Private Standards Unfolded
The Perspectives of Coffee Farmers in Northern Nicaragua

La Virgen Estate, El Tuma-La Dalia (certified farm)

Master Thesis
Cand.merc.int (Business and Development Studies)
Copenhagen Business School

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Number of taps: 271,042

February 2010

TABLE OF CONTENTS

LIST OF FIGURES AND TABLES

FIGURES

TABLES

LIST OF ABREVIATIONS AND ACRONYMS

INTERVIEWEE CODES

2nd lev-Coop	Second-level Cooperative
As	Association of small and medium-scale farmers
PSB	Private Standard Bodies
Coop	Cooperative of small-scale farmers, member of 2nd lev-Coop
Exp	Exporters
FGSCM	Focus Group Small Certified farmers-Men
FGSCW	Focus Group Small Certified farmers-Women
FGSNCM	Focus Group Small Non-Certified farmers-Men
IndInf	Industry Informants
LC	Large Certified farmer
LNC	Large Non-Certified farmer
MC	Medium Certified farmer
MNC	Medium Non-Certified farmer
R	Roaster
SC	Small Certified farmer
SNC	Small Non-Certified farmer

OTHER ACRONYMS

4C	Common Code of Conduct for the Coffee Community
ACEN	Nicaraguan Association of Specialty Coffee
ACORDAR	Alliance to Create Opportunities for Rural Development through Agro-Enterprise Relationships.
ANACAFE	Asociación Nacional de Café en Guatemala
C	Contract price market. New York market price for Arabica coffee
C$	Córdoba. Nicaraguan currency. U$1 approx. C$20
C.A.F.E	Coffee And Farmer Equity Practices (Starbucks).
CECOCAFEN	The Organization of Northern Coffee Cooperatives (Nicaragua).
CI	Conservation International
CIMS	Centro de Investigación de Mercados Sostenibles.
CIRAD	Agricultural Research For Development (France).
CoC/CoCs	Code/s of Conduct
CONACAFE	Consejo Nacional del Café Nicaragua
COSA	Committee on Sustainability Assessment
CRS	Catholic Relief Services
CSR	Corporate Social Responsibility
DKK	Danish Crown. Denmark's currency. U$1 approx. DKK5.60
ETI	Ethical Trading Initiative.
EUREPGAP	Euro-Retailer Produce Working Group Good Agricultural Practices.
FLO	Fairtrade Labelling Organization International.
GDP	Gross Domestic Product
GLOBALGAP	Former EurepGap.
GMO	Genetically Modified Organism
GTZ	German development cooperation agency.
GVC/GVCs	Global Value Chain/s
Ha/ ha	Hectare

HEBI	Horticultural Ethical Trading Initiative
ICA	International Coffee Agreement
ICAFE	Instituto del Café de Costa Rica
ICO	International Coffee Organization
IFC	International Finance Corporation
IFOAM	International Federation of Organic Agriculture Movements
IHCAFE	Instituto Hondureño del Café
IICA	Inter-American Institute for Cooperation on Agriculture
ILO	International Labour Organization
IRD	Institute for Development Research (France)
ISO	International Organization for Standardization
ITC	International Trade Centre
LIFE	Financial Futures Exchange
LWR	Lutheran World Relief
MSI	Multi-Stakeholder Initiative
MT	Metric Tone:
Mz	Manzanas: 0.7 ha.
NAE	French Development Cooperation Agency
NGO	Non Governmental Organization
PROCAFE	Fundación Salvadoreña para Investigaciones del Café
PRODECOOP	La Central de Cooperativas de Servicios Múltiples
PROMECAFE	Regional Cooperative Program for the Technological Development of Coffee in Central America, Panama, Dominican Republic and Jamaica
PS/PSs	Private Standard/s
Qq/ qq	Quintal: 100 pounds.
RF	Rainforest Alliance
RQ1	Research Question 1
RQ2	Research Question 2
SAN	Sustainable Agriculture Network
SCAA	Specialty Coffee Association of America
SHG	Strictly High Grown
SNV	Netherlands Development Organization
SOPPEXCCA	Unión de Cooperativas Agropecuarias, Jinotega (Nicaragua).
U$	US dollar. U$1 approx. C$20
UNICAFE	Unión Nicaragüense de Cafetaleros
USAID	United State Agency for International Development
UTZ	UTZ CERTIFIED
WH	Working Hypothesis
WHO	World Health Organization
WIETA	Wine Industry Ethical Trade Association
WTO	World Trade Organization

EXECUTIVE SUMMARY

Given the increasing regulatory importance of Private Standards (PSs) in the coffee chain, it is essential to understand how PS regulation is perceived by local farmers and their implications in terms of whether PSs contribute to the improvement of farmers' livelihoods and to a better integration into global markets. This master thesis has thus sought to address these issues by focusing on the perceptions of small, medium and large-scale farmers in Northern Nicaragua, a region that relies largely on coffee exports and where the livelihoods of the majority of the population is dependent on such crop. In particular, we have sought to explore and understand (1) why farmers decide to adopt (not to adopt) PSs, and (2) their perceptions on how the following PSs, FLO, Rainforest Alliance, UTZ, C.A.F.E, Organic and 4C, contribute to profitability, better access to markets and to improved working and environmental conditions at the farm.

In order to explore and understand the above mentioned issues we have conducted a case study following a qualitative and learning approach to impact assessment. This approach relies on multiple sources of data and triangulation and aims at understanding rather than measuring impacts.

Findings regarding the reasons why coffee farmers adopt (not adopt) PSs show that while buyers, exporters, collective organizations and Donor's aid projects have been the initial drivers, it is farmers' attitudes the defining driver for adoption. In relation to small and medium-scale farmers, expectations regarding higher prices, profitability and market access do not seem to have been met. However, farmers perceive that PS implementation has brought about considerable reduction in pollution levels and other efficiency enhancing processes. Large-scale farmers perceive that PSs may bring about higher profitability levels as long as they serve as the initial basis for long-term direct relations with buyers. This, in turn, reduces dependency on "C" stock prices and guarantees a market over time. Attribution problems have arisen due to the complex geography of actors, variables and relations (e.g. Donors, collective organizations, management style) playing a role in bringing about social and environmental change.

This thesis concludes that while PSs can *certify* that coffee is grown in line with social and environmental standards, they *cannot certify* that coffee farmers' participation in global value chains will be strengthened and that they will receive higher economic returns.

ACKNOWLEDGEMENTS

We are thankful to coffee farmers, collective farmers' organizations, exporters, institutions and industry informants for their invaluable support during our stay in Nicaragua. We owe every word of this project to the time they dedicated to us. Thanks for the warm welcomes and for the enlightening conversations over a good Nicaraguan cup of coffee. We are also indebted to Ramacafe and its team for their unconditional support since we started brewing this project in our minds. Our gratitude to Dansk Initiativ for Etisk Handel and Dansk Kaffe Netværk for their great help. We are also thankful to Lone Riisgaard and others who provided valuable comments on earlier drafts, and especially to Peter Lund-Thomsen for his constructive and dedicated supervision. Finally, we are profoundly grateful to our families who stood by us throughout the days and nights we spent on this project.

We dedicate this thesis to Northern Nicaraguan coffee farmers, in the hope of bringing their perspectives closer to consumers and to the business and development community.

INTRODUCTION

Over the past three to four decades a new phase of globalisation, characterized by increased interdependence of economic markets, increased integration of production and more intense global competitive pressures, has emerged (Gereffi et al., 2005). In this new more interdependent global order, the organization of production has shifted from the replication of the transnational corporation's home value chain at the host country to globally coordinated networks of production characterized by the fragmentation of the value chain across nation borders. Global value chains (GVCs) and global corporations have thus become the dominant driving forces of economic globalisation.

This new era has resulted in higher levels of specialization. Global corporations home-based in developed countries are redefining their core competences to focus on product development, marketing, retailing and other high value-added segments. Developing countries are increasingly dedicated to provide manufacturing services and also continue to be sources of agricultural and extractive resources. Further, developing country firms' access to developed-country markets has become increasingly dependent on entering the value chains of these global corporations, which control and coordinate the division of labour across the chain and are often referred to as the lead firms governing GVCs (e.g. Nike in the footwear industry, Nestlé in the coffee industry) (Humphrey and Schmitz, 2002).

While rapid industrial growth has largely accrued to Asia, first to the newly industrialized countries such as Malaysia and more recently to emerging economies such as China, some African and Central American countries such as Tanzania and Nicaragua remain largely dependent on agri-food exports. The case of the last mentioned countries is of particular interest, as the livelihoods of populated rural communities in the developing world are dependant on participation in global agri-food chains.

Over the last decades, agri-food chains have increasingly been exposed to regulatory changes. Until the 1990s, international agri-food trade was regulated by bilateral and multilateral agreements, such as the International Coffee Agreement (ICA) in the coffee industry, in which producing countries were largely involved. Nonetheless, the demise of such agreements together with market liberalization brought about new forms of regulation. As a result, a system of *global*

private regulation characterized by power shifts to private actors, namely retailers and brand marketers home-based in developed countries, emerged. These downstream actors dictate the rules and standards for production to upstream producers in the developing world. They have increasingly required farmers in the South to comply with an ever-growing set of P*rivate Standards*[1] (PSs) regarding not only quality and food safety, but also working and environmental issues (Tallontire, 2007), as a result of NGOs advocating for ethical sourcing practices. Thus, NGOs have also come into play regarding standard setting and monitoring (Raynolds et al., 2007).

In this regard, PSs seeking to advance economic, socially responsible and environmentally friendly practices, have not only become a new form of governance regulation within GVCs, but have also been regarded as the main tool used by global brand marketers and retailers in the agri-food chain to implement their Corporate Social Responsibility (CSR) strategies.

In agri-food industries, PSs have proliferated. Guthman (2008) argues that agri-food products are more prone to voluntary PSs than others due to the specificities of these products. First, agri-food products are dependent on biophysical production. Then there are cultural meanings associated to food, as it is the "intimate commodity". "It is some combination of the "ick factor" of food[2], the immediacy of its moral content, and the centrality of agriculture in both developmental and environmental imaginaries that makes food more subject to ethicalization (emphasis in original)" (Ibid, p. 198). Furthermore, Guthman also argues that PSs have proliferated because it is easier to make agri-food chains transparent and to seek to regulate them.

The coffee industry is an interesting example of these broad regulatory changes, as it has gone through dramatic changes in its governance structure over recent decades. Power shifted from farmers and importers to retailers and roasters/brand marketers, thus increasing farmers' vulnerability. The dismantling of the ICA agreements, which until 1989, regulated production levels via quota allocation to signatory producing countries and ensured healthy prices, together with concentration on the roaster and retailer nodes, have led to such restructuring.

[1] PSs are a set of rules and requirements concerning the various aspects of the production process of a particular good (quality, technical, social, economical, environmental, among others) developed by non-state actors, namely firms and/or industry organizations and/or NGOs.
[2] Slang for something distasteful.

Today, the coffee industry is the leader in both market share and number of PSs. There are at least nine PSs covering one or more of the following production-related aspects: economic development, social development and environmental protection, namely: Organic, Fairtrade (FLO), Rainforest Alliance (RF), Bird-friendly, Biodynamic, Nespresso AAA, Starbucks C.A.F.E Practices (C.A.F.E), UTZ-Certified (UTZ) and The Common Code for the Coffee Community (4C) (Giovannucci and Potts, 2008).

Further, coffee is particularly important for many developing countries, as the livelihoods of more than 20 million families in the developing world depend on it (Bacon, 2005). Coffee is the second most important traded commodity after oil and it is also important in the South-North trade relation, as most (for not saying all) coffee is produced around the Equator line in developing countries while consumption is concentrated in developed countries.

At the turn of the 21st century, a major coffee crisis dramatically affected coffee farmers worldwide. The crisis was essentially triggered by the dismantling of the ICAs in the late 1980s and oversupply during the 1990s. Coffee prices plunged to their lowest historical levels in 2001/02, thus, resulting in widespread job-losses, increase in poverty levels and abandonment of shaded plantations, among other effects (ICO, 2003, 2004; Bacon, 2005; Muradian and Pelupessy, 2005). Within this context, attention was drawn to PSs as a tool for reducing farmers' vulnerability, improving their livelihoods and securing market access (Bacon, 2005) and, as a result, PS implementation began to proliferate in producing countries.

The coffee value chain (Talbot, 1997, 2004; Fitter and Kaplinsky, 2001; Ponte, 2002; Ponte and Gibbon, 2005) and the role that PSs play in the coffee chain in relation to the new processes of global private regulation have been well documented (Ponte and Gibbon, 2005; Daviron and Ponte, 2005; Muradian and Pelupessy, 2005; Raynolds et al., 2007). There is some recent literature about PS impacts (Barrientos and Smith, 2006a, 2007 on ETI Code of Labour practices; Nelson et al., 2007 on PS on the flower and wine industries; Giovannucci and Potts, 2008 on various coffee PSs; B. de Lima et al., 2008 on RF on coffee farms; Borot de Batisti et al., 2009 on GLOBALGAP). There are also some studies focusing on farmers and workers perceptions on the implementation of PSs in various agri-commodity chains (Smith et al., 2004; Dolan & Opondo, 2005; Prieto-Carrón, 2006; Nelson et al., 2007; Lazaro et al., 2008; MacGregor, 2009).

Nonetheless, the discussions on whether, how and why PSs are a boon or a bane remain, as findings documented in the literature are mixed. As such, it is not very clear (1) whether PSs contribute to the improvement of farmers' livelihoods by, for instance, securing their access to markets and higher economic returns, improving working conditions and advancing environmentally friendly practices; and (2) what are the factors affecting farmers' decision to adopt (not to adopt) PSs.

These issues acquire particular significance in the context of Nicaragua, as the country's economy largely relies on agri-food exports and the livelihoods of the majority of the population are highly dependant on coffee production and export. Thus, given the increasing regulatory importance of PSs in the coffee chain, understanding how PS regulation is perceived by local farmers and their implications in terms of their well-being and integration into global markets, becomes critical for understanding the role that PSs are playing in the industry and whether, how and why PSs in Nicaragua are a boon or a bane.

In light of this, we have developed the following research questions:

RQ1: Why do coffee farmers in Northern Nicaragua decide to adopt (not to adopt) PSs?
RQ2: How do coffee farmers in Northern Nicaragua perceive the PSs being implemented as regards their contribution to profitability and market access, working conditions and socioeconomic status, and environmental pollution at the farm?

The structure of the thesis is as follows. In *Chapter I* we describe the methodological approach of this study; in *Chapter II* we review literature in relation to the emergence of PSs, the role played by PSs in GVCs as well as PS impacts and perceptions; in *Chapter III* we describe the main characteristics of the world coffee industry, the Nicaraguan coffee industry and the PSs included in this study; in *Chapter IV* and *V* we present the data analysis in relation to RQ1 and RQ2; in *Chapter VI* we discuss the main findings in relation to industry conditions and GVC processes; and last, in *Chapter VII* we summarize the main conclusions, implications and recommendations.

Table I: Structure Master Thesis

Introduction	
Chapter I:	Methodology
Chapter II:	Literature Review
Chapter III:	The Nicaraguan Coffee Industry
Chapter IV:	Farmers' Reasons for Adopting (not adopting) Private Standards
Chapter V:	Farmers' Perceptions on Private Standards
Chapter VI:	Private Standards Unfolded. Discussions and Considerations
Chapter VII:	Conclusions and Implications

CHAPTER I: METHODOLOGY

In this chapter we explain the methodological approach we have adopted. First, we explain the overall research focus and approach. Then, we provide a detailed description of interviewee sampling, data collection and data analysis processes. Finally, we assess the methodology and discuss the reliability, validity and limitations of the study.

1. RESEARCH FOCUS AND APPROACH

1.1 Research Focus

This study seek to enrich the debates on whether, how and why coffee PSs are boon or bane in Nicaragua, and to contribute to the existing body of literature by focusing on a number of relatively under-researched issues, namely:

- *Focus on several PSs.* Whereas previous studies on coffee PSs have mostly focused on one specific PS and largely on FLO (e.g. Lazaro et al., 2008 on UTZ-Certified; Pérezgrovas and Cervantes, 2002; Murray et al., 2003; Taylor et al., 2005 on FLO; Bacon, 2005 on FLO-Organic coffee), this study includes various PSs in addition to FLO, namely RF, UTZ, C.A.F.E, Organic and 4C.

- *Coffee farmers' perceptions*. First, the focus is on coffee farmers, whereas previous studies have mostly focused on farmers and workers on other agri-food and manufacturing industries (e.g. Smith et al., 2004 on the horticulture industry, Dolan and Opondo, 2005 on the cut-flower industry; Prieto-Carrón, 2006 on the banana industry; Jørgensen et al., 2003 on the apparel and agriculture sectors). Second, the focus is not on a set of predefined parameters to be measured, as it is usually the case of the proving approach to impact assessment (e.g. COSA Methodology for coffee PSs, in Giovannucci and Potts et al., 2008), but to explore and understand coffee farmers' perceptions on PSs using a learning approach to impact assessment.

- *Differences in the perceptions of small, medium and large-scale coffee farmers.* Research studies have largely focused on the impacts of PSs on smallholders (e.g. Bacon, 2005; Graffham et al., 2009; Lazaro et al., 2008). In this study we seek to comparatively analyze

the perceptions of coffee farmers of various sizes, with the purpose of assessing the different opportunities and challenges that PSs pose to them.

1.2 Research Approach and Purpose

This study draws on the individual experiences of coffee farmers in Northern Nicaragua to explore and understand why they adopt (not adopt) PSs as well as their perceptions regarding the contribution of PS implementation to economic, social and environmental aspects of coffee farming. Thus, we follow a qualitative research approach in order to account for the complexity of the phenomenon being studied in a specific setting, Northern Nicaragua.

Further, we follow a *qualitative and learning approach to impact assessment*. The term impact assessment refers to "…the systematic analysis of the lasting or significant changes - positive or negative, intended or unintended - in people's lives brought about by a given action or series of actions" (Roche, in Barrientos and Smith, 2006b, p. 8). According to Barrientos and Smith (2006b), there are two methodological approaches which inform impact assessment, namely proving approach and improving approach. While the former focuses on objective and accurate measures, often involves longitudinal studies and surveys, and is conducted in a rather top-down manner; the improving approach focuses on understanding the process of an intervention (in this study, PS implementation), can be carried out over a shorter time period and follows a rather bottom-up approach.

The improving approach, which the authors name learning approach, recognizes that there can be a certain level of subjectivity and relies on multiple sources of data and triangulation techniques in order to assess the impacts. It is this second approach the one we follow in this study. We aim at both, *exploring* farmers' perceptions on PS implementation, and *understanding* such perceptions by discussing their grounds on industry conditions, GVC processes and the local context, as well as in relation to the role that PSs play in today's coffee industry regarding farmers' integration to international markets. The ultimate aim is to identify key improvements, implications and recommendations for academics and practitioners.

2. RESEARCH STRATEGY: CASE STUDY

We have decided to do an impact assessment of a *case study*, which includes coffee farmers in four municipalities of Northern Nicaragua. These municipalities constitute a unique context accounting for the highest levels of coffee production and including the highest number of farmers implementing PSs.

The appropriateness of case study lies on the ultimate purpose of this research strategy in relation to our research questions, that is, learning from the findings rather than seeking to statistically generalize the results (Flyvbjerg, 2006). Thus, we have sought to gain in-depth knowledge on the positive and negative effects as well as on the main challenges of PS implementation.

Another strength of case study as a research strategy is the importance given to the context when studying a social phenomenon. In our case, farmers' decision to adopt (not to adopt) PSs as well as their perceptions on them are subjective meanings deeply embedded in their real-life situations. As such, a case study strategy has allowed us to set focus on the context in order to better understand the role that PSs are playing in relation to farmers' well-being and integration to GVCs. Further, case study has also allowed us to include and triangulate several sources of data, which is appropriate when incorporating contextual aspects (Yin, 2009).

This is a cross-sectional case study dealing with a contemporary event. The focus is thus on current farmers' perceptions on PSs, which are informed by their reflections upon changes over time. As such, in our interviews, farmers often referred to the past when describing how coffee farming was carried out prior to the implementation of PSs. Others also brought up past situations when recounting their experiences before they pulled out of a specific PS.

Further, this is a *maximum variation* case study, as we have sought to obtain information from a large variety of farmers, namely, small, medium and large-scale; certified and non-certified; purposively selected; and to a large extent evenly distributed on the four municipalities. This has allowed us to capture the wide diversity in relation to coffee farmers and PS implementation.

In the following paragraphs, we describe the steps followed when delimitating Nicaragua, the in-country region and actors included in the case study.

2.1 Choice of Country

Central America becomes of particular interest since it is one of the most traditional coffee producing regions in the world. Coffee has been produced in the region since the XVIII century and it constitutes the main cash crop (ICO, n.d.a). The sector employs 1,4 million people and the revenue generated by coffee is entirely dependent on world markets, as Central America exports 90% of its production (CEPAL, 2002).

The most renowned coffee PSs, namely FLO, RF, UTZ, 4C, C.A.F.E. and Organic are well established and widely adopted in the region. RF is only implemented in Latin America, UTZ was initially developed in Guatemala and it has not been until recent years that it expanded to Africa and Asia. Also C.A.F.E and FLO were developed and initially implemented in this region. Thus, Central America provides the most appropriate setting due to the importance of the coffee sector and the long tradition of PS implementation.

Nicaragua, the largest Central American country, is the world 14th largest producer and exporter of coffee of more than 50 producing/exporting countries in the world (ICO, 2009a; ICO, 2009b). Coffee exports have historically represented around 20% of total exports, thus making coffee the principal export good (CEPAL, 2002; CETREX, 2008) and the principal contributor to the livelihoods of Nicaraguan families. Unlike most of the Central American economies, where coffee has gradually lost its importance due to production and export diversification, in Nicaragua it continues to be the principal economic activity (CEPAL, 2002). Coffee is also the main agricultural activity and source of employment. The sector employs 13,5% of the national labour force (IICA, 2004).

Furthermore, the recent coffee crisis (2000-02) severely affected the livelihoods of more than 45,000 small-scale Nicaraguan farmers and their families. The crisis resulted in families pulling their children out of school, emigrating to urban poverty belts and losing their jobs at large-scale estates (ICO, 2003; 2004). In addition, these effects were aggravated by natural disasters such as the hurricane Mitch and droughts. In this context, the attention of all types of farmers was drawn to the benefits of implementing some of the PSs mentioned above as a way of reducing their vulnerability to price variability, secure markets and to recover the farm and the forest.

In sum, the importance of the coffee sector for the national economy and the livelihoods of multiple families together with the role that PSs are playing in Nicaragua after the recent coffee crisis, have made the country an interesting location for this study. In the following section we explain in detail the choice of in-country region.

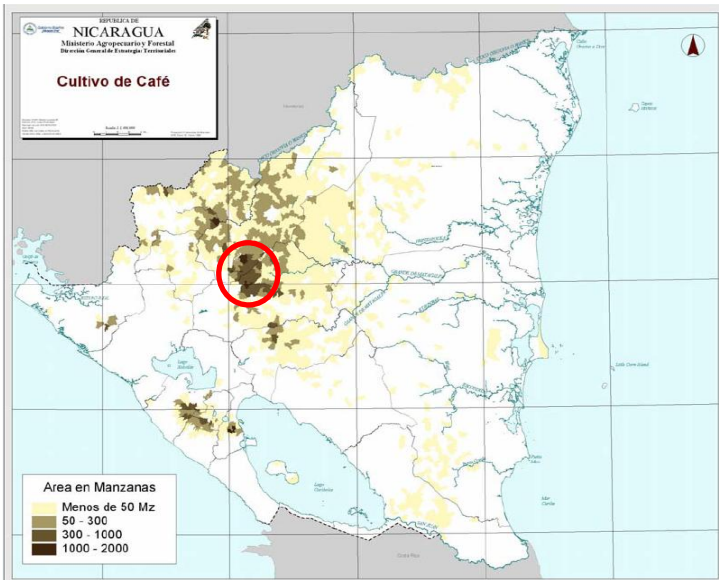
2.2 Choice of In-country Region

In order to delimitate the in-country region of study within Nicaragua we have followed a *purposive sampling strategy*. Such strategy has also allowed us to select the PSs and define the farmers to be included in the study. The following selecting criteria have been informed by both, literature and the nature of the research questions: i) Geographical distribution of production, ii) PSs being implemented in Nicaragua including social, environmental and economic criteria, iii) Location of certified farms, iv) Farm typology, and v) Accessibility.

i. Geographical Distribution of Production

In Nicaragua, coffee production is divided into three main areas, the Central-Northern region, the North-East region and the South Pacific region. Production figures show that coffee farms are unequally distributed, as around 80% of coffee is grown in the departments of Matagalpa and Jinotega, in the Central-Northern region. North-East and South Pacific account for 13 % and 3% of the national coffee production respectively (Rivas, 2008; IICA, 2004). Thus, based on this criterion we selected the departments of *Jinotega and Matagalpa.*

Figure 1.1: Coffee Production in Nicaragua



Source: IICA 2004

ii. PSs Implemented in Nicaragua

As our research questions refer to PSs, we mapped out the PSs being implemented in Nicaragua and the certified farms. Since there are no official public records of this in the country, we searched at PS websites and talked to our local contact organization in Nicaragua, Ramacafe, and to Dansk Kaffe Netværk in Denmark.

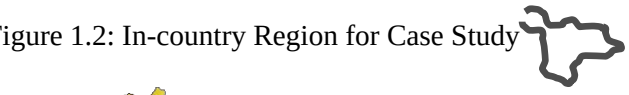
First, we identified *C.A.F.E, RF, UTZ, FLO, 4C,* Organic and Bird Friendly as the main PSs being implemented in Nicaragua. Then, as the study aims at exploring the perceptions of coffee farmers regarding social, environmental and economic aspects, at the beginning we decided to focus on the first five PSs mentioned above. Thus, we excluded Organic and Bird-friendly because they do not include social criteria. In addition, time and budget constraints also limited the spectrum of PSs to be covered. However, during fieldwork, we encountered the struggles, especially economic and social, that *Organic* was posing for some of the FLO-certified farmers included in this study who had also been certified with Organic. Thus we decided to incorporate the latter PS in the study.

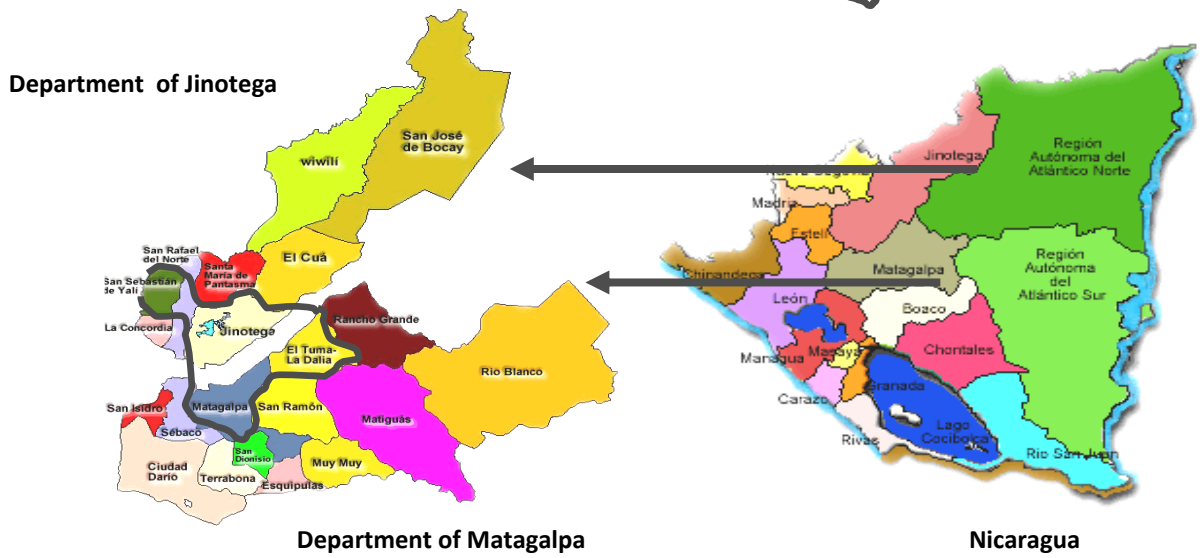
Once the PSs were selected, we identified those that were implementing them. As of July 2009, there were 21 FLO-certified collective organizations, 24 Rainforest Alliance-certified entities and 9 UTZ- certified entities in Nicaragua. As regards 4C, there were 2 certified entities. Starbucks does not make public information on C.A.F.E certified farms, thus we identified those farms by searching exporters' and farms' websites as well as by talking to our contact organizations. In the end, we selected farms implementing one or more PSs.

iii. Location of Certified Farms

After certified farms and collective organizations were identified, we localised them in a map of Nicaragua. Most of them were located in the departments of Jinotega and Matagalpa, thus reinforcing our first selection criterion (geographical distribution of production). In addition, by locating the farmers in a map, we identified three main municipalities within the two departments: Matagalpa, Jinotega and El Tuma- La Dalia. Those municipalities fulfilled the following: (1) Highest levels of coffee production in the two departments (2) most certified farms were located in that area (3) appropriate for transportation purposes due to time and budget constraints. Once in Nicaragua, we added a forth municipality, San Sebastián de Yali, as in such municipality it was easier to access certified farmer members of both genders of the association

As within close distance. This was critical not only due to time and transportation constraints, but also because we sought to interview both female and male farmers living in the same community. Based on this criterion, we selected the municipalities *of Matagalpa, Jinotega, El Tuma- La Dalia and San Sebastián de Yali* as the in-country region for the case study. From now onwards, when we use the term Northern Nicaragua we refer only to these four municipalities.

Figure 1.2: In-country Region for Case Study 



iv. Farm Typology.

One of the aims of this study is to show the differences in the perceptions of small, medium and large-scale farms, thus we classified the previously identified certified farms and collective organizations according to this typology. There are different and multiple criteria for classifying them as small, medium and large-scale. We chose farm size, production and productivity levels as the main indicators to follow since they are the most commonly used and we consider them to be in line with other farms' characteristics such as the technology employed. The next step was classifying the list of certified farms and collective organizations located in the four municipalities according to the indicators presented below. The data was accessed by research on the internet and asking our local contacts. Further details that confirmed this information were also obtained during farmers' interviews.

Table 1.1: Farm Typology

	Small	Medium	Large
Size	0-14 Ha	15-50 Ha	>50 Ha
Production	< 300 qq	300-1500 qq	>1500 qq
Productivity (average)	2-11qq/Ha	20 qq/Ha	>30 qq/Ha

Source: Own elaboration based on CEPAL (2002) and IICA (2004).

Based on this criterion, we built a preliminary list of certified farms and collective organizations with different sizes in Northern Nicaragua[3].

v. Accessibility

The last step was contacting those farms and collective farmers' organizations in the identified area. Those who agreed to be part of the study, were then included. As for small and medium-scale farmers we accessed two farmers' collective organizations, namely *2nd level Coop* and *As.* Four large-scale farmers also accepted to be part of this study.

In sum, the municipalities of Matagalpa, Jinotega, El Tuma la Dalia and San Sebastian de Yali were identified as the geographical in-country region for the case study. In that area we got access to different typology of farmers, (small, medium and large-scale certified) that were implementing the following PSs, C.A.F.E, RF, UTZ, FLO, 4C, Organic[4].

3. FIELDWORK AND DATA COLLECTION METHODS

In this section, we first introduce the rationale behind the sampling of the interviewees and then move on to describe the data collection methods. Finally, we briefly describe our fieldwork agenda.

3.1 Sampling of Interviewees

i. Coffee Farmers

As the farmer is at the centre of this case study, we included a wide range of coffee farmers as interviewees. We define coffee farmer as the individual or legal entity with the technical and economic responsibility for the farm, who may have the support of a manager or

[3] The list is included in Appendix 1.
[4] See Appendices 2 and 3 for location of certified and non-certified farmers interviewed.

foreman/forewomen and may employ workers other than the members of his/her own family (based on INEC, 2001).

Interviews with *certified farmers* were essential for answering both research questions. Large-scale certified farmers were purposively selected as explained in Section 2.2. The sampling of small-scale farmers was also purposive because, in addition to the criteria mentioned in Section 2.2, we decided to include (a) those that were implementing one or more PSs and (b) female farmers in addition to male, since gender could be a source for differences in perceptions on PSs (Smith et al., 2004) and (c) farmers living in the same community. Then we talked to the collective organizations *As* and *2nd level Coop*, in order to identify farmers meeting such criteria. In the case of *2nd level Coop*, such process led to the inclusion of farmer members of *Coop*, a first-level cooperative. Out of the three first-level cooperative members of *2nd level Coop* implementing UTZ (in addition to FLO), we chose *Coop* since it is the only one that has female farmer members implementing UTZ. In the case of *As*, we decided to add a fourth municipality as mentioned in Section 2.2., since it was easier to access farmers meeting all criteria in such municipality. Last, we chose the final list of male and female farmers to be included out of a list of farmers provided by *Coop* and *As*, based on proximity, i.e. living within close distance. Snowballing sampling was employed with one of the medium-scale certified farmers, whose contact was facilitated by a sectoral institution in Matagalpa. The other two medium-scale certified farmers interviewed are members of *As* and were purposively selected based on the criteria mentioned above for small-scale farmers.

The aim of this study has also been to explore why coffee producers decide to adopt (not to adopt) PSs (RQ1), thus we identified a group of *non-certified farmers* within the previously selected geographical area. In addition, interviews with these farmers served as the basis for comparison with certified farmers regarding RQ2 by for instance comparing their farming practices. The sampling strategy for non-certified farmers was a combination of purposive and snowballing. We included farmers meeting at least one of the following: (1) have never implemented a PS; (2) is considering entering a PS and; (3) have pulled out of a PS. Regarding access to small-scale non-certified coffee farmers it should be noticed that these farmers are not organized. We got in contact with them via the association *As*, and they live in the same municipality as small-scale certified farmer members of such association (Yali). One of the medium-scale non-certified farmer was contacted via one of the exporters interviewed and the

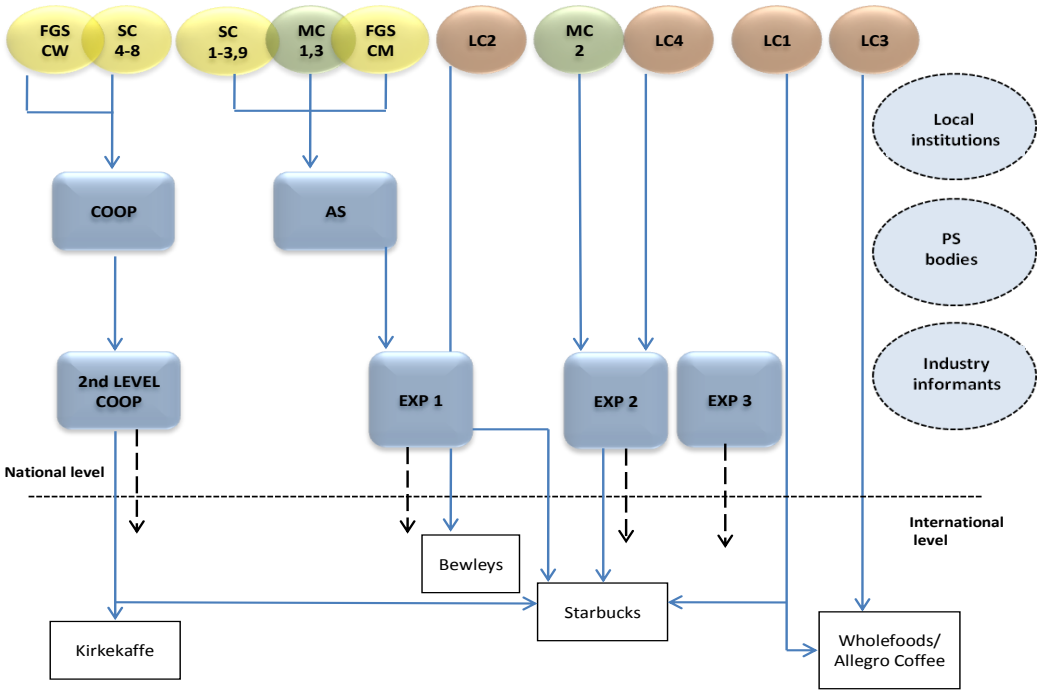
other two were the neighbours of one of the large-scale certified farmers interviewed. Large-scale non-certified farmers were identified thanks to information provided by a sectoral institution in Matagalpa.

ii. Other Actors

Coffee farmers are not isolated actors at the production node of the coffee chain. Thus, we have sought to go beyond single farmers' perspectives and study Northern Nicaraguan farmers' reality from different angles and sources of evidence. In other words, we have sought to incorporate a multiple-participants' perspective offering a more holistic, triangulated and even more "objective" view of farmer's perspectives and the context in which the latter are embedded (Smith et al. 2004; Nielson and Pritchard, 2009). Thus, we also conducted interviews with other actors that could inform about farmers' opportunities and challenges related to PS implementation, the dynamics of PS implementation, the processing and commercialization of both certified and non-certified coffees and the institutional context of coffee production, among others. For these reasons, we conducted interviews and/or informal conversations with actors along and outside the chain. They are collective farmers' organizations (*Coop, As* and *2nd level Coop*), exporters (Exp1-3), sectoral institutions, PS bodies, industry informants and a roaster. Exporters and institutions were identified by reviewing documents on the Nicaraguan coffee industry and three out of the four interviews with exporters were arranged prior to fieldwork. Interviews with institutions were arranged during fieldwork. PS bodies, industry informants and the fourth exporter interviewed were identified and interviewed during the days of the International Coffee Conference Ramacafe we attended while in Nicaragua.

In order to provide a clearer picture of our interviewees and their position within the Nicaraguan coffee chain, we have elaborated the following figure.

Figure 1.3: Certified Coffee Farmers and other Actors Included in the Study



Source: Own elaboration based on fieldwork Aug-Sept 09

Note: The actors represented by coloured figures have been interviewed. The black arrows mean that coffee is also sold in the open market.

3.2 Data Collection Methods

In line with the research questions, we have chosen for data-collection purposes natural-language methods aimed at discovering the views and perceptions of individuals and groups, namely (i) interviews and (ii) focus groups. We have also used other methods aimed at both, providing a contextual understanding and to support the data gathered through the natural-language methods, namely (iii) direct observation (iv) participation in an industry conference; and (v) document reviews.

i. Interviews

We have chosen semi-structured interviews as they entail a flexible process, sensitive to the level of detail and complexity necessary to account for the phenomenon being studied. We have followed a research guide which included major topic questions that allowed the interviewees to elaborate on their answers and to discuss related issues. In addition, it allowed us to pick up on issues brought up by the interviewees and ask follow-up questions when necessary. The order of the topic questions was altered in certain cases so as to respect the natural development of the

interview. The wording was also adapted and adjusted to level of comprehension and eloquence of interviewees. For instance, we built an interview guide for large-scale farmers and a different one for small and medium-scale farmers. In the case of industry informants, PS bodies and roasters we conducted rather unstructured interviews.

All interviews (semi-structured and unstructured) were conducted in a rather informal manner and in a comfortable environment. We also made clear that interviews were confidential. In the case of coffee farmers, interviews were conducted at their farms. Further, in the case of small and medium-scale farmers, interviews were conducted individually and no collective organization representative was present during the conversations. We asked interviewees to tell their own stories and their own evaluations of the economic, social, and environmental criteria of PSs. To allow for such narratives to unfold, we sought to gradually increase the level of confidence during the conversation. Further, the fact that we speak Spanish was key for building such confidence and for avoiding lost-in-translation issues. We also used the technique of laddering, in which we helped the interviewee move from descriptive accounts to the values and reasons beneath such descriptions. We did so by using questions such as: Why?, What do you mean by…? and Could you give an example of…? Further, in the case of small and medium-scale farmers, we used a ranking of 5 smiley faces so that they could provide us with their overall assessment of PS implementation. All individual narratives were subject to triangulation and theory-informed review, as we gather multiple narratives from different coffee farmers and actors along and outside the coffee chain.

The overall aims of the interviews have been the following:

<u>Coffee Farmers</u>

- To discover the reasons why coffee farmers adopt (not adopt) PSs.
- To discover the individual views and perceptions on FLO, C.A.F.E, 4C, UTZ, RF and Organic of different types of coffee farmers: small, medium and large-scale farmers implementing the mentioned PSs, men and women.
- To go in depth into the individual views and perceptions of coffee farmers
- To discover how the behaviour of actors along the coffee chain (e.g. exporters and roasters) and actors outside the chain (e.g. PS bodies, local coffee institutions) affect the views and perceptions of different types of coffee farmers.

Other Actors along the Coffee Chain and outside the Coffee Chain

- To discover how the behaviour of actors along the coffee chain (e.g. exporters and roasters) and actors outside the chain (PS bodies, sectoral institutions) affect the views and perceptions of different types of coffee farmers.
- To gather multiple perspectives on how PS implementation contributes to profitability, market access, improved working conditions and socioeconomic status and reduced pollution at the farm for triangulation purposes.

Industry Informants

- To gather contextual knowledge on the role that PSs are playing in the coffee industry in general and in Northern Nicaragua in particular.

In the following tables, we provide further information on the interviewed coffee farmers (1.2) as well as on the other actors interviewed (1.3).

Table 1.2: Interviews Coffee Farmers

Coffee Farmers	Size	Collective Organization	Number interviews	Description
Certified farmers	Small	*As.* [5]	4	SC1, 2&9: C.A.F.E, 4C and FLO SC3: 4C and FLO
		Coop.	5	SC4&8: FLO and UTZ SC5, 6&7: FLO (pulled out of Organic)
	Medium	*As.*	2	MC1&3: C.A.F.E., 4C and FLO
		-	1	MC2: C.A.F.E (pulled out of Organic)
	Large	-	4	LC1a&b: RF and C.A.F.E LC2a&b: RF, UTZ and C.A.F.E LC3a&b: RF and Organic (only part of the farm) LC4: RF, UTZ and C.A.F.E
Total Certified farmers			**16** (5 women, 11 men)	
Not-certified farmers	Small	-	4	SNC1,2,3&4: not implementing a PS
	Medium	-	3	MNC1: not implementing a PS - pulled out of C.A.F.E MNC2&3: not implementing a PS
	Large	-	3	LNC1: considering entering a PS LNC2&3: not implementing a PS
Total Non-certified farmers			**10** (1 women, 9 men)	

[5] Please note that since the association *As* became FLO certified in February 2009, we focused only on the other PSs their members are implementing (C.A.F.E. and 4C).

Table 1.3: Interviews Other Actors

Other Actors	Number interviews	Description
Collective Organizations	3	*Coop* *2nd level Coop*. b *As: As*.a and *As*.b
Exporters	4	Exp1: 1a and 1b Exp2 Exp3 *2nd level Coop*. a
Roasters	1	R1
Industry Informants	2	Ind.Inf1 Ind.Inf2
PS Bodies	2	PSB1 PSB2
Sectoral Institutions	2	Inst1 Inst2
Total Other Actors	**15**	

We built different interview guides for every type of actor interviewed[6] and tested them. As a result, we made some adjustments regarding the wording of the questions. As regards the guide for small and medium-scale farmers, we broke down the topics into a main straightforward question and follow-up questions so as to facilitate answers and to avoid the interruption of the natural course of the interview. Idioms commonly used in rural areas in Northern Nicaragua were also included in the interviews with small and medium-scale farmers. Further, we also paid special attention to the sign language expressions used in the rural areas.

Interview guides were recorded in most cases and notes were taken during all interviews, which later on were transferred to a field diary.

ii. Focus Groups

We have only conducted focus groups with small-scale coffee farmers as it becomes particularly difficult to do so with firms (in this study, exporters, PS bodies and cooperatives managers) mainly due to their competing and/or conflicting interests (Riisgaard et al., 2008). Furthermore, we have also decided not to use this method with large-scale farmers due to the same reasons.

We have conducted a total of three focus groups with small-scale farmers[7], namely: (1) male certified farmers, (2), female certified farmers, and (3) male non-certified farmers. The overall

[6] All interview guides are included in Appendices 4, 5, 6 and 7.
[7] The focus group interview guide is included in Appendix 8.

aim has been to give coffee farmers the opportunity to interact and think through their answers, that is, to relate their own views to that of other participants, to reflect upon their own views and build their argumentation. Further, we favoured natural grouping so that farmers could feel comfortable and discussions could flow genuinely.

In the following table, we describe the main characteristics of the small certified farmers that participated in the focus groups. Focus groups (1) and (2) were conducted at the local school in Yali, in an ambience of confidence and without the presence of *As*' field officers or managers. Focus group (3) was conducted at the farm of one of the participants without the presence of *Coop's* field officers or managers. The discussions were recorded and notes were also taken.

Table 1.4: Focus Groups

Focus Group	Nr. Participants	Collective Organization	PSs implemented
(1) Male Certified	4	*As.*[8]	1&2: C.A.F.E. and FLO 3&4: C.A.F.E., 4C and FLO
(2) Male Non-certified	9	-	-
(3) Female Certified	4	*Coop.*	1 &2: FLO and UTZ 3: FLO 4: FLO (pulled out of Organic)

iii. Direct Observation

We have also relied on direct observation as a source for data collection. Interviews with large-scale coffee farmers were complemented with guided tours around the farm to observe management and operation practices, walks around the farm without the company of owners or managers and informal talks to workers. As such, visits to large-scale farms ranged from one full-day to two full days and nights. Interviews with small-scale farmers were, in some cases, complemented by casual walks around the plantation with the company of the farmer, in which we were able to observe as well as to ask follow-up questions. We documented our observations by taking notes and photographs.

Furthermore, we also documented observations regarding life standards and customs in rural areas in Northern Nicaragua. They have allowed us to contextualize coffee farmers' perceptions

[8] Please note that since the association *As* became FLO certified in February 2009, we focused only on the other PSs their members are implementing (C.A.F.E. and 4C).

on PS contribution to improving their socioeconomic status (in the case of small and medium-scale farmers) and working conditions (in the case of medium and large-scale farmers).

iv. Participation in an Industry Conference

We participated in the IX International Coffee Conference Ramacafe[9] that took place in Managua, Nicaragua on 1, 2 and 3 September, 2009. Such participation allowed us to deepen our knowledge of the international as well as of the national coffee industry at the beginning of our fieldwork. The knowledge gained did not only inform the later stages of our fieldwork but also our data analysis process. Further, we were also able to make contacts for interviews with exporters, PS bodies and industry informants, as mentioned in Section 3.1.

v. Document Reviews

We have reviewed several documents: (1) a history book accounting for the development and evolution of the Nicaraguan coffee industry, (2) local private studies on the Nicaraguan coffee industry, (3) local private studies on the cooperative movement and on the life of farmers in rural areas. Such documents were reviewed in Nicaragua with the aim of deepening our contextual understanding of the industry. We also reviewed official documents: (1) on the several Donor-funded development programs in which *Coop* is participating, and (2) on the programs involving PS bodies, exporters and roasters aimed at providing support to coffee farmers. Such documents were downloaded from their websites.

3.3 Ethics and Confidentiality of Information

Ethics is an essential part of social research. As we explained earlier, the success of our study depended on trust generated during interviews. Thus, at the beginning of all interviews, we made clear our commitment to preserve the confidentiality and anonymity of the data; and we also asked for permission to record the interviews.

As regards confidentiality, we have not provided collective organizations with the information given by their individual farmer members. Further, the content of each individual interview has been also kept confidential and has not been shared with any other interviewee.

[9] Ramacafe, the organization, host the International Coffee Conference also known as Ramacafe.

As regards anonymity, we have used code names every time we have referred to a particular comment or story related to a specific interviewee. Thus, each interviewee has been given a code. For instance, small (S) certified (C) farmers have been assigned the code *SC* followed by a number.

Finally, we have also agreed to send a summary of the main findings and recommendations to those who have participated in this study.

3.4 Fieldwork Agenda

Fieldwork was conducted in Northern Nicaragua from August 21st to September 24th 2009, except for the interview to the roaster. Overall, during the first two weeks we carried out activities and interviews in order to get a good contextual understanding of the national and international coffee industry and of how PSs have come into play. Further, early meetings and interviews with the collective organization's field officers allowed us to learn how to better communicate with small and medium-scale farmers. Thus, the first two weeks have generally informed and facilitated the interviews conducted later. During the last two weeks we continued with the interviews to large and medium-scale farmers as well with individual and focus group interviews with small-scale farmers.

4. WORKING HYPOTHESES

In order to guide both, our data collection and data analysis process (explained in Section 5), we have developed multiple working hypotheses (WH) drawing on the most recent studies on PSs (Chapter III), the analysis of the Nicaraguan coffee sector, especially in relation to PSs (Chapter IV) and our own ideas. The value of using multiple WH lies largely on the combination of various lines of inquiry to address the complexity of the phenomenon being studied[10].

RQ1**:** Why do coffee farmers in Northern Nicaragua decide to adopt (not to adopt) PSs?

- WH1: The reasons for coffee farmers' adoption (non adoption) of PSs are driven by farmers' attitudes, expectations and current situation.
- WH2: The reasons for coffee farmers' adoption (non adoption) of PSs are driven by the influence of actors along the coffee value chain.

[10] As Railsback (n.d., p.1) has suggested "a phenomenon is the result of several causes, not just one, and the method of multiple working hypotheses obviously makes it more likely that we will see the interaction of the several causes".

- WH3: The reasons for coffee farmers' adoption (non adoption) of PSs are driven by PS bodies' activities.
- WH4: The reasons for coffee farmers' adoption (non adoption) of PSs are driven by Donors & NGOs support.
- WH5: The reasons for coffee farmers' adoption (non adoption) of PSs are driven by local conditions.

Table 1.5: Working Hypotheses RQ1

Farmers' attitudes, expectations and current situation:

- Lack of technical capabilities and financial resources
- Better income expected
- Environmental concerns
- Management tools: Improved relations with workers and community
- Lack of information
- Lack of interest in implementing changes in coffee production process
- Perceived cost-benefit relation is negative
- Local peer pressure
- Existing horizontal contractualisation

Actors along the coffee value chain:

- Cooperative: Collective decision and/or condition for accessing services
- Exporter: Market access/keeping
- Roaster/Retailer : Market access/Keeping

PS bodies' activities:

- Marketing & promotion
- Program development and implementation of programmes with Donors & NGOs

Donors & NGOs support:

- Financial and technical assistance

Local conditions:

- Exposure to coffee crisis (2001/02) aggravated by two major natural disasters, hurricane Mitch (1998) and droughts (1999/01) which increased farmers' vulnerability.
- Long tradition of cooperatives which facilitate adoption of PSs.
- Land ownership conflicts which difficult PS adoption.
- Weak formal institutional context.

RQ2**:** How do coffee farmers in Northern Nicaragua perceive the PSs being implemented as regards their contribution to profitability and market access, working conditions and socioeconomic status, and environmental pollution at the farm? The expected perceptions and its drivers are hypothesized as follows:

Perceptions

- WH1: Positive and negative perceptions on profitability & market access are related to: price premium, certification costs, market access and market keeping.
- WH2: Positive and negative perceptions on working conditions & socioeconomic status are related to: health and safety issues; hiring practices, wages, working hours, education and health.
- WH3: Positive and negative perceptions on environmental pollution at the farm are related to: wastewaters and pulp management, pesticide use and pesticide waste management, reforestation and new techniques.

Perceptions Drivers

- WH 4: Coffee farmer typology
  - Small, medium and large-scale farmers may differ in their perceptions on PSs.
- WH 5: The coffee chain
  - The unequal power and economic distribution along the coffee value chain influences farmers' perceptions on PSs.
  - The type of purchasing practices carried out by downstream actors influences farmers' perceptions on PSs.
  - The degree of vertical and horizontal contractualisation at the production node, influences farmers' perceptions on PSs.
  - PS compliance may lead to forms of product and process upgrading at the production node which influence farmers´ perceptions on PSs.
  - For the small organised farmers, the role play by the cooperative/association influences farmers' perceptions on PSs.
- WH 6: External actors' role
  - External support (lack of support) from NGOs, Donors and government related to PS compliance influences farmers' perceptions on PSs.

- WH7: Types of PSs
  - The different coffee PSs lead to diverse expected benefits.
    - Key aspects that differentiate FLO from the other PSs, namely addressing market distortions by establishing a minimum price and a price premium and promoting long-term relations between producers and buyers, are reflected in farmers' perceptions.
  - Auditing style influences farmers' perceptions on PSs.

Table 1.6: Working Hypotheses RQ2

Profitability & Market access:

- Price premium
- Certification costs
- Market access and market keeping

Working conditions & Socio-economic status:

- Health and safety issues
- Hiring practices
- Wages
- Working hours
- Education
- Health

Environmental pollution:

- Wastewaters & pulp management
- Pesticides use and pesticide waste management
- Reforestation
- New techniques

Perception drivers:

- Coffee farmer typology
- The coffee chain
- External actors
- Type of PSs

5. DATA ANALYSIS

In this section we introduce the approach and the steps that we have followed when analyzing data and elaborating Chapter VI and VII.

5.1 Grounded Approach to Data Analysis

We have followed a grounded-in-the-data approach to data analysis and codifying (Easterby-Smith et al., 2008). The development of our research questions and the data analysis were influenced by the revision of an extensive body of literature and discussions with experts in the field. All this has informed our decisions on how to focus the research questions, what to observe, who to talk to and what to talk to them about. In addition, the literature review allowed the identification of possible expected findings (See Section 4) which informed our interview guides as well as the codifying process. Thus, the process of coding was not purely derived from the data nor based on predefined rigorous codes that were imposed to the data but rather a blend of these two strategies.

The first step when doing the analysis was familiarizing with our material by reading the transcripts, reviewing fieldwork notes and photographs. Some initial interpretations, as well as similarities and differences among small, medium and large-scale farmers appeared. Then we manually codified the data. After the first codification which enabled us to label (e.g. label: wastewater management) and organize the data, we reviewed and changed some of the initial codes. Later, we integrated those codes into broader categories (e.g. category: pollution reduction). Finally, we searched for relations among those categories and developed themes inspired by our research questions and the literature reviewed. These themes were key for structuring the analysis chapters (e.g. relation: upgrading).

5.2 Narrative Analysis

The analysis chapters have been elaborated using a narrative style focused on the stories that interviewees recounted. We have aimed at creating a holistic picture of coffee farmers' situations by diving into those stories and explaining them via relations with key theoretical concepts.

6. METHODOLOGY ASSESSESMENT

6.1 Discussions in Relation to the Impact Assessment Approach.

The aim of this impact assessment has been to acquire an understanding on the factors affecting farmers' decision to adopt (not to adopt) PSs and their perceptions on PSs. In doing so, we have aimed at identifying and analysing both positive and negative effects as well as the main challenges in relation to PS implementation. This is in line with the learning approach to impact assessment we have followed.

As we mention in Chapter III, attribution is one of the main methodological challenges when doing impact assessments, that is, the extent to what changes occur exclusively as the result of a certain intervention (in this study, PS implementation). Rather than taking this challenge as a limitation, we have sough to account for the diversity of factors affecting PS implementation, as our findings reveal that they are key in order to better understand how PSs deploy in a particular context.

By choosing a learning approach to case study impact assessment, we have gained in-depth knowledge on PS implementation, which have allowed us to explore why farmers decide to adopt (not to adopt) PSs and their perceptions on PSs, and understand their relation to industry conditions, GVC processes and the local context. This understanding has allowed us to highlight implications and provide recommendations regarding the ways forward. However, one could argue that one of the main limitations of this approach versus a proving impact approach is that we cannot generalise our findings to all farmers in the four municipalities included in the case study. In order to generalize results, further studies ought to include quantitative methods. In spite of this, there is a strong indication that our findings reflect the reality of most of the farmers in the region, as this study constitutes a case study of maximum variation, whereby interviewees have been purposively sampled.

Both, our approach to impact assessment and our findings are in line with a *weak social constructionism* philosophy of science, as we recognise an objective reality that is constructed by subjective meanings. In other words, farmers construct their meanings by interacting with other farmers and actors within a social context and, in doing so, they create an objective reality. Further, we have sought to incorporate a more triangulated reality. As we explain in Section 3, we have not only interviewed coffee farmers, but also other actors along the coffee chain (e.g. exporters, cooperatives) and outside the chain (e.g. industry informants, PS bodies) as well as combined multiple data sources.

6.2 Challenges and Limitations

The process of doing this study involved a series of challenges and, as any other study, it also has limitations. Regarding interviewees, although it could have been relevant to include interviews with workers and auditors to complement farmers' perceptions on PSs, we also needed to consider budget and time constraints. Observation was not possible at all non-certified farms, but

again transportation and time constraints limited our possibilities. As for limitations regarding other sources of data, we did not include collective organizations' documentations on payments and liquidations as well as large-scale farmers' documentation for triangulation. Thus, some our findings ought to be taken as an indicative of economic returns.

During fieldwork, one of the main challenges was interviewing small-scale farmers due to their (low) conversation skills, eloquence level and the idioms they use. However, we believe we bypassed these difficulties by reviewing and adapting interview guides, observations at their farms and field officer explanations, as well as by interviewing a larger number (9) than initially intended (4-5) in the case of certified farmers.

As regards findings, since gender can be a source of difference in the perceptions on PSs, we have interviewed both, men and women. However, the aim of this thesis has not been to do a gender analysis, but rather to account for the variety of perceptions. In addition, although we include different PSs, we cannot compare them since it has not been possible to include farmers implementing a single PS. Therefore, we cannot attribute changes to a particular PS. Further, high similarities between PS norms difficult such comparison.

6.3 Reliability: The Dependability of the Findings

Reliability in social research refers to the consistency of the findings, as replication is not common due to the limited possibilities of doing so with social phenomena. Thus, it becomes important to spell out in detail the procedures followed (Bryman, 2008). In this chapter, we have described in detail the procedures followed in all stages of the research, from the research approach and strategy to the sampling of the in-country region and interviewees included in the case study; and from the data collection methods to how we have conducted the data analysis.

We recorded more than 90% of the individual and focus groups interviews and took notes during all of them[11]. We also made a field-note diary with notes and observations. As mentioned in Section 4.2, in the case of large-scale farms we complemented interviews with walks around the farm with and without the company of farm managers and with informal talks with workers.

[11] Only two interviews were not recorded. The first was the interview of a small certified farmer, who asked us not to do so. The second was the interview of the owner of a large-scale farm. We spent two days at his farm, thus the interview developed along the course of those days. As such, it was more practical for us to take notes. Then we emailed him the notes so that he could review them.

Further, when necessary, we interviewed farm managers, assistant managers and engineers in addition to the owners, as they have a more 'hands-on' knowledge on the daily operations related to PS implementation. We interviewed small and medium-scale farmer members of cooperatives alone, without the presence of field-officers and at their own farms (and in the case of two focus group at the community school), so that they could feel comfortable. Further, after the interview was 'over', we took walks around the farm accompanied by the farmer where we could not only make observations but also follow-up our conversation in a more informally manner. We also talked to field-officers, so as to obtain further information regarding the farmers interviewed and regarding their relation to the farmers. We used triangulation for data analysis, as we cross-referenced interviews with observations, photographs, field notes, post-fieldwork mails with some actors interviewed and documents reviews. We also triangulated coffee farmers' interviews with those of other actors. Further, some of these actors were guest speakers at the Conference Ramacafe, thus we could cross-reference the interviews with their speeches.

Last, the fact that we both are native Spanish-speakers has allowed us to communicate directly with interviewees and has thus facilitated the creation of an ambience of confidence and comfort. Further, we were also able to avoid lost-in-translation issues.

6.4 Validity: The Credibility and Transferability of the Study

The accuracy of this study in terms of whether the ideas developed are consistent with what we intended to research has been achieved.

As for the degree of credibility, after interviewing small and medium-scale farmers, we kept informal conversations with field-officers. During data analysis, we held email correspondence with field-officers, which served as respondent validation. Email correspondence with the same purposes was also held with large-scale farmers. These actions clearly enhanced the validity of the research. Our findings gained credibility when triangulated with other recent studies conducted in the area, which findings were consistent with ours as in the case of Valkila (2009) and Valkila and Nygren (2009).

As for the degree of transferability of this study, the approach (qualitative) and strategy (case study) indicate that the focus ought to be placed in analytic instead of statistical generalization, that is, in the extent to which findings can inform the current state of theory (Bryman 2008; Yin,

2009). In this relation, we believe that the findings should be taken as a learning experience for agri-food and other industries, and that detailed attention should be given to the context in which our study is embedded and to the context in which future studies can be done. Thus, findings cannot be transferred directly to other contexts, but what certainly can serve as inspiration is the understanding we provide of how PSs deploy in the context of Northern Nicaragua. Throughout the chapters we provide a thick description of such context.

CHAPTER II: LITERATURE REVIEW

The purpose of this chapter is to review the literature in order to understand how PSs have emerged and evolved and to account for the main recent debates on the implementation of PSs in the global South. The chapter is organized as follows. In Section 1, we discuss the emergence of PSs as a new governance mechanism in relation to the current processes of economic and regulatory change. In Section 2, we further the discussion about the emergence of PSs in relation to social and corporate processes of change, namely the rise of ethical consumerism, NGO activism and CSR in the corporate agenda. In Section 3, we analyse recent findings regarding the implementation of PSs in the global South and the effects of such implementation for Southern actors. We finalize with a brief summary and some critical questions in relation to PSs.

1. GLOBAL VALUE CHAINS, GOVERNANCE AND STANDARDS

1.1 Global Value Chains and the New Global Economic Order

In the new global economic order, which is characterized by increased interdependence of economic markets and increased integration of production, GVCs have emerged as the new way of organizing production across the world. Value chain is known as "the process by which technology is combined with material and labour inputs, and then processed inputs are assembled, marketed, and distributed. A single firm may consist of only one link in this process or it may be extensively vertically integrated" (Kogut, in Gereffi et al., 2005).

What characterizes GVCs is that all value-adding activities are geographically dispersed and at the same time coordinated in a network of inter-firm linkages, thus resulting in higher levels of specialization. While global corporations home-based in developed countries define product development, marketing and retailing as their core competences, developing country-firms increasingly specialize on supply of agricultural and manufacturing goods. Global brand marketers and retailers have thus emerged as the *lead firms* or global coordinators of the GVCs as they define the division of labour and terms of participation along the chain. Meanwhile, developing country-firms access to international markets is increasingly dependant on their integration into the value chains of these lead firms.

As such, new network-based forms of organizing and controlling production without direct ownership have emerged. GVCs thus reflect the complexity of inter-firm relationships in the new global economic order (Gereffi et al., 2005).

1.2 Governing Global Value Chains

The concept of *Governance* is key for understanding how GVCs function. It relates to the degree of control exercised by lead firms over product (what to produce) and process parameters (how to produce) (Humphrey and Schmitz, 2002). When organizing their production networks, lead firms face a number of decisions. First, they decide whether to source from the market or to get involved in long-term relationships with suppliers. Then, they decide upon product and process specifications, such as price, volume, quality, technology, delivery-times and social and environmental production practices, among others. Once these decisions are made, they are institutionalised in the form of standards to be met by suppliers. In other words, governance refers to the power relations through which standards are set and enforced and through which functions and resources are allocated along the chain[12].

Although the above mentioned conceptualisation remains the basis for the analysis of governance in GVCs, there has been an evolution on its understanding throughout the years. According to Gibbon et al. (2008), three understandings have so far been advanced: governance as driving, governance as coordination and governance as normalization.

Governance as driving refers to the pioneering understanding on governance and GVCs put forth in the mid 1990s. Gereffi (1994) used the term "buyer-driven global commodity chain" to denote the growing importance of global buyers in organizing and coordinating global production networks. This concept soon caught the attention of scholars, as it described the essence of the new global economic order previously discussed. He distinguished between two types of governance structures, namely buyer-driven and producer-driven global commodity chains.

Buyer-driven chains are primarily driven by retailers (e.g. Wal-Mart) and brand marketers (e.g. Kraft), who control the product design and/or marketing and/or branding functions. The control

[12] Such parameters can also be set by government agencies (e.g. food-safety regulations), international organizations (e.g. ISO), NGOs or multi-stakeholder-based organizations. Global buyers often adopt and enforce them in their GVCs. We discuss this in Section 2.

over such functions constitutes a competitive advantage and set entry barriers. These firms outsource and offshore production and organize it through networks of independent suppliers. Buyer-driven chains are typically found in labour-intensive industries, such as clothing and agri-food production. Producer-driven chains, in contrast, are those in which firms controlling key processes or technologies are the lead firms. These are found in capital-intensive sectors, such as the aircraft industry, where firms vertically integrate production by keeping capital and technology-intensive operations in-house and only subcontracting light manufacturing and labour-intensive operations to suppliers.

Governance as coordination shifts the governance focus from the entire chain to inter-firm links occurring at particular nodes. Governance is identified with the specific inter-firm exchanges between the lead firm and its first-tier suppliers. This change of governance focus is primarily rooted in the work of Sturgeon (2002; 2003) and Sturgeon and Lee (2001) on the electronics industry. The authors use the case of contract manufacturing in such sector to illustrate how modular production networks work and how coordination between the lead firm and the first-tier supplier becomes key to the GVC governance. Coordination relies on the ability to codify/standardize product and process specifications and the generic manufacturing capacity of the supplier, that is, the supplier's ability to supply a large number of buyers at the same time by capitalizing on economies of scale and scope.

The analysis of modular production networks shows that first-tier suppliers in the electronic industry do not necessarily perform low-profit and non-core functions and are able to supply several and even competing buyers due to lower asset specificity. For instance, in 1996 Apple sold one of its manufacturing plants to SCI and signed a contract manufacturing deal with this firm, which was at that moment providing manufacturing services to 50 buyers, including Apple competitors HP and IBM (Sturgeon, 2002). As such, modular relationships differ in their degree of driveness from those between Nike and footwear manufacturers in Asia or between Tesco and fresh produce suppliers in Africa.

As a result, Gereffi et al. (2005) further refined the concept of governance by focusing on coordination of inter-firm relationships between lead firms and first-tier suppliers. By drawing on the work of Sturgeon on modular relations and the work of Humphrey and Schmitz on captive relations, the authors put forward "a more complete typology of value chain governance" (Ibid.,

p. 83). They identify five types of governance in a continuum from low to high levels of explicit coordination and power asymmetry, namely: market, modular, relational, captive and hierarchy. These types of governance are to a large extent determined by (1) the complexity of the transfer of information between buyer and supplier, (2) the ability to codify and efficiently transmit such information and (3) the capabilities of the supplier.

The Market type of governance is mainly characterized by low complexity, low coordination and low switching costs for both parties involved. Modular governance is characterized by high complexity, ease of codification and high supplier capabilities, thus suppliers often use generic technology to supply a broad set of clients at the same time. Relational governance is characterized by high complexity in inter-firm linkages, which create mutual dependence and high levels of asset specificity, managed through trust and reciprocity. Captive governance is characterized by high informational complexity, ease of codification but low supplier capabilities. As such, suppliers are highly dependant on buyers and are closely monitored. Hierarchy refers to vertical integration, characterized by high complexity, low capability to codify the information and low capabilities of external suppliers. The three intermediate forms, modular, relational and captive, are types of network forms of coordination (Gereffi et al., 2005).

Governance as normalization brings attention to how certain actors outside the chain, either individually (e.g. NGOs) or in cooperation with actors within the chain (e.g. multi-stakeholder initiatives) influence value chain governance. This approach is primarily grounded on the work of Ponte and Gibbon (2005) and their introduction of convention theory to explain how governance is exercised along the entire chain. The authors seek to separate the concept of chain coordination from that of chain governance. They argue that the market, modular and captive types of coordination distinguished in Gereffi et al. (2005)'s framework capture inter-firm relations at different nodes in the chain, but "do not characterize the governance of the overall chain" (p. 6). "For Gibbon and Ponte the power of buyers in the chain, and therefore governance, is related to the degree of 'driveness' exhibited rather than to the manner of co-ordination or the extent to which the firm is 'hands-on' or 'hands-off' (emphasis in original)" (Tallontire, 2007, p. 782), that is, the extent to which the firm explicitly coordinates the chain or to which it leaves such coordination entirely to the market.

The authors, on a different publication, provide an example of this by focusing on the buyer-driven coffee chain. They contend that, in general, market relations link retailers and roasters, modular relations link roasters and traders and hierarchy (vertical integration) is the coordination type between trader and exporters. At the producing country-level, all types of coordination, hierarchy, market and relational, can be observed (Gibbon and Ponte, 2005a).

Ponte and Gibbon draw on their own work on the coffee and clothing industries to reflect upon the role of conventions in chain governance. Leadership of the GVC does not depend exclusively on economic attributes but also on quality narratives embedded in the society. This means that horizontal dimensions to the GVC, namely institutions, conventions and standards, exert an effect on how the chain is driven by lead firms. How quality is understood and institutionalised plays a key role in how governance is exercised. Following convention theory, there is no universal understanding of quality. As such, Ponte and Gibbon (2005) focus on four 'worlds", relevant to GVCs' governance, in which the understanding of quality is embedded: (1) market, where differences in prices represent differences in quality, as there is no uncertainty about quality; (2) domestic, where trust in the form of long-term relationships, use of brands or geographical indications solves the problem of uncertainty about quality; (3) industrial, where a third-party sets quality standards and enforces them via verification and certification audits: and (4) civic, where commitment to social welfare and to the environment becomes relevant to the identity/quality of a product.

The authors conclude by saying that a combination of industrial-market quality conventions is growing in importance and that chains with such feature are characterized by high-levels of buyer-driven dominance. This occurs as quality issues becomes more and more embedded in standards and Codes of Conduct (CoCs), rendering the establishment of long-term or close relations with buyers (a type of domestic conventions) less necessary. As such, trust becomes institutionalised in the standard's certificate or CoC. Further, although civic conventions and ethical products can be seen as actually being less driven by buyers and more driven by civil society groups (e.g Fairtrade), these GVCs have become more buyer-driven over the last 10-15 years. Civic/ethical content has been included in PSs, CoCs and, as such, a growing number of mainstream buyers are increasingly using them as part of their sourcing strategy.

Thus, Ponte and Gibbon show that what changes as we move from a 'hands-on' to a 'hands-off' coordination (hierarchy to market co-ordination in Gereffi et al. (2005)'s framework) is not the degree of power exercised by the lead firm or who exercises it, but the way such power is exercised. "The fact that clothing retailers or coffee roasters exercise 'hands-off' forms of coordination does not mean that they are less powerful in their value chains (emphasis in original)" (Ponte and Gibbon, 2005, p. 20).

1.3 Governance and Upgrading

From a pragmatic point of view, governance structures define the terms of exclusion/ inclusion in GVCs by outlining the required skills, competences and quality necessary to participate in them. Thus, the relationship between downstream and upstream chain actors affects the process of learning and upgrading[13] of the latter.

According to Riisgaard et al. (2008), smallholders can purse two upgrading strategies: Strengthening the value chain coordination around the production node and upgrading in the production node. While the first one can be reached by increasing the level of vertical integration and/or contractualisation (vertical and/or horizontal); upgrading in the production node can be achieved by, for instance, better quality products, higher volumes and PS implementation. The two types of upgrading strategies are complementary, as strengthening the value chain coordination may lead to upgrading forms in the production node.

These two upgrading strategies are based on the concepts of vertical and horizontal contractualisation. *Vertical contractualisation* encompasses the modular, relational and captive forms of coordination[14] and refers to the use of contracts between farmers and buyers. *Horizontal contractualisation* refers to contracts between actors at the same node level, in this case, farmers.

Vertical contractualisation can, for example, secure market access, improve access to market information and improve prices to farmers. This may also call upon high performance in terms of quality, volume and standard certification, thus requiring farmers to improve capabilities and

[13] Upgrading comprises the ability to develop new skills and acquire new technologies in order to gain access to and/or increase participation in GVCs. Humphrey and Schmitz (2002) identify four types of upgrading: (1) process upgrading: becoming more efficient by introducing new techniques or reorganizing the production process; (2) product upgrading: shifting to higher value products; (3) functional upgrading: acquiring new functions; and (4) inter-sectoral upgrading: applying the knowledge acquired in a particular chain and sector to another sector.

[14] Referred to as *network forms of coordination* in Gereffi's et al.'s framework (2005).

resources. In this regard, horizontal contractualisation may become a way of meeting such performance requirements. As such, these two dimensions are deeply connected, since collective action/ horizontal contractualisation is often needed for increasing small farmers' vertical contractualisation or integration to the GVCs of global food retailers and brand marketers.

1.4 Governance and Institutions

Neilson and Pritchard (2009) have recently brought attention to the importance of *institutions* in relation to GVC governance, arguing that discussions around the developmental outcomes of the new processes of global private regulation (i.e. whether producers in the South are benefiting or not from these processes), are to be addressed by bringing the local institutional context into the picture. The authors seek to bring institutions[15] out of the peripheral role they have played in GVC studies, as "most studies (…) have tended to focus (either exclusively or predominantly) on the single dimension of governance" (Ibid., p. 47).

The authors bring a geographical perspective into GVC analysis thus rendering the role of place and space central to the understanding of GVCs and their outcomes. Place and space are understood as relational constructs (rather than as geographically- bounded constructs), meaning that they are more than passive containers of events. They are active agents in the creation of economic, social and political relations over different scales (local, national, international), and place-based institutions acquire a particular role in this regard. In the language of GVCs, this means that value chain governance structures coexist with local institutions in an iterative manner, where "institutions shape governance and governance is enacted through institutions (Ibid, p.9)". As such, the outcomes of the new global private regulation processes at a particular production place are embedded in the interplay between the place-bound institutions and the governance structure within GVCs.

The interplay between the governance structure and the place-bound institutions creates a number of struggles, such as upgrading within the GVCs, labour practices and environmental issues regarding the production process. The way these struggles are played out defines how farmers integrate into GVCs, how they engage with downstream brand marketers and retailers and the

[15] North (1990, p.3) defines institutions as the "rules of the game in a society", i.e. the political, social, and legal ground rules shaping human interaction. Such rules can be both formal, e.g. laws and government regulations, and informal, e.g. social values, cultural norms and CoC.

economic returns they get. As such, the institutional environment can either enable or hinder participation in GVCs and it becomes key in explaining why certain places may benefit, while others may not, from the new regulatory processes. Thus, analysing the interplay between institutions and governance structures contributes to a more sound understanding of how developing countries participate in global markets and whether the outcome of such participation is rather positive or rather negative for farmers.

Key to this analysis is the role played by local informal institutions (in addition to formal institutions) such as social norms and values and, in particular, trust and collective actions. In many cases, the challenges posed by global markets, such as compliance with standards and proof of such compliance, can be quite demanding for producers in the South. As such, producers often turn to collective action as a way of taking on such challenges (Humphrey, 2004). In agri-food industries, farmers often agree to cooperate in order to carry out activities regarding input sourcing, marketing (e.g. group sales to buyers, negotiating with buyers), group certification to a PS, access to technical assistance and other activities aimed at reducing costs, increasing revenues and improving their bargaining power. Such collective action is known as horizontal contractualisation in the upgrading strategies identified by Riisgaard et al. (2008).

Collective action among farmers usually takes the (legal) form of collective farmers' organizations (e.g Cooperatives and farmers' associations), where trust and reciprocity between members and the officers of such collective organizations become key to a successful functioning. Trust and reciprocity are essential to economic and social transactions of various kinds, in this case, to form a collective organization or to join an existing one[16].

Formal institutions, such as cooperatives or associations, can potentially benefit its members by providing them with both, economic and social advantages. An example of the latter is the emergence of social capital defined as a "social organization, such as trust, norms, and networks that improve the efficiency of society by facilitating coordinated action" (Putnam in Milford, 2004, p.36). In spite of the benefits that collective organizations entail, they can also be affected

[16] While reciprocity is embedded within personal relations and explains the existence and persistence of personal networks, trust is rather embedded in relations with strangers (Torche García, 2004). Nonetheless both concepts are important, as trust may constitute the first step into bringing new members to the cooperative and reciprocity may explain the persistence of cooperative actions among members.

by problems such as free-riding, external control or dependency from external support (Milford, 2004).

Having reviewed the emergence of GVCs in the new global economic order and discussed the key role that governance and institutions plays in the way GVCs function, we will now move on to reviewing the existing literature on governance in the agri-food chain, with a particular focus in the coffee chain.

1.5 Governing the Coffee Chain

The agri-food chain is a clear example of the rise of buyer-driven chains. Gibbon and Ponte (2005b) show in their analysis of several GVCs studies conducted in Africa how the features of the new economic order have led to the growing importance of buyer-driveness in coffee, cocoa and fresh produce. They particularly highlight the role played by the high levels of retail and/or brand marketers concentration in developed markets and the structural adjustments and market liberalizations in developing countries.

The authors make reference to studies that show the level of retail concentration in coffee, cocoa and fresh produce. For instance, as of 1998, there were five roasters/branders in the coffee industry, namely Altria/Kraft, Nestlé, Sara Lee, Procter and Gamble and Tchibo, accounting for 69% of market share. The figures are similar for chocolate manufacturers/branders, and the list includes also Altria/Kraft and Nestlé. As regards fresh produce, there were five retailers accounting for 55-60% of the U.K market share in 2000, including Tesco, Asda (Wal-Mart), Sainsbury.

Furthermore, the authors describe how the rise of buyer-driveness in the coffee chain has been largely facilitated by market liberalization and regulatory changes. Between 1962 and 1989, the coffee market was regulated by ICAs between producing and consuming countries. These agreements were successful in regulating production levels, allocating quotas and stabilizing prices. As such, during the ICA period, "the GVC for coffee was not clearly driven by any actor, nor was it possible to state clearly that producers or buyers controlled it (Gibbon and Ponte, 2005b, p. 109)". However, a number of factors led to the demise of the ICAs in 1989. First, the quotas were too rigid and an increasing volume of coffee was being traded outside the ICAs. Then, the end of the Cold War brought an end to the consuming countries' geopolitical reasons to

support the ICAs, thus resulting in their demise. The demise of the ICAs brought about a power shift from producing to consuming countries. In the 1990s, oversupply primarily rooted in the boost of production in Brazil and the emergence of Vietnam as a producing country intensified such power shift. Thus, in the post ICA period, the balance of power tilted to the gain of roasters and retailers in the consuming countries.

Another important feature which contributes to the power exercised by roasters is that the vast majority of coffees sold are blends of various types. Their ability to reap high profit margins resides in their capacity to blend and roast different types of beans in order to achieve particular taste profiles and their control over market identities and marketing activities (Daviron and Ponte, 2005; Neilson and Pritchard, 2009).

The fresh produce chain is also an example of how regulation changes have affected governance patterns. Before the introduction of food safety regulations in consuming countries, such as the UK Food Safety Act of 1990, the African suppliers were not subject of much regulation. These regulations led retailers to monitor the chain of custody, paying attention not only to food origin but also to the conditions in which they were produced (Gibbon and Ponte, 2005b).

1.6 The Political Economy of the Coffee Chain

Several studies have well documented the increasing unequal distribution of power in the coffee chain between actors in the consuming countries and farmers in the producing countries. The original exposition of Talbot (1997, 2004) is perhaps the most cited regarding this issue. Talbot (1997) shows how much of the consumer's coffee dollar goes to producing countries by analysing the distribution of income along the chain from the 1960s to the late 1990s. He demonstrates that, especially since the dismantling of the ICAs, a growing share of income has accrued to consuming countries.

In the same line, Fitter and Kaplinsky (2001) have used value chain analysis to examine the factors explaining the inter-country distribution of income in the coffee sector. Since 1985, global coffee prices have shown a great degree of variation as final product markets have begun to differentiate due to the introduction of new quality types. However the spread of coffee prices paid to farmers in exporting countries, if anything, has actually fallen (Ibid., p.12). Then, the authors conclude by saying that the high asymmetrical distribution of power along the chain is

rooted on the fragmentation of global production (atomistic supply) and on the levels of concentration of retailers, roasters and importers downstream the chain (as mentioned earlier).

Talbot (2004) further argues that the ability of developing-country producers to upgrade via product differentiation seems to be contingent upon the strategies of the lead firms which control the chain. Daviron and Ponte (2005) describe the phenomena of a 'coffee boom' in consuming countries and a 'coffee crisis' in producing countries as a 'paradox', in which farmers are unable to control the symbolic quality attributes in the specialty coffee sector. Most of value-addition in the coffee chain (as well as in the tea chain) are concentrated downstream, near consumers, which is consistent with the levels of industry concentration at roasters' and retailers' level (Neilson and Pritchard, 2009).

In sum, this first section of literature review shows how the emergence of standards and CoCs is associated with the new global economic order, characterized by new forms of organization of production across nation borders (global value chains), process of market liberalization and deregulation particularly in the developing world and the resulting process of global private regulation. *Global private regulation* is thus understood as "the enforcement of rules and standards on upstream producers by downstream private sector actors. These rules dictate how farmers gain their livelihoods, how they interact with the environment and how their local production systems and trade networks are structured" (Neilson and Pritchard, 2009, p.5-6).

Buyer firms, such as retailers and brand marketers (and coffee roasters), have become the lead firms in global value chains, dictating the conditions of production to their suppliers. As mentioned before, Ponte and Gibbon (2005) highlight how such quality conditions have become increasingly institutionalised in a number of standards and CoCs developed by actors within (e.g. retailers) and outside the chain (e.g. NGOs), which are to be adopted by suppliers in the chain. Thus, standards and CoCs play a key role in determining *how* governance is exercised along the chain. The agri-food chain and, in particular, the coffee chain are no exception to this new process of regulatory change.

Having briefly introduced the current state of discussions around standards and governance in GVCs (especially in the coffee chain) we will now further the analysis of the emergence and

evolution of standards in relation to broader social (changing patterns of consumptions and NGO activism) and corporate processes (CSR in the corporate agenda).

2. THE RISE OF PRIVATE STANDARDS IN AGRI-FOOD CHAINS

2.1 Private Standards

Private Standards are a set of rules and requirements concerning the various aspects of the production process of a particular good (quality, technical, social, economical, environmental, among others) developed by non-state actors, namely firms and/or industry organizations and/or NGOs (Tallontire, 2007; Henson and Humphrey, 2008)[17]. In this project we set focus on *voluntary PSs*, that is, PSs for which there is no legal penalty for non-compliance, even if they become de facto mandatory due to the adoption and implementation by lead firms (Henson and Humphrey, 2008), as it usually occurs in agri-food chains.

Several studies have classified standards based on who develops the guidelines and conducts the monitoring, among other aspects (see Henson and Humphrey, 2008; Nadvi and Wältring, 2004). For instance, Gereffi et al. (2001) break down PSs/certifications into four categories: (a) First-party certifications, whereby a single firm develops the standard; (b) Second-party certifications, whereby an industry or a trade association develops the set of rules and guidelines; (c) Third-party certifications, whereby NGOs develop the rules and compliance methods which are then adopted by firms; and (d) Forth-party certifications, which involve international and multilateral agencies and/or governments in the development of regulations, such as United Nations' Global Compact.

Based on Gereffi et al.'s (2001) classification, Muradian and Pelupessy (2005) have classified coffee PSs in their study in the following manner: C.A.F.E. is a first-party, Sustainable Agriculture Information Platform- SAI, created by global corporations in the food industry as a second-party, RF, FLO, Organics, Bird-friendly and UTZ as third-party certifications and 4C as an attempt to create a fourth-party multi-stakeholder certification.

[17] Although the term 'Codes of Conduct' is also used to refer to the set of standards (e.g. social and environmental) regarding the production process and trading of a particular good implemented by lead-firms along the supply chain, in this study we use the term 'Private Standards', as it is the most commonly used term within research in the field of agri-food chains.

PSs are also known as Certification Schemes, since regular audits are required to credit compliance with the standard and those who "pass" the audit are awarded a certificate.

Commodities such as clothing and coffee are increasingly being evaluated by standards related to the conditions under which they are being produced and traded. While in manufacturing PSs increasingly revolve around labour practices, in agri-food, they revolve largely around the livelihood of smallholders, labour practices and environmental issues (Raynolds et al., 2007).

2.2 The Emergence of Private Standards in the Corporate Agenda

In addition to the global process of economic and regulatory change mentioned in Section 1, other social and corporate processes have also influenced the growing importance of CoCs and PSs.

The emergence of PSs and CoCs in the corporate agenda is tightly coupled to the debate on what CSR constitutes and how global corporations have increasingly engaged in social and environmentally responsible practices, in particular with those with whom they do business with.

To some academics and practitioners CSR refers to the voluntary engagement of firms into a wide range of environmental, social and human rights issues related to their business operations across the entire value chain[18]. Others believe that the voluntary connotation of this definition falls short and advocate for a broader view. Complying with legal regulations remains a key responsibility, in particular in many developing countries where firms often fail to comply with the existing legal framework on a variety of aspects from labour rights to environmental protection (Tallontire and Greenhalgh, 2005; Lund-Thomsen, 2008). CSR is thus a complex and debatable concept in terms of its focus, scope and ultimate impact.

While assessing the debate on what CSR constitutes remains outside the scope of this review[19], it does matter that CoCs (and PSs) have been put "at the heart of debate on how global companies

[18] For instance, the European Commission (2002) defines CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis".

[19] For an overview on the most recent debates, please see the papers of P. Newell, P.Utting and B. O' Laughlin, among others, in the following 2008 issue of 'Development and Change', 39(6). Also see Prieto-Carrón et al. (2006) in 'International Affairs', 82(5).

should manage their supply chains in a socially and environmentally responsible manner" (Lund-Thomsen, 2008, p. 1005-06).

Since the 1990s the number of CoCs and PSs has been growing considerably. PSs with a focus on economic, social and environmental aspects of production and trading are among the main tools used by global brand marketers and retailers in the agri-food chain to implement their CSR strategy.

Initially, standards in the agri-food chain were primarily focused on safety and quality requirements. This arena was traditionally covered by public standards, as governments were responsible for establishing food safety and quality regulations and assuring consumers that products lived up to such regulations. However, the proliferation of food scares and consumers' demands on product safety and traceability led retailers to take responsive actions, thus shifting governance from the public to the private arena (Hatanaka et al., 2005; Raynolds et al., 2007; Henson and Humphrey, 2008). The result was the development and proliferation of PSs. A clear example is the EurepGAP standard (Euro-Retailer Produce Working Group Good Agricultural Practices, re-named GLOBALGAP in 2007), which was developed in 2001 by a consortium of major European food retailers (including Royal Ahold, Marks & Spencer, Tesco and Sainsbury) precisely in response to the multiplication of such food scares and demands (Gibson et al., n.d.).

Towards the end of the 1990s, PSs shifted their primary focus towards social and environmental norms regarding the production process of agri-food products. The rise in green and ethical consumerism (Burch et al., 2001) and the importance given to the history-behind-the-product and the so called in-person attributes in coffee consumption (Daviron and Ponte, 2005) played a key role in both the emergence and increasing use of PSs with a predominant focus on social and environmental practices. NGOs activism has undoubtedly underpinned and boosted these changes in consumer behaviour.

Within the context of national and global markets liberalization, State governments stepped down and NGOs stepped in and increased their engagement with civil society concerns, in particular those related to the social and environmental conditions in which products sold in developed-country markets were produced in the developing world. Furthermore, "NGOs have moved

beyond the traditional strategy of lobbying for public regulatory reform to challenging firm behavior directly" (Raynolds et al., 2007, p. 149).

During the 1990s, NGOs campaigns designed to expose corporate abuses of well-renowned global corporations multiplied (Winston, 2002). In the sports and garment industry, Nike, Gap and other corporations were accused of using sweatshops and child labour practices. Other abuses included extremely low wages and mistreatment of women workers (Gereffi et al., 2001; Jenkins et al., 2002). In the coffee industry, Starbucks was targeted by activists and its cafés were trashed in 1999, during the demonstrations accompanying the Seattle WTO Ministerial meeting (Neilson and Pritchard, 2007, p. 315).

Within this backdrop of events, global firms could no longer ignore the impact of their activities. As such, retailers and brand marketers began to incorporate social and environmental concerns in their own agenda, in a quest to protect their reputation and to engage in more transparent trading practices with suppliers in the South. The growing corporate concern over social and environmental practices regarding the production processes of the products they sourced globally has been materialized in the development and implementation of CoCs and PSs. It is in this way that CoCs and PSs have become the heart of the CSR strategy of global corporations.

2.3 The Evolution of Private Standards

The evolution of PSs is largely associated with the processes described before, in particular, with the active engagement of NGOs in the regulatory arena. Until the late 1990s, PSs were developed either by NGOs or by firms, in what it has also been labelled as pre-partnerships. However, several critics drew attention to the lack of private sector engagement in NGO-based PSs and the lack of participation of local actors and limited scope of firm-based PSs. These critics paved the way for cross-sectoral partnerships and the emergence of multi-stakeholder initiatives (MSIs)-based PSs (Tallontire and Greenhalgh, 2005), which are PSs developed through a process of dialogue between different actors from the industry and the civil society. However, in recent years, some firms, previously involved in cross-sectoral partnerships, are pulling out of these initiatives mainly because of inter and intra conflicts and moving towards the creation of post-partnerships. The latter are solely formed by private companies (Egels-Zandén and Wahlqvist, 2007).

A number of scholars have argued that some actors (usually Southern[20] workers, farmers, and labour unions) are still missing in many MSIs. Further, even when Southern actors are present, there is no guarantee that they will be able to canalize their concerns, as stakeholders have both diverse interests and power. For instance, regarding the 4C coffee association and its standard, a MSI endorsed by the German Coffee Association and the German Agency for Technical Cooperation, Kolk (2005) contend that whether this Northern initiative could prompt a positive change for farmers depends on the participation and the role played by coffee producers' organizations. Thus, in words of Dolan and Opondo (2005, p.96), "who participates in the governance structures of the MSI processes and how they participate influences the long-term prospects of such initiatives and their likely beneficiaries".

In an attempt to increase local ownership, a number of Southern MSIs have emerged, mostly in Africa (e.g. Horticultural Ethical Trading Initiative-HEBI in Kenya; Wine Industry Ethical Trade Association-WIETA in South Africa). However, these initiatives also face difficulties regarding the lack of inclusion of certain actors, stakeholder power asymmetries, the strong influence of Northern agendas and the need for buyer recognition (Tallontire and Greenhalgh, 2005; Dolan and Opondo, 2005; Riisgaard, 2007).

All three types of initiatives, namely industry-self regulation, NGOs initiatives and MSIs, are still playing a significant role in governance regulation. What we have witnessed is that these actors have increasingly sought to come together, as for instance industry-self initiatives may incorporate PSs and/or recommendations from NGOs. This is for instance the case of Starbucks' ethical sourcing guidelines C.A.F.E Practices, which draws on the ILO conventions and the principles of Conservation International (CI) and the pilot programme has been conducted in collaboration with CI. Thus, global corporations and NGOs have increasingly come together in an attempt to improve transparency and to raise the levels of trust and legitimacy among consumers (Hatanaka et al., 2005; Raynolds et al., 2007). In doing so, the content and implementation of PSs is being affected.

"Regulation is thus principally a privatized domain with civil society groups directly negotiating with and monitoring corporations" (O' Laughlin, 2008, p. 948). Standard-setting processes have

[20] Southern refers to developing countries.

become ‘a new form of social contract’, where (more or less accountable) NGOs and buyer firms are dictating the rules, with no direct involvement of the State (Giovannucci and Ponte, 2005).

Further, Riisgaard (2009) claims that PSs have evolved on what they regulate and how they regulate. PSs are seen as institutional mechanisms with similar promulgated sustainable objectives but different implementation strategies and impacts. Thus, in pursuing these objectives, PSs can compete, collaborate or seek harmonization among them. In this line, the author highlights that PSs evolution may then raise or hold the bar[21] and that changes in the ‘market of PSs’ influence the terms of competition in GVCs.

In sum, PSs have emerged in the context of global economic and regulatory changes, accompanied by changes in consumer patterns and the raising importance of NGOs in advocating for civil society concerns. Within this context, PSs became key in defining the way global firms exercise their power along GVCs and the way they advance their CSR strategy to respond to civil society concerns.

3. PRIVATE STANDARDS ASSESMENT

3.1 The Debates on the Implementation of Private Standards

The debates on PS implementation in developing countries refer to compliance measures such as social audits and buyers’ purchasing practices. The aim of social audits is to “identify problems in contractor factories, measure and evaluate performance, and help to chart strategies for improving conditions” (O’Rourke, 2002, p. 206). They can be seen as a safeguard and as a communication mechanism for many organizations (Pedersen and Andersen, 2006). In addition, social audits can indeed be useful for both buyers and producers because they can be the starting point for identifying improvements and training needs at the supplier level (ETI, 2006).

In spite of this, there are a number of authors who have highlighted the pitfalls of the traditional ‘snap-shot audits’. This type of audits set the focus on health and safety issues rather than on freedom of association and discrimination since social audits tend to capture only ‘visible’ issues easy to verify (O’ Rourke, 2002; Pruett, 2005; ETI, 2006; Blowfield and Dolan, 2008; Lund-

[21] PSs that raise the bar as those that “bring about improvements in social and environmental conditions” while those that hold the bar “halt the decline in social and environmental conditions caused by receding state regulations” (Raynolds in Riisgaard, 2009, p. 9).

Thomsen, 2008). The lack of objectivity in the results reported and the lack of training of auditors in social and environmental auditing have also been criticised by O' Rourke (2002)[22]. In addition, the author argues that audits may not be reliable when the auditors base their analysis on information provided by managers instead of workers, or when workers' interviews are not conducted in an objective way. For instance, when interviewees are chosen by managers and interviews take place at the factory without intimacy. Pruett (2005) also claims that there is a lack of involvement of NGOs, workers and trade unions and that announced audits tend to be inefficient, as managers may have time to prepare and give a false impression of compliance.

It is also important to notice that some academics and practitioners dealing with ethical trade have emphasized that compliance with PS requirements is many times challenged by buyers' purchasing practices. For instance, references are made to the inconsistency between requiring faster delivery times or cheaper products and at the same time demanding reduction of workers' overtime and/or higher salaries (Jørgensen et al., 2003; Hale and Opondo, 2005; ETI, 2007; Riisgaard, 2008; Larsen, 2008; Priest, 2008). In relation to these and other buyer-supplier challenges, Locke et al., (2009) claim that there are some factories where improvements have been achieved by implementing a commitment-oriented approach which complements the compliance-oriented one. While the latter is based on checklist audits and policing mechanisms, the commitment model relies on instruments such as sharing information, solving problems jointly, building trust and reciprocity.

Following this debate on the implementation of PSs one could ask: What are the effects of implementing PSs in developing countries? What is the real impact of PSs for Southern actors? In this regard, Giovannucci and Potts (2008, p.2) claim that "…we have designed a class of medicines but are not really certain of their full impact or to what extent they may have unintended side-effects". This metaphor summarizes some of the arguments and empirical findings in relation to PS impacts that we discuss in the following paragraphs.

[22] O'Rourke (2002) followed auditors in different factories in China and Korea and found out that they were specialised in financial audits but lacked training in environmental, health and safety and labour rights issues.

3.2 The Impact of Private Standards in Developing Countries

There are different views on PS impact in developing countries. On the one hand, some researchers contend that the implementation of PSs can promote trade and create upgrading opportunities for firms in developing countries. They also argue that transaction costs decrease, capacity is enhanced, technology is transferred, and there are better conditions for workers and the environment (Henson and Jaffee, 2006; Swinnen, 2009). On the other hand, other academic and practitioners highlight that PSs can pose barriers to trade (Gibbon and Ponte, 2005a; UNCTAD, 2007; Nyagah, 2009).

Further, some studies have shown that postulated positive effects can not be taken for granted. In this regard, CSR and PS interventions in developing countries may even have negative intended and unintended effects in addition to positive effects for Southern actors (e.g. workers, farmers, and communities). Thus, it becomes vital to evaluate not only the assumed effects but also the unintended consequences of such interventions (Prieto-Carrón et al., 2006; Blowfield and Dolan, 2008; Lund-Thomsen, 2008; Barrientos, 2008).

These positive and negative views on PSs in developing countries will be now further reviewed.

Several studies have documented the limited and sometimes negative side-effects that PSs have for different types of workers employed at labour intensive industries, such as garment and agri-food. For instance, the ETI code impact assessment concludes that the initiative have had a larger impact on regular workers situated in first tiers suppliers (Barrientos and Smith, 2006a). In addition, improvements reported are not only limited in terms of scope, but also with regards to the type of improvements. Main identified progresses have been related to the so called output standards, such as health and security at workplace, working hours, minimum wage and access to social security. Improvements in the so called process standards, such as freedom of association and bargaining power, have been to a large extend absent (Barrientos and Smith, 2006a; Barrientos, 2008). Further, scholars such as Prieto-Carrón (2008) claim that codes have little or no impact on tackling gender discriminatory practices.

Another study about the impact of PSs on workers has found that “The status of the company (i.e. code-adopting or non-adopting) and the job status (i.e. permanent or casual) were the most important factors affecting workers’ conditions” (Nelson et al., 2007, p.67). Overall, code-

adopting permanent male workers enjoy from the best working conditions. In spite of this, it is also worth noticing that the study by Nelson et al. (2007) highlights the fact that sometimes the differences between adopting and non-adopting companies are minimal.

PS implementation can sometimes lead to farmers' marginalization and exclusion of GVCs, especially for those who are more vulnerable such as small-scale farmers (Graffham et al., 2009; Kleih et al., 2009; Nyagah, 2009; Ponte, 2008). This is for instance the case of Kenya and Uganda, where studies show that the number of small-scale farmers supplying export markets governed by GLOBALGAP have been reduced by 60% (Graffham et al., 2009) and 40% (Kleih et al., 2009), respectively. Being excluded form export markets poses a considerable risk for farmers as it may prevent them from obtaining higher prices, which are normally associated with these markets[23]. However, smallholders' exclusion cannot be solely attributed to PS implementation since there are other reasons such as high fuel prices and exporters' bankruptcy affecting farmers' participation in export markets (Graffham et al., 2009; Graffham and MacGregor, 2009; Kleih et al., 2009).

There are also studies that have challenged the claims on the exclusion of small-scale farmers (Maertens and Swinnen, 2009; Minten et al., 2009). For instance, Martens and Swinnen (2009) explain that small-scale farmers unable to comply with PS requirements on their own farms are sometimes integrated as workers in larger farms while still keeping their land. Figures also show that they have improved their household situation. Further, the knowledge and skills acquired throughout the certification process, together with the growth of local markets, are sources of opportunities within domestic markets for 'excluded farmers' (Kinyua, 2008).

Positive impacts for developing country-farmers implementing PSs have also been described by a number of studies. Growth in export demands, higher price and productivity, reduced costs, better quality, better skills and access to financial/technical services are the most common positive aspects related to PS implementation (Riisgaard et al., 2008; Ellis and Keane, 2008; Owuor, 2009; Graffham et al., 2009). However, there are also studies showing that the expectations raised by standards are not met. In this line, Ellis and Keane (2008, p.vii) after

[23] Evidence form Uganda's export horticulture industry shows that in EU markets "…average unit prices can be five times higher than for regional trade" (Kleih et al., 2008, p.62).

conducting a thorough review of PSs, conclude that "the overall development impact of the schemes has remained rather low".

Regarding the coffee industry, where PSs have mushroomed, impact assessment studies have focused on the assessment of a single PS at a time[24], being FLO the PS that has captured most attention. In this regard, Bacon (2005) claims that FLO-organic implementation reduces Nicaraguan small-scale coffee farmers' vulnerability. As for the findings of impact assessments with a focus on several PSs, the COSA analysis, shows that certified coffee farmers appeared to be in a better economic situation than non-certified ones (Giovannucci and Potts, 2008). In line with the findings of Nelson et al. (2007), the COSA analysis illustrates that differences between certified and non-certified farmers regarding economic and environmental aspects are narrow. Better results are found on measures regarding occupational and health and safety parameters.

All in all, findings on how CoCs and PSs have contributed to improve suppliers, workers and farmers conditions show that "CSR initiatives work for *some firms*, in *some places*, in tackling *some issues, some of the time* (emphasis in original)" (Newell and Frynas, 2007, p. 674).

As regards the methodology of impact assessments, there is a consensus among academics and practitioners on the difficulties of assessing the impact of PSs in developing countries[25]. In many cases it is difficult to assess whether improvements can be attributed to a specific PS, especially when several PSs are being implemented at the same time. Other factors such as personal situations, government policies and management styles can sometimes play a key role in defining PS impact (Tallontire and Greenhalgh, 2005; Barrientos and Smith, 2006a; Nelson et al., 2007; Locke et al., 2007; Giovannucci and Potts, 2008). The COSA analysis tried to bypass some of these methodological challenges by incorporating coffee farmers' perspectives in their assessment. In words of Giovannucci and Potts (2008, p. 24), "Producer perceptions could be considered to be among the most important measures of sustainability given the fact that even objective measures can be incomplete and/or biased…"

[24] E.g. Pérezgrovas and Cervantes, 2002; Murray et al., 2003 and Taylor et al., 2005 on FLO; Bacon, 2005 on FLO-Organic; Lazaro et al., 2008 on UTZ; B.de Lima et al., 2008 on Rainforest Alliance-SAN.

[25] Another methodological challenge mentioned by Lund-Thomsen (2008) is that "academics and practitioners still sometimes fail to distinguish between suppliers' compliance with codes of conduct and the ultimate impact that such codes have on workers' conditions and the environment in the developing world" Lund-Thomsen (2008, p.1006).

Thus, having reviewed some of the most critical issues with regards to PS impact assessment studies, we now focus on Southern actors' perceptions on PSs.

3.3 Southern Perspectives on Private Standards

Literature dealing with Southern perspectives on PSs is emerging. Researchers provide evidence from both, Southern actors' reasons for adoption/non-adoption as well as their views on the implementation.

The literature indicates the existence of a wide variety of drivers that may influence farmers' decisions for adopting one or several PSs. MacGregor (2009) highlights expectations regarding market access, higher incomes, access to finance, training and reputation among buyers, as some the most important reasons for adopting PSs. Social improvements such as safer conditions for their families and environmental concerns are also some of the motivations mentioned by organic Nicaraguan coffee farmers (Bacon, 2005).

Furthermore, farmers are not isolated actors, thus peer-pressure or implementation as a necessary condition for accessing specific services are also potential drivers for their decision to adopt a PS (Riisgaard, 2007; Ponte, 2008). PS bodies' strategies also play a role. For instance, as noticed by Riisgaard (2007), reasons for adoption may be associated to campaigns carried out by PS bodies and agreements among them (e.g. compliance with 4C is automatically achieved if the coffee farmer also complies with RF). Academics have also argued that drivers for implementation are rooted in the governance structure of the GVC. As such, most farmers adopt PSs primarily because buyers demand it (MacGregor, 2009).

Whether 'de-facto mandatory' or not, decisions about adopting (not adopting) a specific PS is a challenging process for actors in developing countries. This is partly due to issues such as lack of information about markets and knowledge to carry out feasibility studies (Nicholls, 2005; Lazaro et al., 2008). Findings also suggest that this decision-making process may be influenced by actors that are not an integrated part of the GVC such as Donors and NGOs (Humphrey, 2008). This has been the case of small-scale vegetable growers in Kenya where "Donor support has been a significant factor in encouraging attempts to comply with GLOBALGAP" (Graffham et al., 2009,

p.55). Further doubts concerning the efficiency of Donor intervention in support for the implementation of PSs have also been raised in the literature.

Regarding smallholder farmers, it is important to mention that participation in PS schemes tend to occur at a group level, namely cooperatives, associations or an exporter in which smallholder farmers are integrated into (Lazaro et al., 2008). This is also due to the fact that PSs such as FLO and Starbucks' C.A.F.E. Practices require small-scale farmers to be collectively organized in order to get certified (Starbucks, 2007a; FLO, n.d.a).

As regards drivers for non-adoption, the most common ones are the impossibility of fulfilling the requirements and the perceived lack of profitability associated to implementation (Nelson et al., 2007; Lazaro et al., 2008). At a broader level, the literature also provides interesting examples such as the case of Indian coffee farmers who expressed their opposition towards the original formulation of 4C, as it does not encounter local conditions (Nielson and Pritchard, 2007).

Having reviewed the main findings regarding reasons for adoption (non-adoption), we now focus on perceptions related to the actual implementation of PSs.

Research within the garment, coffee and horticultural sector illustrates both positive and negative views. On the positive side, academics stress that in some cases certified Southern actors perceive PSs as a useful management tool as well as an economic incentive (Smith et al., 2004; Lazaro et al., 2008). In this line, small-scale farmers from Senegal highlight stable incomes, higher prices and new technologies as perceived benefits related to the PSs they are implementing (Swinnen, 2009).

On the other side, producers in the cut flower industry complain about the lack of context adaptation of the norms and express concerns about costs increases, documentation load and no competitive advantage gain (Smith et al., 2004; Nelson et al., 2007). Also, a World Bank study carried out within the apparel and agriculture sectors shows that multi-certified Southern actors usually point out to the difficulties associated with implementing different PSs at the same time, as norms may conflict in some matters. As a result, they have sometimes faced non-conformity issues during audits. PS audits are also sometimes perceived as checklists, which have been

conducted in a clear top-down approach (Jørgensen et al., 2003; Smith et al., 2004; Blowfield and Dolan, 2008).

In their study about coffee farmers' perceptions on UTZ Certified, Lazaro et al. (2008) provide a list of perceived high costs, ranging from management related costs to improvement related investments required by the PS. The cost of the certification fee in itself also appears as a concern for many farmers. As regards workers' perceptions, one of the issues raised by many researchers is the general lack of awareness that a PS or CoC is being implemented at their workplace. Job security, living wages[26] and employment benefits are some of the aspects of major concern for workers. Further, studies on workers' perspectives illustrate that there are critical issues not yet covered by codes (e.g. sustained opportunities for training, consultation on decision-making and child-care at the workplace), that affect workers directly (Smith et al., 2004; Hale and Opondo, 2005; Nelson et al., 2007). Gender awareness is also lacking in both the code norms and the monitoring practices. As such, gender studies show that female workers are concerned with job insecurity, sexual harassment, lack of female supervisors, and difficulties in combining their productive and reproductive functions (Smith et al., 2004; Hale and Opondo, 2005; Prieto-Carrón, 2006, 2008).

In sum, the existing body of literature shows that PSs may have positive effects for developing countries actors in some occasions. However, impacts (positive, negative and/or unintended) vary depending on a number of factors. As regards working conditions, most improvements relate to health and occupational safety, and primarily to permanent workers, rather than both, permanent and temporary workers. Southern actors have both positive and negative perceptions on PSs and also believe that there is room for improving PS norms and their implementation.

4. CONCLUDING REMARKS

To summarize, PSs have emerged as a new form of voluntary regulation, whereby PSs are changing the way governance in GVCs is exercised. Furthermore, they have been put at the core of the CSR agenda, as they are largely used by global firms to implement their CSR strategy. PSs have also been increasingly utilized as a development tool to improve the situation of farmers in

[26] ILO (2005) defines living wage as "The level of wages sufficient to meet the basic living needs of an average-sized family in a particular economy".

the South. However, empirical findings about the effects of implementing PSs have highlighted the existence of both positive and negative impacts and farmers' perceptions.

In view of this, several questions arise, especially in relation to the coffee chain: To what extent are PSs fulfilling their social and environmental objectives and, in doing so, are improving coffee farmers' situation? (Giovannucci and Potts, 2008). To what extent do these PSs reflect the voices of non-corporate actors in the chain? (Neilson and Pritchard, 2007) And more specifically related to the need of the current CSR agenda of more studies that show how PSs deploy 'on the ground' in producing countries (Prieto-Carrón et al., 2006): To what extent these PSs incorporate the local-specific needs of producers in the South?

In light of these debates, we seek to explore and understand the perspective of Southern coffee farmers on PSs in a particular place and context, namely Northern Nicaragua. Thus, in doing so, we wish to contribute to the findings that have arisen from these debates.

CHAPTER III: THE NICARAGUAN COFFEE INDUSTRY

Understanding the contextual aspects of the coffee industry in general and, particularly, of Northern Nicaragua is essential for the purpose of this thesis. First, we briefly describe the current situation of coffee worldwide. Then, we outline the main characteristics of the Nicaraguan coffee industry, with a particular focus in Northern Nicaragua, and provide an overview of the PSs included in this study. Finally, we describe the historical evolution of the national coffee sector and current institutional arrangement.

1. THE WORLD COFFEE INDUSTRY

1.1 Coffee Production

There are two major species of coffee grown worldwide: Coffea Arabica, which accounts for over 70% of world production, and Coffea Canephora, commonly known as Robusta, which is the name of an extensively grown variety of this latter specie (ICO, n.d.b). These two species can be further divided into four types of coffee, Colombian mild arabicas, Other mild arabicas, Brazilian and other natural arabicas and Robustas, which are the ones traded in international markets. Whereas Robusta coffee grows well between sea-level and 800 meters, Arabica coffee grows better at higher altitudes. Robusta is more resistant to pests and diseases and has a bitter and less acidic taste.

Regarding worldwide production, Arabica coffee is grown in Latin America, Central and East Africa, India and in parts of Indonesia, whereas Robusta is largely grown in Central and West Africa, South-East Asia and Brazil (ICO, n.d.b). Nicaragua produces *Other mild arabicas*.

1.2 Coffee Pricing

Coffee, although a fresh produce, is internationally traded as a commodity. Coffee farmers, traders and roasters refer to the New York "C" price[27] for price developments of Arabica coffee, and to the London International Financial Futures Exchange (LIFE) and the New York ICE Exchange for price developments of Robusta coffee. Further, the International Coffee Organization (ICO) publishes daily indicator prices which track the evolution of the four types of coffee internationally traded and are also used for reference on price developments.

[27] "The coffee futures contract traded in New York is called the "C" contract, based on Central American Arabica coffees" (Neilson and Pritchard, 2009, p. 98).

Coffee is generally traded in future markets, where traders link individual prices (based primarily on quality, origin and availability, but also market expectations, speculation and currency exchange rates) with the future price by establishing a price differential. This differential is based on the differences between the quality of the individual coffee (e.g. an individual Nicaraguan Arabica coffee) and the quality on which the future market is based (e.g. other mild arabicas), the availability of such individual coffee and the terms and conditions for the sale (ITC, n.d.). Robusta coffee is sold at lower prices than Arabica coffee. The international recognition of the country coffee quality also plays a key role. Thus, for instance, Nicaraguan coffee is sold at an average lower price than other Central American countries such as Costa Rica (Mendoza, 2002).

1.3 Coffee Today

Today, according to ICO, the estimated amount of coffee produced worldwide for the crop year 2008/09 is approximately 127,3 millions of 60Kg coffee bags. Roughly 70% of that production is grown in seven countries, being Vietnam and Brazil the two main producing countries. In the case of Nicaragua, in 2008, the country contributed to the world's coffee production with approximately 1.6 millions of 60 Kg bags and ranked number 14 out of more than 50 producing and exporting countries. With reference to coffee prices, New York "C" prices for other mild Arabicas, ranged between 128.03 U$cents/ lb in January and 137.87 U$cents/ lb in July (ICO, 2009c; Osorio, 2009).

On the demand side, ICO highlights that global coffee consumption continues to grow at the yearly rate of around 1%, as in the last decades. In 2008, global coffee consumption was around 128.5 million bags of 60 Kg (Osorio, 2009). However, there are significant differences in consumption trends between developed countries and emerging markets. Whereas consumption has remained almost unchanged in developed countries[28], consumption is booming in Eastern Europe, Brazil, China and South-East Asia (Mitchell, 2009). As regards the type of coffee consumed, there has been an increase in the consumption of higher quality Arabica coffees in developed countries, which is tightly coupled to the increase attention that consumers have been giving to the in-person attributes of coffee and to the rise of specialty coffee cafés offering an ambience, a quality service and a large variety of coffee brews and presentations (Ponte, 2002; Daviron and Ponte, 2005).

[28] Nonetheless, these countries continue to be the largest consumers. USA is the world's largest coffee consuming country, while the Scandinavian countries have the largest consumption per capita (Neilson and Pritchard, 2009).

2. THE NICARAGUAN COFFEE INDUSTRY

In Nicaragua, the coffee sector is vital. In the coffee year 2007/08, the commodity ranked first among all national export products. From January to December 2008, green and processed coffee exports represented 25% of total exports revenues (CETREX, 2008). This figure is consistent with historical records, as coffee has always been the largest contributor to export revenues. Such revenues come mostly from green coffee exports, as coffee is usually exported in that processing stage**.** The importance of coffee is also reflected in the fact that the sector accounts for 31.5 % of the total number of jobs in agriculture and 13% of the total numbers of jobs in the country (IICA, 2004). Thus, coffee production is the major agricultural activity and one of the principal sources of employment.

2.1 Coffee Production

Today, 95% of the coffee produced in Nicaragua is Other milds arabica, which is well known for its quality potential. Regarding agro-ecological conditions, shade-grown cultivation predominates. Thus, coffee has been traditionally grown under a multi-tiered canopy of local rainforest trees, which provide habitat for various species of animals and birds. A common indigenous tree use for shade purposes by local small-scale farmers is banana. Other trees such as orange and star fruit-trees are also used. Large-scale farmers also used banana-trees but tend to use a larger variety of trees, including guabas/guamo and others of the legume family as well as timber trees, but these latter types are mostly used for biodiversity conservation purposes in the case of farms certified with PSs such as Rainforest Alliance[29].

There are three main producing regions in Nicaragua, the Central-Northern region, the North-East region and the South Pacific region. The first one is the largest producing region, accounting for more than 80% of the national production (Rivas, 2008). This region includes the departments of Matagalpa, Jinotega and Boaco, being the former two the most important producing areas within the region.

The production cycle runs from October to September the following year and harvest takes place between October and February (IICA, 2004). The cycle comprises a great variety of activities that are carried out by farmers and workers. Research conducted by Cafenica (2008) shows how

[29] Based on observations at the farms and interviews to SC3; SC9; LC2 and Exp2, during Sept 2009.

both men and women participate in coffee production. Female farmers typically carry out activities such as picking up the cherries, wet milling and bean selection. In addition, women hired at plantations carry out cooking and cleaning tasks. As for men, they tend to prune shadow trees, cut weeds, fertilize and do the wet milling process. In general terms, the more physical demanding activities are carried out by men, whereas those activities that require detailed attention and a fine eye are carried out by women[30].

Harvesting comprises the following stages: (1) an initial pick round, called "graniteo", to remove early ripening cherries, (2-3) two main cherry picking rounds, and (4) a final stripping round of the tree. Nonetheless, due to global warming, small, medium and large coffee farmers interviewed have reported that they conduct now more than the average of four rounds, as uneven distribution of rains during the winter causes the coffee trees to ripen irregularly[31]. Irregular ripening often results in higher labour costs and can also affect the cherry quality.

Another important fact is that there is a significant time lag between the moment in which the coffee tree is planted and bearing, that varies from 2 to 4 years, depending on the type of coffee plant and on the production system (e.g. whether conventional or organic methods are used). For commercial uses, a coffee plant has a life of around 20 years. Plant repopulation and pruning are extremely necessary to keep productivity levels, but can also be very expensive due to the mentioned time lag and the difficulties in obtaining long-term credit.

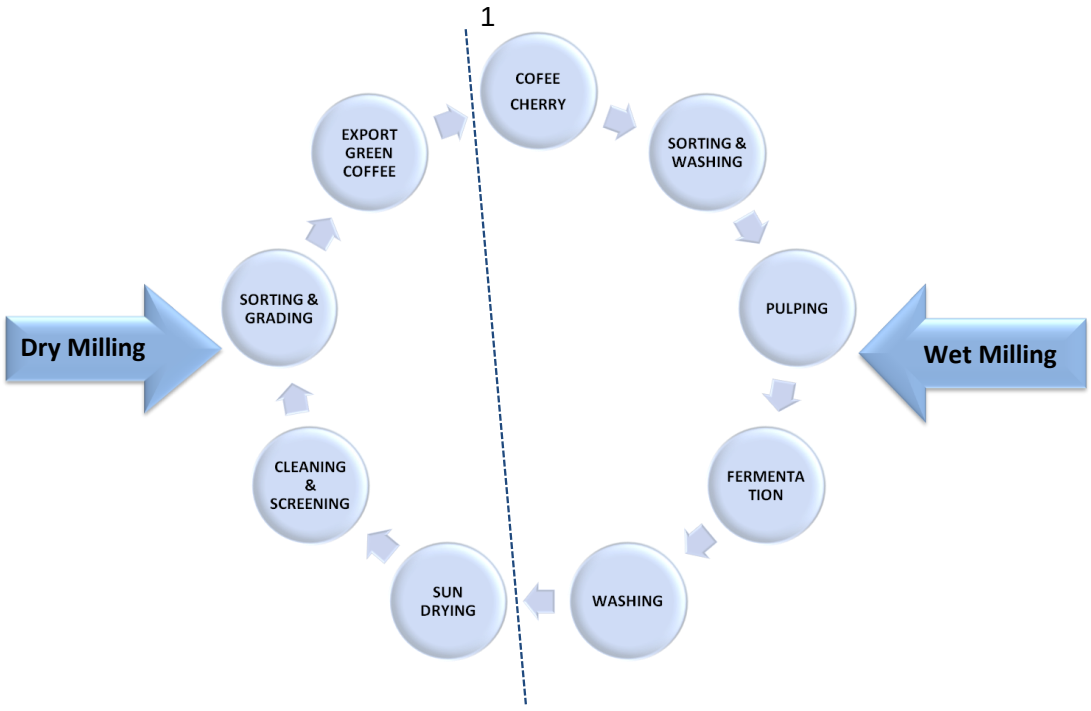
2.2 Coffee Processing: The Wet Method

There are two methods in which coffee beans can be removed from the cherry and dried before they can be roasted, namely the *wet method* and the *dry method*. The final quality of the coffee bean is largely dependent on how well the processing is carried out. The wet method is the one used across all producing regions in Nicaragua. Although there are variations on how the wet method is carried out depending on the size of the farm (as small farms tend to do it on a more artisanal way, whereas large farms use machinery), the coffee cherries go through the same standard stages during the processing[32].

[30] Based on observations at farms and interviews with LC1, LC2, LC3, and LC4, during Aug-Sept 2009.
[31] A large coffee farmer interviewed reported that they have had to double the number of rounds, from 4-5, to 9-10 in recent years (LC 2a, Sept, 09).
[32] Based on observations at farms and interviews with coffee farmers, cooperative officers and exporters, during Aug-Sept 2009.

The wet method, unlike the dry method, uses substantial quantities of water. However, the coffee processed by this method is regarded as being of better quality and higher prices are usually paid for it (ICO, n.d.c). This method comprises two main processes, the *wet milling* and the *dry milling*.

Figure 3.1: Coffee Processing Cycle in Nicaragua: Wet Method



Source: Own elaboration based on IICA (2004), ICO (n.d.c) and fieldwork Aug-Sept 09.

Wet milling includes preliminary sorting and washing, pulping, fermentation and thorough washing before the drying process. Contrary to other Central American countries such as Costa Rica, the majority of Nicaraguan coffee farmers (whether small, medium or large) carry out the wet milling process at their own farms. This has both positive and negative effects. On the one hand, it ensures more control over quality, as the process is conducted immediately after harvesting, thus reducing the risks associated with delays in the process due to transportation. This is of particular importance in a country like Nicaragua, where roads are poorly constructed and maintained. On the other hand, it has severe consequences for the environment. Wet milling requires the use of enormous quantities of water and produces large quantities of wastewaters, which treatment before further dumping into rivers is either poorly conducted or not conducted at all (Exp1, Aug, 09).

The dry milling process is usually carried out in the so-called drying mills. In some cases, large farms have their own dry milling facilities but, in most cases, this process is conducted at the dry mills of private independent companies, second-level cooperatives or exporters. This process includes sun- drying of beans on tables made of fine netting[33] and/or on flat concrete areas called "patios", and the curing stage. This latter stage is where a number of cleaning, screening, sorting and grading operations are carried in order to select beans for export.

2.3 The Use of Credit

Credit plays a strategic role throughout the entire production cycle. On the pre-harvest period (from May to October), credit is mainly needed to buy materials and fertilizers, pay salaries, arrange housing facilities for temporary workers and finance all operations necessary to sustain the plantation (MC3, Sept, 09). In the case of small farmers, it is also used to provide for the family. During harvest, credit is used to support the harvesting and wet milling operations. Credit is provided by banks, intermediaries, exporters, and cooperatives. For the latter actors, credit lines do not only represent a source of additional revenues, but also constitute a guarantee of coffee supply. In other words, this means that coffee farmers will hand their entire production to them, as the credit is paid back with coffee (Mendoza, 2002). As such, credit plays also a strategic role in establishing and keeping relationships between farmers and cooperatives, farmers and intermediaries and farmers and exporters.

In general terms, credit is granted based on an estimate of the coffee harvest. Farmers receive a first credit grant at the beginning of the pre-harvest period (around May), then they receive another grant before harvesting begins (around October). During harvesting, the farmer receives an additional payment based on the production delivered to the exporter or cooperative. Once the harvest season is over, the credit grant is weighed against the monetary value of the production delivered, fees (e.g. marketing, dry milling, certification fees) are deducted and the difference is paid out to the farmer (Exp2, Sept, 09).

Since the 1980s credit availability has been significantly reduced in Nicaragua. In general, farmers of all sizes complain that only short-term credit aimed at financing the annual production is easily available. Long term credits (e.g. for coffee plant repopulation), are either very scarce or

[33] Some small, medium and large coffee farmers pre-dry their coffee beans on this type of tables before transporting them to the dry mill.

almost impossible to obtain, especially for the small-scale farmers[34]. Credits for other purposes, such as for improving housing conditions for workers, are also not easily available (LNC1, Aug, 09).

2.4 Small, Medium and Large-scale Farmers.

In the following table, we summarize the main characteristics of small, medium and large-scale farms in Nicaragua. Then, we describe the main characteristics of farmers in Northern Nicaragua, based on fieldwork observations and interviews.

Table 3.1: Characteristics Coffee Farms in Nicaragua

FARM	SMALL	MEDIUM	LARGE
Manzanas (mz)	0-20	20-50	>50
Nº of farmers	29,100 farmers (67% tot)	8,000 farmers (19%)	6,000 farmers (13%)
% land	29% cultivated area	18% cultivated area	53% cultivated area
Productivity (average)	1.76 and 8 qq/mz	14 qq/mz	> 21 qq /mz
Technology	Traditional and low tech Plants older than 7 years, no organic fertilizer and limited used of chemical fertilizers. Family workers and, in some cases, neighbours. Artisanal wet milling.	Semi high- tech Medium use of chemical fertilizers. Permanent and temporal labour force. Artisanal /use of machinery for wet milling.	Modern and high-tech: Higher use of fertilizers and chemicals. Better agricultural practices. Higher production costs. Permanent and large number of temporal labour force. Use of machinery for wet milling.
Other characteristics	They also grow other crops (e.g. frijoles, corn) for self-consumption. Men usually work in other farming activities while women work in services, commerce or housekeeping.	They have other properties and sometimes other resources so they are less dependent on coffee production.	They normally have integrated processes such as production, wet and dry milling and in some cases exports.
Main challenges	Low productivity. Land property problems. Lack of access to credit Low educational level. Little technical support due to the fact that they live in remote mountain areas.	Lack of technical support. Higher debts as they are considered by large farmers with no current payment capacity by banks.	Low availability of temporary workers.

Source: Own adaptation based on IICA, 2004; Bacon, 2005; and Cafenica, 2008.

[34] Based on interviews with farmers during Aug - Sept 2009.

Large farms have a hierarchical structure comprising: (1) the owner; (2) an estate manager who runs the farm; (3) an assistant manager called "mandador", who reports to the estate manager and leads the foremen; (4) formen or "capataces", having each one a group of workers under his supervision. The large farms have permanent workers living at the farm. Within the premises of the farm, each permanent worker is given a house for him/her and his family. There are also temporary workers, who come from neighbouring towns or long distances during harvest season and are employed mainly as coffee pickers or "corteros". They live in the farm's dorm facilities with their families until the end of the harvest season. In addition to providing food and lodging, large-scale farms usually have a small grocery store called "pulpería", where workers can buy cigarettes, soda and sugar, among other groceries. Sometimes it is difficult to hire temporary workers, as many Nicaraguan workers emigrate mostly to Costa Rica, where salaries are higher.

A large farm of 282ha, with approximately 161.50 ha dedicated to coffee production, can have around 80 permanent workers, and can hire 500 to 600 temporary workers during harvest season. Large farms of this scale also have 40-45% of their land as virgin rainforest or virgin woods. For instance, this farm has approximately 114.60ha of virgin woods[35].

In *small-scale farms*, the owner is the estate manager, the assistant manager, the foreman/forewoman and the one performing a large number of activities during pre-harvest and harvest season. Family members also help with various tasks. The division of labour comprises both farming activities as well as housekeeping chores. The wife and daughters cook meals, do the house cleaning and pick, sort and wash cherries; while men perform the more physically demanding farming activities. However, in the case that the owner of the farm is a woman, on top of the housekeeping chores, she also performs some of the tasks usually referred as "man-tasks". Small-scale farmers tend to have large families with more than 4-5 children, as it is believed that more children imply more hands available to work the land.

Small-scale farmers may or may not employ temporary workers during harvest season. These temporary workers do not live at the farm, as they come from very short distances. It is also very common among neighbours to help each other when needed. "Today for you, tomorrow for me" defines this type of relations. This means that, if a small farmer needs extra help, neighbour

[35] The figures correspond to one of the large-scale farms visited during fieldwork in Sept 2009.

farmers usually come and work at the farm for a few days.

Small-scale farmers grow the food that constitutes the basis of their daily diet. As such, part of their land is dedicated to the cultivation of frijoles and corn, among other basic crops. They also have chickens, pigs and tropical fruits-trees, which are also used for shadow purposes on the coffee fields. When there is overproduction, they also sell frijoles and corn. Most small-scale farmers grow only coffee for a living, but some of them also grow other crops such as frijol, corn, peppers and malanga, have cows for milk or have a small "pulpería".

As regards *medium-scale farms*, the largest ones can have a similar hierarchical structure as that of large-scale farms. However, in most cases, the owner is also the estate manager. The smallest medium-scale farms' structure resembles more that of small-scale farms. A medium farm of approximately 49ha, with 42ha producing coffee, can have around 12 permanent workers and up to 50 temporary workers during harvest season[36]. Some of these farms also have virgin woods.

In Nicaragua, the salary of permanent workers varies according to the activity they perform and is based on the National Minimum Salary Normative (Comisión Nacional del Salario Mínimo, May 14, 2009). The minimum daily salary for the harvest year 2008-09 was C$74.96 Nicaraguan Córdobas without social security benefits and C$83.68 with social security benefits (around U$3.75 and U$4.20, respectively). Such daily amounts include C$22.50, which corresponds to the three daily meals. Usually workers are not paid such amount in money, but are given instead the daily meals. Although there is a minimum salary normative, not all farms comply with it. There are also farms that pay salaries above the minimum established by the normative.

"Corteros" or coffee pickers are paid based on the number of "latas" or baskets of coffee cherry they pick. A "lata" can hold approximately 30 pounds of coffee cherries. The Salary Normative for the Coffee Harvest 2008-09 (Normativa Salarial del Café Cosecha 2008-2009, November 16, 2008) establishes that a coffee picker ought to be paid a minimum of 5 "latas" per day. One "lata" corresponds to approximately C$18-20 (approximately U$0.90 - U$1) plus three daily meals. Workers ought to be paid on a biweekly basis on Saturdays.

[36] The figures correspond to a medium scale farm, whose owner we interviewed during fieldwork in Sept 2009.

2.5 Other Industry Actors

In addition to coffee farmers, exporters, cooperatives and some sectoral institutions can also be found in the local industry. In this section, we focus on exporters and cooperatives and in the following section we take a closer look at the institutional environment in Nicaragua.

Nicaragua exports the vast majority of the coffee grown. As noted by IICA (2004), the export activity "is concentrated in a few companies (five multinational companies) accounting for 80% of the national exportable production" (IICA, 2004, p.13)". This is a clear result of the increased power that exports houses have gained within the last 20 years in Nicaragua. In the coffee year 2008/2009, CISA/Mercon and Atlantic/ECOM[37] accounted for 34% and 30% of the total country exports, respectively (CETREX, 2009a). A medium coffee farmer has illustrated this by affirming that "…here there are only two exporters and that's the end of it" (MNC1, Sept 09). The main destiny of Nicaraguan coffee exports is EE.UU (46% of total exports), followed by Europe. With reference to quality, 69% of the last coffee export season was Strictly High Grown, (SHG) which is the highest quality of coffee (CETREX, 2009b). This is in line with the declarations made by coffee specialists, who have estimated that 80% of the Nicaraguan coffee could qualify as specialty coffee (IICA, 2004; Bacon, 2005; Bacon et al., 2009).

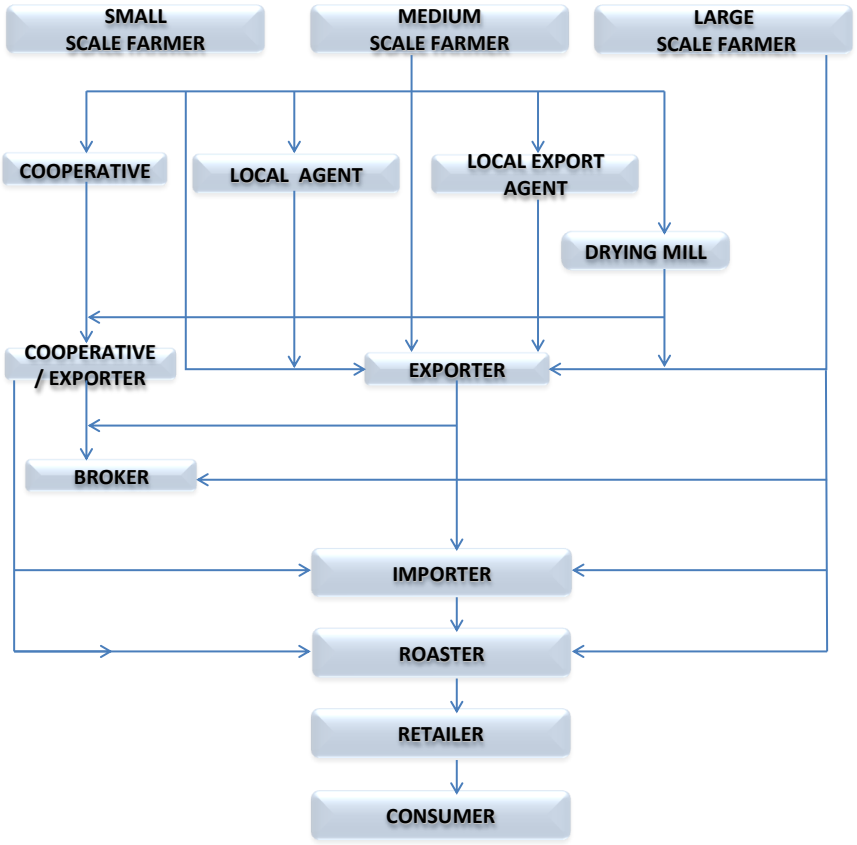
The cooperative movement is significant in the Nicaraguan coffee industry (Bacon, et al., 2009). PRODECOOP, CECOCAFEN and SOPPEXCCA are examples of some of the largest and most well-known cooperatives. These large cooperatives tend to be export-oriented and agglutinate a great number of first-level cooperatives. For example, PRODECOOP, CECOCAFEN and SOPPEXCCA agglutinate 39, 11 and 15 locally-based cooperatives respectively. This accounts for approximately 5.500 Nicaraguan coffee farmers. These large cooperatives, also called second-level cooperatives, do not only offer export services, but also dry milling, quality improvement programs and technical support (Bacon et al., 2009). In many cases, these cooperatives receive support from NGOs or other entities seeking to enhance agricultural development (IICA, 2004). Further, there are other collective organizations that agglutinate small farmers, provide the same kind of services as cooperatives and also have a democratic and participatory structure.

Thus far, we have described the main characteristics of Nicaraguan coffee farmers, exporters and

[37] ECOM and Mercon are two worldwide international leaders in coffee trading. From now on, we will only use the names CISA and Atlantic when referring to these traders in Nicaragua.

cooperatives. The way these local actors (farmers, cooperatives, exporters) relate to each other and to the international markets and final consumers is illustrated in the following figure.

Figure 3.2: The Nicaraguan Coffee Chain



Source: Own elaboration based on IICA (2004) and fieldwork conducted during Aug-Sept 09.

2.6 Overview of Private Standards in the Nicaraguan Coffee Industry

In this section, we provide an overview of the six PSs included in this study, namely C.A.F.E Practices, FLO, Organic, UTZ, RF and 4C. A table summarizing the social, environmental and economic criteria of these PSs as well as the global availability and purchases figures of coffee certified with each of the PSs is included in Appendix 9.

Starbucks initially developed ethical sourcing guidelines in the form of a program called Preferred Supplier Program, which was piloted in 2001 in cooperation with Conservation International. In 2004, the company re-launched the Program with the name *C.A.F.E (Coffee and Farmer Equity) Practices* (Consumers International & IIED, 2005). Meeting the high quality standards (in terms of cup profile and number of defects) is a pre-requisite for entering the

program, which has been designed to evaluate, recognize, and reward the production of high-quality coffee based on four categories: Product Quality, Economic Accountability, Social Responsibility, and Environmental Leadership (Starbucks, 2007c). Farmers are assigned the following categories based on their level of compliance: Verified Suppliers (less than 60%), Preferred Suppliers (between 60% and 80%) and Strategic suppliers (80% or more).

Scientific Certification Systems, an independent third-party organization is responsible for developing and monitoring the verification system as well as for approving and monitoring Auditing organizations, which directly perform certification audits. Auditors are only responsible for conducting on-field verifications, while scores are generated automatically in the Verifier Reporting System and the status is awarded by Starbucks. Audits can be tri-annual in the case of preferred and strategic suppliers. The standard is directed to mainstream markets and uses the label Starbucks™ Shared Planet™.

The program is well established in Latin America and is currently being developed in Africa and Asia. Although Starbucks has long been sourcing coffee from Nicaragua, C.A.F.E Practices was introduced in the country at the beginning of the 2000s. Starbucks also purchases FLO certified coffee and has committed to double its purchases of Fairtrade coffee by 2009, which would make them the largest purchaser of Fairtrade certified coffee in the world. In 2009, Starbucks, FLO and TransFair USA (one of the member organizations of FLO) have launched an initiative with the purpose of combining the verification process of FLO and C.A.F.E and providing further support to smallholders participating in both programs (Starbucks, 2008).

The pioneering PSs in Nicaragua were *Fairtrade* (FLO) and Organic. With regards to FLO, Valkila & Nygren (2009) argue that, "the fair-trade movement as such began to gain wider significance in Nicaragua after the inception of FLO in 1997" (Valkila & Nygren, 2009, p. 2)**.** In 1988, the Dutch NGO Solidaridad launched the first Fairtrade label, Max Havelaar, but it was not until 1997 that Fairtrade Labelling Organization International (FLO) was formally established. Today, FLO is a third-party standard led by FLO e.v., which comprises FLO International and associated national labelling initiatives (FLO, n.d.c). Fairtrade is an alternative approach to conventional trade, aimed at empowering smallholder farmers, which offers farmers improved terms of trade and the possibility of improving their quality of life (FLO, n.d.a).

Smallholder farmers organized in cooperatives or associations democratically governed can participate in the standard. Monitoring and auditing is carried out by FLO-Cert., a private entity owned by FLO e.v., and audits are performed annually at a group level. Collective organizations of smallholders have, in certain cases, the possibility of desktop certification renewal.

FLO establishes a guaranteed minimum price of 1.25 U$/lb for Arabica conventional washed coffees (FLO, n.d.b.). In addition, buyers are required to pay a FLO premium of 0.10 U$/lb. FLO does not prescribe how the premium should be used by the collective organization, but requires the decision upon such use to be taken on a democratic and participatory basis. Further, FLO provides some suggestions for premium use (FLO, 2009).

FLO targets both niche and mainstream coffee markets and certified coffee is sold under the label FLO. The standard has a global reach and there are 21 collective organizations of smallholder farmers certified with FLO in Nicaragua. Today 12 of these cooperatives are agglutinated in Cafenica, which represents more than 80% of the Nicaraguan farmer-members of FLO cooperatives (Cafenica, 2009).

Organic is a third-party standard led by IFOAM and affiliated associations. IFOAM was founded in 1972 and since then organic agriculture, processing and handling principles have been systematically developed. The standard focuses on environmental aspects of agri-food production and has strict rules. It prohibits the use of inorganic fertilizers, synthetic pesticides and promotes disease, pest and weed control by 'natural' methods only (Van Der Vossen, 2005). Initially, monitoring and verification was conducted by peer-farmers, but today they are conducted by third-party organizations on an annual basis (IFOAM, n.d.). Organic coffee is often sold in niche markets with the use of consumer labels. The standard has a global reach, but most of the organic coffee comes from Latin America and especially from small-scale farms.

In Nicaragua, the cooperative PRODECOOP, (former State-company Mauricio Duarte) was the first one to implement the standard in the end of the 1980s. "Unión de Cooperativas" (UCA) followed suit in the 1990s (Solá, 2008) As for Auditing organizations, in Nicaragua the most popular ones are Biolatina and OCIA.

UTZ-Certified Good Inside (UTZ) was initially developed as a firm-based standard between the Dutch Roaster Ahold Coffee Co. and a group of Guatemalan farmers and exporters with the name UTZ-Kapeh. In 1999, an independent organization was founded with the purpose of taking over the development of the rules and guidelines. As a result, UTZ became a third-party standard led by the NGO of the same name. Starting in 2002, UTZ began to certify coffee farmers outside the Ahold supply chain and it rapidly expanded from Guatemala to the rest of Latin America, including Nicaragua. Today, around 70% of the total sales of UTZ Certified coffee come from Latin America, especially from Brazil and Colombia (UTZ, 2009a). The standard is also gaining grounds in Africa (Ethiopia, Kenya and Uganda) and Asia (India, Indonesia and Vietnam).

UTZ focuses mainly on traceability, food safety and good agricultural and management practices based on the EurepGAP protocol. It comprises baseline social and environmental criteria regarding coffee production. UTZ targets mainstream coffee markets with the use of the label UTZ-Certified Good Inside. Monitoring and auditing is carried by third-party Auditing organizations.

UTZ was initially directed towards medium and large-scale farmers, but today the number of cooperatives of small-scale farmers certified with UTZ is growing worldwide. According to our own records[38], there are seven large estates and two second-level cooperatives with only a few members of first-level cooperatives certified with UTZ in Nicaragua.

Rainforest Alliance (RF) is an NGO founded in 1987, which has the auspice of the Sustainable Agriculture Network (SAN). RF is a third-party standard based on SAN guidelines, and comprises a set of comprehensive environmental standards, as well as criteria regarding social and community relations. Monitoring and certification is carried out by SAN Member Organizations worldwide and are conducted annually. The standard is directed towards niche and mainstream markets and makes of use of the RF label. RF is only present in Latin America and has traditionally focused on large estates; however the number of cooperatives participating in the standard is increasing in the region.

In 1997, Eko-OK (later RF) certified the first estate in Nicaragua. Although RF is still primarily

[38] Based on data obtained from UTZ's website and from fieldwork interviews.

implemented by large-scale farms in Nicaragua, two cooperatives have been recently certified with this standard (RF, n.d.)[39]. The PS body is quite active in terms of partnerships within Nicaragua and has established collaborative agreements with the Nicaraguan Association of Specialty Coffee (ACEN) and Atlantic (Vigilante, 2009).

The *Common Code for the Coffee Community Association* (4C) is the latest PS introduced in the coffee sector. In 2003, a Public-Private Partnership was initiated between GTZ and the German coffee Association and in 2005/06 the 4C Association was founded. The initiative's objective is "to foster sustainability in the 'mainstream' green coffee chain and to increase the quantities of coffee meeting basic sustainability criteria within all three dimensions" (4C, 2008, p. 1). The standard seeks to position itself as a baseline benchmark standard covering basic social, economic and environmental criteria and targeting mainstream coffee worldwide. The initiative makes no use of consumer label, thus positioning itself as a verification standard. Verification is conducted by third-party Auditing organizations. In Central America and Mexico, there are 11 verified units (Bruestle, 2009), comprising both producer organizations and estates.

Until November 2009, the Association 4C had 126 members. As regards producer members, only one is located in Nicaragua. As for industry and trade members, Ecom Agro-industrial Corp. Ltd. and Mercon Coffee Corp. are both present in Nicaragua through their export subsidiaries, Atlantic and CISA respectively.

3. THE NICARAGUAN COFFEE INSTITUTIONS

In this section, we first describe the historical evolution of the coffee sector, and then we move on to describe the institutional arrangement.

3.1 Historical Evolution of the Coffee Sector

Coffee was first introduced in Nicaragua between 1840 and 1850 and such introduction has been attributed to German immigrants (Kühl, 2004). Since then, coffee production has been shaped by technological and political processes amongst other events. Therefore, in order to understand the current situation of the Nicaraguan coffee sector, we have identified some of the key political

[39] Prior to fieldwork, the Rainforest Alliance website showed only 23 large certified farms in Nicaragua and 1 cooperative. However, in an interview with a representative of RF in Nicaragua, we were informed that there are two cooperatives implementing RF.

changes that have directly affected coffee production.

Between 1930 and 1979, during the Somoza dictatorship, coffee lands were mostly concentrated in a few large landowners. This picture changed considerably after the revolution and once the Sandinista government reached power in 1979. During the 1980s, numerous coffee plantations and other properties were first confiscated[40] and later allocated to small farmers and workers. This led to important changes in the structure of coffee land property, since after the agrarian reform small and medium-scale coffee farmers began to concentrate the vast majority of the coffee lands. The Sandinista agrarian reform also promoted the organization of coffee farmers in cooperatives. Thus, a great number of the actual Nicaraguan coffee cooperatives were born during the Sandinista government. During the 1980s the Nicaraguan coffee sector was also marked by the five-year-US embargo and the dismantling of the ICAs in 1989 (Solá, 2008; Bacon et al., 2009). When the Sandinista ruling finalised in 1990, another agrarian reform occurred during the government of 'Doña Violeta'. The reform comprised devolution of land titles to original owners, further distribution of land titles to farmers and other individuals[41] (Solá, 2008). Land property conflicts, rooted in these agrarian reforms, continue today and constitute one of the major industry challenges. Some lands in conflict still remain out of production.

The civil war came to an end in 1990. Towards the end of the 1990s and beginning of the 2000s, the Nicaraguan coffee sector faced serious difficulties. The hurricane Mitch in 1998 and droughts in the period 1999-2001 destroyed part of the coffee plants and infrastructure of the sector. In addition, following the bankruptcy of some local banks, in 2001, the world coffee price crisis hit Nicaragua. Critical moments were reached in July 2001, when producing a pound of coffee would cost a Nicaraguan farmer a loss of 13 U$ cents. The consequences were devastating, as plantations' owners could not pay workers, coffee farms were abandoned, hunger increased and people began to migrate to the cities (Bacon, 2005; Solá, 2008; Bacon et al., 2009). However, it seems that, contrary to what occurred in neighbouring countries, the severe situation in Nicaragua was aggravated by late governmental response (Solá, 2008).

[40] It has been estimated that 19% of the coffee lands were confiscated by the State (Solá, 2008).
[41] "Around 35% of the lands were given back to the original owners, 31% was distributed among workers and 34% was assigned to old military members" (Solá, 2008, p.149).

3.2 Current Institutional Arrangement

Regarding national sectoral institutions, Conacafé is "the official discussion forum between the public and the private sector for the formulation of policy, plans and programs for the coffee sector" (Conacafé, n.d.). The organization also represents the country at the ICO. Other relevant national institution is the Nicaraguan Union of coffee farmers (UNICAFE). Nonetheless, coffee farmers of all sizes and other actors in the local industry perceive a general lack of support and representation from these institutions, as well as from the government.

Thus, there seems not to be a strong national umbrella institution, bringing together all actors and providing support on productivity issues, infrastructure and marketing, as in the cases of Colombia or even Guatemala (IndInf1, Sept 09). Furthermore, unlike all its neighbouring countries, Nicaragua is not a member of PROMECAFE, an organization which "promotes the exchange of technology among national coffee institutes, and the execution of joint research projects, with a view to increasing the importance attached to coffee growing as a socioeconomic activity" (PROMECAFE, n.d.).

"Colombia, Guatemala and Costa Rica have been better at marketing and positioning their coffee than us. This is a problem we have in Nicaragua. We are all individualists. Everyone sells and acts on his own. Coffee farmers have no representation, there is no institution really representing them and seeking to take the country to the top" (Exp1a, Aug 09). This institutional void tends to weaken Nicaragua's general bargaining power in international markets. Although in general terms the quality and taste profile of Nicaraguan coffees are at the same levels of those from Costa Rica or Guatemala, Nicaraguan coffees are sold at discount prices compared to the coffees from these countries (Mendoza, 2002). As such, international buyers are not willing to pay as much for Nicaraguan coffees (Exp1a, Aug 09).

Although incipient, there have recently been a few initiatives in this regard. In April, 2009, Nicaragua was chosen as the Portrait Country by the Specialty Coffee Association of America (SCAA) for its Annual Exposition (SCAA, 2009). ACEN, Cafenica and The Ministry of Agriculture have represented the country at the Exposition. Further, Conacafé have presented a 10-year coffee project, developed with the support of the Inter-American Institute for Cooperation on Agriculture (IICA), which has been approved by the National government in 2009. The program comprises several aspects, regarding land-tenure, infrastructure (mainly roads), traceability and support to local organizations providing technical assistance and credits to

farmers (Conacafé, 2009). However, to the date of completion of our fieldwork, the program was still awaiting funding allocation.

Nonetheless, there is a general lack of trust on formal institutions and a belief that no national sectoral institution has really worked comprehensively and thoroughly for the sector, especially in the more difficult times, such as after the Bank Crisis and the world coffee price crisis[42]. Further, this general feeling is also rooted in the historical political instability marked by the revolution, the civil war and the agrarian reform, among other events. As a result people tend to act independently, as "everyone does what they can and want" (Exp 1a, Aug 09).

There are a number of private initiatives focusing on activities which have traditionally been on the domain of public sectoral institutions or which are conducted by sectoral institutions in other coffee producing countries. Atlantic, one of the largest exporters in the country, is leading a number of initiatives aimed at improving efficiency and productivity levels. The company has a partnership with CIRAD, and has been producing in vitro coffee at industrial scale on their laboratory in Nicaragua. In 2007, they produced 1 million coffee in vitro plantlets, a figure never achieved before for Arabica coffee (CIRAD, 2008). These hybrid plantlets can achieve higher productivity levels and better cup profiles and are more resistant to plagues and nematodes. This initiative is part of a program of genetic development in Central America led by French Donors (CIRAD, IRD and NAE) since 1991. The National Sectoral Institutions of neighbouring countries, ANACAFE (Guatemala), IHCAFE (Honduras), ICAFE (Costa Rica), PROCAFE (El Salvador) and PROMECAFE are also part of this initiative. In Nicaragua, the program is led by Atlantic. Further, the company laboratory, registered as a research centre, conducts various research activities aimed at improving production efficiency. These technologies are offered to the coffee farmers in combination with technical assistance and credit lines[43].

Another important private initiative, led by a large coffee farmer and entrepreneur, is Ramacafe. Since 2001, the International Coffee Conference 'Ramacafe' has been held in Managua on a yearly basis. Its purpose is to bring together the main actors (i.e. farmers, traders, roasters) of the national, Central-American and international coffee sectors to discuss current affairs. Academics and member of International Donor Agencies, as well as other international organizations, also

[42] Based on fieldwork interviews during Aug-Sept 2009.
[43] Based on fieldwork notes and observations at the International Coffee Conference Ramacafe, Sept 2009.

participate in the conference. Ramacafe has thus succeeded in creating a space where local actors can access the latest information on international markets.

As previously mentioned, the cooperative movement is significant. In developing countries such as Nicaragua, where national formal institutions are not strong, cooperative and other local organizations are regarded as a key vehicle of collective action. These organizations are further regarded as an important part of poverty reduction strategies (Milford, 2004). The second-level cooperatives mentioned, such as CECOCAFEN and SOPPEXCCA, have been key in empowering and organizing the most vulnerable groups of farmers. Nonetheless, as in many other countries, cooperatives have become "hotbeds of political conflict, administrative inefficiency and corruption, and today the word 'co-operative' has a bad connotation for many people" (Milford, 2004, p. 34). As we found out during fieldwork, in Nicaragua, such bad connotation is grounded on the fact that the concept is associated with a certain political view, communism, which in turn is often associated with clientelism, populism and corruption. "If you form a cooperative, you are a communist. It shouldn't be like that. But we are the ones to blame for that. To be better off we need to form cooperatives, to form groups…" (MC3, Sept 09). Further, this connotation is grounded on the fact that some of these large cooperatives were created during the 1980s, at the time of the revolution. "…The cooperative movement is good, but it is difficult for many people to understand the benefits of the movement because in times of the revolution cooperatives were created with political ends, on confiscated lands…" (Inst 2, Aug 09).

Family relations, reciprocity and the predominance of informal social relations and ties constitute the main characteristics of the Nicaraguan culture. Nicaraguan farmers are very generous and solidarity with family members and among neighbours is part of their daily life.

This brief overview of the historical and institutional evolution of the sector shows that the institutional arrangement is rather fragmented. At a national level, there is a large absence of strong public supporting institutions and policies and private actors' initiatives predominate. As a result, the country has lagged behind neighbouring countries in infrastructure, productivity levels and marketing activities, thus, struggling to both access and sustain a position in international markets. At a more micro or local level, there is a thick cooperative set-up, which has been key in bringing together the more vulnerable group of coffee farmers. Solidarity and cooperation as a

cultural value and as the basis of social relations is very important in rural communities.

To sum up, Nicaragua is a producer country with a high potential for producing best quality coffee. The country coffee industry has been shaped by external and internal political and economic factors such as the Sandinista movement and several agriculture reforms. The unequal distribution of production between small and large coffee farmers; the fact that a few transnational exporting companies control the export market; the importance of the cooperative movement and individual private initiatives; and the large absence of strong public umbrella institutions, are some of the most significant features of the coffee industry.

Having explained the methodological approach, reviewed relevant literature and discussed the main characteristics of the world coffee industry and the Nicaraguan coffee industry, in the following chapters we analyse the findings in relation to the research questions.

CHAPTER IV: FARMERS' REASONS FOR ADOPTING (NOT ADOPTING) PRIVATE STANDARDS

In this chapter, we discuss findings in relation to RQ1:

RQ1: Why do coffee farmers in Northern Nicaragua decide to adopt (not to adopt) PSs?

We first examine the initial drivers that have led farmers to the decision of adopting PSs and then we move on to the defining drivers of their decision to either adopt or not adopt PSs.

1. THE INITIAL DRIVERS

As discussed in Chapter III, PSs emerged in a context of governance restructuring in GVCs and soon became key in defining the way global buyers exercise their power along the chain and the way they advance their CSR strategies. As such, the decision of farmers in Northern Nicaragua to adopt PSs was highly influenced by the changes in the purchasing practices of these buyers, who now demand coffees that meet social and environmental standards institutionalized in PSs.

At the country-level, adoption was primarily advanced by private actors, namely exporters and second-level cooperatives, which are umbrella organizations providing marketing and export services to multiple first-level coffee cooperatives. Nicaragua's extensive cooperative movement facilitated small and medium-scale farmers' entrance to the certification programs of various PSs. Public sectoral institutions were absent in this process and did not foster, nor did they follow-up certification processes in the early years of implementation. Second-level cooperatives, such as *2nd level Coop*, pioneered in the late 1990s-early 2000s with FLO and Organic, while Exp1 was the first exporter to begin with certification processes in the early 2000s (Exp1a, Aug 09). By 2002-03, several other exporters were also working with PSs.

The international coffee price crisis in the early 2000s, aggravated by severe droughts between 1999 and 2001 and a financial crisis in the latter year that reduced sharply the availability of credit, set the context in which the adoption of PSs proliferated. Exporters and Cooperatives promoted the implementation of PSs as a way of reducing vulnerability to price variations, increasing income and securing markets; and farmers of all sizes, but mostly small and medium-scale, increasingly began to adopt PSs with the expectation of a better income.

"Because they explain you, they tell you that the coffee price can drop under C$2.000 and that it can keep the price up. It can keep the price between C$2.000 -2.500 for those that are in the certification program" (SC9, Sept 09)
"…every single one of us, with the little coffee we produce, we would like to have better incomes. That´s why we entered C.A.F.E Practices, to see if we could sell more directly and increase our incomes" (FGSCM, Sept 09)

First, the collective organizations decide to adopt PSs and which ones to adopt. Then, the members are offered to enter a PS scheme, based on their attitudes (as it is explained later) and the technical and quality requirements of the PS. *Coop* has explained that they first entered the FLO scheme in the early 2000s through their relations with *2nd level Coop* with the expectation of selling at better prices. Entrance to Organic was due to the same reason. Participation in the UTZ certification program started in 2007 and was seen as an alternative market for those farmers in *Coop* producing a better coffee quality, as they only sell between 50% and 70% of their coffee in the FLO market (Coop, Sept 09). *2nd-level Coop* has explained that while FLO was the first PS scheme they entered, as its principles were in line with the cooperative's goals, UTZ was adopted as an alternative market option, as volumes sold in the FLO market have not been satisfactory (2nd lev-Coop, Sept 09).

The association *As* explained that they have started working with certifications with the aim of finding niche markets where coffee can be sold at better, but more importantly, more stable prices. C.A.F.E Practices was the first certification program they entered, as most of the producers in 2004 were growing special and high-altitude coffee and, as such, they could easily fulfil C.A.F.E's quality-requirements. The adoption of 4C was the result of an agreement with Exp1, the exporter through which they sell their coffee (As.a, Aug 09). Since 2007, Exp1 has been leading a program, in partnership with 4C, CIRAD and Nestlé, and financed by IFC, aimed at providing financial and technical support to smallholders. Since the program aims at strengthening Nestlé's value chain, assistance has been provided in line with 4C[44] and Nespresso AAA schemes. The association *As* is part of one of the 4C units created through this program. Entrance to the program has been driven by *As* focus on quality management and efficiency, that is, on helping their members overcome critical issues such as low productivity and quality inconsistency. This is a clear example of how PS adoption is driven by downstream actors' initiatives in combination with farmer members' current situation and expectations. In 2009, the

[44] The Nestlé group is a founding member and one of the main current industry members of 4C. Large roasters such as Tchibo and Kraft are also industry members of 4C (4C, 2009).

association *As* became FLO-certified after several years of working towards meeting the organizational requirements.

Actors outside the chain, namely Donors and NGOs also 'exercise pressure', as the development projects they channelled to second-level cooperatives and then further down to first-level cooperatives, are linked to PS adoption. In particular, such development projects are linked to FLO and Organic schemes. This is the case of *Coop* and *2nd level Coop*, since they have received financial and technical support to enter certification schemes (2nd lev-Coop.b, Sept 09). Currently, as they are certified with FLO, they are recipients of various development projects run by international NGOs and Donors. Such programs provide assistance for coffee production as well as for other economic, social and community activities.

PS bodies' activities also play a role, as they are fully dedicated to increasing the supply of coffee certified with their standards. UTZ and RF, which have traditionally been directed towards large-scale farms, and 4C, have partner up with exporters and/or Donors in order to increase the supply of compliant coffee from cooperatives and smallholder contract farmers. 4C is participating in the program led by Exp1 mentioned earlier. UTZ has partnered up with Solidaridad and SNV to advance a sustainable quality program, Procaso, aimed at helping farmers in implementing best farming and management practices. In Nicaragua, the project is being carried out by Exp1, Exp2 and a collective organization of smallholders (Exp1a, Aug 09; Exp2, Sept 09; Solidaridad and SNV, n.d.).

In the case of large farmers, the search for new and/or alternative markets is what has driven the adoption of PSs in the first place, as large American and European buyers began to demand compliance with specific PSs. The expectation of a better income has been seen as a result of expanded market opportunities. Furthermore, adoption of multiple PSs has also been common, since going through a second or third certification process is easier due to similarities among PSs.

"In the beginning, it represented an alternative marketing strategy, because C.A.F.E practices gave and added value to our coffee (…) Getting certified was not a must, but nowadays buyers do demand that" (LC4, Sept 09).

Thus far, we have discussed how PS adoption in Nicaragua is first and foremost driven by the strategic actions of actors downstream the chain, as buyer demands coffee to comply with environmental and social standards, while exporters advance such demands at country level. As

such, PS implementation is reinforcing exporter-farmers relations, thus resulting in the increased penetration of exporters into coffee farming. Further, in the case of farmer members of *Coop*, the fact that aid projects are linked or even conditioned upon PS implementation has exercised further pressure. PS bodies' strategic partnerships also play a role. As a result of the historical volatility of coffee prices and the vulnerable position of farmers in relation to downstream actors, aggravated by local conditions, the primary promise and consequent expectation of adoption has been a better price and/or a better market to sell coffee to. Nonetheless, there is also a -perhaps- more defining driver for PS adoption, farmers' attitudes and expectations, which emerge as the key difference between those adopting and not-adopting PSs. We turn to this in the following paragraphs.

2. THE DEFINING DRIVER[45]

2.1 Small and Medium-scale Farmers

- Why did you decide to enter the certification process?

"Because I see that these people are nice, attentive and they care about helping you".

- When you say "these people", do you mean the certification or *As*.?

"The Association '*As*' " (SC3, Sept 09. Joined *As*. about a year ago, is starting with 4C and FLO).

Farmer members of *Coop/As* have decided to adopt PSs upon the relation of trust and reciprocity they have with *Coop/As* and, in particular, with the field-officer that is the nexus between *Coop/As* as an organization and the farmer. The field-officer visits the farm regularly and provides assistance in both technical matters and certification requirements. Farmers seek and embrace such knowledge, as they need and want to improve the production process and the production levels. It is due to this relationship of trust that farmer members of *Coop/As* tend to associate PS implementation with the collective organization. This is further explained in Chapter VII- Section 2. Therefore, it can be argued that, what farmers ultimately decide, is whether to be part of the collective organization rather than whether to implement a specific PS.

Beyond the advice from *Coop/As* and the trust-based relation with the field officer, farmers who implement PSs are those who are open to change and are willing to move away from the traditional farming methods, and implement new techniques in order to be better-off. Farmers interviewed agree on how difficult it is to change the way things have been done for generations.

[45] As regards Organic, farmers of all sizes do not wish to adopt it or have pulled out of it as it jeopardizes the sustainability (over time) of their production system, unlike any other PS. We will discuss the reasons behind such decision further in Chapter VIII, section 1.

But beyond their expectation of better income is their willingness to implement new practices with the hope of improving their production system. As explained by a representative of an export company, in addition to a change in the way of growing coffee, PSs also imply a change in their lifestyles (Exp2, Sept 09) and, as such, their attitude is a key defining factor in their decision to adopt PSs.

"We believe that it is for the better, to improve the way we manage our farms, to learn better (…)to improve the quality of our lives and that of the workers because we all have rights. That´s one part. There also has to be retribution" (MC3, Sept 09).

Farmers that are not currently implementing PSs, nor are they members of collective organizations but are willing to become members, also show such disposition to change. They do not know what PSs are and they associate change with being members of the collective organization and with the services they see that the collective organization provides to members. However, debts to other financial institutions, exporters or cooperatives hinder their entrance to the collective organization of their choice (FGSNCM, Sept 09). In contrast, medium-scale farmers not implementing PSs are those that have a lower disposition to change and/or do not have the financial resources to make the necessary changes and/or do not believe that the price will compensate the necessary investments.

2.2 Large-scale Farmers

"As I have been telling you, without knowing the certification programs, we have been working since the beginning in preserving nature, water streams; we have been doing coffee plant nursery, reforesting the areas around water streams, reforesting the roads and doing soil conservation such as reforesting the road slopes. All those things since before certification (…) So I would say that those initials influences from buyers abroad and the owners' eagerness to improve our marketing strategy were the reasons why we began to work with certifications" (LC1a, Sept 09).

For large-scale farmers, PSs are a good communication tool that makes their commitment towards the environment, workers and the community visible to buyers as well as to end customers. Because they are committed to provide good working conditions as well as to reduce the environmental impact of their production system and are willing to make the necessary investments, they have decided to adopt PSs. Such commitment does not seem to come after adoption, as we further explain in Chapter VII, Section 2. What may come afterwards is the commitment to continuous improvement.

Large-scale non-certified farmers perceive that the cost-benefit relation is not positive, as the prices do not compensate the high investment costs. Others believe that they do not need a 'norm' to make the improvements suggested and required by PSs.

In sum, while buyers, exporters, collective organizations and Donor's aid projects, in combination with local conditions, constitute the initial external forces that drive farmers' attention to PSs, it is their expectations (e.g. better income), attitudes (e.g. openness to change, social and environmental commitment) and current situation (e.g. financial situation) what defines their decision to adopt (not to adopt) PSs.

CHAPTER V: FARMERS' PERCEPTIONS ON PRIVATE STANDARDS

In this chapter, we discuss findings regarding RQ2.

RQ2: How do coffee farmers in Northern Nicaragua perceive the PSs being implemented as regards their contribution to profitability and market access, working conditions and socioeconomic status, and environmental pollution at the farm?

In the first four sections, we analyse farmers' perceptions regarding the topics included in RQ2 by discussing their grounds on industry conditions, GVC processes and the local context. In the last section, we analyse perceptions in relation to the actual role that PSs play in today's coffee industry as regards farmers' integration to GVCs.

1. PRIVATE STANDARD IMPLEMENTATION AND UPGRADING

As mentioned in Chapter III, farmers' compliance with PSs is considered a form of upgrading, namely product upgrading at the production node and can also contribute to other forms of upgrading (Riisgaard et al., 2008). In the following paragraphs we describe farmers' perceptions on process and product improvements based on PS compliance. Such analysis includes all PSs being studied, FLO, 4C, C.A.F.E, UTZ, RF and Organic. Finally, we describe the case of Organic, as compliance with such PS has caused farmers to exit the Organic chain strand.

1.1 Private Standard Implementation and Process Upgrading

Small-scale farmers widely perceive that implementing PSs is tightly coupled with the introduction of new farming techniques. The majority of compliant farmers are, for instance, carrying out coffee plant reforestation and pruning activities and are improving their wet milling facilities. They also explain how they have considerably reduced the use of pesticide. In addition, they have completely stopped applying the most hazardous pesticides according to WHO and are instead using those with the lowest hazard ranking. The use of the coffee pulp as an organic fertilizer and wastewater management practices as a result of PS implementation are also common. Most of these new techniques are also considered efficiency enhancing and are positively evaluated.

J: "They [costs] are not higher (…) for instance, if before we were spraying the coffee plants with Disulfran [chemical product] to combat coffee berry borer, now we build traps with bottles. This makes the process cheaper because we do not need to buy those products…"
A: And less risky.
J: Yes, less risky. We are no longer killing those benevolent little animals and harming our health and the environment, and it is cheaper and easier" (FGSCM, Sept 09).

Small-scale farmers feel that the concept 'order and cleanness' defines a certified farm (including their houses). Farmers implementing UTZ, C.A.F.E and those that were previously implementing Organic have mostly expressed so. "They [PSs] make us keep the farm tidy", claimed a female coffee farmer (FGSCW, Sept 09). Another female farmer has explained that, since the implementation of PSs, they have to keep control of what they do at the farm and their expenses, elaborate an annual working plan, and keep the house constantly clean. Male farmers also highlight the importance of order and cleanness at the farm. Separating food and chemical product facilities and keeping animals at specific locations instead of running around the house are some of the examples mentioned. All in all, these changes are also enablers for higher efficiency levels and have allowed certified farmers to visually differentiate their farms from non-certified farmers. Further, due to this sense of order and cleanness farms receive frequent visitors and gain reputation (As.b, Aug 09).

"The patio, very clean and tidy. No throwing garbage, cans and plastics around. Two holes on the ground for garbage, one for the waste decomposing quickly and another one for solid waste. It was nice…you could notice when you were at an organic farmer house or at a conventional one. You could see the difference in the houses, the dirty patios, the pigs getting dirty in the patios". (SC7, Sept. 2009)

Medium-scale farmers have also implemented most of the efficiency enhancing changes described for small-scale farmers (i.e. improvement of wet milling facilities, wastewater management, less pesticide use, and new farming techniques). However, in relation to order and cleanness-changes, they tend to set the focus on record keeping (e.g. workers documentation).

Small and medium-scale farmers perceive that the implementation of these new processes has not only led to higher efficiency but also to lower pollution levels and increased biodiversity conservation at the farm. In Chapter IV, we explained how wet milling produces large amounts of wastewaters, thus making coffee farms a source of pollution. In this relation, farmers acknowledge that, as a result of this 'new way' of processing coffee they have stopped dumping wastewaters and coffee pulp into the river. Others claim that they have always been concerned with the environment and have therefore sought to protect it since they began with coffee farming. Further, farmers explain that in order to reduce pollution they bury the used chemical bottles instead of simply dumping them into the water or just leaving them lying around. Some small and medium-scale farmers are also paying attention to issues such as not washing the equipments they have used for fertilizing in the river.

Farmers recognise that the reduction of pesticide use, order and cleanness and pulp and wastewater management (regardless the technical level[46]), has resulted in better health conditions. Small-scale farmers have claimed that the main beneficiaries have been their own families. Medium-scale farmers' have highlighted better health conditions for workers due to the use of protection equipments when applying fertilizers. A medium-scale certified farmer has argued that there are now less intoxication problems with workers. "In fact", he said, "this year we have not had any [intoxication] problems at all (MC1, Sept 09)".

Most of these new practices have been introduced to farmers in capacity building activities organized by the collective organization as well as via the assistance of field-officers.

With reference to large-scale certified farmers, their level of efficiency is higher primarily because of the use of superior technology such as biogas, which is being implemented by three of the four large-scale certified farmers we interviewed. The fourth one is planning to incorporate it. For them, PSs seem to have led to farm efficiency improvements related to waste management and water usage reduction. In addition, large and medium-scale certified farmers positively value that PSs have contributed to a more efficient and transparent relation with workers.

The situation of higher efficiency and lower pollution in certified farms contrast that of most non-certified farms visited. Non-certified farmers acknowledge that higher investments (e.g. better housing conditions for farmers), better production systems and technical assistance is needed at their farms. Further, some of them frankly admit that they dump wastewaters into the river. Our fieldwork observations also allowed us to see the differences in cleanness, as garbage and chemicals were lying on the ground at the non-certified farms. As such, pollution levels at these non-certified farms, especially small and medium-scale ones, seem to be higher. However, it is also important to notice that they are not organised in collective organizations.

In spite of these differences between certified and non-certified farmers, knowledge sharing forms of collaboration occur between them. As certified female farmers have mentioned, they see themselves as an example for the non-certified. For instance, they teach them how to make

[46] Some have simple holes in the ground while others have concrete basins. "Since we work with UTZ or better since we entered the cooperative we have basins. They are not made of concrete, we make holes on the ground instead and we make canals for the pulp and water. Each type of waste has a place …before we would just dump them into the river" (FGSCW, Sept 09).

improvements and what chemicals can and cannot be used (FGSCW, Sept 09; SC1, Aug 09). Collaboration also occurs between large-scale and medium-scale farmers. Particularly, two medium-scale non-certified farmers have explained how they have learnt to use the pulp as a fertilizer and other techniques at training sessions taking place at the farm of their neighbour large-scale certified farmer.

1.2 Private Standard Implementation and Product Upgrading

Some of the small and medium-scale certified farmers have mentioned that the new practices have led to improvements in coffee quality, highlighting for instance lower level of imperfections, better aroma and taste. Some farmers even claim that the new farming style has even led to higher production levels. In the case of medium-scale farmers employing permanent workers this has for instance contributed to job security, thus enhancing workers' motivation. A medium-scale farmer has claimed that his "workers are more motivated because they could see that there will be work in the future" (MC3, Sept 09).

In spite of better quality products and more efficient processes, most of the small and medium-scale farmers complain about not obtaining higher prices for their certified coffees. However, a group of small-scale farmers has reflected upon the fact that although compliance may not lead to higher coffee prices, it does result in easier access to credit and Donors/ NGO-funded projects. Farmers in *Coop* have been directly involved in at least two major aid programs tied to Organic and FLO standards, ACORDAR[47] and the Intermón Oxfam/ Govern de les Illes Balears project[48].

With reference to large-scale farmers, product upgrading does not seem to be a result of PS implementation. Nonetheless, compliance with PSs has in most cases represented a step-stone for building long-term direct relations with roasters, thus leading to increased contractualisation. However, as we explain further in Section 5, there are other variables that also ought to be in place in order to accomplish so.

[47]The project, funded by USAID and run by the NGOs CRS and LWR, TechnoServe and Aldea Global, is being implemented with 85 cooperatives in Northern Nicaragua and the Atlantic Region. It includes technical assistance aimed at improving coffee growing, harvesting and processing methods in line with ecologically sound standards as well as income diversification via the promotion of other farming activities (USAID, 2007; USAID and CRS, 2008).
[48] The project, named "Coffee program: An alternative to Development" and implemented in 2007-2008, aimed at supporting cooperatives in coffee production and diversification (Fieldwork notes, Sept 2009).

1.3 Exit from the Chain strand: The Case of Organic Implementation.

"The year before I became organic certified, I produced 250qq, I had money, my own car, our children were attending school, and we had food and no debts. At the beginning, when I became organic certified everything seemed very nice, but then yields started to fall, my coffee plants began to get burned and I lost five mz. I planted new coffee trees for three years in a row. I applied the fertilizers that the [PS] required us. But those investments were lost until the situation I am in today. We are very worried because I have three sons studying at University but one of them had to stop because I could not longer support him. I gave up. I lost five mz [half of my land], got indebted and there was a year in which I only produced 27qq" (SC6, Sept 09. FLO certified, recently pulled out of Organic).

Coop's members' perceptions on PSs also reveal how compliance sometimes acts as a double-edge sword that ultimately affects small-scale farmers' livelihoods negatively. All (previously) Organic-certified farmers agree that moving from conventional farming, with the use of chemical fertilizers, to organic farming represented a dramatic reduction in yields. Further, application of organic fertilizer could not make up for the nutrients the coffee plants needed. Based on the figures provided by them, their total production has been reduced to only 10% of their previous production level[49]. Remarkably low productivity levels are clearly a challenge for those living in conditions of rural poverty in Nicaragua (Valkila, 2009).

In addition, organic compost produced at the farm was not enough in relation to the large amounts needed[50]. Thus, purchases of organic compost and its transport increased production costs. It is worth noticing that part of these costs have been subsidized by Donor/cooperative support[51]. As such, in words of Valkila (2009, p.2), "Without the support of cooperatives and development organizations, it would be practically impossible for small-scale coffee farmers to acquire organic certification due to the high costs of certifying individual small farmers in Nicaragua". While we do not condemn the general idea of facilitating farmers' compliance with PSs so that they can reach more potentially lucrative markets, it is important to assess how support is being provided and the actual impacts of the activity being supported (in this case, Organic implementation).

[49] A representative of *2nd level Coop* claims that non-organic farmers have productivity levels of 20-25qq/mz, while organic farmers have productivity levels of 8-12 qq/mz (1/3). A large-scale farmer who has conducted studies on organic farming claims that organic productivity levels are 1/5 of conventional ones (LC1, Sept 09).

[50] To sustain economically viable productivity levels, organic farming requires 1,000 times the amount of compost needed in non-organic coffee farming (LC1, Sept 09).

[51] "They gave them [organic-certified farmers] large amounts of organic fertilizer for free. They only paid the transport of 100 and 200 qq of organic fertilizer…They also got for free huge amounts of organic fertilizer and I remember they would get up to 200 qq. of Biogrin. They also received tools for free" (FGWSC, Sept 09).

Farmers also highlight how coffee plants become an easy target for pests and diseases, as a result of the previously described situation together with the effects of climate change.

It appears that the root cause of the 'failure of Organic' is a combination of inappropriate local management (i.e. lack of initial soil analysis and continuous subsides), deficiency of organic compost to provide the nutrients needed by coffee plants, purchasing costs of organic compost, strict organic norms and insufficient price compensation. Due to the strictness of organics rules, farmers had to apply organic principles to all farm activities, including cattle and pig-farming and other crops. However, as there is no organic market for these other products; they had no choice but to continue selling them in conventional markets. Finally, all farmers claim that, with reasonable "C" coffee prices, it is not profitable to produce organic coffee, as the reduction in yields plus the increase in costs is not compensated by the organic coffee premium. As *2nd level Coop*, which exports their coffee, has mentioned, "Farmers feel that they have too many requirements but they are not economically compensated and the market is not willing to raise the price (2nd lev-Coop.a, Sept 09)".

In addition to having affect their coffee plantations negatively, farmers believe that compliance with organic has increased their individual debts and threatened their food security. As one farmer has claimed "what am I doing producing organic coffee if I don't even have food to eat? (SC5, Sept 09)". These circumstances led farmers to ultimately exit the organic chain strand, as a strategy to ensure the sustainability of their economic activity over time, namely coffee farming. Further, the problems associated with organic farming have also affected the cooperative as a whole. A forth of *Coop*'s total debt[52] is related to such problems and it has been severely affecting their organizational capacity (Coop, Sept 09). *2nd level Coop* has also reduced exports of organic coffee to 30% of initial levels (2nd lev-Coop.a, Sept 09).

In spite of having pulled out of Organic, small-scale farmers acknowledge that they have maintained many of the techniques learnt and that organic production might work in different conditions. The latter raises the issue that implementing PSs by following the "one size fits all"

[52] *Coop´*s total debt is estimated in U$200,000 (Coop, Sept 09).

formula is not sustainable over time, as it does not take into consideration context and case by case factors[53].

Medium and large-scale farmers also contend that organic practices are not suitable for coffee farming and that such practices are not economically viable in the long-run (MC2, Aug 09; LC1, Sept 09). For instance, a farmer has argued that organic farming was compromising the job of many workers as well as her financial situation, as production dropped from 2,500qq to 180qq. Which such a dramatic yield reduction, the farmer moved from being large-scale to medium-scale. Thus, the farmer decided to abandon organic practices in 2008 (MC2, Aug 09)[54].

Our findings regarding the downsizes of organic coffee farming in Northern Nicaragua seem to be in line with a study conducted from an agronomic point of view. The study reveals that fully organic farming when applied to coffee is unsustainable in general and, in particular for smallholders. Further, the study suggests that a number of best practices can be carried in both, coffee growing and processing, in order to produce ecologically sustainable coffee without following strict organic rules. For instance, by combining organic and inorganic fertilizers to maintain soil quality and nutrient levels and by improving post-harvest processing (Van Der Vossen, 2005).

In sum, while certified coffee farmers share numerous perceptions on PSs and are generally better-off than non-certified ones, there are some differences. Small and medium-scale have emphasized process efficiency, higher quality products and lower pollution levels as a result of PS implementation. Large-scale certified farmers have benefited from improved relations with workers and increased vertical contractualisation. Perceptions on Organic are negative, since farmers claim that implementation has negatively affected their socioeconomic-status and has ultimately led them to exit the organic chain-strand.

[53] In the context of Uganda, for instance, a study on the profitability of organic coffee farming carried out by smallholders reveals that organic leads to superior profitability when moving from traditional farming methods, that is, without the use of chemical fertilizers to organic farming (Bolwig et al., 2009), which is different to the case of the farmers included in this study since they had used chemical fertilizers before.

[54] Further, a large-scale farm (not part of this study), well-renown in Northern Nicaragua for being an organic farm and for its biodiversity conservation practices, has just decided to abandon organic production (Fieldwork notes).

2. PRIVATE STANDARDS: THE SOLE DRIVERS OF SOCIAL AND ENVIRONMENTAL CHANGE?

An important question emerging from the interviews is whether PSs are the sole drivers of the social and environmental transformations in Northern Nicaragua's coffee production systems. In other words, whether the social and environmental changes carried out by small, medium and large-scale farmers (described in Section 1), as well as socioeconomic improvements, can be solely attributed to PS implementation. We first explain how this attribution problem emerges in relation to small and medium-scale coffee farmer members of *Coop/As*, and then we move on to the case of large scale farmers.

2.1 Private Standard Implementation and the Functioning of *Coop/As*: The Case of Small and Medium-scale Farmers

In the case of small and medium-scale farmer members of *Coop/As*, PS implementation is strongly associated with the functioning of the organizations and the support services provided, including aid projects channelled to members. Further, in the case of *Coop*, socioeconomic improvements are difficult to attribute solely to PS implementation, as Donor and NGO aid channelled to *Coop* is tied to PS implementation. We explain these attribution problems in the following paragraphs.

i. <u>The Association between Private Standards and the Functioning of Coop/As.</u>

- How many coffee certifications do you have?

"With them, only with *As* I've been working. It's the first time".

- (Later on, the question is repeated) What certification schemes are you working with?

"Only with *As*."

(SC9, Sept 09; implementing C.A.F.E Practices, and 4C for the past 2 years; from harvest year 09-10 with FLO)

The above quote is a straightforward indication that PS implementation is strongly associated with the collective organization. Farmers are aware that they are implementing changes that require social and environmental-related changes in the way they grow coffee, but such changes are associated to the assistance provided by *Coop/As* in training sessions and to the regular visits of field-officers. In the following quote, a farmer explains how the field-officer has taught her a less expensive and more environmentally friendly way of combating a coffee disease than the traditional method based on the use of a toxic chemical. Such practice is in line with the

environmental standards of C.A.F.E, FLO and 4C, among other PSs, however she relates it to the support received from *As*.

- Why have you decided to work with these certifications?

"Because I believe, I have just started and I have decided to stay with *As"*.

- Do you know that you are implementing new techniques in relation to certifications?

"Yes, they visit me every now and then and guide me on the use of fertilizers and on how to clean plantations" (…)

- What things have you learned?

"We've learned how to combat the coffee berry borer. We put the pulp of the first blooming cherries affected with the borer in hot water so that the borer stays in the pulp and does not fly away to other plants. So we boil them and then we bury them".

(SC1, Sept 09; implementing C.A.F.E Practices, and 4C for the past 2 years; from harvest year 09-10 with FLO)

Therefore, the functioning of the organization plays a central role in the PS implementation processes.

"Regarding changes, in my case, I had some knowledge on how to fill out payroll sheets but when we entered the certification program, with the advice and training from the organization, I got much better (...) They provide us with the normative from the Ministry of Labour, so we follow them with a fair salary, right?" (FGSCM, Sept 09)

The implications of such association between the functioning of the organization and PS implementation also affect the perceived benefits and/or downsizes of PS implementation. For instance, as it is explained in Section 3, the fact that farmers in *Coop* perceive that FLO premiums are not being paid out to them seems to be rooted in the perceived lack of transparency in how coffee export incomes are paid off to them by *2nd level Coop*.

ii. Donor and NGO-Aid Tied to Private Standard Implementation

Coop is a small rural cooperative under the umbrella of *2nd level Coop*. This latter organization, in addition to providing milling services, exports services, financial support and technical assistance, also channels aid projects to *Coop*.

J: "We did both fences and living barriers with what they gave us. We would go with our family and do the work in one day. That´s a benefit we got…"

IB: "It means we didn´t pay for it. Project Acordar has helped us a lot".

(…)

J: "…Project Acordar came thanks to the certification, and it was extended to 37 and others parts of the project to 48 people. Project Acordar always benefits those which are in the certification, through FLO".

(…)

I: Who wants Organic?

J: Project Acordar. Well, one manzana can be managed, as long as they give us all the materials, then it's fine.

(FGSCW, Sept, 09)

Aid projects are tied to specific PSs, in this case FLO and Organic, and implementation of such PSs is required for participating in such project. Project Acordar encompasses several smaller projects aimed at improving growing methods and increasing production levels. The Project, channelled to *Coop* via *2nd level Coop* and the NGO Catholic Relief Services (CRS) has provided them with financial assistance, aimed at improving on-farm wet mills, repopulating coffee plantations, building fences and living barriers, among others. Furthermore, the project also includes objectives regarding income diversification. Some *Coop* members have been given cows for cattle-farming and fruits and vegetables to grow.

Coop is also participating in a project led and financed by Govern de less Illes Balears, which is also aimed at providing support to farmers certified with FLO to improve their growing methods. This project has financed purchases of environmentally friendly fertilizers and also provides support to the community. Thanks to this project, 50 women in the community had access to medical check-ups in 2008 (FGSCW, Sept 09).

While it is clear that these aid projects arrive to *Coop* since it is certified with FLO (and a few farmers with Organic), it is unclear whether the socioeconomic improvements in terms of higher productivity levels, income diversification and diversified diet are a result of PS implementation or of the projects' implementation. Furthermore, it is also not clear whether the improvements in the production systems can be sustained over time and without similar Donor and NGO support, as coffee production requires regular pruning and repopulation of coffee plants, fertilization and shade regulation, among other activities. While farmers in *Coop* acknowledge the benefits of making their production systems more ecologically sound as well as reducing health and safety hazards, they frequently relate the improvements to the projects. *Coop* and PS implementation are means that have enabled them to become beneficiaries of such aid projects. This is in line with a study on FLO impacts on cooperatives conducted in Northern Nicaragua, which points to the difficulties of assessing the impacts of FLO premium in social development, as many of the social programs have been co-funded by Donors and NGOs (Valkila and Nygren, 2009).

2.2 Private Standards and Management Style: The Case of Large-scale Farmers

Interviews with large-scale farmers, on-site observations and informal conversations with workers show that working conditions (e.g. housing, occupational health and safety measures, access to medical assistance and schooling) have been improved over the years. As explained in

Chapter VI, as the adoption of PSs has been influenced by the farmer's attitude and management style, so have the social and environmental improvements, since many of them have been introduced prior to PS implementation. In Section 1 we described environmental improvements, therefore we now focus on social improvements.

LC3's coffee estate is located in Matagalpa. Since 1975, when the estate was purchased, LC3 has been committed to convert it into a highly environmentally sustainable and socially-responsibly managed estate. At the time of the Somoza dictatorship and even later, the owners were frowned upon for seeking to improve working conditions above standards of the time. Today the estate employs around 200 permanent workers living within the estate land and 500 temporary workers that also live on-site during harvest season. Approx. 43% of the permanent workers are women, whose salaries equal those of men. Permanent workers live with their families in concrete houses, with one or two bedrooms, living room, kitchen with chimney and bathroom. Houses have also electricity and access to potable water. These 'housing qualities' are above rural standards in Northern Nicaragua, where houses are made of wood and clay, latrines predominate and access to electricity and potable water can be considered a luxury in many areas. There is an on-site primary school for workers' children, a baseball play-garden and a scholarship program for those who would like to further their education in the city. There is also a health clinic with a full time nurse. Workers have access to medicines and women health programs. Temporary workers live in dorms with beds and latrines and there is a separate dorm for women as well. The estate is certified with RF and a part with Organic and it was the first estate in Nicaragua to obtain the Eko-Ok (later RF) certification in 1995. It was people from Eko-Ok that, after a tourist visit to the farm in which they witnessed the environmental and social conditions, suggested the owners to get the certification.

In LC2's estate, ideas originated in *Comisión Mixta* are embraced. Comisión Mixta is a group formed by representatives of workers and managers with the aim of facilitating dialogue, contemplated in the Labour law. When problems arose since not all workers would clean after themselves in communal areas, Comisión Mixta proposed an alternative method. They suggested that they would each pay C$10 (U$0,50) to cover the salary of a worker that would be fully in charge of the cleaning. Since then, the estate is always clean and tidy and everyone is happy. Freedom of religion is also embraced in the farm. When the workers took the initiative to build a chapel that would serve for all creeds, LC2 did not hesitate in allowing workers to build it within the estate premises[55].

The other farms visited provide similar cases, in which working-related improvements were introduced prior to certification and as a result of the owner's and manager's social and community values. "Everything changed since the arrival of the current owner and manager", it is what we heard in informal conversations kept with workers that were also living at the estate under the management of past owners[56]. Furthermore, some owners even go beyond the law and the requirements of PSs. While, for example, PSs require the owner to facilitate access to school and to medical services for their workers and their families, it is not a requisite for certification to have on-site school and clinic facilities[57].

[55] Based on informal conversations with worker members of Comisión Mixta at LC2's estate.
[56] Based on fieldnotes during visits at LC1's and LC3's estates.
[57] Based on RF (SAN, 2009), UTZ (UTZ, 2009b) and C.A.F.E Practices (Starbucks, 2007d) standards, which are those being implemented by the large-scale farmers interviewed.

LC1's estate has an on-site primary school with a computer-lab where not only workers' children assist but also children from neighbouring communities. The estate also has secondary schooling for high-achieving students. Those coming from other communities as far as from the Autonomous regions by the Atlantic coast can stay at the boarding facilities. The owner strongly believes that education is the basis for social and cultural changes that can be sustained over generations, and as such, in 2006, a project aimed at enhancing education and employability for young students was initiated in collaboration with NGOs Jacobs Foundation and Teach a man to fish, as well as with the Ministry of Education. Since 2008 they have been building the infrastructure for a technical agricultural school, encompassing 7 units: honey production, horticulture, pig farming, egg production, nursery for coffee plants and reforestation, milk production and eco-tourism. During our stay, we visit some of these facilities, including the eco-lodge and restaurant facilities which were under construction. The ultimate goal is for the school to become self-sufficient within 5 years, meaning that all operating costs will be covered by the income generated via eco-tourism services and the selling of their fresh produce. The technical agricultural school will open doors on March 2010 with 20 high-achieving students, with the aim of teaching these young students 'how to fish' (LC1, Sept09; Teach a Man to Fish, 2009a, 2009b)[58].

Most large-scale farmers do however recognize that they have learned new approaches regarding health and safety measures since PS implementation and that the annual audits and strategic plans required by PSs such as RF and UTZ prompt continuous social and environmental improvements. While it is clear that these large-scale farmers can more easily fulfil both the obligatory checklists and the continuous improvements suggested by PSs and their audit systems, it is also clear that their social commitment has been the initial driver for social and environmental change. It is worth noticing that the monetary costs associated to such changes are high. To set up a biodigestor costs U$25.000. A farmer reported to have spent around U$250.000 in infrastructure, bio-filters, clinic facilities and a centre for children's development. This is in line with a study on the impact of CoC on workers' livelihoods in the South African wine and in the Kenyan flower industries, which shows that "a positive disposition by managers in both industries towards worker rights had in several cases accounted for improved conditions with or without code adoption" (Nelson et al., 2007, p.68). Similarly, in a study of two sport suppliers implementing the same code, Locke et al. (2007) show that variation in working conditions are a reflection of the management style.

In sum, the two cases analysed in this section show that, although PSs do bring about changes, the geography of drivers of environmental and social change is highly complex. In the case of small and medium-scale farmer members of *Coop/As*, the collective organization is more than a passive organization enabling farmers to enter PS certification schemes and its organizational capacity is key in defining PS implementation-related changes. The presence of aid projects makes even more difficult the attribution of socioeconomic improvements to PS implementation. In the case of large-scale farms, the owner's management style plays a central role.

[58] Between U$300.000 - 400.000 have been invested in school-related infrastructure and boarding facilities.

3. RHETORIC VS. REALITY: PERCEPTIONS ON PRICES AND PROFITABILITY

In spite of being certified, which is normally expected to result in better prices, most small and medium-scale farmers perceive they do not receive higher prices at farm gate. This issue becomes critical, as such prices determine their living-wage. In this section, we unfold small and medium-scale farmers' perceptions on profitability and explain how such perceptions seem to be grounded in high debt levels, low organizational transparency, the initial "short term" PS communication strategy (i.e. how PS implementation has been promoted by the collective organization and exporters) and buyers' purchasing practices.

3.1 *Coop* Farmers' Perceptions on FLO Premium and Profitability

In the following paragraphs, we explain findings regarding prices in relation to FLO, as it is the only PS that guarantees a minimum price and a premium. We do so by focusing on the story of farmers associated to *Coop*. This organization, as a member of *2nd level Coop*, has been FLO certified for 10 years. FLO pricing system establishes a guaranteed minimum price of 1.25 U$/lb for Arabica conventional washed coffees. In addition, buyers are required to pay a FLO premium of 0.10 U$/lb (FLO, n.d.b).

The General Assembly of *2nd level Coop*, has decided that the FLO premium is to be distributed in the following manner: (a) U$0.02 goes to the Latin American and Caribbean Network of Small Fair Trade Producers, (b) U$0.02 goes to cover administrative expenses (c) U$0.02 goes to a Capitalization Fund, which is used to provide loans to farmers, among other aims, (d) U$0.02 are to be used on community development projects, managed by the first-level cooperative, and (e) U$0.02 are to go directly to farmers (2nd lev-Coop.b, Sept 09). However, *Coop* small-scale FLO certified farmers appear to have doubts about receiving the part of the FLO premium that is to go directly to them:

J: "During the six years I have been a member of *Coop*, I have only received the premium once and that was C$2,000 (U$100)".
A: "I do not think I have received any premium"
I: "Me neither"
(…)
J: "…but of that U $10 we only receive U$2.50".
- But do you then receive the premium?
I: "It's just words."
(FGSCW, Sept 09)

Without judging whether farmers really receive such part of the premium or not, farmers' discussions clearly indicate that they do not have a clear overview of the income and expenses generated by the coffee they export via *2nd level Coop*. As we explain in the following paragraphs, *Coop* members' perceptions on FLO premium and low prices seem to be related to high debt levels and to the perceived lack of transparency in the cooperative functioning.

As mentioned in Chapter IV, the lack of credit and high debt levels are structural problems of the Nicaraguan coffee sector, and farmers have noticed that this is ultimately affecting the premium arrival. Our findings are supported by a study carried out at two second-level coffee cooperatives in Northern Nicaragua that underline how low FLO farm gate prices are primarily due to the debt levels of the cooperatives (Utting-Chamorro, 2005). This situation of high-debt levels is aggravated by non-committed farmer members that, whilst having agreed to deliver their coffee harvest to the *Coop*, they opportunistically sell the coffee to the intermediaries (e.g. agents, export houses) offering the best price deal at farm gate (FGSCW, Sept 09; As.b, Aug 09). This behaviour shows how social capital needs to be strengthened.

Farmers' complaints about the allocation of the FLO premium are also associated with an absence of organizational transparency[59] and communication.

"They [2nd lev coop] have to explain us, because if they say: 'Look Ms A, here are C$150', but since she has a debt then they should tell her: 'Ms A, we have credited to your account C$150 from the FLO market that corresponded you'. Then she knows that what she obtained from FLO were C$150 that were credited to her account to pay the debt. But that has not been done here (FGSCW, Sept 09)".

Therefore, while not in disagreement with meeting their financial obligations, farmers demand higher transparency levels regarding coffee export prices, premium distribution and its applicability, from *2nd level Coop* (FGSCW, Sept 09; SC8, Sept 09).

The lack of organizational transparency has also been a discussion topic among non-certified small-scale farmers and in relation to other collective organizations in Northern Nicaragua. Those seeking to become members of such organizations sometimes have difficulties in trusting them due to previous negative experiences (FGSNCM, Sept 09). The lack of technical support

[59] Valkila and Nygren (2009, p.9) also raise the issue of low transparency levels at cooperatives in Nicaragua. "Considering that many of the rank-and-file cooperative members did not even know how the premium for social development had been used in their cooperative; certain doubts arise as to whether the issues of democracy and transparency in the cooperatives' decision-making ever received the same amount of attention as the investment in their infrastructure and logistics".

throughout the year is also an issue. A non-certified farmer, not member of any cooperative, with whom we talked informally, has affirmed that he has never received the visit of any field officer during the four years he had been a member of a cooperative. Further, there are some cooperatives which do not 'open their doors' until the harvest season starts[60]. Open doors, technical support and field visits are key. In this line, farmer members of *Coop/As* are pleased about being organised and such satisfaction is mostly due to the support received.

In addition, the FLO premium is also affected by the limited amount of coffee sold as FLO certified, as well as the timing of the premium payment to farmers. In our interviews, some farmers (not all were aware of this figure) mentioned that around 50 - 70 % of the production is sold via FLO distribution channels. Further, farmers have to wait for six/seven months until the premium is paid out (FGSCW, Sept 09; 2nd lev-Coop.a, Sept 09). Considering that credit availability is rather limited, especially for small-scale farmers, payment delays become critical. Thus, it appears that all these factors influence farmers' perceptions when claiming that their FLO-certified coffee has been sold at the same of even lower prices than the local market for conventional coffee.

J: "We are certified and they [2nd level Coop] pay us the price of El Tuma [Local market]"
Ib: "They [2nd level Coop] pay the same price that any intermediary does".
(…)
J: "Yes, conventional. Market price is how they pay it"
Ib: "And sometimes the price of conventional [coffee] is even higher."
(FGSCW, Sept 09)

In line with these findings, studies carried out in 2004-05 within Northern Nicaragua have concluded that, in the mainstream markets, payments to farmers were higher[61], faster and had better financial terms than those offered by FLO/Organic organizations (Valkila 2009; Valkila and Nygren 2009).

Nonetheless, most farmers, although not quite certain about premium allocation rules, acknowledge that thanks to FLO coffee sales, they have a fund that is invested in social projects

[60] Based on field observations.
[61] Valkila and Nygren (2009, p.6) have found that "the average price of coffee paid by Fair Trade certified cooperatives to producers during the 2004–2005 coffee harvest was 87.9 US cents/lb. In comparison, the average price paid by Exportadora Atlantic S.A. was 88.9 US cents/lb, ranging from 75.5 to 99.5 US cents/lb during the harvest".

in the community. Over the years, it has been invested in helping disabled people, repairing roads, buying coffins and purchasing a truck for *Coop*. For next year, they are proposing student grants and a pension scheme. These initiatives have been put forward by two female farmers who recently joined the board. They recognise that while it is still difficult to be heard in a male dominant environment, the decision process has improved at *Coop*. Before they joined, the only woman in the board was not really taken into consideration (FGSCW, Sept 09).

In sum, while the FLO premium system may be theoretically well-founded, in practice, the case of *Coop* shows how factors such as low organizational transparency and high debt levels challenge the potential benefits the FLO movement seeks.

3.2 Other Perceptions on Price and Profitability

Thus far, we have discussed farmers' perceptions on economic compensation and premium as in relation to FLO. Small and medium-scale farmers certified with other PSs, namely UTZ and 4C, also believe they are not obtaining higher prices that compensate their efforts.

"We cannot compare conventional with certified coffee, because conventional coffee is half washed, it is not selected and one can sell it like that and get paid right there [in the local market].We [certified farmers] care about the washing process, the baskets, the screen size, the machines, that the fermentation process is properly done. Costs are then higher for us but quality is also better. Then, I believe we should get a special treatment" (SC4, Sept 09; UTZ certified farmer)

Although these PSs do not guarantee a minimum price or a premium, higher prices were expected by farmers when deciding to adopt the PSs. As for C.A.F.E certified farmers, while some small-certified farmers who recently entered the program (still at verified level) have not yet perceived the C.A.F.E. premium, other small and medium-scale farmers have recently enjoyed from a plus for their certified coffees[62]. This is partly due to C.A.F.E classification and reward system[63].

Further, interviews carried out with exporters have confirmed farmers' claims on conventional coffees being sold at the same or even lower prices than certified ones. As we discuss in the following paragraphs, buyers' purchasing practices and the initial short term communication

[62] Although figures may vary according to the country of origin, the world average price paid in fiscal year 2008 by Starbucks was U$1.48 per lb (being average market price U$1.36). Strategic suppliers (80-100%) are also given an extra premium of U$0.05 per lb. above the mentioned purchase price on the first year after achieving such status. This also applies to strategic suppliers who have improved their scores by 10% (Starbucks, 2008).

[63] However, it is worth noticing that some large certified farmers have noticed that Starbucks is moving towards buying lower qualities and quantities of C.A.F.E certified coffees (LC1a, Sept 09).

strategy for PS implementation are key to understanding farmers' perceptions regarding low prices for certified coffees.

"The problem in Nicaragua is not entering a certification program. (…) The problem for us is the demand" (…) There is no demand for certified coffee and some buyers that want to purchase certified coffee want to pay less than for conventional ones. Then it does not make much sense because the certification process requires investments. (Exp 1a, Aug 09)". These claims are in line with the purchases of certified coffee by leading roasters. According to Coffee Barometer 2009 (TCC, 2009), purchases of certified coffee by the top ten coffee roasters in 2008 were very low compared to their total purchases, with the exception of Starbucks. Starbucks' purchases of certified coffee represented 76.5% of the total volume purchased by the firm. Such figure contrasts starkly with those of Nestlé, Kraft, SaraLee and Tchibo, as their individual purchases of certified coffee were below 6.2% of their respective total purchases.

The tendency of low differentials for certified coffees has also been confirmed by *2nd level Coop*, that exports via FLO distribution channels. Sometimes, these channels appear to be limited and less lucrative than conventional ones. This is especially the case when dealing with FLO buyers that 'stick to FLO rules' ("C" price plus the 0.10 U$/lb FLO premium) and do not reward quality or do not wish to engage in long term relations (2nd lev Coop.a, Aug 09). In other words, it can be argued that there are FLO buyers that are no longer operating with relational forms of coordination, which was the intended original goal of the fair-trade movement, and are functioning under more market mechanisms. These buyers' practices could be associated with some of the challenges researchers have highlighted as a consequence of the mainstreaming of the fair-trade movement[64].

Farmers and exporters also agree and highlight that, contrary to the higher profitability perceived when "C" prices were relatively low (as in 2001/3), in times of high "C" prices (as now), the price difference between certified and non-certified coffees becomes minimal, if any. This partly shows that certified coffees, unless other parameters come into play (e.g. quality) are still highly dependent on the New York "C" volatile price. However, dependency on "C" price was not the idea transmitted to farmers by PS bodies and downstream chain actors when promoting the

[64] See for instante Tallontire (2009).

adoption of PSs during the coffee price crisis of 2001/3. In other words, the initial 'short term' communication strategy for PS implementation, which is now negatively assessed by exporters and cooperatives, encouraged farmers to adopt PSs primarily under the promises of high prices (short term vision) instead of efficiency and other farming improvements (long term vision).

Consequently, exporters and farmers organizations, such as Exp1 and *As*, are now moving towards a new communication strategy with a 'longer term' vision for the implementation of PS. This strategy focuses on promoting productivity, social and environmental improvements as a long-term strategy, beyond the implementation of any specific PS and beyond promises of short-term higher prices. As a representative of Exp1 has argued, "We are trying to make them understand that if they keep producing 7 qq/dry coffee per ha they will not be able to get out of poverty" (Exp 1a, Aug 09).

We can conclude that, for small and medium-size farmers, PS implementation has led to efficiency and product improvements, such as those presented in Section 1. However, within the Nicaraguan context, in an ambient of high "C" prices, PSs have not managed to de-commoditize coffee. Thus, premiums that consumers pay for certified coffees are not necessarily transferred to farmers. Buyers' purchasing practices also affect the profitability of coffee. Collective farmers' organizations in Nicaragua also play a pivotal role in transferring not only the premium to the farmer, but also technical assistance that can enhance farmers' capacities. The latter is in line with this new communication strategy for PS implementation that tries to ensure long term improvements rather than a few more occasional dollar cents.

4. PRIVATE STANDARDS NORMS, AUDITING PROCEDURES AND THE LOCAL CONTEXT

In Chapter III, we have introduced the concept of PS as the set of rules and requirements concerning various aspects of the production process of a particular good. The content of these rules and, especially, the auditing procedures have been subject to discussion by most of the interviewed coffee farmers.

4.1 Private Standards Norms and the Local Context

Overall, findings show a certain mismatch between PS rules, perceived by farmers as rather structured and sometimes inflexible in its application, and coffee farming in Nicaragua, defined

as highly empirical. Thus, farmers believe that PSs cannot seek to normalise the entire coffee production process (LC1a, Sept 09). Farmers also believe that some norms (e.g. C.A.F.E and Organic) are moving towards stricter arenas which do not consider context-specific farming conditions[65].

In addition, the absence of strong sectoral institutions (as explained in Chapter IV) also affects PS implementation. For instance, while the national coffee institutions of Guatemala and India have manifested their support or critics towards 4C, Conacafé has not marked its position yet[66]. Regarding PSs in general, a sectoral institution interviewed believes that although they have introduced improvements in the sector, there is still certain regulation disorder and more national intervention is needed. Appellations of Origin[67] are being developed in an attempt to promote more context-specific, efficient and coordinated regulations within the national coffee sector. Further, during the interview, it was mentioned that some of the issues that have arisen in relation to PS implementation, lie in the fact that PSs are based on foreign norms (Inst1, Sept 09). Thus, whilst the rules of PSs have contributed to raise order and efficiency at farms, sometimes farmers perceive that these rules "represent European standards that cannot be applied in Nicaragua" (LC3b, Aug 09), idealizing a world that does not match the local reality (LC2b, Sept 09).

"The issue is that there are some criteria that cannot be fulfilled because of local structural problems and not because of the norm. Maybe it [the norm] is appropriate but compliance does not depend on the producer nor on the exporter, sometimes it depends on others that are also part of the production chain but there is nothing we can do about that (…) An example is that a PS requires the farmer to collect the chemical products' empty recipients and return them to the suppliers, but it is difficult because suppliers do not feel obliged to do so" (Exp2, Sept 09, on 4C).

This example shows how PS norms hold farmers responsible for verifying second-tier suppliers, in a context where compliance with national law (if existing) is not a common denominator (Fieldwork notes, Aug 09; LC3a, Aug 09; Exp 2, Sept 09). Moreover, the great importance given by PSs to hanging signs around the farms raises the following questions: Can those signs, beyond creating a visual change and awareness, really serve as a teaching tool in places where a

[65] USA organic regulation now demands that coffee farmers employ thermometers for measuring compost temperature instead of other local instruments commonly used. Traceability requirements are being pushed down the chain as new rules require export bags should be marked with all farmers' names, thus increasing substantially export costs (2nd lev-coop, Aug 09). European rules are also scaling up in their requirements regarding inputs to be used in organic natural fertilizers (Conacafé, 2009).

[66] Personal email communication (4C, Jan. 09).

[67] "The geographical name of a country, region, or locality, which serves to designate a product originating therein, the quality and characteristics of which are due exclusively or essentially to the geographic environment, including natural and human factors" (Origin. n.d.).

considerable number of illiterate workers are employed? Can they so really remind these workers of the importance of appreciating the environment, following health and safety measures, and keeping the farm clean?

Illiteracy is also common among some small-scale farmers. Consequently, it becomes quite complicated for them to fill in and fulfil all the documentation requirements. To this, we need to add that, labour conditions occur in an informal basis. Thus, as a small-scale farmer has claimed that she does not know how to value the costs because she grows most of the food for her family and the neighbours help her to carry out the activities at the farm (SC2, Aug 09). The difficulties of these small-scale farmers are also noticed by exporters (Exp 2, Sept 09; Exp 3, Sept 09). Thus, it appears as if PSs are still missing norms that are appropriate for the reality of smallholders.

Large-scale farmers consider that PSs have encouraged them to follow a path of continuous improvement. This is mainly due to the long-term strategic plan they were required to elaborate before entering PS schemes and which auditors refer to during their annual visits and check upon its progress. However, once high compliance level has been reached, as in the case of large-scale farmers included in this study, the investments required to advance within the PSs are extremely costly and do not necessarily result in an increase in their profitability. Farmers do not perceive there is any kind of 'stick and carrot' system, where they do not only receive a long list of rules they have to comply with, but also incentives for meeting those goals. In this line, one of the farmers interviewed explained:

"RF does not distinguish between a farmer with 80 points and one with 96, as it is our case. We have suggested them a classification and reward system but they were not interested in it. Only C.A.F.E has such a system. The advantage is that they give you preference in their coffee purchases, which is also an incentive for improvement."(LC1a, Sept 09).

4.2 Auditing Procedures

Farmers also illustrate how, in general terms, Auditing organizations do not provide ideas for improvements, share experiences and information from other model farms, and promote solving problems jointly. Thus, PS bodies endorse auditing processes described as checklist subjective processes that do not look beyond the parameters already defined in their codes, thus, not trying to understand the root problem of the situation. The following example about how auditing is carried out at LC2 farm is a clear example of the auditing model mentioned.

LC2 coffee estate is certified with three standards, RF, UTZ and C.A.F.E. Every year they have at least two audits, namely that of RF and UTZ. C.A.F.E auditors come every three years as they have achieved strategic supplier status. Audits are announced and take place during harvest season, at their busiest time. Costs[68], paid by the farmer, include the visit, accommodation and transport from Guatemala or Costa Rica to the farm. Audits last one day and the auditor checks documentation, walks around the coffee farm and interview workers and managers. As the farm managers describe it, the auditor comes with its code and goes through it criterion by criterion: "He sees garbage on the floor and writes down garbage on the floor" (LC2b, Sep 09).

Within this backdrop, common pitfalls of snap-shot audits presented in the literature review (e.g. checklist, brief, paid by farmers and announced) have been raised by large-scale farmers. These farmers tend to be more in disagreement with those actors that interpret the norm, the auditors, rather than with the norms. They emphasize the subjectivity and inflexibility of auditors in numerous cases, as it can be seen in the following example.

At LC2 estate farm, which employs around 600 workers during harvest, workers receive a card where they can control their daily work and salary. They card is valid for 14 days until the payment time. Working hours are registered in the card and they also sign at the farm bookkeeping system when they get paid. One year they received a complaint from the auditor, who claimed that workers should also have a daily receipt. The auditor who came the next year, in contrast to what the previous auditor said, believed that their system was fine and no changes were to be made.

This auditing style has also led to situations in which workers are caught in uncomfortable interviews with auditors using difficult technical terms, and farm managers that, aware of the audit timing and procedure, organise and prepare for the audit. Further, regarding subjectivity, managers claimed that as "some [auditors] are lawyers; others are environmentalists or agronomists, different professions, then each one focuses on their area of expertise" (LC2, Sept 09). Thus, while some auditors tend to excessively focus on their area of expertise and disregard other areas, managers have also learnt to coach workers for the auditors' interviews and design circuits based on the auditors' background in order to highlight some aspects or hide others. It is also noteworthy that in the auditors' profile given there was no sociologist or psychologist.

Our fieldwork findings show that the auditing methods employed at large certified farms seem to be based on a rather top-down approach. This situation contrasts to what it has been recommended by several authors who promote the so called participatory social audits (Auret and Barrientos, 2004). It can be then argued that it is key to bring into the auditing process more local actors (e.g. workers, farmers, exporters and local institutions) able to understand context-specific conditions. In other words, a more farmer and worker centred approach is needed in order to

[68] Audit costs could be around U$3,000 per visit (LC3a, Aug 09).

unfold sensitive issues that affect coffee farming in the region. A clear example of this relates to child labour issues, which we explain in the following paragraphs.

4.3 The Child-labour Clause in the Context of Northern Nicaragua

PSs recommend following local norms with regards to child labour. Local labour norms state that children under the age 14 years cannot be hired to work at the farms (Normativa Salarial del Café Cosecha 2008-2009, November 16, 2008). Yet, the reality is that in Nicaragua there are families whose parents are under 14 and thus need to work in order to sustain their infants. In addition, during harvest, which coincides with the three months of school holidays, there are thousands of non-permanent workers that travel with their families in order to work as coffee pickers. While a medium-scale non-certified farmer acknowledges he welcomes all types of workers (MNC3, Aug 09), certified medium and large-scale farmers acknowledge they follow and are audited against the rule.

To the background presented above of seasonal workers and their families migrating to farms, we need to add that in Nicaragua schools and, especially, child-care facilities supported by public institution are scarce. Then, during harvest, the responsibility of keeping children away from farm-tasks falls over large-scale farmers who have to deal with the risks of leaving a child alone in farms with more than 500 workers (LC2 Sept 09, LCN2 Sept 09). This situation results in large-scale farmers bearing the costs of employing people to take care of the infants, building child-care facilities, buying materials, contracting teachers and bearing the risks of nurturing new-born babies during harvest season. In the absence of broad state coverage, some roasters have adopted a commitment-based approach and jointly invested with large-farms owners in these facilities (LC2, Sept 09). However, it is essential to integrate local institutions in these initiatives to ensure its sustainability[69].

As for small-scale farmers, female growers contend that their children are and will continue going to school. However, during harvest, when students have finished school obligations, they would like them to work at the farm. First they believe they have the right to instruct their children on coffee farming and, second, not allowing children to help their parents at the farm is

[69] Although during our fieldwork we did not see discriminatory practices, PS child labour regulation enforcement seems to be leading to discriminatory hiring practices. Sometimes large scale farmers employ more male than female pickers as the latter normally bring children along. Large-scale farmers do not wish to take a risk in case of an audit and/or to cover child care costs (Nicaraguan coffee gender specialist, email, Jan 10).

making them "useless for the society". They claim that children then migrate to cities entering the informal labour sector, going into an ambient of alcohol and drugs, and compromising the future of skilled labour for the industry[70] (FGSCW, Sept 09). Male certified farmers also draw the attention to the high poverty levels that characterise most non-permanent labourers in the sector. Thus participating in coffee harvesting is in fact a way for them to ensure subsistence.

"There are very poor people (…) and they [pickers] say 'It is the only opportunity that my kid has to pick up one or two latas so that he can buy school materials'" (FGSCM, Aug 09).

In sum, PS norms sometimes clash with the Nicaraguan reality. Findings about the always controversial issue of child labour show how setting up a rule against it does not automatically solve some structural difficulties and it can even have unintended effects such as lower family income, and challenge the future availability of skilled industry workers. Thus, we see PS norms regarding child labour in the coffee sector as addressing the tip of an iceberg, 'children working at the farm', while larger and deeper structural problems still persist.

Furthermore, when comparing PSs, large-scale farmers claim that going through several certification processes is easier due to similarities among them. In spite of the similarities, farmers believe that RF has higher requirements than UTZ, which set the focus on traceability aspects, or C.A.F.E, which focuses on quality, social and environmental criteria. Although the latter sets an already demanding point of departure to enter the program (quality and cup profile requirements), farmers perceive that the rest of the norms are more balanced among social, environmental and economic criteria compared to RF and UTZ. In general, for most multi-certified small and medium-scale farmers, it is difficult to differentiate PS norms. While in general farmers from *As* are less aware of the regulation of one PS vs. another, members of *Coop* can identify differences among PSs. This is primarily due to *As*' members having less years of experience as certified farmers and *As*' new communication strategy for PS implementation based rather on the improvements than on differentiating among PS norms/names. *Coop*'s double-certified UTZ and FLO farmers claim that they follow stricter procedures than FLO certified farmers.

[70] Other studies also highlight the challenges that child labour eradication strategies may entail. See for instance Khan (2007).

5. PRIVATE STANDARDS: THE ROUTE TOWARDS STRENGTHENING THE POSITION OF FARMERS IN GVCs?

One of the main questions emerging from the perceptions of farmers on PSs is whether PS compliance alone is the basis for a sustained or improved integration into GVCs and for higher economic returns. As described in Chapter III, the existing body of literature provides mixed findings on this regard. Muradian and Pelupessy (2005) contend that coffee PSs can potentially help farmers improve their position on the chain and upgrade and/or act merely as implicit market entry-barriers. While the existing literature focuses on PSs *per se*, we argue that other variables, beyond PSs, also have a role to play. Sustained quality levels, reputation and direct relations, in combination with PSs, ought to be considered when analysing this matter.

5.1 Private Standards and Long-term Relations: The Case of Large-scale Certified Farmers

LC1 coffee estate is located Jinotega surrounded by a protected forest area, between 1,150m and 1,450m above sea level. In 2004, the estate obtained RF certification and soon after C.A.F.E. The estate exports directly, being Whole Foods (via its Allegro Coffee import/roaster division), the world's largest retailer of natural and organic food in the USA, one of the main current buyers[71]. While RF certification has served as the initial basis for a direct relationship, LC1's commitment to sustained quality and volume over time, as well as his reputation, has enabled a long lasting relationship. Today LC1 signs 3-year contracts with the buyer with fixed prices (encompassing high premiums) negotiated independently from New York "C" prices.

LC2 coffee estate is located in El Tuma-La Dalia, between 700m and 1200m above sea level. The estate is certified with three standards, RF, UTZ and C.A.F.E. LC2 exports via Exp1. LC2 maintains a long-term direct relationship with Bewleys, the leader tea and coffee brand in Ireland, to which LC2 has committed to deliver a quality and a volume of coffee over several years at a price (and a premium) negotiated independently from "C" prices. Thus, prices may go up or down, but LC2 and Bewleys know that they are guaranteed a contract that fulfils the needs of both parties and that they can both operate at the price agreed and manage costs accordingly.

According to the perceptions of these large farmers, the capability to sustain quality and volume levels over time and to live up to contract requirements, in combination with PS compliance, has been key in assuring higher economic returns and long-term direct relations. "Coffee is bought based upon quality, not certification. We have worked hard to achieve a standard in quality levels and optimal yields, we make rational use of fertilizers and we protect the environment. However, if we did not have certification, we would not be able to sell our coffee to Whole Foods either. We need both, as they ask for both, quality and certification" (LC1a, Sept 09). This is in line with a study by CIMS (2004) in Central America about coffee certification and prices, which shows that, beyond PS certification, quality is a key factor determining price and price premiums at farm gate, as well as direct relations.

[71] Thorns (2009)

The upgrading strategy sequence is different from that described by Riisgaard et al. (2008) about smallholders. Clearly, as mentioned in Section 1, upgrading in the production node (quality, commitment towards social and environmental standards and PS compliance) has led to increased vertical contractualisation with buyers and not the other way around. Further, it has led to a rather relational type of chain coordination, as LC1 and LC2 rely on Whole Foods and Bewleys as much as the latter buyers rely on them. Thus, the relationship transcends any PS certification. For the farmers, the relationship guarantees a market and a higher economic return over time. For the buyers, it assures them that they will have a supply of product over time (IndInf1, Sept 09; R1, Nov 09). As Whole Foods specializes in the retail of organic products, the vast majority of Whole Foods suppliers are organic certified. However, LC1 does not have such certification and yet it is one of the three main Nicaraguan suppliers of Whole Foods (Allegro coffee). Further, the other two Whole Foods' (Allegro Coffee) suppliers in the country do bear organic certification as well as RF certification[72]. In the case of Bewleys, UTZ certification is an important plus in the relationship with LC2, but does not constitute the only foundation. The fact that LC2 has been able to supply Bewleys with consistent quality and volume levels over time has also been pivotal (IndInf1, Sept 09; R1, Nov 09; LC2, Sept 09).

Thus, "certifications play some points in the relationship but it is no the point of the relationship". The relationship is between the buyer and the farmer. They trust and take care of each other. This ultimately leads to better prices and to independency from the variability of "C" prices (Indinf1, Sept 09). The buyer visits the farmer regularly and even provides financial assistance for social projects within the farm, as Bewleys has done with LC2 (LC2a, Sept 09). As such, while this type of long-term direct relations, based upon the combination of PS implementation, coffee quality, and trust, does not change the fact that the coffee chain continues to be buyer-driven, it does enable farmers to strengthen their position in the chain. Farmers perceive that this trend towards 'PS-long term relations' chain coordination carries more positive benefits than merely having a PS certification but no long term relations. This is so because, in the latter case, coffee has to be sold in the open market.

[72] Nicaragua is the 4th largest country-supplier of Allegro Coffee and the principal country-supplier of RF certified coffee, accounting for 20% of the total volume (Thorns, 2009).

In sum, PS certification is only a part of the equation towards strengthening farmers' position in GVCs. The farmer's capability to consistently deliver a quality and a volume of coffee is the other part. The result is a long-term direct relation with the buyer based upon a more relational (than market) coordination, which strengthens the farmer's position in the chain.

Further, this type of GVC integration is sustainable in the long-run. It helps to sustain market access and higher economic returns over time, as price negotiations are not driven by the highly volatile market, and as purchases are not merely based upon the credence attributes any given PS certification entails. This is grounded on the fragility of using PSs as the sole basis for differentiation, given current and future tendencies. PS implementation, as a differentiation tool might soon or later become obsolete as more and more producers comply with PSs, thus increasing the supply of certified coffee above demand levels and reducing the premiums associated with certification (CIMS, 2004). This is of particular importance in Northern Nicaragua, as the demand for certified coffee is already quite low in relation to the supply, as explained in Section 3 (Exp1a, Aug 09). In addition, as the number of PSs and farmers implementing PSs proliferate, the social and environmental standards associated with PSs will no longer represent an added-value but a minimum expectation in the mind of consumers. As such, PS certification will become less important in the buyer-farmer relation (IndInf1, Sept 09).

"…they [PSs] are a great tool to get us where we are going. But ultimately, they will get obsolete and these relationships will take over. If you look at how many roasters are developing direct relationships with the growers and those direct relationships are all about many of the goals that certifications try to create, but those relations do not need those certifications to make it happen" (IndInf1, Sept 09).

5.2 Private Standards and Long-term Relations: The Case of Small and Medium-scale Certified Coffee Farmers

Coop is situated in El Tuma-La Dalia. Over the years, it has grown to encompass 84 members. In 1997, it became a member of *2nd level Coop*, which has been implementing FLO for the past ten years. All *Coop* members are FLO certified, approximately 15 are participating in the UTZ certification scheme since 2007 and less than a handful remain implementing organic practices (which began in 2001/02). *Coop* exports via *2nd level Coop* and has established direct relations with a FT buyer, Kirkekaffe, which additionally contributes with 7dkk (U$1.20) per bag of coffee sold to finance various community projects[73]. Nonetheless, despite the various PS certifications under implementation, *Coop* sells only between 50% and 70% of their total annual coffee production as certified. The rest, although carrying a certification and entailing certification costs is sold as conventional coffee.

[73] Fairnok (2009).

The association *As* was founded by farmers in 1996, and began operations in the region of Matagalpa-Jinotega in 2002. It provides technical and financial assistance, and business development services for coffee, cocoa, malanga and other crops. Over half of the total 350 coffee farmer members are located in the region of Matagalpa-Jinotega. The association *As* has been implementing C.A.F.E. since 2004. Initially, most of the members were participating in the scheme, but due to the growth in number of members and the consequent larger variability in the profile of coffee grown[74], less than 30% of their members are currently participating in the scheme. In 2007, *As* began with 4C and, in 2009, it obtained FLO certification. In the Matagalpa-Jinotega region, there are 43 producers implementing C.A.F.E and 150 members participating in the 4C scheme. The association *As* exports via Exp1. Similarly to *Coop*, only 50% of their total coffee production is sold to Starbucks under C.A.F.E Practices scheme and the rest is sold in the open market.

The case of medium and smallholder members of *Coop/As* contrasts that of the large-scale farmers described above. Since not all coffee (or the vast majority) is sold as certified, profitability levels are affected. Thus economic returns remain variable while production and certification costs are high. Further, even when coffee is sold as certified, a large proportion is still sold on the open market and negotiations are based upon "C" prices. Thus, PSs have not been the initial basis for long-term relations with buyers purchasing a steady and high-volume of certified coffee over time, with the exception of Kirkekaffe and Starbucks. This is in line with farmers' perceptions regarding PSs, market access and profitability. They believe that PS implementation does not guarantee them stable market access (As.b, Aug 09).

There a number of constraints which limit the capability of *Coop/As* to negotiate long-term contract and premiums and to maintain direct relationships with buyers. First, inconsistencies in volume and quality of coffee grown from year to year limit such capability. Second, the high rate of farmers entering and then pulling out of PS certification programs limits such capacity as well. Last, programs implemented by *Coop/As* in association with NGOs and other industry actors aimed at redressing these constraints, while they have had positive results as regards knowledge transfer, they have not resulted in a better integration into GVCs, as demand for certified coffee continues to be low.

Quality and volume inconsistencies are a result of farmers having high debts, and/or lacking knowledge on techniques necessary to improve productivity levels. As such, part or all of their land is under what they called traditional farming. This means that pruning activities are not performed regularly, coffee plants are often old and low yielding, and approved fertilizers that

[74] Quality based on cup profile is a pre-requisite to enter C.A.F.E Practices Scheme (Starbucks, 2007c). In practice, this means that farms are to be located at a minimum altitude of 900m above sea level (Coop/As.2a, Aug 09; Exp2, Sept 09).

can help combat various phytosanitary problems[75] are not applied. As a result, coffee grows 'naturally', productivity levels are low and quality and volume levels are largely irregular from year to year. For instance, a smallholder received support from *As* to do a soil analysis which showed high incidence of nematodes, a worm-like animal affecting the deep-roots of coffee plants. Nonetheless, due to financial constraints, the problem was not treated and yields continue to be severely affected. It is worth noticing that while *Coop/As* provide financial loans to members, over the years some farmers have accumulated high debts due to poor management, phytosanitary problems and/or climate-related problems. Consequently, the organization also has debts. Thus a vicious circle is formed limiting the organization's capacity to provide loans to members (Coop, Sept 09; As.b, Aug 09).

Regarding the second problem, several coffee farmers have pulled out of PS implementation programs over time. As explained in Section 3, this has been due to the fact that obtaining price premiums as a result of PS implementation in the short-term was overly emphasized, among other factors. This resulted in lower volumes of certified coffee for the collective organization to sell and to negotiate upon.

Recently, *Coop/As* have been involved in programs aimed at redressing these constraints. Since 2007, *Coop*, as FLO certified, has been part of Project Acordar. The project's ultimate aim is to help farmers increase the quantity and quality of coffee and improve growing methods to meet ecologically sound standards[76]. Since 2007, the association *As* has participated in a program led by the exporter firm Exp1, in partnership with Nestlé, 4C and CIRAD. The program aims at facilitating coffee farmers with access to credit and technical assistance in order to increase productivity and quality levels, and consequently improve their profitability. Further, assistance is also provided in line with the social and environmental guidelines of Nespresso AAA and 4C, the two schemes supported by Nestlé. Through this program, Atlantic has been training *As*' field-officers and farmer members and, as a result, a group of farmers have entered the 4C scheme.

Thus far, the goals of these programs have been highly appropriate to the situation of these smallholders. They have been successful in helping farmers overcome some of their structural

[75] Regular pruning helps maintaining acceptable yielding levels, but it is expensive due to the time lag until the plant begins to bear again.
[76] The program also aims at improving farmers' income via diversification. As such, cows has been given to some farmers in the coop for cattle farming (USAID& CRS, 2008; FGSCW, Sept, 09).

problems regarding growing methods and productivity levels, thus improving their capacity to serve export markets. However, they do not automatically seem to entail a better position in a GVCs and higher appropriation of economic returns.

Project Acordar does not link these FLO certified farmers to specific global buyers. In the case of the project led by Exp1, purchases of 4C compliant coffee have represented less than 10% of the supply developed via the program[77]. This critique is not intended at undermining the projects but at highlighting the importance of linking supply with demand, that is, the need of linking these certified coffee farmers with specific buyers in order to effectively strengthen their position in GVCs. Neither PS implementation alone, nor PS implementation in combination with these programs have done so. This is reflected in small and medium-scale farmers' desire for PSs to include mechanisms that enable them to sell more directly and establish long-term relations with buyers. These relations will allow higher economic returns and a better compensation for the certification costs and investments associated with transforming their production systems (FGSCM, Sept 09; SC8, Sept 09; MC2, Sept 09).

In sum, the two cases of large-scale farmers and of small and medium-scale farmers demonstrate that PS implementation in itself is not the basis for strengthening their position in GVCs, in terms of appropriation of higher economic returns and of guaranteed market access and keeping. Long-term direct relationships with buyers appear to be critical in order to accomplish so[78]. While PS implementation may serve as the initial basis for establishing such relation and, in the case of medium and smallholders, projects linked to PS implementation may serve as the basis for improving their capabilities to serve international markets, they are not sufficient conditions. Direct links to buyers, as well as buyers' commitment to maintain such links appear to be key, beyond PS implementation.

[77]Exp1 explained that the assistance channelled to farmers has led to positive results, as it tackles key structural problems. They have established three 4C units via this project which add up to 250,000 bags of coffee. However, only 12,000 bags, less than 10% of the supply, were sold as 4C verified during the last year (Exp1, Aug 09). These figures are in line with 4C's report, as purchases of 4C verified coffee represent 10% of the world's 4C compliant coffee (4C, Sept 09; TCC, 2009). Further, Nestlé's 2008 purchases of 4C coffee represented 0.8% of its total purchases while overall purchases of certified coffee represented 2.7%.

[78] Bewleys and Whole Foods (Allegro Coffee) do not only maintain direct relations with large-scale buyers. For instance, Allegro has established long-term direct relations with coffee cooperatives in Peru (Allegro Coffee, 2008).

"A key challenge and wish is to access a specific niche market, where we can sell *As* coffee with certification C.A.F.E, FLO or 4C and be able to say that, of the 20 containers of coffee that *As* sells, 10 are sold to Starbucks and 10 to a buyer that has a name, not on the stock market, but to a specific buyer" (As.a, Aug 09).

6. CONCLUDING REMARKS

Our conclusions as regards RQ2 are as follows. In relation to small and medium-scale farmers, while expectations regarding higher prices, profitability and market access do not seem to have been met in most cases, farmers perceive that PS implementation has brought about considerable reduction in pollution levels and other efficiency enhancing processes (which can improve profitability in the long-run). Overall, it is difficult to assess whether PS-based improvements have led to a better socioeconomic situation, in particular in the presence of Donor and NGO-funded development projects attached to PS implementation. Further, the functioning as well as the support services provided by the collective organization plays a pivotal role in fostering such improvements. In the case of Organic implementation, unlike the other PSs, farmers' socioeconomic status has been severely compromised and has also resulted in abandonment of the chain strand. In relation to medium-scale farmers, PS implementation seems to have also led to improvements in working conditions.

Large-scale farmers perceive that PSs may bring about higher profitability levels as long as they serve as the initial basis for long-term direct relations with buyers. PS implementation, together with other variables, has led to increased contractualisation, thus resulting in more relational forms of buyer-farmer coordination. This, in turn, has reduced dependency on "C" prices and guaranteed a market over time. Regarding environmental and social changes, it is difficult to attribute them to PS implementation as they have been initiated prior to PS implementation and some improvements go beyond the requirements of PSs. In spite of this, farmers perceive that PSs have prompted continuous improvements. Some PS requirements are seen as rather structural and far from the empirical reality. Nonetheless, critiques mostly focused on auditing practices, questioning their effectiveness.

CHAPTER VI: PRIVATE STANDARDS UNFOLDED. DISCUSSIONS AND CONSIDERATIONS

While PSs have played a key role in creating awareness, in bringing consumers and farmers closer together, and in fostering more ecologically and socially sound coffee production systems, they certainly are not in themselves panacea for the deeper structural problems of farmers in the global South, nor for strengthening their position in the chain.

While PS schemes have led the way towards best practices in coffee growing and processing, especially in the case of small and medium-scale farmers, they cannot guarantee higher prices, nor can they guarantee independence from the volatility of "C" prices. Once farmers are certified, only the possibility of a better price becomes stronger.

In certain cases, primarily in relation to large-scale farmers, PSs have served as the initial basis for long-term direct relationships between farmers and buyers, and these more personal relations seem to be the true value behind PSs, since they have emerged as a way towards more sustainable (over time) integration into GVCs and more equal relations along the chain.

Regarding participation in GVCs, our findings show that the type of PS being implemented (i.e. whether it addresses the terms of trade or not) it is not as critical as how it is used in the buyer-farmer relation.

The case of farmers in Northern Nicaragua reveals a complex geography of actors, variables and relations around PS implementation. Farmers' collective organizations are more than passive vehicles facilitating smallholders' compliance with PSs and links to GVCs, however PSs seem to 'idealize' their functioning. Collective organizations' doing or wrong-doing can drive PS implementation-related impacts to one or the other direction. The same applies to development projects funded by Donors/NGOs. It is large-scale farmers' social commitment and management style what drives social and environmental improvements at their estates. Further, as explained in Chapter IV, sectoral institutions remain largely absent, thus affecting the context in which PS implementation occurs. Therefore, this complex geography determines whether, how and why PS implementation is boon or a bane and not PSs in themselves.

As mentioned earlier, findings reveal that Donors/NGOs, collective organizations and exporters are not neutral actors at the local level. While roasters/retailers drive the coffee chain and exercise their governance via PSs at the international level; Donors/NGOs, collective organizations and exporters drive PS adoption and implementation processes by small and medium-scale farmers at the local level.

To processes occurring at the international level, local organizations are not being passive. The low demand of certified coffee related to the purchasing strategies of roasters/retailers and 'high' C prices which result in a rather low price differential between conventional and certified coffee, are reflected in the strategies of these local organizations. For instance, the association *As* and Exp1 have put in practice a new communication strategy for the adoption and implementation of PSs with farmers. This strategy aims at promoting environmental, social, and productivity related changes at the farm beyond any specific PS, in order to diversify their market options. In this way, farmers are able to quickly respond to changes in purchasing practices, can easily get certified with one or another PS, and can also sell their coffee to the most profitable market, whether certified or conventional. *2nd level Coop* is implementing a similar strategy regarding UTZ and *Coop*'s members, as they are not looking into certifying more farmers with this standard unless demand grows.

On the other hand, Donors/NGOs and collective organizations can also negatively influence PS adoption and implementation. The case of *Coop* shows that Donor/NGOs involvement is giving farmers and the collective organization itself a skewed view on the actual benefits and drawbacks of PS implementation. Further, the lack of organizational transparency also negatively affects PS implementation.

Within this background, the institutional perspective that Neilson and Pritchard (2009) have sought to incorporate into value chain analysis is proven to be critical for studies in relation to how GVC governance affects the outcome of opportunities and constraints for producers at a particular place. Our findings support the idea that the focus on the interplay between governance and institutional arrangements provides a more sound understanding of how developing-country actors participate in global markets.

CHAPTER VII: CONCLUSIONS AND IMPLICATIONS

1. CONCLUSIONS

The aim of this master thesis has been to explore and understand the factors determining small, medium and large-scale coffee farmers' decision to adopt (not to adopt) PSs in Northern Nicaragua, as well as their perceptions on the contribution of the following PSs, FLO, RF, UTZ, C.A.F.E Practices, Organic and 4C, to economic, social and environmental aspects of coffee farming. In doing so, the study draws on the experience of these farmers to understand the role that these PSs play in the industry and the wider implications for their well-being and integration into international markets. Thus, we have aimed at contributing to the existing body of literature by casting light on whether, how and why PSs are boon or bane in Northern Nicaragua. The following research questions have thus guided our research. RQ1): Why do coffee farmers in Northern Nicaragua decide to adopt (not to adopt) PSs? RQ2): How do coffee farmers in Northern Nicaragua perceive the PSs being implemented as regards their contribution to profitability and market access, working conditions and socioeconomic status, and environmental pollution at the farm?

As regards RQ1, findings show that while buyers, exporters, collective organizations and Donors' aid projects, in combination with local conditions, constitute the initial external forces that drive farmers' attention to PSs, it is their expectations (e.g. better income), attitudes (e.g. openness to change, social and environmental commitment) and current situation (e.g. financial situation) what defines their decision to adopt (not to adopt) PSs.

As regards RQ2, in relation to small and medium-scale farmers, expectations regarding higher prices, profitability and market access do not seem to have been met. However, farmers perceive that PS implementation has brought about considerable reduction in pollution levels as well as other efficiency enhancing processes, which can improve profitability in the long-run. Large-scale farmers perceive that PSs may bring about higher profitability levels as long as they serve as the initial basis for long-term direct relations with buyers. This, in turn, reduces dependency on "C" prices and guarantees a market over time. Attribution problems have arisen due to the complex geography of actors, variables and relations (e.g. Donors, collective organizations, management style) playing a role in bringing about social and environmental change.

Thus, the factors that have determined Northern Nicaraguan farmers' decision to adopt PSs have also influenced their current perceptions on PSs. In this regard, our working hypotheses are largely in line with our findings. For instance, vertical contractualisation (e.g. long term direct relations with buyers) and horizontal contractualisation (e.g. organised vs. not organised farmers, functioning of the collective organization) play a role in determining how farmers participate in GVCs, thus influencing the perceived benefits and costs of PS implementation.

These findings suggest that, at a theoretical level, incorporating a thorough analysis of the local context is key for better understanding how governance structures influence developing-country actors' participation in global markets. At a more pragmatic level, findings should be taken as a learning experience for agri-food and other industries regarding how PSs deploy at a particular place.

In sum, PSs have played a pivotal role in changing the dynamics of the industry, in bringing consumers and farmers closer together, in promoting social and environmental changes in coffee production systems and in serving as the initial basis for long-term direct relationships. However, the case of farmers in Northern Nicaragua shows that they cannot be regarded as a guarantee of better integration into international markets, higher economic returns and improved livelihoods. In the case of small and medium-scale farmers collectively organized, the functioning of such organization as well as the influence of aid projects plays an important role. In the case of large-scale farmers, their management style serves as the basis for change. Further, long-term direct relations with buyers appear to be key beyond PS implementation. In other words, while PSs *can certify* that coffee is grown in line with social and environmental standards, they *cannot certify* that coffee farmers' participation in GVCs will be strengthened and that they will receive higher economic returns.

2. IMPLICATIONS AND RECOMMENDATIONS

In this section, we briefly discuss implications and provide recommendations for academics, practitioners and other actors.

i. Farmers

Multi-certified farmers are now questioning the real added value of each PS they have. Thus, PS cost-benefit analyses are required, especially for large-scale farmers in order to decide upon the most effective one. As for small-and medium scale farmers, given what PSs can and cannot do, we recommend to see PS implementation as a long term strategy and not as a short term possibility for increasing the price received for their coffees.

ii. Farmer Collective Organizations

Collective organizations ought to pay especial attention to how the relations with farmer members are deployed. Transparency in organizational procedures is extremely critical. Providing technical assistance is as necessary as providing farmers with due information on how payments and fees are calculated and when payments occur. This will, in the end, strengthen the organization's social capital.

As regards PSs, an assessment on the current situation of members and on the possible results of implementing a specific PS should be conducted. In other words, PSs should be chosen upon their fit with the needs and current situation of farmers. For instance, the negative consequences of implementing organic could have perhaps been avoided. This kind of assessment does not need to be highly complex and expensive as, for example, they can capitalize on the empirical knowledge of field-officers.

As regards PS implementation, emphasis should be placed on the 'new' communication strategy, on promoting environmental and social improvements in farmers' production system as a long-term strategy, beyond the implementation of any specific PS and beyond promises of short-term higher prices. This recommendation also applies to exporters.

iii. Roasters/Retailers

Rather than the PS in itself, it is how the PS is used by roasters/retailers what matters. In this regard, engaging in long- term and direct relations with farmers is the path to follow. In doing so, roasters/retailers cannot only facilitate environmental and social changes at farm level, but also create a relation that provides roasters/retailers with the required coffee quality and volume and farmers with a market and a price independent from variations in the "C" market. This type of relations can be achieved beyond any specific PS and even beyond the implementation of a PS.

iv. PS Bodies

PS bodies have until now set primarily focus on the production side, seeking to certify a great number of farmers and promoting improvements at the farms. Yet, there is a need for linking production and demand for certified coffee. In other words, there is a need to create sustainable relations between producers and buyers. Thus, PS bodies, in particular 4C, should now concentrate efforts on promoting market access for certified coffees.

PS bodies are not neutral actors and differences arise when pursing their strategies. However, in their efforts towards developmental outcomes and given the similarities among them, the following questions arise: Are so many PSs necessary in the Nicaraguan coffee industry? Why collaboration among PS bodies is not greater? They could, for instance, promote joint audits and facilitate data exchange.

While more context-specific norms and parameters are also required, perhaps the emphasis should be on more objective and participatory auditing processes which include best practices and knowledge sharing. Further, rewarding systems (not only based on higher prices) for farmers advancing in compliance will contribute to promote farmers' continuous improvement.

v. Donors/NGOs

Analysing the type of aid provided to farmers and how it is implemented in relation to PS compliance is key. Donors/NGOs support should only be linked to a specific PS if this is the most suitable PS or strategy, given the context-specific conditions. Donors/NGOs' subsidy strategy (e.g. covering certification fees or giving fertilizers for free) does not necessarily lead towards sustained improvements but certainly reinforces a dependency culture which seems to be common among small-scale farmers in Nicaragua, after a long tradition of Donors/NGOs support. Rather than supporting the implementation of specific PSs or particular forms of agricultural production, Donors/NGOs should concentrate their efforts on enhancing farmers' capacity and national institutions' capacity to address the coffee sector structural problems.

vi. Institutions

As regards national sectoral institutions, it is vital that plans such as the one Conacafe seeks to advance (see Chapter IV) are actually carried out. Although academics and practitioners have emphasised the importance of strengthening national institutions, we wish to highlight this with

regards to the role of Nicaraguan institutions in fostering (hindering) integration to GVCs. Thus, it is important that local institutions begin to assume a role in regulating some of the issues incorporated in PSs such as quality, traceability and working conditions, as they are better-suited to do so at country-level than international PS rules.

vii. Academics

Our findings reveal that the geography of actors, variables and relations around PS implementation is highly complex. Therefore, impact assessment studies ought to expand their focus and incorporate such complexity, rather than only focusing on PSs. This can allow for a better understanding of what PS implementation can and cannot do and how relations among actors (collective organizations, Donors, NGOs, PS bodies, institutions) as well as variables (PS implementation, management style, farmers' attitudes) drive economic, environmental and social change. Further studies could also take a closer look at coffee workers' perceptions to better understand the role played by large-scale farmers' management style and PS implementation. Other studies could also focus on documenting best practices regarding how farmers have managed to successfully overcome some of the challenges related to PS implementation.

There is also need for econometric and quantitative studies on the cost-benefit relation of PS implementation, as certification and PS-based improvement costs are high, PS certification does not always entail higher prices, and many small, medium and large-scale farmers have multiple certifications. Large farmers and collective organizations have expressed their interest on this kind of study.

viii. Consultants

Consultancy firms can use the findings of this study as input for recommendations to brand marketers/retailers and other actors in the agri-food chain. We refer consultants carrying out impact assessments or other research studies in relation to PSs in the agri-food chain to the recommendations suggested to Academics. Further, our methodological approach shows the importance of considering the context, including certified farmers, non-certified farmers as control groups, carrying out triangulation and using qualitative techniques.

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APPENDIX 1: CERTIFIED FARMS AND COLLECTIVE ORGANIZATIONS - NICARAGUA[79]

List of certified farms and collective organizations as of July 2009. 'S' refers to small and medium-scale farmers and 'L' to large-scale farmers.

UTZ-CERTIFIED

- Municipalities of Matagalpa, Jinotega and El Tuma La Dalia.

1) Cecocafen (S)
2) Finca La Cumplida - Nicafrance (L)
3) Finca La Virgen - Ramacafe Fine Coffee Estates (L)
4) Finca San Martín - Ramacafe Fine Coffee Estates (L)
5) Finca Santa Rita (L)
6) Finca Buenos Aires (L)

- Other municipalities & non-classified

7) Finca Cafetalera Esencia de Las Segovias, S.A. (L)
8) Coop de Servicios Multiples Santiago RL (S)
9) Finca El Cielo (L)

RAINFOREST ALLIANCE

- Municipalities of Matagalpa, Jinotega and El Tuma La Dalia.

1) Selva Negra (L)
2) State Street Nicaragua S.A. (L)
3) Finca La Virgen - Ramacafe Fine Coffee Estates (L)
4) Finca San Martín - Ramacafe Fine Coffee Estates (L)
5) Finca La Cumplida - Nicafrance (L)
6) Cafetalera Monimbó S.A. (L)
7) Finca Santa Rita (L)
8) Finca Buenos Aires (L)
9) Cafetalera La Bastilla S.A.(L)
10) Finca Orgánica y Reserva El Jaguar (L)
11) El Recreo
12) Cafetales de Santa Marta S.A. (L)
13) Finca Santa Clara (L)

- Other municipalities & non-classified

14) Hacienda San Rafael (L)
15) Cafetalera Santa Luz S.A. (L)
16) Isla de UPA
17) Faracafé Nicaragua Coffee (4 haciendas
18) Agropecuaria El Cielo

[79] Starbuck does not have a public list of suppliers certified with C.A.F.E Practices. 4C only provides public information about their global aggregated figures of verified units and in verification process.

19) CORCASAN R.L (S)
20) Finca Aguas Fresca (L)
21) Finca El Progreso (L)
22) Hacienda Santa Rosa (L)
23) La Verbena (L)
24) Agropecuaria Los Penachos Nicaragua Coffee

FAIRTRADE

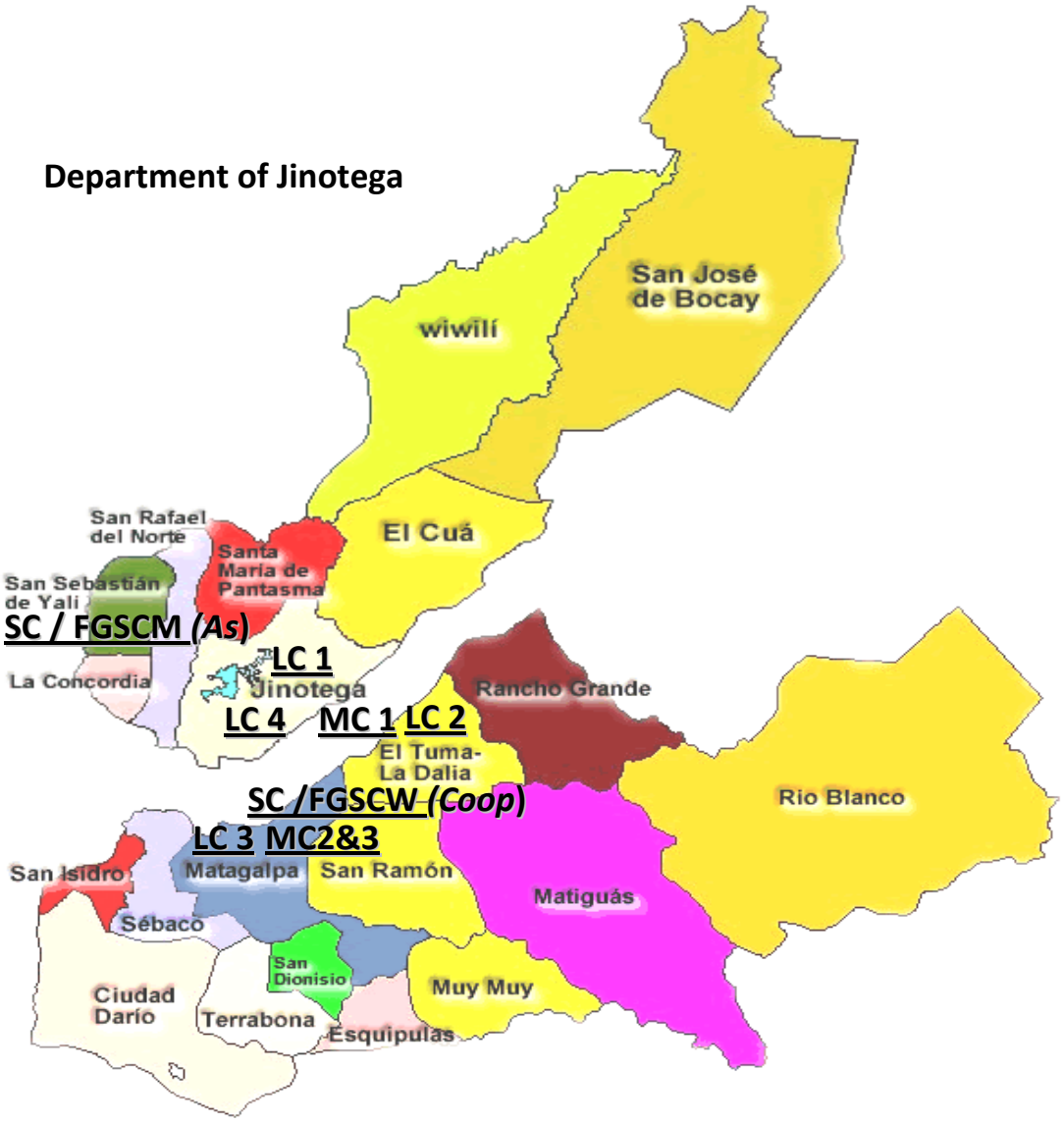
- Municipalities of Matagalpa, Jinotega and El Tuma La Dalia

1) Cecocafen
2) Central de Cooperativas de Serv. Multiples "Aromas de Cafe"
3) Cooperativa Agrícola De Crédito y Servicios SOLIDARIDAD
4) Cooperativa Multisectorial de Productores de Café organico
5) APAC
6) Asociación Aldea Global Jinotega
7) Union de Cooper. Agropecuarias de Servicios SOPPEXCCA RL
8) Central de Cooperativas de Serv. Multiples "Aromas de Cafe"
9) Cooperativa de Servicios Múltiples El Gorrión R.L.

- Other municipalities & non-classified

10) Cooperativa de Imp y Exp Nicaraguense del Campo
11) Cooperativa de Servicios Agropecuarios Tierra Nueva (Boaco)
12) Cooperativa de Servicios Multiples EL POLO R.L.
13) Cooperativa de Servicios Multiples San Isidro (Boaco)
14) Cooperativa regional de Cafetaleros de San Juan del Rio Coco
15) Promotora de Desarrollo Cooperativo de las Segovias
16) UCA Heroes y Martires de Miraflor (Estelí)
17) UCA San Juan del Rio Coco R.L. (Estelí)
18) Union de Cooperativas Agrop. Cafetaleros de Dipilto R.L.
19) Union de Cooperativas de Servicios Multiples del Norte
20) Union de Cooperativas de Servicios Unidos de Mancotal
21) Unión de Cooperativas Productores de Café Orgánico

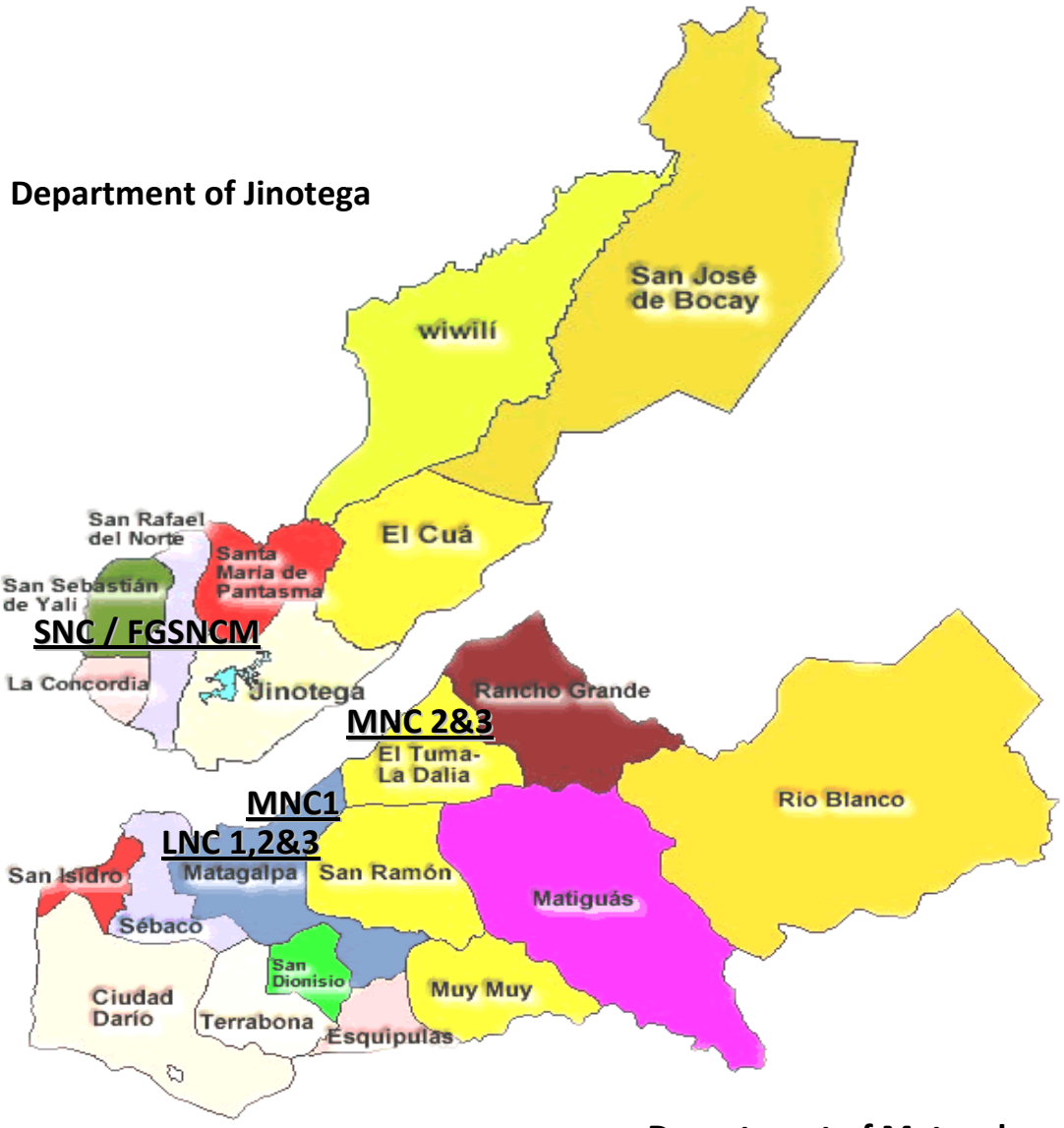
APPENDIX 2: LOCATION CERTIFIED FARMERS[80]



Municipalities	Coding Certified Farmers
San Sebastián de Yalí	SC/FGSCM (*As*)
Jinotega	LC1, LC4
Matagalpa	MC2– MC3 (*As)* – LC3
El Tuma-La Dalia	SC/FGSCW (*Coop*) - MC1 (*As*) – LC 2

[80] Codes: SC Small certified - MC Medium certified -LC Large certified - FGSCM Focus Group Small Certified Men - FGSCW Focus Group Small Certified Women

APPENDIX 3: LOCATION NON- CERTIFIED FARMERS[81]



Municipalities	Coding Non-Certified Farmers
San Sebastián de Yalí	SNC/FGSNCM
Jinotega	LC1, LC4
Matagalpa	MNC1 – LNC1
El Tuma-La Dalia:	MNC2-MNC3 – LC 2

[81] Codes: SNC Small Non certified - MNC Medium Non certified -LNC Large Non certified - FGSNCM Focus Group Small Non Certified Men

APPENDIX 4: INTERVIEW GUIDE SMALL & MEDIUM CERTIFIED COFFEE FARMERS

SECTION 1: INTRODUCTORY QUESTIONS

1. Farm size (ha or mz):
2. Certifications:
    - Which one/s?
    - How long have you implemented them?
3. Laborers?
    - Family laborers? Who?
    - Hired laborers?
4. Volume coffee sold last harvest:
    - Total:
    - As certified coffee:
5. Price received coffee sold last harvest:
6. When do you get paid?
7. Is coffee growing your main source of income?
8. Land ownership (tenencia de la tierra):
9. History of the coffee farmer and the farm and him/her as a coffee farmer.
    - Related to coffee crisis. Did prices fall a lot 7 years ago? Are prices better now?
    - How has the hurricane Mitch affected you?

SECTION 2: ADOPTION / NON-ADOPTION PS (RQ1)

The questions are those numerated with Arabic numerals (1, 2…). The bullet points are probes that we may bring up if the questions are not understood by the respondents.

Ask always to provide examples during their explanations.

1. **Why have you decided to get certified?**
    - Better price
    - Expectations of selling more coffee/to new people
    - Agreed with *Coop/As*.
    - Better conditions for my familiy / environment
    - Were you offered financial help if you agreed to adopt a specific PS? If so, by whom?
    - Were you offered technical support if you agreed to adopt a specific PS? If so, by whom?

<u>If coffee producer does not know that he/she is certified</u> → What was the message *Coop/As* gave you? What made you join their proposal?

2. **Has anyone advised you to get certified?**
    - Someone you know
    - Collective decision by the *Coop/As*.
    - The field officer who visits you regularly at your farm

- Chat with representatives from certification bodies who have visited you or *Coop/As*.

SECTION 3: PERCEPTIONS ON PS (RQ2): Profitability & market access / environmental pollution at the farm / working conditions & Farmers' socio- economic status

PROFITABILITY

Income

3. **Since the implementation of the PS X, have you received better prices?**
4. **Why is it better /not better?**
    - Are prices more stable?
    - Are you now able to buy more inputs (e.g. tools) for coffee farming?
    - Are you now able to buy more clothes for family members? Improved the household conditions?

Costs

5. **Since the implementation of the PS X, have production costs been higher?**
    - What type of costs? Certification costs?
6. **Why are they higher/not higher?**

MARKET ACCESS

7. **Since the implementation of the PS X, do you sell more coffee?**
8. **Since the implementation of the PS X, are you more certain that you will sell your coffee? Are you more certain that you will sell your coffee at a better price?**
9. **Do you have access to more market information?**
    - C price for coffee
    - access to the negotiation of your coffee,
    - destiny and buyer of your coffee

WORKING CONDITIONS

If employ workers

10. **Since the implementation of the PS X, are there better health and safety conditions for the workers?** (use of less chemicals, better equipment, social security, etc)
11. **Since the implementation of the PS X, are workers enjoying from better wages and working hours?**
12. **Since the implementation of the PS X, have the following aspects improved?**
    - Do you now contract more women?
    - Less kids following their parents in the field while they are working.
13. **Have you received any financial or technical support to cover the costs of the improvements?**

If workers are family members → go directly to farmer socio-economic status

FARMER SOCIO-ECONOMIC STATUS

Working conditions

14. **Since the implementation of the PS X, are there better health and safety conditions for you and your family members working at the farm? (use of less chemicals, better equipment, social security, etc)**

Education

15. **What educational level do you have? (primary /secondary education)**

Economic

→Income

16. **Since the implementation of the PS X, do you buy different/more food?**
17. **Since the implementation of the PS X, does your family have more money to spend on things for the house?**

→ Access to credit

18. **Is it easier for you to obtain credit?**
19. **For what type of investments is it easier for you to get credit?**

→Health

20. **Since the implementation of the PS X, is it easier to go to a doctor?**

Women

21. **How much time do you spend at the farm? And doing house chores?**
22. **Who decides upon money use in the house?**
23. **Since the PS started, do you have access to breast cheeks/papanicolao?**
24. **Since the PS started, do you have access to better positions at the coop/assoc board or executive committee?**
25. **Since the PS started, do you receive any special training?**
26. **Since the PS started, do you have other social/economic activities different from coffee?**

FARMING PRACTICES & ENVIRONMENTAL POLLUTION

27. **Since the implementation of PS X, do you use any new farming methods? Which ones?**
28. **What do you think about these new practices that you implement?**
29. **Since the implementation of the PS X, do you think that the level of pollution at the farm has improved?**
30. **Why do you think the pollution has improved/not improved?** (Relation to pesticide use water conservation, pulp & wastewater management)
31. **Since the implementation of the standard, how do you deal with garbage?**
32. **Since the implementation of the PS X, have you planted other types/more trees?**
33. **What do you think about the new practices you have to implement in the farm to protect the environment?**
    - Are they good for coffee growing?
    - Are they too difficult to implement?

SUM UP QUESTIONS

34. Overall, do you think that you as coffee farmer are better off now than before you implemented the PS?

Scale with smiley faces (5 in total)

SECTION 4: PS WAYS FORWARD

35. **Are there any issues that are not covered by the PS that you consider critical/would like the PS to cover?**

APPENDIX 5: INTERVIEW GUIDE LARGE-SCALE CERTIFIED COFFEE FARMERS

SECTION 1: INTRODUCTORY QUESTIONS

1. Farm size (ha or mz):
2. Certifications:
   - Which one/s?
   - How long have you implemented them?
3. Laborers?
   - Family laborers? Who?
   - Hired laborers?
   - How many permanent workers?
   - How many temporary workers (during harvest)?
4. Volume coffee sold last harvest:
   - Total:
   - As certified coffee:
5. Price received coffee sold last harvest:
6. Is coffee growing your main source of income?
7. Land ownership (tenencia de la tierra):
8. History of the coffee farmer and the farm.
9. How has the coffee crisis of the early 2000 in Nicaragua affected you?
10. How has the hurricane Mitch affected you?

SECTION 2: ADOPTION / NON-ADOPTION PS (RQ1)

The questions are those numerated with Arabic numerals (1, 2…). The bullet points are probes that we may bring up if the questions are not understood by the respondents.

Ask always to provide examples during their explanations.

1. **Why have you decided to move from conventional to certified coffee?**
   - Better price
   - Long term contracts – contract stability
   - Expectations of new markets
   - "Condition imposed" by the buyer in order to keep selling coffee
   - Better conditions for workers or environment
   - To improve the relationship with the local community
   - To improve the relationship with workers

2. **Has anyone advised you to get certified?**
   - Experience of someone you know
   - Chat with representatives from certification bodies who have visited you
   - Buyer

3. **If multi-certified: Why have you decided to adopt multiple certifications?**
   - Already certified with one PS, thus it was easy

- Needed /wanted another PS to to complement the first one

SECTION 3: PERCEPTIONS ON PS (RQ2): Profitability & market access / environmental pollution at the farm / working conditions & Farmers' socio- economic status

PROFITABILITY

4. **Since the implementation of PS X, have prices been better?**
5. **Why is it better/not better?**
   - Are prices more stable?
   - Are you better able to say in advance what price you will get?

6. **Since the implementation of PS X, have coffee production costs been higher?**
   - What type of costs? Certification costs?
7. **Why are they higher/not higher?**

MARTKET ACCESS

8. **Since the implementation of PS X, do you sell to better markets?**
9. **Why are they better, not better?**
   - Do you now sell more coffee?
   - Do you sell all the certified coffee you produce as certified?
   - Are there more buyers, fewer buyers?
   - Are you more certain that you will sell your coffee now that you implement PS X? Are you more certain that you will sell your coffee now that you implement PS X at a better price?
10. **Do you have access to better market information?**

WORKING CONDITIONS

11. **Since the implementation of PS X, are their better health and safety conditions for the workers?** (use of less chemicals, better equipment, etc.)
12. **Since the implementation of PS X, are workers enjoying from better wages and working hours?**
13. **Since the implementation of PS X, do you use written contracts with your workers?**
14. **Since the implementation of PS X, are workers enjoying from better housing facilities? (**dorms, toilets or kitchen)
15. **Since the implementation of PS X, has your relation with workers improved?**
16. **Out of the things mentioned before, do they also apply to temporary workers?**
17. **Have the following aspects improved since the implementation of the standard?**
    - You now contract more women
    - Less kids following their parents in the field while they are working.
    - Coffee producers have freedom of association

Women laborers

18. **Since the implementation of PS X, do women enjoy from working conditions which allow them to both work and take care of the children?/ What about during their pregnancy?**

Education

19. **Since the implementation of PS X, do workers have better access to education for themselves or their children?**

Income

20. **Since the implementation of PS X, do workers have more money to spend on themselves /their house/ their family? What do they usually spend the money on?**

Health

21. **Since the implementation of PS X, Is it easier to get to a doctor or health clinic now?**

Community relations

22. **Have new facilities opened locally (health clinics, schools or nurseries)?**

23. **Have you received any financial or technical support from anyone to cover the costs of these improvements? Who has provided such support?**

FARMING PRACTICES & ENVIRONMENTAL POLLUTION:

24. **Since the implementation of PS X, do you use any new farming methods? Which ones?**
25. **Since the implementation of PS X, do you think that the level of pollution at the farm has improved?**
26. **Why do you think the pollution level has improved/not improved?** (pesticide, less water usage, pulp and wastewater management, water conservation, soil conservation, reforestation)
27. **Since the implementation of the PS X, have you planted other types/more trees?**
28. **Have you received any financial or technical support from the certification to cover the costs of these improvements?**

SECTION 4: PS WAYS FORWARD

29. **Are their any issues that are not covered by the standard that you consider critical / would like the standard to cover?**

APPENDIX 6: INTERVIEW GUIDE NON-CERTIFIED COFFEE FARMERS (ALL SIZES)

SECTION 1: INTRODUCTORY QUESTIONS.

1. *If* member of coop/assoc, how long have you been a member?
2. Farm size (ha or mz):
3. Laborers?
    - Family laborers? Who?
    - Hired laborers?
    - How many permanent workers?
    - How many temporary workers (during harvest)?
4. Volume coffee sold last harvest:
    - Total:
5. Who do you sell coffee to?
6. Price received coffee sold last harvest
7. How do you negotiate price?
8. Is coffee growing your main source of income?
9. Land ownership

The questions are those numerated with Arabic numerals (1,2…). The bullet points are probes that we may brought up if the questions are not understood by the respondents.

Ask always to provide examples during their explanations.

SECTION 2: PAST AND PRESENT OF THE FARM

1. **Could you tell us about the history of the farm and of you as a producer?**
2. **In case of a small-scale farmer: could you describe the tasks that each member of the family performs regarding coffee growing?**
3. **What are the main difficulties you face on a daily basis regarding coffee production?**
4. **What are the main challenges you face on a daily basis regarding coffee selling?**
5. **How has the coffee crisis of the early 2000 affected you?**
6. **How has the hurricane Mitch affected you?**

SECTION 3: REASONS FOR NOT IMPLEMENTING A PS

7. **Why have you decided not to implement a PS?**

Market access & Profitability

- Do not think you need certification to keep selling coffee / to gain new markets
- Do not think that the price you could get if getting certified justify the certification costs
- Do not think that the new markets you may access if getting certified justify the certification costs
- Do not need to get certified in order to obtain a better price because the quality of the coffee you sell already gives you a “premium”

Social and environmental benefits.

- Do not think you need certification to help you improve working conditions.
- Do not think you need certification to help you improve your relation with workers.
- Do no think you need certification to improve the environmental conditions of the coffee farm.

Lack of information about certifications

- Do not know about certifications, their purpose, the benefits it can give you.

Lack of technical skills and/or financial resources.

- Do not have enough money /access to financial support to make the investments necessary to get certified.
- Do not know how to make all the changes necessary to get certification /lack of technical skills.

Lack of personal spirit

- Do not want to change the way you are used to work/other farming practices.

Other factors:

- The exporter/intermediary/ roaster you sell the coffee to, is not interested in certification.
- Somebody else you know had bad experiences with PS.

Profitability, market access and working conditions topics were covered in relation to Section 3 during the interviews.

SECTION 4: FARMING PRACTICES & ENVIRONMENTAL POLLUTION:

8. **What type of farming methods do you carry out at your farm?**
9. **How do you manage the pulp and the wastewaters?**
10. **What types of pesticides do you employ at your farm?**
11. **Have you received any financial or technical support from any organization?**

SECTION 5: PS WAYS FORWARD

12. **What do you need to be better off as a coffee farmer?**

APPENDIX 7: INTERVIEW GUIDE COLLECTIVE ORGANIZATION

Collective Organizations: *Coop*, *As* and *2nd level Coop*

BACKGROUND INFORMATION

1- **Could you tell us about the history of your organization?**
   - When was it founded?
   - Main programs/projects being carried out
   - Funding for activities
   - Geographic coverage

2- **How many coffee farmer members the organization has? How many are certified and with what PS? Where are certified farmers located?**

3- **Could you describe the main characteristics of both certified and non-certified coffee farmer members? (Land ownership, size, gender, others)**

4- **What is the percentage that certified coffee sales represents out of the total coffee sales of the organization?**

REASONS FOR ADOPTION OF PS (RQ1)

1- **What PS the organization is working with?**

2- **When did the organization start working with PS? Why?**
   - Better price
   - Long term contracts – contract stability
   - Expectations of new markets
   - "Condition imposed" by the buyer (roaster, exporter) in order to keep selling coffee?
   - Financial help linked to adoption of a specific PS? If so, by whom?

If multiple PS are being implemented, ask these questions for every PS

3- **Did the organization take the initiative to start working with certifications? Or were clients /exporters/ PS Bodies the ones approaching the organization?**

4- **Does the organization receive any financial support to implement (a specific) PS? If so, who provides such support? (eg. NGO, Donor, trader/exporter)**

5- **Does the organization receive any technical support from PS bodies or exporters?**

PERCEPTIONS ON PS IMPLEMENTATION (RQ2)

6- **Major advantages of PS X- major disadvantages of PS X for coffee producers?**
   - Price
   - Market access / number of buyers
   - Contract stability
   - Social aspects
   - Farming practices
   - Environment

If multiple PS are being implemented, ask this question for every PS

7- **Have there been any particular benefits for women due to the implementation of PS?**

8- **Major advantages of certifications- major disadvantages of certifications for *Coop/As* as an organization?**

PS IMPLEMENTATION PROCESS WITH FARMER MEMBERS

9- **Can you describe the certification process carried out with members?**
   - Do you organize meetings to tell them about PS?
   - Do you advise producers on the "most appropriate PS scheme" to adopt?

10- **What kind of support do you provide to producers regarding PS implementation?**

11- **Could you describe the auditing process for PS X?** (frequency, costs, time, etc)

PRICE AND PRICE DISTRIBUTION

12- **Do the farmers get paid directly from the trader /exporter? Is it the organization the one that receives the money and then distributes it among coffee farmers?**

13- **Price per lb.: What was the annual average price that farmers implementing PS X, Y, Z…have received during the last harvest year?**

FINAL

14- **What is the overall balance of implementing PS X?**

15- **Are there any aspects that PS X should take into consideration in order to better address the needs of the local coffee producers?**

16- **Is there anything that was promised by the PS when it started that has not occurred?**

SPECIFIC QUESTIONS TO ASSOCIATION *AS*

On 4C

1. **How is the unit of verification defined? What role does Atlantic play?**
2. **Has the organization received any financial support to work with 4C?**
3. **Is the organization selling more coffee to Atlantic due to 4C implementation?**

On C.A.F.E

4. **Has the organization received any financial support to work with C.A.F.E?**

SPECIFIC QUESTIONS TO *2nd LEVEL COOP*

On FLO

1. **How is the FLO premium distributed?**
2. **Is the floor price enough to cover production costs?**
3. **When market prices are high is it rewarding for coffee farmers to have FLO?**

On UTZ

4. **It is not common to find cooperatives certified with UTZ. Why and how has the organization started working with UTZ?**

SPECIFIC QUESTIONS TO *COOP*

On FLO

1. **When market prices are high is it rewarding for farmers to have FLO?**

INTERVIEW GUIDE: EXPORTERS

SECTION 1: BACKGROUND INFO

1. **Local or international trader? If international, how long has it been working in Nicaragua?**
2. **What markets do they sell to? Principal market**
3. **Annual sales of coffee in volume and value**
4. **Could you describe / characterize the Nicaraguan coffee market? How about the certified coffee market?**

SECTION 2:PS: RELATIONSHIP UPSTREAM

5. **When did the firm start working with PS?**
6. **Why/how did the firm start working with PS?**
   - Suggestion / request from buyers? Own decision?
7. **What PS is the firm working with? Why this ones? Why not others?**

SECTION 3: PS: RELATIONSHIP DOWNSTREAM

8. **Can you describe the profile of the coffee farmers the company works with? (Size, volume, individual or coop, etc)**
9. **Can you describe the relationship with farmers as regards the implementation of PS?**
   - Are they open to implementing PS?
   - Do you advise coffee producers on the most suitable PS to be implemented based on their situation?
   - What are the main difficulties coffee farmers face regarding the implementation of PS?
   - Does the firm provide financial support to coffee farmers? For what purposes? E.g. for coffee growing, for implementation of PS, etc
   - Does the firm provide technical support to coffee farmers?

Price

10. **Do you receive higher prices for certified coffees?**

SECTION 4: FINAL

11. **Are there any aspects that PS X should take into consideration in order to better address the needs of the local coffee producers?**
12. What about in order to better sell to roasters?

INTERVIEW GUIDE: SECTORAL INSTITUTIONS

1. **Could you briefly describe the activities that the organization does?**
2. **Could you briefly explain the main characteristics of the Nicaraguan coffee sector?**
3. **What are the main difficulties for the Nicaraguan coffee farmers?**
4. **What are the main strengths of the Nicaraguan coffee sector?**
5. **Do you encourage coffee producers and organizations to implement PS?**
6. **Do you think that PS are contributing to the improvement of the coffee sector?**
   - If yes, in what aspects?

7. **Do you think that PS implementation is positive or is it affecting the scope of your work?**

APPENDIX 8: FOCUS GROUP GUIDES

SMALL CERTIFIED COFFEE FARMERS

INTRODUCTION TO FOCUS GROUP SESSIONS

Presentation. Stress that we are independent. Anonymity. Why we are recording.
Their individual comments will not be told to anyone. Results will be presented generally.
Stress that there is no right/wrong answer and participants do not need to agree.
We will say a general question, then there would be time for them to think about the question and then to discuss / express their opinions.

DURING FOCUS GROUP SESSIONS

1st use general broad questions. If they do not talk and/or do not understand, use probes.
At the end, make a summary of the discussion. Ask them if they agree and if they wish to add/change something,

SECTION 1: INTRODUCTORY QUESTIONS

1. Farm size (ha or mz):
2. Certifications:
    - Which one/s?
    - How long have you implemented them?
3. Volume coffee sold last harvest:

The questions are those numerated with Arabic numerals (1, 2…). The bullet points are probes that we may bring up to generate more discussions, if necessary. Ask always to provide examples during their explanations.

SECTION 2: ADOPTION / NON-ADOPTION PS (RQ1)

1. **Why have you decided to get certified?**
    - Better price
    - Expectations of selling more coffee/to new people
    - Agreed with Coop/As.
    - Better conditions for my family / environment
    - Were you offered financial help if you agreed to adopt a specific PS? If so, by whom?
    - Were you offered technical support if you agreed to adopt a specific PS? If so, by whom?
    - Someone you know
    - Collective decision by the *Coop/As*.
    - The field officer who visits you regularly at your farm
    - Chat with representatives from certification bodies who have visited you or *Coop/As*.

<u>If coffee producer does not know that he/she is certified</u> → What was the message that the coop/assoc gave you? What made you join their proposal?

SECTION 3: PERCEPTIONS ON PS (RQ2): Profitability & market access / environmental pollution at the farm / working conditions & Farmers' socio- economic status

PROFITABILITY

Income

2. **Since the implementation of the PS X, have you received better prices?**
3. **Why is it better/not better?**
    - Are prices more stable?
    - Are you now able to buy more inputs (e.g. tools) for coffee farming?
    - Are you now able to buy more clothes for family members? Improved the household conditions?

Costs

4. **Since the implementation of the PS X, have production costs been higher?**
    - What type of costs? Certification costs?
5. **Why are they higher/not higher?**

MARKET ACCESS

6. **Since the implementation of the PS X, do you sell more coffee?**
7. **Since the implementation of the PS X, are you more certain that you will sell your coffee? Are you more certain that you will sell your coffee at a better price?**
8. **Do you have access to more market information?**
    - C price for coffee
    - access to the negotiation of your coffee,
    - destiny and buyer of your coffee

WORKING CONDITIONS

9. **Since the implementation of the PS X, are there better health and safety conditions at the farm?** (use of less chemicals, better equipment, social security, etc)
    - Why?

10. **Have the following aspects improved?**
    - Contract more women
    - Less kids following their parents in the field while they are working.
    - Coffee producers have the freedom of association.

FARMER SOCIO-ECONOMIC STATUS

Education

11. **Since the implementation of the PSX, have you been able to send your kids/more kids to school?**

Economic

12. **Since the implementation of PS X, do you have more money to spend?**

→Income

- Do you buy different/more food?
- Does your family have more money to spend on things for the house?

→ Access to credit

- Is it easier for you to obtain credit?
- For what type of investments is easier for you to get credit?

Health

13. **Since the implementation of the PS X, is it easier to go to a doctor?**
    - Are your family members getting ill less frequently?
    - Are you better able to access to medicines?
    - Women: Since the PS started, do you have access to breast cheeks/papanicolao?

Women

14. **Since the implementation of the PS X, do you think you are better able to both, take care of your family and carry out the activities related to coffee production?**
    - How much time do you spend at the farm? And taking care of your family/doing house chores?
    - Who decides upon money use in the house?
    - Do you have access to better positions at the coop/assoc board or executive committee?
    - Do you think your needs and that of other women are better considered now at the coop/assoc level?
    - Do you receive any special training?
    - Do you have other social/economic activities different from coffee?

FARMING PRACTICES & ENVIRONMENTAL POLLUTION:

15. **What do you think about the new practices that you implement in the farm now that you are certified?**

16. **Since the implementation of the PS X, do you think that the level of pollution at the farm has improved? (**Pesticide, water conservation, pulp and wastewater management, reforestation, less water usage)
    - How do you deal with wastewaters?
    - How do you deal with garbage?
    - Have you planted other type/more trees?

SUM UP QUESTIONS

17. Overall, do you think that you as coffee farmer are better off now than before you implemented the PS?

Scale with smiley faces (5 in total)

SECTION 4: PS WAYS FORWARD

18. **Are there any issues that are not covered by the PS that you consider critical/would like the standard to cover?**

SMALL NON-CERTIFIED COFFEE FARMERS

INTRODUCTION TO FOCUS GROUP SESSIONS

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Stress that there is no right/wrong answer and participants do not need to agree.
We will say a general question, then there would be time for them to think about the question and then to discuss / express their opinions.

DURING FOCUS GROUP SESSIONS

1st use general broad questions. If they do not talk and/or do not understand, use probes.
At the end, make a summary of the discussion. Ask them if they agree and if they wish to add/change something.

SECTION 1: INTRODUCTORY QUESTIONS

1. Farm size (ha or mz):
2. *If* member of coop/assoc, how long have you been a member?
3. Laborers?
   - Family laborers? Who?
   - Hired laborers?
   - How many permanent workers?
   - How many temporary workers (during harvest)?
4. Who do you sell coffee to?

The questions are those numerated with Arabic numerals (1,2…). The bullet points are probes that we may brought up if the questions are not understood by the respondents.

Ask always to provide examples during their explanations.

SECTION 2: PAST AND PRESENT OF THE FARM

1. **Could you describe the tasks that each member of the family performs regarding coffee growing?**
2. **What are the main difficulties you face on a daily basis regarding coffee production?**
3. **What are the main challenges you face on a daily basis regarding coffee selling?**

SECTION 3: REASONS FOR NOT IMPLEMENTING A PS

4. **Why have you decided not to implement a PS?**

Market access & Profitability

- Do not think you need certification to keep selling coffee / to gain new markets
- Do not think that the price you could get if getting certified justify the certification costs
- Do not think that the new markets you may access if getting certified justify the certification costs
- Do not need to get certified in order to obtain a better price because the quality of the coffee you sell already gives you a “premium”

Social and environmental benefits.

- Do not think you need certification to help you improve working conditions.
- Do not think you need certification to help you improve your relation with workers.
- Do no think you need certification to improve the environmental conditions of the coffee farm.

Lack of information about certifications

- Do not know about certifications, their purpose, the benefits it can give you.

Lack of technical skills and/or financial resources.

- Do not have enough money /access to financial support to make the investments necessary to get certified.
- Do not know how to make all the changes necessary to get certification /lack of technical skills.

Lack of personal spirit

- Do not want to change the way you are used to work/other farming practices.

Other factors

- The exporter/intermediary/ roaster you sell the coffee to, is not interested in certification.
- Somebody else you know had bad experiences with PS.

SECTION 4: FARMING PRACTICES & ENVIRONMENTAL POLLUTION

5. **Have you received any financial or technical support from any organization?**
    - Why do you need their services?
    - What do you think about the support provided by the organization?
    - What new techniques have you learnt from them (pulp management, wastewaters management)?

SECTION 5: PS WAYS FORWARD

6. **What do you need to be better off as a coffee farmer?**

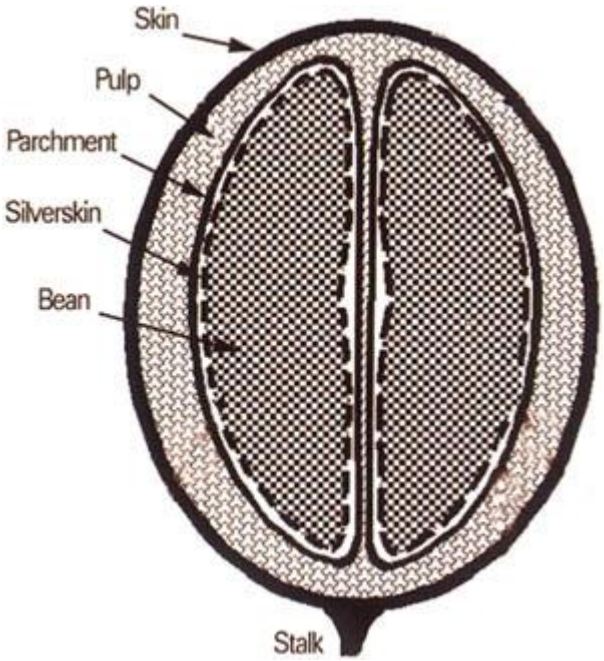
APPENDIX 9: OVERVIEW ON PRIVATE STANDARDS

	SOCIAL CRITERIA	ENVIRONMENTAL CRITERIA	EXPORT PRICE	AVAILABLE /PURCHASES 2008
C.A.F.E. PRACTICES	Core ILO standards Wages: national and sectoral laws	Principles of Conservation International: protection and conservation of water and soil resources; biological diversity of the tropical and subtropical regions in which coffee is grown; reduction of water usage, energy consumption a amount of environmentally harmful waste	Guaranteed and Variable. World average price paid in fiscal year 2008: $1.48 per lb (being average market price $1.36). Strategic suppliers (80-100%) given $0,05 per lb. premium above purchase price on first year after achieving status. Also applies to strategic suppliers who have improved their scores by 10%.	A: 120.500 MT (Metric tones) P: 120.500 MT
FAIRTRADE	Democratic organization of farmers. Collective use of social premium. ILO conventions. National Laws.	Basic, such as reduction in agrochemical use, reduction and composting of waste, soil fertility.	Guaranteed price floor: U$1.25 per lb. If stock market price is above price floor, then market price applies. FLO premium: U$0.10/lb FLO-Organic premium: U$0.20/ lb.	A: 156.000 MT (50% is FT-organic certified) P: 78.500 MT
RAINFOREST ALLIANCE	Core ILO conventions and SAN standards. National Laws Occupational health and safety. Community relations.	Comprehensive SAN standards: ecosystem and wildlife conservation; integrated waste management; soil conservation; water conservation.	Not guaranteed. But normally a premium is paid for RF certified coffee.	A: 124.000 MT (15% is also organic) P: 62.000 MT
ORGANIC	Reference but no requirement for certification. IFOAM members are only expected to uphold key social standards,	Strict standards banning use of synthetic herbicides, fungicides and pesticides and GMO and chemically treated plants; land clearing restrictions.	Guaranteed. Variable according to market. Approximately U$0,27/ qq for Nicaraguan coffee in 2008.	A: 78.000 MT P: 78.000 MT
UTZ-CERTIFIED	Core ILO Conventions. Hygiene practices Health and safety Wages: national and sectoral laws	EurepGAP protocol: mostly on food safety, such as fertiliser usage, irrigation, crop protection, waste and pollution management.	Not guaranteed, but the payment of a premium is encouraged by UTZ. Premium to be negotiated between buyers and sellers.	A: 308.000 MT P: 77.500 MT
4C	Core ILO Conventions. National Laws	Minimum, such as exclusion of hunting practices and exploitation of flora. Exclusion of banned pesticides, water and energy conservation.	Not guaranteed. Price to be negotiated between buyers and sellers.	A: 270.000 MT P: 27.000 MT

Source: Own elaboration based on Giovannucci & Ponte (2005); Muradian and Pelupessy (2005); Raynolds et al., (2007); 4C (2008); Starbucks (2008); UTZ (2008); IICA (2009); SAN (2009); TCC (2009); FLO (n.d.b)

APPENDIX 10: COFFEE VOCABULARY

COFFEE CHERRY



Source: FAO (www.fao.org/docrep/008/ae938e/ae938e0t.jpg)

A few Coffee Techniques:

- **Pruning:** This technique consists in cutting coffee trees down to a height from 20 to 40 cm from the ground. It is critical for consistent coffee production, as pruning moderates the tendency for the tree to produce a heavy crop one year and a light crop the next year and it reduces the dieback caused by overproduction. Pruning keeps the tree in a state of productive growth and helps controls the height, thus making harvesting easier. (http://www.ctahr.hawaii.edu/ctahr2001/CTAHRInAction/Jan_02/coffee_pruning.html)
- **Repopulation**: It consists of replacing old coffee trees for new plants. A coffee tree has a commercial life of approximately 20 years, meaning that after so many years it can no longer keep yielding at acceptable levels for commercial use. (Field notes).

A few Coffee Diseases and Pests:

- **Coffee berry borer:** A small beetle that affects the coffee bean, recognized as the most devastating pest affecting coffee worlwide. Adult females bore a hole in coffee berries and lay their eggs near the two coffee beans found inside the berry. Once the eggs hatch, the larvae feed on the beans, rendering them unsuitable for commerce or greatly lowering their quality (http://www.invasive.org/species/subject.cfm?sub=5004)
- **Nematodes**: Root-knot nematodes are the most common species affecting Arabica coffee. They are slender, worm-like microscopic animals. They exist in soil and infect plant roots, causing the development of root-knot galls that drain the plant's photosynthate and nutrients. Infection of young plants may be lethal, while infection of mature plants causes decreased yield. (http://en.wikipedia.org/wiki/Root-knot_nematode)
- **Ojo de Gallo**: It is a fungus that affects the leaves of the coffee plants forcing both the leaves and the berries or beans to fall off of the plants and if not checked, has the potential to destroy a large amount of crops. (http://www.vacationscostarica.com/uk/blog/?p=290)

A few Coffee weight and Area Measures:

- **Quintal or hundredweight (qq):** A weight measure unit, which equals exactly to 100 pounds. Usually, this measurement is used in futures contracts that require the weight of the underlying to be specified.
- **Manzana (mz):** An area measure unit commonly used in Nicaragua to indicate the measurement of coffee farms. It is equivalent to 0.70 hectare.

APPENDIX 11: PHOTOGRAPHS

CERTIFIED FARMS AT GLANCE

- Small-Certified Farm

Coffee Fields- shade grown

Agrochemical and fertilzer store

Wet mill

Coffee pulp-based compost

Wastewater pipe

Wastewater treatment

- Large-scale farm

Coffee fields – shade grown

Cleanness

Wet Mill

Protective equipment

Wastewater treatment- biodigestor

Houses - Permanent workers

Dorms – Temporary workers

On-site school

NON-CERTIFIED FARMS AT GLANCE

- Small / Medium Certified Farm

Coffee- fields- shade grown

(Un)cleanness

Agrochemicals lying on the ground

Dorms- temporary workers (medium-scale farmer)