain and their negative impact on the livelihoods of farmers as well as the long-term supply of coffee. This has led to a multitude of activities and projects outside of VSS, especially in relation to sustainability concerns in producing countries. These are implemented by individual companies or in cooperation with partner organisations in broad networks. Especially the large coffee traders and roasters are also participating in different networks and multi-stakeholder platforms that aim to bring stakeholders together in a pre-competitive environment. Despite their large market share in coffee sales in the Netherlands, the leading retailers are underrepresented in the networks. The retailers largely focus their sustainability activities on increasing the share of certified coffee, sometimes in combination with smaller individual projects. With few exceptions, also no small- and medium-sized Dutch coffee companies were identified as members in these international collaborations. As expressed by sector actors, international engagement may be too resource intensive for SMEs with a focus on the Dutch market and little interaction with international actors beyond procurement (which is often done online). SMEs receive information on international developments via branch organisations like Koffie & Thee Nederland and the European Coffee Federation or their coffee trader. However, projects directly linked to their company and direct partnerships may be more attainable for SMEs.

While there is a multitude of other sustainability initiatives in the coffee sector involving commitments by numerous actors with direct and indirect links to the Dutch market, a lack of clearly defined and comparable criteria hampers an assessment of these initiatives. Limited data are available in terms of actual coverage, production volumes, outcomes realised, and impacts achieved. Therefore, it is at present hardly possible to complement the monitoring of certified shares on the Dutch coffee market with a quantitative estimate of the accomplishments of these approaches to sustainability challenges. Less fragmented initiatives, the need for a structured approach to monitoring and increased transparency have been recognised by the Dutch industry as key steps to developing shared solutions, as shown in the outcomes of the Roundtable discussions organised by Koffie & Thee Nederland. Concrete actions should be defined and implemented in the near-term to tackle these gaps.

As observed also in the Coffee Barometer, the proliferation of platforms and initiatives with similar objectives, and the large overlap of membership calls for an increased streamlining of activities and objectives.<sup>156</sup> This would prevent scattering of resources, and catalyse stronger outcomes, impact, and availability of standardised data. These data could in turn flow into the monitoring of progress also on the Dutch market. International cooperation at the government level could help agreeing on uniform standards.

Comprehensive monitoring of the efficiency and impact of sustainability interventions in commodity markets is dependent on several conditions:

- the availability of comparable baseline studies;
- the application of frameworks with standardised and measurable key performance indicators;
- the transparent publication of data, including supply chain traceability data; and
- regular longitudinal studies to analyse the situation.

There certainly is potential for targeted interventions to tackle important issues like the vulnerable economic position of coffee farmers and the challenges of climate change, but at this moment comparable data is still largely unavailable. Different initiatives already exist that provide tools to improve accountability on sustainability commitments. Between 2017 and 2019, a coalition of organisations developed a joint Accountability Framework that provides a globally applicable approach for establishing, implementing, monitoring, verifying, and reporting commitments on deforestation, ecosystem conversion, and human rights in agricultural and forestry supply chains, all issues with high relevance in the coffee chain.<sup>o157</sup>

In 2019, the GCP and SCC jointly agreed a set of standardised metrics as part of a broader sustainability framework for coffee covering a range of sustainability themes. Some of the indicators may be covered by VSS certification audits. However, while this framework is supported by a diverse group of actors and easily accessible, the fact that public reporting by individual members remains voluntary means that the adoption of these metrics will not necessarily lead to more transparency on progress. Similarly, regulations like the EU Directive on Non-Financial Reporting can improve transparency on sustainability-related issues. However, it focusses on large, publicly listed companies, consequently exempting a large share of the coffee sector, and does not include sector-specific guidelines.<sup>p</sup>

As recognised by the industry participants of the 2018 Roundtable discussion organised by Koffie & Thee Nederland, it would be highly relevant to adopt and implement such frameworks to be able to shape more targeted interventions. The hesitation towards transparency by large coffee companies is not least owed to the highly competitive coffee market, where sustainability is also a selling point. This competition is reflected in the individual-project mentality and the scarcity of co-investments that has been observed for example by the SCC, despite the aim of the initiative to encourage cooperation and pooling of knowledge and resources.

Sourcing coffee certified under credible schemes can certainly be one important step towards a more sustainable supply chain. Where companies define the increase in VSS-compliant coffee as a sustainability target, reported shares are in some cases still quite low with multi-year targets for full coverage. This cannot be explained with a lack of supplies, since significant volumes produced in compliance with independent certification schemes are not sold at a premium due to a lack of market demand. The mismatch between production and sales of compliant produce means that growers absorb significant costs to comply with the standards but may struggle to recapture them without an adequate market.

Overall, neither voluntary certification schemes nor interventions in the coffee supply chain initiated by the industry or public agencies have achieved the required structural change towards a more sustainable and equitable coffee supply chain. Security and quality of supply, and with this competitive reasonings, remain important motivations for companies to upscale sustainability initiatives and investments in light of increasing coffee demand and supply struggling to keep up.

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<sup>o</sup> Initiators included the National Wildlife Federation, The Nature Conservancy, Proforest, the Rainforest Alliance, Social Accountability International, Verité, World Resources Institute, and the WWF.

<sup>p</sup> In relation to key performance indicators (KPIs) reported by companies, the non-binding EU Commission 'Guidelines on non-financial reporting' stress that "[...] KPIs should be consistent with metrics actually used by the company in its internal management and risk assessment processes. This makes the disclosures more relevant and useful, and improves transparency. Disclosing high quality, broadly recognised KPIs (for instance, metrics widely used in a sector or for specific thematic issues) could also improve comparability, in particular for companies within the same sector or value chain."

## 6.5 Monitoring elements for showing progress on the Dutch market

To date, the CBS agro-monitor looked mainly at the extent to which agro-commodities certified under a multi-stakeholder scheme are sold on the domestic Dutch market. In the case of coffee, it relied on the data gathered among Koffie & Thee Nederland members. Despite apparent gaps in coverage, the approach allowed to focus on comparable, quantitative data. This research aimed to identify additional elements that may allow for a more complete and broader picture of the efforts related to sustainability initiatives, as outlined in the letter by the Ministry of Agriculture, Nature and Food Quality to the Parliament from April 2020.<sup>158</sup>

While the members of Koffie & Thee Nederland account for a large share of the Dutch coffee market, an effort to also obtain data on the sourcing practices of (foreign-based) non-members active in the Netherlands would benefit the Dutch market coverage and informational value of the monitor. However, since these are outside the reach of the sector association, other strategies to stimulate commitment, measure and show progress, and encourage participation in sustainability initiatives than from the Dutch branch-organisation are required. Next to the monitoring of certified volumes under independent certification schemes, volumes certified under two industry-initiated schemes that provide sufficient coverage and assurance levels have been integrated into the monitoring. The assessment found that these company-owned schemes cover a reasonably broad range of sustainability issues and suggests a fairly robust approach to improve the sustainability of coffee sourcing and represent a valuable addition to the monitoring of certified market shares. New VSS may need to be evaluated in terms of their relevance to be included in monitoring.<sup>9</sup> Narrow single-issue schemes, for instance on CO<sub>2</sub>-emission performance, should be used as a separate indicator to avoid double-counting as they are almost exclusively used as add-ons to other more broader VSS schemes and company strategies.

This report shows a broad range of additional efforts for solving sustainability issues, next to the conventional, still widely used certification approach. Considering the multitude of multi-stakeholder platforms, public-private networks, and individual, company-led projects, and the prevailing lack of standardised data and assessments hitherto, it does not seem feasible to add other quantitative or qualitative elements to a monitor yet. As stated above, this would only become possible with significantly increased data transparency and systematic monitoring and evaluation against comparable criteria and indicators on coverage and assurance, for instance based on the framework developed by the SCC and GCP.

An intermediary step could be to comprehensively map the commitment to and involvement in broader (international) multi-stakeholder sustainability approaches and targeted support projects of the different market actors active on the Dutch coffee market.

Improvements in methods and data availability for monitoring purposes may come from different actors. A key role falls to the industry to develop joint solutions, create transparency and adopt uniform monitoring and reporting approaches. While sufficient international collaboration platforms exist, for instance organisations like IDH could use its network and convening power to join up stakeholders from different market segments and geographies, aiming to overcome competitive and financial barriers and achieving acceptance of ambitious, comprehensive and transparent reporting against commonly agreed indicators by actors linked to the Dutch coffee market. IDH's experience and attention for impact assessment can also play an important role in

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<sup>9</sup> An example is the Olam AtSource scheme, which was not yet fully launched at the time of researching.

closing the evidence gap in relation to the impact of interventions on the ground, especially concerning smallholder farmers as the most vulnerable group.

Koffie & Thee Nederland could actively encourage its members as key actors to adopt and systematically report in line with the guidelines of the Sustainability Framework or another credible framework. Barriers for increased sustainability and supply chain risks have been discussed and identified, and promising next steps are particularly seen in collaborative action on European and international level. Increased and transparent collaboration on key sustainability issues across the sector and with other stakeholder groups, pooling of resources and learning from experiences could accelerate endeavours to achieve a more sustainable coffee supply chain. Transparency on outputs and outcomes would contribute to the broadened monitoring doing justice to the efforts on certification “and beyond”.

Considering the internationalisation of the sector, cooperation at the EU government level could help in achieving agreement on uniform frameworks. The governmental collaboration established for other tropical commodities like the ones under the Amsterdam Declaration Partnership, while focussing on the narrower issue of deforestation, could serve as an example. Furthermore, the Dutch government could play a role in promoting transparency and reporting by better using the regulatory options provided by the EU Directive on non-financial reporting. The renewal of the Responsible Business Conduct (RBC) Policy in autumn 2020 may also offer entry points to introduce relevant measures in RBC Agreements between sectors, civil society organisations, trade unions and the Dutch government.

## Appendix 1 Overview of detailed benchmark principles

**Table 7 Principles applied in voluntary sustainability standard benchmarking**

Principles	Requirements
<b>Community rights</b>	<ol style="list-style-type: none"> <li>Standard requires a certificate holder to have a Human Rights Due Diligence (HR DD) process to identify, prevent, mitigate, assess, and account for adverse impacts relevant to land and natural resource rights of the local community</li> <li>Standard requires a certificate holder to have a HR DD process that involves consultation with affected groups</li> <li>Standard requires a certificate holder to establish or participate in effective operational-level grievance mechanisms for adversely impacted individuals and communities.</li> <li>Standard requires a certificate holder to have a HR DD process to identify, prevent, mitigate, assess, and account for adverse impacts relevant to land and natural resource rights of the local community</li> </ol>
<b>Labour rights</b>	<ol style="list-style-type: none"> <li>All forms of forced and compulsory labour are unacceptable.</li> <li>Child labour is unacceptable.</li> <li>Discrimination in respect of employment and occupation, based on race, colour, sex, religion, political opinion, national extraction, or social origins, is unacceptable.</li> <li>Standard upholds the freedom of association and the effective recognition of the right to collective bargaining.</li> <li>Standard requires a policy commitment to differentiate the human rights risks faced by women and men.</li> <li>Standard requires a certificate holder to establish procedures on how to deal and process employee complaints and to solve violations and conflicts, preferably in consultation with the relevant trade union.</li> <li>Standard requires a certificate holder to pay a living wage to their employees and a living income for farmers.</li> <li>Standard requires a certificate holder to apply policy on the maximum of working hours.</li> <li>Standard requires a certificate holder to have a robust occupational health and safety policy.</li> <li>Standard requires a certificate holder to have a transparent management system to monitor and if needed, correct compliance with norms on labour law.</li> </ol>
<b>Environmental</b>	<ol style="list-style-type: none"> <li>Standard prohibits the use of hazardous chemicals (as defined by WHO 1A and B and the Stockholm and Rotterdam conventions).</li> <li>Standard requires a certificate holder to implement an environmental management system, to include information collection, evaluation, measurable objectives, and monitoring toward a target.</li> <li>Standard requires a certificate holder to implement integrated pest management (IPM) practices that minimize the use of pesticides.</li> <li>Standard requires proper management of chemical substance (pesticide and fertilizer)</li> </ol>



<b>Principles</b>	<b>Requirements</b>
	<ol style="list-style-type: none"> <li>5. Standard requires certificate holder to reduce their direct and indirect emissions of harmful substances to their surrounding (air, (surface and ground) water and land)</li> <li>6. Standard requires a certificate holder to reduce their direct and indirect greenhouse gas (GHG) emissions.</li> </ol>
<b>Water</b>	<ol style="list-style-type: none"> <li>1. Standard requires a certificate holder to conduct water scarcity impact assessments and prevent negative impacts in water-scarce regions.</li> <li>2. Standard prohibits new operations in areas where water scarcity is pre-existing, and activities would compete with the needs of communities.</li> <li>3. Standard requires a certificate holder to implement efficient water use in their production</li> </ol>
<b>Forests</b>	<ol style="list-style-type: none"> <li>1. Standard does not certify the production of coffee from forest conversion (deforestation)</li> <li>2. Standard prohibits operations in or impacting protected areas (IUCN I-VI, UNESCO World Heritage, Ramsar Wetlands)</li> <li>3. Standard prohibits certificate holder from clearing areas of high above-ground carbon stocks (HCS); high conservation value area (HCVs); native forest to expand cultivation or plantations.</li> </ol>
<b>Biodiversity</b>	<ol style="list-style-type: none"> <li>1. Standard requires a certificate holder to do an environmental impact assessment on the total consequences of a large-scale project on biodiversity</li> <li>2. Standard requires a certificate holder to use independent expertise for an environmental impact assessment on biodiversity</li> <li>3. Standard requires a certificate holder to take measures to minimize and mitigate negative impacts from operations on biodiversity values.</li> <li>4. Standard requires certificate holder to protect rare and threatened species and their habitats in the management unit</li> <li>5. Standard prohibits the certificate holder from introducing or using invasive alien species in the management unit.</li> <li>6. If any alteration of protected areas has taken place, the standard requires certificate holder to restore to its former state or to make legally approved compensating actions.</li> </ol>
<b>Relevant issues of the circular economy</b>	<ol style="list-style-type: none"> <li>1. Certificate holders are required to be active in reducing emissions from the coffee logistics chain (transport/distribution).</li> <li>2. Certificate holders are required to pursue strategies for the recycling of organic waste actively.</li> <li>3. Certificate holders are required to pursue strategies for the reduction of packaging waste actively.</li> <li>4. Certificate holders are required to actively pursue strategies for the introduction of more environmentally friendly packaging material.</li> <li>5. Certificate holders are required to pursue strategies for the recycling of packaging material actively.</li> </ol>
<b>Standard level of assurance</b>	<ol style="list-style-type: none"> <li>1. Standard publishes its policies on principle and criteria implemented for the certification.</li> </ol>

Principles	Requirements
	<ol style="list-style-type: none"> <li>2. Independent third-party certification bodies operating in compliance with ISO requirements implement the certification/audits.</li> <li>3. Standard publishes the list of certified companies and regularly update the status of their certification</li> <li>4. Standard applies measures to avoid mixing between certified and uncertified coffee</li> <li>5. Standard implements an impact study of their certification scheme in the field</li> <li>6. Official organization or government body recognizes the standard as relevant in the coffee sector</li> <li>7. Standard has the rules for the affiliation and the acceptance of certificates from other (sometimes weaker) standard</li> <li>8. Certification scheme is active in engaging in new or innovative sustainability initiatives, (i.e. landscape and jurisdictional approach initiatives, sustainable coffee initiatives, etc.)</li> <li>9. Certificates are valid for no more than five years after which requires a new full certification audit.</li> <li>10. Certification bodies (auditors) are required to conduct annual or more frequent surveillance audits of certificate holders</li> <li>11. Standard requires certification bodies to conduct sampling field audits</li> <li>12. Certification bodies (auditors) are required to proactively consult with affected stakeholders during both certification and surveillance audits.</li> <li>13. Standard requires an easily accessible and responsive complaints system for the affected community and shall ensure that auditing providers have a complaints system in place.</li> <li>14. Standard requires the certificate holder to adhere to the principle and criteria of the certification scheme</li> <li>15. Certificate holders are required to rectify non-compliances identified during certification and surveillance audits within a set timeframe that does not exceed one year.</li> <li>16. Severe (significant) non-compliances that are not rectified in time lead to suspension or termination of the certificate.</li> <li>17. Standard requires a certificate holder to commit on applying for certification to a time-bound plan for certification of all (eligible) units under their control.</li> </ol>

## Appendix 2 Coffee conversion factors

Coffee trade is often reported in bags of 60 kg net green coffee or the equivalent thereof, i.e. GBE: green bean equivalent. Green coffee means all coffee in the naked bean form before roasting.

The International Coffee Organization (ICO) applies the following conversion factors to convert different types of coffee to GBE:

- Dried cherry to green bean: net weight of the cherry multiplied by 0.5;
- Parchment to green bean: net weight of the parchment multiplied by 0.8;
- Decaffeinated green bean to green bean: net weight multiplied by 1.05;
- Roasted coffee to green bean: net weight of the roasted coffee multiplied by 1.19;
- Instant coffee to green bean: net weight of instant coffee multiplied by 2.6;
- Liquid coffee to green bean: net weight of the dried coffee solids contained in the liquid coffee multiplied by 2.6.<sup>159</sup>

## Appendix 3 Global indicators of farm-level sustainability

Figure 15 summarises the overarching indicators of farm-level sustainability for coffee that resulted from the global coffee data project, a multi-stakeholder approach which built on the Sustainability Progress Framework elaborated by GCP and SCC and had the objective to define key metrics for sustainability performance in coffee production (see section 5.1.1).

**Figure 15 Global indicators on coffee sustainability**



### ECONOMIC

#### Coffee Profit

Total revenue from coffee sales minus total costs for coffee production (Reported in USD/ha of coffee productive area.)

#### Yield / Productivity

kgs of GBE (harvested)/ha of coffee productive area

#### Cost of Production

Costs incurred to produce the coffee during the last production year (calculated per kg of GBE)

#### Price - Chain efficiency & returns distribution

Average Price received per kg of coffee (GBE)

#### Sustainable purchases

Volume of sustainable purchases by buyer and as a proportion of total, and change year to year.



### SOCIAL

#### Poverty Level

Comparison of total household revenue to International (World Bank) Poverty Line (total divided by # adult individuals in hh)

#### Wages

Daily average earnings for farm labor compared to (rural) minimum wage

#### Child labour

Percentage of school-age household members, under age 18, who have completed appropriate grade level for their age **Option:** Prohibition of children in hazardous working conditions

#### Hunger

Whether the household was food secure during the last production year (report 0 days of food insecurity--i.e., not skipping meals or significantly reducing food intake because food was not available)

#### Labor Practices

% of good labor practices adopted (of those listed)



### ENVIRONMENTAL

#### Forest and Ecosystem Protection

Land area (in ha) and proportion of the farm that was converted from natural land (e.g., forest, savanna) to land used for coffee production in the last 5 years. Percentage of forest and ecosystem protection practices used on the farm

#### Fertilizer use

Whether a professional assessment or advice was used to determine fertilizer needs on the farm

#### Water Conservation & Contamination Prevention

Percentage of applicable water conservation practices used on the farm (of those listed). Percentage of water contamination prevention practices used on the farm (of those listed)

#### Pest control/ hazards

Percentage of IPM practices employed on the farm  
Use of banned or hazardous pesticides on the farm

#### Soil Conservation

Percentage of applicable soil conservation practices used on the farm (of those listed)

Source: Global Coffee Platform (2019, April 23), "A common language for sustainable coffee: The coffee data standard", viewed in April 2020.

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