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Environmental and Other Labelling of Coffee

The Role of Mutual Recognition, Supporting Cooperative Action

Prepared by the Commission for Environmental Cooperation and TerraChoice Environmental Services Inc.

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Executive Summary

The roots of environmental labelling can be found in the escalating global concern for environmental protection on the part of governments, businesses, interest groups, and the public. There is a general desire to identify, take and reward actions that address this concern, and, for many years, environmental labels have been developed and used around the world.

The environmental and social consequences of modern coffee production have stimulated a desire, from roasters, retailers and consumers, to receive information and reward actions addressing these consequences. Hence, the labelling phenomenon can now be seen for coffee.

The various types of labels currently available for coffee include "shade-grown," "organic," "bird-friendly," "fair trade," and "sustainable." Given the variety of issues involved in coffee labelling and the concerns over "label-fatigue" caused by the presentation of too many labels, there is growing interest in examining different ways of supporting cooperation among different labelling schemes.

There are many stakeholders involved in the production of sustainable coffee: farmers and collectives, importers, roasters and retailers, consumers, environmental and social advocates and certifying organizations. The last of these use comprehensive, certified, recognized (and thus comparable) standards, but many of the other stakeholders apply informal and/or unverified criteria for "sustainably grown" coffee. Furthermore, formality does not ensure appropriateness; some feel that the rigidity of most organic criteria is inappropriate to the reality of contemporary coffee growing.[1] Central to the issue is thus a current lack of agreement on exactly how standards for "sustainable coffee" should be defined. A comparison of the many existing labelling standards should provide a starting point for the analysis of potential agreement and synergy between them.

Although many players along the coffee supply chain recognize the possible benefits from enhanced collaboration, and even harmonization, across different standards initiatives, some basic factors have presented obstacles to such collaboration. The issues contributing to this difficulty include:

(i) the large number of players involved in environmental, agricultural and coffee labelling;
(ii) vast differences in the specific criteria used in different labelling and standards systems;
(iii) the different markets and supply chains involved in different standards and labelling systems
(iv) differences in verification and certification methodologies; and
(v) the growing need for consumer education in the coffee labelling area.

[1] *Sustainable Coffee at the Crossroads*, Rice and McLean, 1999, pg101.

While many initiatives that currently exist or are underway and could bring cohesiveness to the sustainable coffee movement, a key weakness is fragmentation and lack of co-ordination among different schemes. In order to move towards "mutual recognition," certain issues should be more closely examined, including:

(i) existing and future consumer demand;
(ii) the structure of the marketplace;
(iii) the willingness of specific players of the coffee labelling industry to participate in such a venture;
(iv) pressures from the regulatory trade sector;
(v) pressures from the international trade sector;
(vi) possibilities for government support and stimulation;
(vii) possibilities for institutional support and promotion; and
(viii) the role of non-governmental organizations.

Based on current market and industry conditions and dynamics, six initiatives are suggested in this paper for consideration with potential implementation objectives:

(i) Establishing a coffee labellers' network or alliance;
(ii) Adopting the Global Ecolabelling Network's model as a means to pursue mutual recognition;
(iii) Establishing an industry "code of conduct";
(iv) Developing a united certification/verification system for non-organic criteria;
(v) Promoting mutual recognition among organic certifiers; and
(vi) Developing a set of "common standards."

Section 1: Introduction

This study, originally prepared for the Commission for Environmental Cooperation (CEC), for its work on Mexican shade-grown coffee, provides:

(i) an overview of environmental labelling of products in general, and of environmental labelling initiatives related to coffee;
(ii) an introduction to the concept of "mutual recognition" and related issues;
(iii) examples of "mutual recognition" and "enhanced cooperation"[2] initiatives in the area of environmental labelling; and
(iv) consideration of the potential roles of enhanced cooperation and mutual recognition with respect to environmental labelling schemes for coffee.

The paper was originally distributed and presented at the CEC's *Experts' Workshop on Mexican Shade-Grown Coffee* in Oaxaca, Mexico on March 29-30, 2000. Given the presentation audience, the original paper focused primarily on issues and strategies relating to the advancement of "shade-grown" and "sustainable" coffee labelling initiatives. Links between environmental and fair trade labelling were identified, but given only limited consideration in the report (i.e., an in-depth analysis of this "fit" is outside the scope of this paper). This paper represents a revised "working draft" version of the original paper as a discussion document for the meeting "Sustainability in the Coffee Sector: Exploring Opportunities for International Cooperation" to reflect progress and outstanding obstacles to/opportunities for collaboration among labelling and standards initiatives.

Section 2: Environmental Labelling of Products

2.1 Comparing Existing Standards/Labelling Criteria for Shade-Grown Coffee

There are many stakeholders involved in the production of sustainable coffee: farmers and collectives, importers, roasters and retailers, consumers, environmental and social advocates and certifying organizations. The last of these use comprehensive, certified, recognized (and thus comparable) standards, but many of the other stakeholders apply informal and/or unverified criteria for "sustainably grown" coffee. Furthermore, formality does not ensure appropriateness; some feel that the rigidity of most organic criteria is inappropriate to the reality of contemporary coffee growing.[3] Central to the issue is thus a current lack of agreement on exactly how standards for "sustainable coffee" should be defined. A comparison of the many existing labelling standards should provide a starting point for the analysis of potential agreement and synergy between them. The above key issues relative to defining sustainably-grown coffee are summarized below.

The first key issue is the large number of players involved in agricultural labelling in general and coffee in particular. As recently as the early 1980's, only a handful of importers and roasters controlled the North American coffee scene, but by the beginning of the new millennium, there were over 1200 roasters in America, most of them designated as "micro-roasters" (less than 500 bags/year).[4] While these roaster/retailers generally use one of three predominant organic certifiers (QAI, OCIA and Demeter), the

[2] The term *enhanced cooperation* is used throughout this paper to refer to strategies and actions taken to facilitate, or to increase the likelihood of, the implementation of mutual recognition arrangements and/or agreements. While the achievement of mutual recognition may be a long term possibility or even questionable in some circumstances, these strategies and actions may still have very strong merits on their own (as presented later in the paper).
[3] *Sustainable Coffee at the Crossroads*, Rice and McLean, 1999, pg101.
[4] Ibid., pg. 16.

Organic Consumers Association listed (as of September 2003) no less than 94 organic certifying associations across the United States, Canada and several other nations.[5] This burgeoning interest in certification is echoed by the California-based Light Party, whose Web site lists nearly 40 organic certifiers in the United States alone.[6]

Adding to the complexity, some roasting houses prefer to do their own "certification" (e.g., Green Mountain Coffee Roasters of Waitsfield, Vermont). Still others respect and use basic organic or fair trade certification by recognized agencies, but prefer to augment such certification with their own assessment of whether the coffee is genuinely "shade-grown" (e.g., Thanksgiving Coffee Company of Fort Bragg, California). The reasons for such "self-certification" include dissatisfaction over existing standards, ambiguity over the definition of "shade" and a desire to incorporate several other dimensions into certification. A solution adopted by some roasters for the latter concern is to seek and promote multiple certifications. For example, both Caffe Ibis and Equator Coffee Roasters advertise organic (QAI and OCIA, respectively), TransFair *and* SMBC certifications. As alluded to above, Thanksgiving Coffee has combined a variety of established certifications into their own subjective rating system. In general, coffee roasters who were surveyed tend to see the issues covered by "shade," "organic" and "fair trade" as distinct, thus leading to the requirement for a more complex certification than is currently covered by any one of these.[7]

Yet another approach to coffee certification is to forego labels, per se, in favour of simply promoting adoption of a "code of good practices" by the producer. These are generally driven by major retailers; examples include Starbucks' points-based *Coffee Sourcing Guidelines*[8] and the Ahold-sponsored *Utz Kapeh Code of Conduct.*[9] While some sort of verification of producer claims is still generally required, the idea behind such schemes is to encourage farmers/producers to adopt best environmental and social practices, through monetary incentives; actual labelling of the final product is not seen as essential by proponents of these programs.[10]

Another key issue is that while there may be general agreement on what is desired for growing sustainable coffee, some specifics present formidable barriers. For example, most organic standards are strictly anti-chemical meaning that only limited and defined amounts of "natural" chemical additives (e.g., copper salts, quicklime)[11] are permitted, and synthetic ones prohibited.[12] Other standards take a more moderate approach, by allowing farmers limited use of certain synthetic chemicals, where they are considered necessary (e.g., Eco-OK).[13] Many small-scale coffee producers are hard pressed to afford these chemicals,[14,15] possibly rendering this concern redundant.

The "strictness" of different standards is yet another key issue. Certification standards can be formulated to *require* compliance (i.e., the "shall" approach) or take a more moderate, advisory approach (i.e., the "should" approach). Critics of the "should" approach criticize its proponents for being too lenient,[16] but proponents argue that standards should be relaxed to give farmers a reasonable chance to qualify. The proponents also

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[5] Data obtained from the Organic Consumers Association Web site.
[6] Data obtained from the Light Party Web site.
[7] Personal communication with Equator Coffee Roasters, 1999 and Caffe Ibis Coffee Roasting, Sacred Grounds Organic Coffee Roasters and The Organic Coffee Company, 2003.
[8] *Starbucks Coffee Announces New Coffee Sourcing Guidelines*, news release, November 12, 2001.
[9] *"Ethical" coffee pushed into mainstream*, Eric Onstad, Reuters, July 3, 2003. Reprinted on various Web sites.
[10] Mecklenburg, Sue, personal communication with Starbucks Coffee Company, December 2003.
[11] *1998 IFOAM Basic Standards for Organic Production and Processing*, Appendix 2.
[12] Ibid., Sect 4.4 and 4.5.
[13] *Conservation Agricultural Network/Eco-OK Coffee Standards and Indicators*, 1998.
[14] *Coffee, Conservation and Commerce in the Western Hemisphere*, Rice and Ward, 1996.
[15] *Sustainable Coffee at the Crossroads*, Rice and McLean, 1999, pg. 22.
[16] Personal communication with Seattle Audubon; 2000.

maintain that strict organic standards are not currently flexible enough to address all possible coffee growing conditions. For example, some coffee farms in Costa Rica's cloud-enshrouded Meseta Central manage to maintain organic, sustainable practices without the "benefit" of shade cover.[17] This issue may be a key division point between the organic (normally "shall") and bird-friendly/ biodiversity sides (more likely to be "should"). One possible solution might be the understanding that use of chemicals and other "lenient" allowances could ultimately damage the birds' habitat and reduce biodiversity.

Another significant issue in the debate is the label's targeted stakeholder. "The consumer" may seem an obvious target, but the elaborate coffee chain of custody complicates this issue. The ultimate consumers (coffee drinker) may or may not buy the coffee bean directly—they may purchase it as a restaurant/coffee house beverage, and thus may or may not even see the label or symbol.

In addition to visibility, consumer education must also be considered—labels are only relevant when consumers fully understand the symbols, what they stand for and the credibility of the claims. An analogous situation is presented by marketing efforts for another beverage: juice. Any beverage sold as "juice" in Canada must contain at least 25 per cent real fruit juice;[18] other beverages can only be called by such terms as "cocktail" or "drink." Similarly, organic labels are only credible when they proclaim "certified organic"[19] in order to combat false organic claims. The success of these labelling efforts depends upon consumer knowledge of the significance of such labels as OCIA and QAI. This in turn may depend on the promotion/marketing efforts to educate them. In the case of coffee, it appears that it is the roasting houses and retailers that are really aware of what the symbols mean, and, they make the decision to purchase "labelled" coffee beans for resale/retail. They may or may not choose to pass this label info on to the final customers—the coffee drinkers.

[17] *Shedding Light on Shade Grown Coffee*, Swantz, 1997.
[18] *Canadian Food Inspection Agency Guide to Food Labelling and Advertising*, 1997.
[19] Urth Caffe Web site: Considering Organics, 2000.

2.2 General Discussion

The roots of environmental labelling can be found in growing concern for environmental protection. Environmental labelling and notably "eco-labelling,"[20] have begun to be recognized as a potentially effective marketing tool and as a means to promote trade. In particular, this marketing advantage has been proposed for exports to countries where the environmental values of consumers are such that they will prefer products that are less damaging to the environment. For both domestic and foreign participants in these markets, greater attention is being paid to the possible benefits of environmental labelling as a means of maintaining or increasing market share, or as a route to capturing new niche markets.

For many years, environmental warning labels have been developed and used world-wide. Through legislation, the application of these labels has been required on, and/or in association with, specific products in order to alert users to potentially harmful and/or hazardous effects related to the improper handling, storage, use or disposal of those products.

In addition to mandatory labels, there has been a more recent proliferation of other types of environmental labels in the marketplace (see ***Figure 1***). An increasing number of businesses are using "voluntary" environmental labels[21] as a means to inform consumers of specific environmental production characteristics and/or environmental attributes associated with certain products.

The underlying assumption is that consumers will acknowledge these labels, and based upon their own environmental concerns, may consequently factor the presence of the labels in their purchasing decisions (i.e., make an "environmental choice").

The proliferation and variety of such labels, along with their potential to have market impacts, have made these labels the focus of numerous work projects and research studies in the last five years. This work has been led by various international organizations including: the International Organization for Standardization (ISO); the World Trade Organization (WTO), the Organization for Economic Cooperation and Development (OECD); the United Nations Environment Program (UNEP) and the United Nations Committee on Trade and Development (UNCTAD). Major work has also been undertaken by the United States Environmental Protection Agency (U.S. EPA).[22] A strong and consistent message is that every voluntary labelling initiative needs to begin with a clear understanding of its objectives, and should be based on the principles of voluntary participation, scientific rigour, independence, legitimacy, accountability and flexibility.[23]

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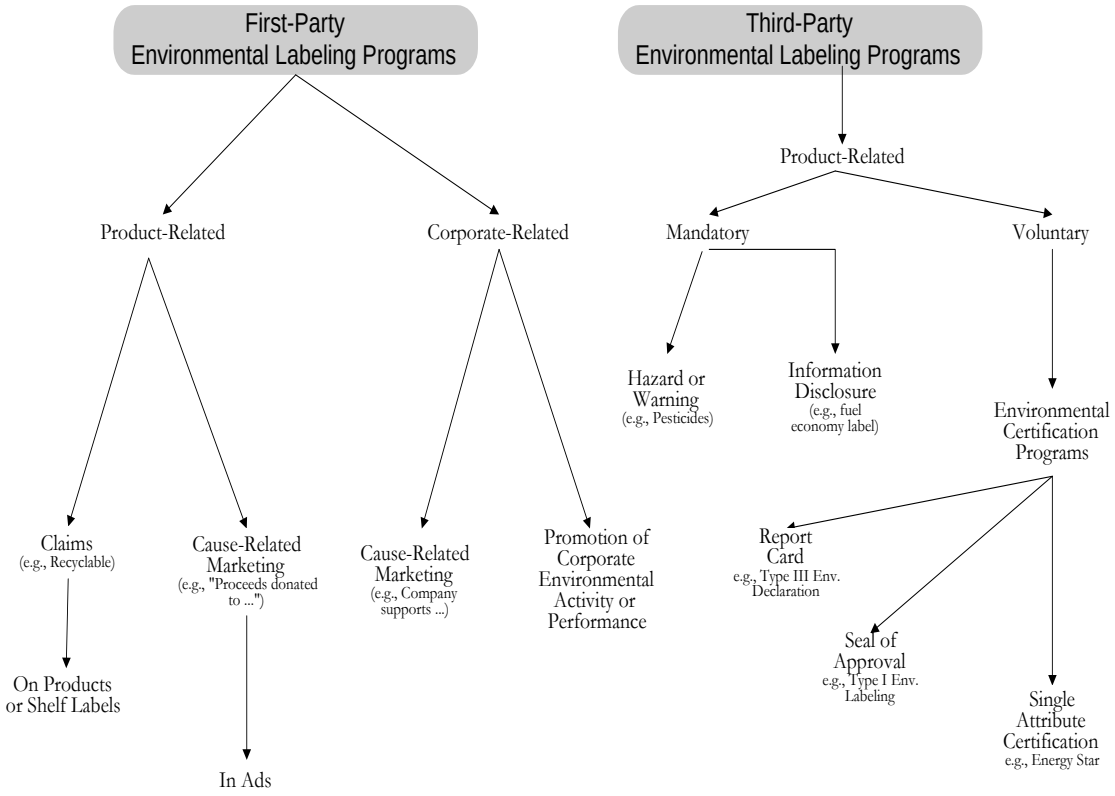
[20] Eco-labelling is the implementation of a "Type I environmental labelling program", as defined by ISO. The ISO definition is: "voluntary, multiple-criteria-based third party program that awards a license which authorizes the use of environmental labels on products indicating overall environmental preferability of a product within a particular product category based on life cycle considerations. [ISO 14024:1999(E)]

[21] For the purposes of this paper, an *environmental label* means a claim that indicates the environmental aspects of a product, and it may take the form of a statement, symbol or graphic on a product or package label, in product literature, in technical bulletins, in advertising or in publicity, amongst other things. This description is consistent with the relevant definition in International Standard ISO 14020:1998(E).

[22] Of note, the U.S. EPA completed and issued a major international study—*Environmental Labelling Issues, Policies, and Practices Worldwide*—in early 1999.

[23] These "guiding principles" are elaborated upon and discussed, when and as appropriate, later in this paper.

Figure 1: Classification of Environmental Labelling



Copied (with minor modifications) from : **Environmental Labeling Issues, Policies and Practices Worldwide**, United States Environmental Protection Agency, December 1998, page XV.

2.3 Voluntary Labelling Initiatives

There are different kinds of environmental labelling programs (and corresponding labels) that can be distinguished according to particular program characteristics. For example, some programs focus on single sectors (e.g., the building sector) while others may address multiple sectors. Another variation is that some address a specific environmental attribute (e.g., energy conservation or recycled content), while others involve the consideration and assessment of multiple environmental criteria.

Further, some programs are designed to assess and recognize environmental leadership, while others are not selective and may be targeted at all products within a product category. As well, while some programs apply life cycle[24] considerations in their criteria selection and determination, others may focus on a specific life cycle stage (e.g., product use or product disposal) or stages.

[24] The "life cycle" of a product is the consecutive and linked cradle-to-grave stages of its production. These stages include raw material acquisition, manufacturing, transportation, distribution, use and disposal.

Another major distinction is the means by which environmental attributes are determined and/or confirmed. Some programs involve "*first-party verification*" which means verification[25] performed by marketers on their own behalf to promote the environmental attributes of their products. Other programs involve "*third-party verification*," which means having the verification work carried out by an independent source that awards labels based usually upon pre-determined environmental criteria or standards.

Another introductory point is that labels may be "positive," "negative" or "neutral." Positive labelling programs certify that labelled products possess one or more environmentally preferable attributes.[26] Negative labelling programs provide warnings about the harmful or hazardous ingredients contained in labelled products. Neutral labelling programs present summary environmental facts about products that can be interpreted and assessed by consumers.

Most voluntary environmental labelling initiatives relating to products and their production processes have been undertaken on a domestic scale (national or regional) with the intention of operating within, and impacting upon, domestic markets. However, as international markets have become more open, environmental labelling has begun to be viewed as a means to promote exports, particularly to those countries where consumers are making environmental choices.

2.4 Environmental Labels for Food and Agricultural Products

In the food and agricultural sector, most existing international, national and regional labels are mandatory, and include various types of information disclosure labels. These have been devised and imposed in order to notify consumers of product characteristics or attributes which legislators have decided that consumers either need to, or should, know. The use of such labels has generally been accepted as a simple, straightforward and consistent means of conveying the specific information.

Nevertheless, there are also various types of voluntary labels that are intended to aid consumers in differentiating between competing food and agricultural products. These voluntary labels are typically "positive" or "neutral," and include "report cards," "seals-of-approval" and "single-attribute certification" labels. Generally, these labels are being used by businesses that wish to distinguish their products based on specific environmental attributes. "Organic certification labels" for various agricultural crops are probably the most prominent of such labels.

Whether mandatory or voluntary, eco-labels are generally considered to provide certain fundamental benefits to their stakeholders (producers, broker/suppliers, consumers, regulators). These include:

- Providing an expert, unbiased assessment of the products' environmental and/or social aspects, through a rigorous verification process;
- Raising consumer awareness of the products' beneficial aspects and/or market leadership;
- In turn, creating an increased market profile, acceptance and demand for these products (and, in some cases, the opportunity for premium pricing);
- Driving market changes that result in improved environmental/socioeconomic conditions in the producer countries and lessened environmental impacts throughout the supply chain; and
- Creation of a more transparent product supply chain.[27]

[25] In this paper, *verification* refers to an evaluation process or determination performed to ensure that products meet specified criteria or claims.
[26] Most environmental labels for coffee fit in this category.
[27] *Beneficial Impacts of Ecolabeled Mexican Coffee: Organic, Fair Trade, Rainforest Alliance, Bird Friendly*, Boot, et al, 2003.

In the food product sector, most notably in Europe and North America, there has been considerable public pressure from non-government organizations (NGOs) and consumers to increase both the level and control over labelling. In terms of new labelling, a category currently receiving considerable attention due to potential environmental and health impacts are "genetically modified products". A general phenomenon is increasing consumer demand for more information regarding the relative health and environmental attributes and impacts of products being grown and marketed both locally and globally.[28]

2.5 Environmental Labels for Coffee

2.5.1 Overview

Coffee enjoys status as a major cash crop and is ranked as one of the world's top 10 trade commodities.[29] In developing nations, it has become the second-most traded commodity, next to petroleum.[30] Every second, more than 3,000 cups of coffee are being consumed. By 1999, this added up to a total world market estimated at US$11-14 billion.[31] Growing, shipping, roasting, marketing, certifying and administering coffee employs at least 20 million people around the world and requires the cultivation of no less than 11 million hectares.[32]

The environmental impacts of this consumption are considerable. Despite evolving as an understory shade plant in Ethiopian rainforests, coffee is increasingly grown on huge monoculture plantations in the New World. The greater yields achieved have come at a cost, for adapting this plant to full-sun conditions and little or no ecological support generally requires the use of considerable volumes of fertilizers and pesticides. Up to 50 different chemicals may be used to produce this "technified" sun coffee;[33] in many cases, chemicals pose a threat to farm workers, native wildlife and local surface and ground water. Wide-scale removal of native species diminishes local biodiversity and disrupts valuable habitats: underscoring this concern is the fact that coffee is now being cultivated in no less than 13 of 25 locations that have been identified as extremely vulnerable "biodiversity hotspots."[34] Conventional drying methods are also problematical, as is the disposal of millions of coffee husks into nearby streams. Finally, there is the issue of fair compensation and working conditions for employees of these large-scale operations; small-scale farmers are equally hard-pressed to complete while maintaining a sustainable lifestyle.

Adding to concerns over how coffee is grown, harvested and prepared for market is the currently depressed state of the industry. Coffee prices have declined since the mid-1990's, due to a number of factors. This has naturally led to discussion over potential solutions at all levels of the industry, and a growing awareness that coffee production must become truly sustainable, in every sense of the word. Even corporate industry associations (e.g., the German Coffee Association) who are primarily interested in quality and financial

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[28] In this regard, "eco-labelling" programs around the world, which have traditionally focused their labelling initiatives almost exclusively on manufactured products and related processes, are being strongly lobbied to initiate work in this area. Until now, these voluntary, multiple-criteria, seal-of-approval programs have rejected the notion of initiating labelling efforts in this area. This stance has been based on factors including *inter alia*: the extent of pertinent environmental regulations; perceived difficulties in applying life cycle assessment procedures and of establishing credible and defensible "environmental performance leadership criteria" (as are required as conditions of such programs); recognition of the extreme variety and diversity of production processes applied on regional bases; and international trade issues. Nevertheless, it appears that several of these programs may become involved over the next few years. In fact, Canadian Environmental Choice[M] Program officials are currently in the process of certifying and labelling a coffee product from Costa Rica.

[29] McGill SSMU Web site Fair Trade Coffee promotion; http://www.ssmu.mcgill.ca/qprig/coffee/html.

[30] *Sustainable Coffee at the Crossroads*, Rice and McLean, 1999, pg. 19.

[31] Ibid., and *Measuring Consumer Interest in Mexican Shade-grown Coffee*; CEC, 1999.

[32] Ibid., and *Coffee, Birds and Trade Policy*; Seattle Audubon, et al., 1999.

[33] Mittelstaedt, Martin, "Coffee's cast of shady characters", Globe & Mail, 10/28/99.

[34] *Sustainability in the Coffee Sector: Exploring Opportunities for International Cooperation*, International Institute for Sustainable Development, 2003.

performance, are now recognizing the role that social and environmental factors play in achieving long-term sustainability.[35]

The environmental and social consequences of modern coffee production have stimulated interest in a return to more traditional, sustainable methods of producing this cash crop. These new, progressive approaches have taken on various forms, including:

- Organic;
- Sustainable/Multi-issue;
- Bird-friendly / biodiversity-enhancing;
- Fair Trade;
- Codes of Good Practice; and
- Shade-grown.

In 1996, organic coffee was reported to account for less than two per cent of the $5 billion world market for specialty coffees, but was quickly increasing that meagre share.[36] Estimates for the annual market growth of organic foods in general range from 10-25 per cent, and one CEC-sponsored study indicated that the market share of shade-grown coffee had risen to five per cent in 1999.[37]

Recent statistics from Mexico provide an excellent example of the growth of this market niche. By 2003, 70,838 ha of Mexico's 703,341 ha devoted to coffee cultivation had been certified as organic (roughly 10 per cent in terms of land area). Another 10,200 ha (operated by 32 separate farming collectives) had been certified as Fair Trade and seven producers/cooperatives had either completed, or were at least in the process of completing, various shade/bird-friendly certifications.[38]

An apparent consequence of the steadily increasing interest in producing and marketing this socially- and environmentally-responsible coffee is that the supply of such coffee is now outstripping demand. For example, the Organic Consumers Association reported in 2003 that only about 20 per cent (35 million of 170 pounds) of the fair trade coffee being produced was actually being sold on fair trade markets.[39] To some extent, this is related to a world-wide coffee glut,[40] but there is clearly a need for increased emphasis on effective marketing of this product. It follows that the development of either one overarching, widely-accepted, multi-issue label or greater harmonization of existing labels would contribute positively to such marketing efforts; conversely, ambiguity over organic/shade/fair trade/sustainable labelling could undermine those efforts.

2.5.2 Coffee Labelling Options

Given the growing interest in environmentally and socially responsible coffee, an obvious question is how to present such coffees to the consumer. Coffee must be appropriately labelled to ensure that consumers know what they are really getting and to enable them to feel confident that the label is meaningful. While many types of such labels have been introduced to the marketplace, many retailers maintain that third-party verification of claims is a crucial element; self-certification efforts are seen as having little credibility.[41]

[35] The Common Codes for the Coffee Community project, for example, is half-funded and half-managed by the German Coffee Association (DKV).
[36] *Coffee, Conservation and Commerce in the Western Hemisphere*, Rice and Ward, 1996.
[37] *Measuring Consumer Interest in Mexican Shade-grown Coffee*; CEC, 1999.
[38] *Beneficial Impacts of Ecolabeled Mexican Coffee: Organic, Fair Trade, Rainforest Alliance, Bird Friendly*, Boot, et al, 2003.
[39] Data obtained from the Organic Consumers Association Web site.
[40] The downwards trend in coffee prices, since the mid-1990's has been tracked by many observers, including the International Coffee Organization.
[41] Commonly expressed opinion in surveys of coffee retailers conducted both in 1999 and 2003 (see Annex 2).

The precise definition of "meaningful," however, is made very complex by the myriad social and environmental issues associated with this particular crop. As noted by Thanksgiving Coffee's CEO, Paul Katzeff, during a 1999 email forum, "[this] product resists simplification."[42]

Understanding what "sustainable" really means logically begins with a review of the interpretations of other labels in current use making sustainability claims and how they relate to coffee production in particular. This section, therefore, provides a brief overview of organic, sustainable, bird-friendly and Fair Trade labels as well as other related sustainability initiatives such as decency standards and codes of conduct.

1. Organic

Organically-grown coffee must adhere to the strict criteria that other organic products meet, including little or no chemicals use (synthetic ones are prohibited), crop rotation, natural pest control, minimal irrigation and strict control of its effects (run-off erosion). Most organic coffee proponents and their certifiers have evolved from previously established organic organizations. The International Federation of Organic Agriculture Movements (IFOAM) Membership reflects the broadest representation of all producer groups and established accredited certifiers, and, thus may be considered "to represent a nearly universal consensus on how organic coffee…should be defined."[43] Their definition of organic includes: "systems that promote (the) environmentally, socially and economically sound production…take local soil fertility as a key to successful production…respect(ing) the natural capacity of plants, animals and landscape…dramatically reduces use of chemo-synthetic (chemicals)… stresses and supports development of self-supporting systems…"[44]

It is important to note that although organic practices are generally environmentally beneficial, consumer interest is primarily *health*-based, driven by concerns about the consequences of ingesting agrochemical residues and by-products.

Organic organizations are dedicated to ensuring that conventional agriculture adapts organic practices, and have thus had to adapt their views to the sort of forest polyculture in which coffee thrives. There is an assumption that "coffee-specific" criteria should still adhere to the strict precepts of organic agriculture.[45] A key aspect of coffee polyculture is the presence of shade cover over the coffee plants. While it is *possible* to grow organic coffee in the sun, growing it with diverse shade cover is almost a prerequisite.[46] Certification agencies such as IFOAM (members include the Organic Crop Improvement Association, the Demeter Association and Naturland) and CertiMex have included this notion in their standards for organic coffee.[47,48] Certain organic agencies, such as the Quality Assurance Institute (QAI), will also certify against established shade criteria (e.g., by the Smithsonian Migratory Bird Centre (SMBC)), if requested to do so.[49]

Although the evolution of clearly defined criteria for organics serves as one model for labelling approaches, there has be concern voiced that organic standards may be too strict and exclusive to suit the reality of contemporary coffee farms.[50] In this opposing view, organic farming practices should be promoted and encouraged, but not strictly required.

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[42] Web site forum: *Shade-grown coffee: discussion of shade seal*, Thanksgiving Coffee Web site, 2003.
[43] *Sustainable Coffee at the Crossroads*, Rice and McLean, 1999, pg. 43.
[44] *IFOAM Basic Standards for Organic Production and Processing*, 1995.
[45] *Sustainable Coffee at the Crossroads*, Rice and McLean, 1999, pg. 51.
[46] There are some exceptions, where the coffee is grown in usual geophysical areas, such as the Costa Rican Meseta Central.
[47] *1995 IFOAM Guidelines for Coffee, Cocoa and Tea.*
[48] *Certi-mex Norms and Standards for Organic Coffee*, from Rice and McLean, 1999.
[49] Web site forum: *Shade-grown coffee: discussion of shade seal*, Thanksgiving Coffee Web site, 2003.
[50] *Sustainable Coffee at the Crossroads*, Rice and McLean, 1999, pg. 50.

2. Sustainable/Multi-issue

The Bruntland definition for sustainable development is, "meeting the needs of today without compromising the ability of future generations to meet their needs."[51] While a commitment to organic production is one aspect of such development, some parties have voiced concern that sustainable coffee production involves more than addressing health-related concerns, important though they are.[52] Added concerns include specific efforts to preserve biodiversity, prevent water and soil pollution and maintain the long-term viability of the local environment.[53] Some examples of "extended" definitions that encompass sustainability and may overlap with organic elements are provided below.

- Demeter's "Biodynamic" requires biodiversity and ecosystem preservation, soil husbandry, livestock integration, prohibition of genetically engineered organisms and viewing the farm as a living "holistic organism,"[54]
- Thanksgiving Coffee, a roaster/retailer of Fort Bragg, California, defines a "just cup" of coffee as a "truly sustainable product" that combines the concepts of organic agriculture, maintenance of the growing environment, support of local producing communities (i.e., fair trade) and consumer satisfaction.[55]
- Green Mountain Coffee Roasters, of Waitsfield, Vermont, defines "Stewardship Coffee" as being committed to "high quality, a healthy environment and the respectful treatment of workers and their families."[56]
- The International Social and Environmental Accreditation and Labelling (ISEAL) Alliance has (in 2003) initiated the *Social Accountability in Sustainable Agriculture* program, to address multifaceted issues in the production of several exotic crops, including coffee.[57] While this program is based to some extent on "codes of good practice" (see Label-type 5, below), the SASA initiative (in 2003 was in the midst of a two-year pilot phase) includes a mandate to address and improve certification/verification aspects, and thus may lead to the development of a credible "multi-issue" or "sustainability" label.
- Canada's Environmental Choice Program has developed criteria for "EcoLogo" coffee that includes organic, shade-grown and Fair Trade concepts.[58]

As noted in some of the above examples, the general notion of "sustainable" includes some overlap between environmental and socio-economic issues; this reflects the well-documented Bruntland "three-tier" (economic + environmental + social) approach to development. Some advocates of shade coffee go even further by drawing on the climate change issue, by pointing out that rustic and/or diverse forests present greater opportunities for carbon sequestration.[59] Whatever the specific issues alluded to, advocates of sustainable coffee seek to exploit growing environmental awareness in North American consumers, by communicating the consequences of technified coffee.

3. Bird-friendly

The major proponents of this label-type (The Smithsonian Migratory Bird Centre (SMBC), American Birding Association (ABA), and Northwest Shade Coffee Campaign) are primarily concerned about the fate of songbirds migrating between the Latin America tropics and temperate North America. The goal of bird-friendly organizations is to protect the birds' winter habitats, which are increasingly threatened by the full-sun,

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[51] *The Bruntland Commission Report on Sustainable Development*, 1987.
[52] *Sustainable Coffee at the Crossroads*, Rice and McLean, 1999, pp. 63-66, and Web site material of various coffee retailers, including Green Mountain and Thanksgiving.
[53] *Coffee, Conservation and Commerce in the Western Hemisphere*, Rice and Ward, 1996.
[54] Key criteria for Demeter (Biodynamic) certification: Demeter Web site, 2000.
[55] Definition of a "just cup" of coffee: Thanksgiving Coffee Web site, 2000.
[56] What is Stewardship Coffee?: Green Mountain Coffee Web site, 2000.
[57] Information relating to the Social Accountability in Sustainable Agriculture program may be accessed through the SASA section of the ISEAL Web site: www.isealalliance.org/sasa/
[58] See Annex 2: PRC-070 Verification and Licensing Criteria for Coffee.
[59] *What is Shade Coffee*, Holly, 1999 and *Sustainable Coffee at the Crossroads*, Rice and McLean, 1999, pg. 71.

monoculture approach used on large coffee plantations.[60] Migratory birds thrive in rich and complex ecosystems and cannot survive in low-diversity environments. Thus the real aim of bird-friendly advocates is biodiversity preservation, which in turn requires at least some degree of shade and forest complexity.

While there is an overlap between organic and bird-friendly coffee farms, they cannot be considered equivalent (for definitions, see below). Bird-friendly advocates acknowledge that organic coffee production may go hand-in-hand with their aims, but tend to avoid actively promoting organic farming. Some organic coffee retailers/roasters have remarked that shade-grown organic coffee *is* bird-friendly, thus rendering this distinction superfluous.[61] A concern voiced by the latter group is that bird-friendly standards are too weak and redundant to be truly relevant.[62]

An additional point of divergence between these two labels is their neutrality. Organic standards are generally considered "positive," but this is not necessarily the case with bird-friendly standards. The term "bird-*friendly*" may imply a positive orientation, but the underlying purpose of the label is to combat the negative aspects of sun-grown coffee (habitat destruction). "Bird-friendly" essentially means "Anti-sun-grown," and is thus, in a sense, a negative label.

4. Fair Trade

Fair Trade advocates are primarily concerned with the conditions of farmers themselves. They seek to ensure fair compensation, healthy working conditions and a decent standard of living for coffee farmers in "developing," less-industrialized countries.[63] Next to organic, fair trade is the best-known and most sought-after certification. By 2003, Mexico, alone had over 32 certified cooperatives, representing no less than 3,409 individual farmers.[64]

Working conditions tend to be better on small farms and collectives than on huge plantations where workers are often underpaid and oppressed, so Fair Trade certification can often be a *de-facto* approval of shade grown, organic coffee. In fact, Fair Trade organizations consider environmental concerns to be intimately linked with personal empowerment. By working to assist small farmers, they promote a stewardship style of coffee farming that is organic, shade-grown and bird-friendly.[65] However, such agricultural parameters are generally recommendations *only*, not requirements. Many roaster/ retailers ensure that their coffee receives both organic/shade and fair trade certifications.[66]

Some stakeholders consider Fair Trade's restriction to small farmers and collectives (thus exclusion of larger producers) as a limiting factor in the label's ultimate potential to impact the marketplace. Nonetheless, at least one corporate American retailer, Proctor & Gamble, has introduced a line of certified fair trade coffee as a gourmet offering.[67]

An interesting concern that has been raised is the extent to which organic farmers already obtain a premium price for their product (beyond the fair-trade floor price) that is not available to a non-organic (yet small-scale) farmer. Thus the perception among some organic certified producers is that Fair Trade certification adds nothing but paperwork to organic farmers, although it genuinely does help non-organic farmers.[68]

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[60] *Coffee, Birds and Trade Policy*; Seattle Audubon, et al., 1999.
[61] Inman, Mark, personal communication with Taylor Maid Farms Roastmaster, 2000
[62] Ibid.
[63] What is fair trade?; TransFairUSA Web site, 2000.
[64] *Beneficial Impacts of Ecolabeled Mexican Coffee: Organic, Fair Trade, Rainforest Alliance, Bird Friendly*, Boot, et al, 2003.
[65] Who Benefits from fair trade?: Benefits to the environment; TransFairUSA Web site, 2000.
[66] Examples of retailers using such multiple certifications include Thanksgiving, Taylor Made and Equator.
[67] *Kraft, Some Activists Remain at Odds Over Coffee*, Carpenter, Dave, AP, October 8, 2003.
[68] Inman, Mark, personal communication with Taylor Maid Farms Roastmaster, 2000.

5. Codes of Good Practice

A significant emerging concept is to forego actual certification coffee, per se, in favour of advocating "codes of good practices" for coffee producers. These programs tend to take a business-based approach (indeed, major retailers are often the driving force behind them) which recognizes that the long-term prospects of the (entire) coffee industry depend upon a greater emphasis on sustainable practices. The emergence of such programs is partially in response to corporate concerns over how conventional labels are perceived in the marketplace.[69] Retailers use them as "sourcing guidelines and offer producers monetary incentives to participate (i.e., while not necessarily mandating fair trade or organic criteria, a price premium is provided as an incentive to reduce chemical-related impacts and ensure an acceptable level of worker compensation and respect). The essential idea behind such schemes is to *encourage* farmers/producers to adopt best environmental and social practices in a holistic sense.

Advocates of these systems maintain that their systems are appropriate for farms that may be attempting (and potentially achieving) progressive practices, but are nonetheless ineligible for conventional certification (e.g., Fair Trade will only certify small farms and collectives, not larger producers; organic certification strictly prohibits many agrochemicals, regardless of circumstances).

Some degree of producer claim verification is generally required,[70] but the implementation of such verification appears to be variable. Where it is required as a prerequisite for participation, these code-based programs generally place the onus on the *producer* to make their own arrangements,[71,72] rather than committing to the services of a particular certifier (or select group thereof).

Such ad hoc approaches to verification do open up code-based programs to criticism. Critics of such programs are concerned that the lack of strict, third-party verification can amount to "greenwashing." While not necessarily disputing the good intentions of such programs, they are sceptical over the ability to generate genuine results. A typical comment from this side of the debate is "…codes of conduct are popular in inverse proportion to the likelihood that they will create real change…you need to have independent, third-party certification."[73]

Another consequence of the supplier-oriented "sourcing" approach is that proponents of these programs do not see actual labelling of the final product as essential. In fact, Starbucks Coffee takes the position that their Sourcing Guideline program is "not about customers—it's about promoting sustainable producers."[74] Nonetheless, involvement in such programs certainly provides these retailers the opportunity to promote their corporate goodwill, which, in turn, ultimately enhances overall sales potential. Despite the proponents probable good intentions, program critics tend to cite this last point to support their allegations of greenwashing.[75,76]

Examples include:

- The Conservation Principles for Coffee Production were developed in 2001, as a joint-effort between Conservation International, the Rainforest Alliance, the Smithsonian Migratory Bird Centre and

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[69] *Ecolabels: Where Are We Going?,* Clay, Jason, World Wildlife Fund's Center for Conservation Innovation, November 2002.

[70] In the case of Starbucks, at least, the producer must be verified, but is responsible for making their own arrangements, as noted in *Starbucks Green Coffee Purchasing Program: Pilot Program for Preferred Suppliers*, 2001.

[71] Ibid.

[72] *Utz Kapeh Procedures*, may be downloaded from their Web site: www.utzkapeh.org

[73] North, Rodney, personal communication with Equal Exchange, December 2003.

[74] Mecklenburg, Sue, personal communication with Starbucks Coffee Company, December 2003.

[75] *"Ethical" coffee pushed into mainstream*, Eric Onstad, Reuters, July 3, 2003; re-titled as *Big EU Coffee Buyer Tries Out a New Form of Greenwashing* on the Organic Consumers Association Web site.

[76] *Starbucks Asks Industry to Support Fair Trade Initiative; Critics Say Starbucks could Do More*, LOHAS Journal Weekly, May 28, 2002, the Organic Consumers Association Web site.

Consumer's Choice Council.[77] The Principles address approximately 35 specific criteria that are focused into seven specific areas related to an overall agenda of achieving greater sustainability: ecosystem and wildlife conservation, soil conservation, water conservation, water protection, energy conservation, waste management, pest and disease management and sustainable livelihoods for farmers. While some references are made to "should"-type language, such as requiring the applicant to "make efforts," many criteria are required, at least in principle.[78]

- Starbucks' Coffee Sourcing Guidelines are based on the above Conservation Principles for Coffee Production,[79] but have been modified to their own requirements. For example, the criteria are arranged into a "point-system," in which producers are paid a sliding-scale price premium that is based on their overall score. A perfect score results in the producer being awarded "Preferred Supplier" status; as of December 2003, no producer had reached that level, but approximately 60 were in participating and working their way towards that level.[80] Another difference is a much greater "should" (vs. "shall") approach is taken: the only required "prerequisites" are quality and committing to verification of evidence submitted (such verification work is arranged by the producers, themselves). It should be noted that this project was just completing its two-year pilot phase. A revision (towards greater stringency) is expected in the next phase.[81] Publicly, Starbucks has aligned themselves with Conservation International on this project, to "encourage environmentally-sound coffee-growing practices," through a program of education and technical assistance to same farmers.[82]

- The major Dutch retailer Ahold was a driving force behind development of the Utz Kapeh Code of Conduct,[83] developed in 2003. The Utz Kapeh Foundation, itself, is set up an independent, non-profit organization that seeks to "enable coffee producers and coffee brands to credibly and transparently demonstrate their commitment to sustainability in a market-driven way." The Code itself is presented as "a 'decency' standard.[84] While following the familiar tone of promoting sustainable practices while ensuring small farmers and plantation/estate labourers are treated appropriately, Utz Kapeh also comes with a marketing cachet—Ahold *does* wish to be seen as marketing an "ethical" coffee. In practice, if at least 90 per cent of the coffee in a consumer offering (e.g., tin, bag, etc.) meets the Code's requirements, the retailer may include the Utz Kapeh logo on that product.[85]

  The Utz Kapeh criteria address several particular areas: worker protection, environmental protection (broadly divided between organic and biodiversity concerns) and maintaining of records and ensuring data traceability.[86] The Utz Kapeh Code of Conduct was adopted from the Euro Retailer Produce Working Group's *Good Agricultural Practices*, or *Eurepgap*, which utilizes a combination of "major must," "minor must" and non-compulsory recommendations. It should be noted that the Utz Kapeh Foundation is careful to position themselves only as a "facilitator," "careful not to raise false expectations among producers."[87]

- In October 2003, Kraft Foods Inc. announced its intention to purchase at least a portion of its coffee from producers who were certified by the Rainforest Alliance, under their combination of social and environmental criteria.[88] It was not initially clear how Kraft planned to market this coffee (i.e., in

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[77] *"Conservation Principles for Coffee Production" are First Comprehensive Environmental Benchmarks for Coffee*, press release, May 30, 2001.
[78] *Conservation Principles for Coffee Production: Final Version*, Conservation International, et al, April 2001.
[79] *Starbucks Green Coffee Purchasing Program: Pilot Program for Preferred Supplies*, November 2001.
[80] Mecklenburg, Sue, personal communication with Starbucks Coffee Company, December 2003.
[81] Ibid.
[82] Starbucks Web site: *Conservation Coffee™ Program*
[83] *"Ethical" coffee pushed into mainstream*, Onstad, Eric, Reuters, July 3, 2003. Reprinted on various Web sites.
[84] *Utz Kapeh Code of Conduct,* from their Web site: www.utzkapeh.org
[85] *Utz Kapeh Procedures*, may be downloaded from their Web site: www.utzkapeh.org
[86] *Summary of the Utz Kapeh Code of Conduct*, may be downloaded from their Web site: www.utzkapeh.org
[87] *Utz Kapeh Procedures*, may be downloaded from their Web site: www.utzkapeh.org
[88] *Kraft, Some Activists Remain at Odds Over Coffee*, Carpenter, Dave, AP, October 8, 2003.

association with what sort of label), leading fair trade proponents to express scepticism over the company's real environmental/social commitment.

The emergence of these various labelling schemes, originating as they do from concern over very specific issues, has the potential to lead to significant marketplace confusion (both for producers and consumers). Such confusion encompasses concern over the meaning, relevancy and legitimacy of different labels (broadly, this includes "codes of conduct" as well). In addition, there may be concern over potential disparity about what is claimed by a producer and what is actually measured by a particular label's certification protocol.[89]

Regardless of their particular issues and philosophies, all eco-labels share a common desire to exploit growing environmental awareness in North American consumers. Consumer interest, however, will only be partially driven by altruism. The bottom line is taste; the ultimate appeal for coffee drinkers is going to remain quality.[90,91] Significantly, when Starbucks Coffee adopted its Sourcing Guidelines in 2001, the only criteria that were absolute were those relating to "quality"; most environmental and socioeconomic criteria fall into the "should" category.[92] On the other hand, Proctor & Gamble introduced a line of certified fair trade coffee in 2003, specifically marketed as a "gourmet" item.[93] It may thus be possible to link better quality with sustainable-growing practices,[94] but the logistics of measuring a subjective quality like "taste" (much less setting standards) is daunting.

2.5.3 Sustainability Labels and Standards: Convergence and Divergence

Given the variety of issues and concerns over "label-fatigue" caused by the presentation of too many labels, there is growing interest among some in the development of one over-arching or "super" seal that would address the various environmental and social goals of sustainable coffee.[95] Between 1999 and 2000, the Commission for Environmental Cooperation played a major role in catalyzing discussions aimed at considering the development of such a label. Over the course of its work, the distinctiveness and importance granted to specific criteria systems was found to operate as a major barrier to substantive "joining" of different labels. Since this time, and partly arising out of discussions animated by the CEC, other forms of collaboration than the substantive harmonization of criteria have been, and continue to be, explored. Examples of such collaboration include:

- ISEAL: working on the development of a "Code of Good Practice" for standards setters to help ensure credibility and sustainability of labels making such claims.
- SASA: working on building shared and parallel auditing and trading systems for sustainable products.
- Conservation Principles for Coffee Production: An effort to develop a shared foundation of principles for "adoption" by companies and other players within the market.

In the meantime, and partly due to the success of the more traditional sustainability coffee labels, there has recently been a growing interest in the adoption of sustainable practices to the mainstream market setting. Animated by a recognition of the high volumes of coffee supplying mainstream supply chains, Rainforest Alliance, Utz Kapeh and Eurepgap, have all worked on developing criteria and standards which could be adopted by major roasters and retailers in their sourcing activities. Under the Common Codes for the Coffee Community project, some of these mainstream approaches are in discussion to see if a single common code for the mainstream sector might not be attainable.

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[89] *Ecolabels: Where Are We Going?,* Clay, Jason, World Wildlife Fund's Center for Conservation Innovation, November 2002.
[90] *Sustainable Coffee at the Crossroads*, Rice and McLean, 1999, pg. 30.
[91] *Making Sense of Sustainability*, Part 1, Janssen, 1997.
[92] *Starbucks Green Coffee Purchasing Program: Pilot Program for Preferred Supplies*, November 2001
[93] *Kraft, Some Activists Remain at Odds Over Coffee*, Carpenter, Dave, AP, October 8, 2003.
[94] *Measuring Consumer Interest in Mexican Shade-grown Coffee*; CEC, 1999, pg. 5.
[95] *Sustainable Coffee at the Crossroads*, Rice and McLean, 1999, pg. 95.

The development of new mainstream approaches to sustainability standards and labelling potentially makes developing coherence among standards and labels more important than ever before. 'Sustainability' is an unregulated term which has a great breadth of meaning and which can operate as a broad tool for influencing consumer spending power. Although the above trends point towards a degree of consolidation of standards development and implementation, the consolidation effort appears to be following two separate paths. The obvious question which must be posed is whether or not these separate paths are compatible and, if so, how. From a consumer perspective, the importance of building clarity in this field is self-evident. Are consumers going to gain from greater labelling choices or are they going to be pushed into a state of indifference as the range of different labels and claims expand beyond their comprehension? This context makes the need for generating a clearer understanding of the relationships between sustainable coffee labels and standards of continued importance. Below we consider some examples and possible methods for collaboration-coordination between standards makers and labellers—some of which are currently being applied in the coffee sector, if only on a partial basis.

Section 3: Mutual Recognition Concepts and Strategies

While the concept of "*mutual recognition*" is primarily addressed and applied in the international trade context, it can also serve as a strategic means to enhance, strengthen and expand voluntary environmental labelling initiatives.

3.1 Mutual Recognition and Trade

Mutual recognition is a general term covering various types of agreements between different organizations to accept results of each other's work.

In the realm of international trade, bilateral and multilateral mutual recognition agreements (MRAs) have been negotiated and established between governments, and relating to "conformity assessment" of regulated products. As defined in Article 915 of "Part Three: Technical Barriers to Trade" of the North American Free Trade Agreement, a *conformity assessment procedure* means:

> "…any procedure used, directly or indirectly, to determine that a technical regulation or standard is fulfilled, including sampling, testing, inspection, evaluation, verification, monitoring, auditing, assurance of conformity, accreditation, registration or approval used for such purpose, but does not mean an approval procedure."

Generally, national governments and the European Commission have given priority to the establishment of these MRAs with major trading partners, and have focused the agreements on highly regulated and traded product categories, such as telecommunications equipment, computers, and others. An interesting strategy that is being pursued is to initially establish a series of bilateral MRAs with the intent to subsequently "network" these agreements to create a plurilateral framework (i.e., a mutual recognition arrangement between numerous trading partners). Also of note, a number of regional groupings, including NAFTA, APEC, ASEAN, the Gulf Cooperation Council, Mercosur, and the Central European Free Trade Agreement (CEFTA), are all developing and introducing forms of mutual recognition on regional bases.

As identified in a pertinent European Commission communications document,[96]

> "…Through an MRA, each party is given the authority to test and certify products against the regulatory requirements of the other party, in its own territory and prior to export. Each party recognizes the tests, certificates and approvals issued by agreed conformity assessment bodies of the other party, and the products can be exported and placed on the other party's market without undergoing additional procedures. Such delegation of procedures can be envisaged, for obvious reasons, only in those cases where countries require mandatory third-party certification of products. This is normally required for products which present risks and which governments must submit to stringent controls.
>
> MRAs seek to facilitate trade while safeguarding the health, safety and environmental objectives of each party. They do not require or presuppose harmonization of each Party's substantive requirements or recognition of their equivalence… [T]hey do require that each side has full confidence that the certification process of the other side can fully satisfy its requirements. Such confidence is most easily established at a bilateral level and between partners with broadly comparable concepts of product testing and approval, and once established requires mechanisms for its maintenance.

[96] *Community External Trade Policy in the Field of Standards and Conformity Assessment: Communication of the Commission, Section II: Mutual Recognition Agreements*, Paragraphs 35-37.

> MRAs can bring several benefits: some immediate and others long term, some tangible in terms of savings to industry, some less quantifiable but nonetheless useful in promoting efficient, transparent, and increasingly compatible regulatory systems in different countries…[T]he expense, time and …unpredictability incurred in obtaining approvals can be reduced …[F]or small and medium sized enterprises, …the MRAs can bring benefits by enabling all testing and certification steps to be carried out locally.
>
> … [L]ong term regulatory cooperation, and indeed regulatory convergence, may be stimulated by MRAs, since each party must understand and apply correctly the regulatory requirements of the other party. This implies regular contact between regulatory agencies and conformity assessment bodies in order to ensure continued and uniform application of each other's rules. This in turn creates an incentive to seek compatible solutions when developing new regulations, or conformity assessment procedures.
>
> Finally, mutual recognition can assist regulatory efficiency. Through being able to rely on assessments carried out by another competent party, the limited resources of the regulator can be reallocated."

To highlight and elaborate upon a point raised above, mutual recognition systems can operate irrespective of whether the parties' underlying product standards and requirements are "*harmonized*" or "*equivalent*." (Definitions of these two important terms are provided in the insert box below.) Harmonization may enable a producer to sell a product, which is produced against a single or equivalent standard, on multiple markets; however, it doesn't guarantee market access in terms of product approvals. Only mutual recognition may enable the product to be certified in the country of export, and then placed on the market of destination. Conversely, mutual recognition may not allow one-stop approval for multiple markets. The mutual recognition system will likely need to incorporate harmonized or equivalent rules, so that a single test and approval is sufficient for both domestic and foreign markets.

Harmonization is generally used to convey the notion of the convergence of different parties' requirements to achieve uniform (i.e., even identical) standards or procedures. In Part Three of the North American Free Trade Agreement (NAFTA), the expression - "*make compatible*" - is used to convey this notion, and is defined as: "…bring different standards-related measures of the same scope approved by different standardizing bodies to a level such that they are either identical, equivalent or have the effect of permitting goods or services to be used in place of one another or fulfill the same purpose." [NAFTA Article 915]

Equivalency is a concept that is closely related to "harmonization," but is open to broader interpretation and potential application. Related, but different interpretations exist and may be accepted. One definition is "equal in force, amount or value," which may be interpreted to mean "absolutely the same." However, a second definition is: "like in significance or import, and/or virtually identical in effect or function." This "equality of result" definition is open to greater interpretation, including: (i) results derived from measurement methods of the same parameter could be considered equivalent because the test methods correlate well; or (ii) different levels of the same parameter that have similar environmental impact; or (iii) different parameters could have similar environmental impacts; or (iv) different parameters with different environmental impacts but similar in significance. In this regard, considerable debate and controversy exist over whether, and how to determine, that different processes/inputs/impacts can be deemed similar enough to be considered and treated as "equivalent"/"equal."

Thus, in sectors where benefits of harmonization (such as removing the costs to industry of national differences in standards or technical regulations) are judged more important than the implementation of MRAs, mutual recognition may be perceived and pursued as an important first step towards regulatory convergence. However, in other cases, mutual recognition may be the priority or sole interest of industry. This may be the case where:

(i) conformity assessment costs are particularly burdensome; or

(ii) regulatory differences don't represent major additional costs in terms of product modification; or

(iii) harmonization is considered achievable only in the very long term (if ever).

3.2 Mutual Recognition and Voluntary Environmental Labelling

The introduction and implementation of mutual recognition strategies and mechanisms in environmental labelling is strongly based upon relevant international trade issues.

As identified earlier in this paper, most programs established in the 1980's and early 1990's were undertaken to use the environmental values of consumers to promote environmentally sound practices that would prevent pollution and promote resource conservation domestically. However, the proliferation of environmental labelling programs and the emerging strong focus on trade promotion has drawn attention to a number of important international challenges and the need for greater international cooperation.

A measure is considered to be a barrier to trade when it disadvantages or restricts the access of foreign producers to domestic markets. Three different, but related potential areas of concern that have been identified in regard to environmental labelling schemes, they are:

(i) Imposition of extra jurisdictional requirements

Some labelling programs could include provisions requiring full compliance to established criteria related to a domestically-preferred (PPMs) with no consideration of "equivalent" processes, and/or provisions that all program participants meet the environmental (or other) laws of the nation in which the program operates.

(ii) Restricted access to the label

Some programs could authorize only domestic companies to carry the label, thereby providing domestic industry with a market advantage unavailable to foreign competitors even if the latter meet the established certification criteria.

(iii) Closed process

Some programs could incorporate processes that limit the transparency of decision making and restrict consultative input to domestic industries. Any criteria development process that is not open and transparent could be criticized as a trade barrier, because foreign companies may not properly understand the process or be able to adjust to meet pertinent requirements in a timely way. As well, excluding foreign input to the public consultations involved in a criteria development and review process would deny foreign companies the opportunity to influence the decision on those parameters that are relevant to their operations.

While it may be argued that difficulties encountered by foreign suppliers in obtaining a label represent the normal disadvantages of the exporter versus the domestic producer, certain aspects of labelling can add to its potentially discriminatory effects, in particular against producers in developing countries. Possible discriminatory effects can be attributed to a number of factors, including:

(i) labelling tends to be based on domestic environmental priorities and technologies in the importing country and may overlook acceptable products and manufacturing processes in the country of production;

(ii) labelling criteria often lack flexibility to reflect relevant local environmental conditions and priorities in the country of production;

(iii) the definition of product categories, and the determination of criteria and limit values may favour domestic over foreign producers;

(iv) criteria may be specified in terms of technology to which domestic firms have easier access or a pre-existing advantage;

(v) foreign producers may be required to meet labelling criteria that are not relevant in the country of production; thus, for example, technologies which have been developed to deal with pollutants which are important in the importing country, but less important in the country of production, would need to be imported if a firm wishes to qualify for a label;

(vi) environmental infrastructures may differ widely across countries (e.g., municipal waste water treatment plants, solid waste treatment plants, recycling stations);

(vii) ensuring supplies of chemicals and other materials which are acceptable for use in labelled products may be difficult for foreign producers, in particular in developing countries; and

(viii) certain parameters used to calculate the environmental impacts of products may be based on information collected in the importing country or countries with comparable environmental conditions, and may overestimate environmental impacts in the country of production. (For example, parameters used to estimate the energy used in the manufacturing of products might not reflect the conditions in the country of production).[97]

Officials of both existing and new programs are acknowledging the international trade dimension, and incorporating modifications and enhancements to better address this focus. Many national programs have made efforts to engage in international standardization efforts,[98] and/or have undertaken revisions to incorporate international trade principals into their specific programs. As well, the programs have increased efforts to exchange information on their respective programs' features and criteria. For some, these various "enhanced cooperation" efforts are being considered as initial steps towards mutual recognition of other environmental labelling programs.

At the same time, international organizations (i.e., agencies and associations representing the governmental, industrial and non-governmental sectors) are advocating and promoting sustainable development principles and practises around the world. In this context, these organizations are encouraging, and even lobbying for, enhanced cooperation among environmental programs, with the expected and desired outcome of increased and constructive mutual recognition among the programs.[99]
Indeed, various mutual recognition efforts have actually been initiated in this area. These have generally relied upon a base level of confidence and trust between programs, and been applied to testing and verification, conformity assessment, and administrative procedures. Relevant MRAs have promoted harmonization initiatives in program areas including the use of terms, selection of products, adoption of criteria, and the measurement of environmental impacts. Some efforts have also been undertaken to investigate and explore

[97] *Trade, Environment and Development: Aspects of Establishing and Operating Eco-labelling Programmes*, United Nations Conference on Trade and Development Secretariat, March 1995, page 6.
[98] Environmental labelling officials from many countries have served as technical experts in the ISO Technical Committee 207 exercise to formulate and promulgate international "guiding principles" standards for environmental labelling programs and initiatives.
[99] For example, the central recommendation of a 1995 UNCTAD Working Group on Trade, Environment and Development report was that governments and standards bodies should explore the scope for mutual recognition and equivalencies at an appropriate level of environmental protection.

the possibility of achieving equivalency between different programs' environmental criteria for specific products. [Examples are presented in the next section of this paper.]

These efforts have led to the recognition of several key issues relating to the design and implementation of enhanced cooperation systems to facilitate mutual recognition among the programs. These issues, relating primarily to the requirement of continuing to satisfy national needs, are:

(i) program *credibility* must be supported;

(ii) consumer *values* (cultural, environmental and societal) and ecosystem sensitivities must be respected;

(iii) *unnecessary trade restrictive effects* should be avoided; and

(ix) *simplicity* of design and implementation of any system or approach for mutual recognition must be sought.

Experience to date has also highlighted that a multilateral system will require a certain level of negotiation, and that developing a series of bilateral arrangements could provide a practical starting point. In other words, the experience gained and the structures developed in formulating the bilateral arrangements could be invaluable in the subsequent development of a multilateral system.

Section 4: Applications of Enhanced Cooperation and Mutual Recognition

The prevalence of market-based environmental labelling programs, which have similar goals and objectives yet are operating in different jurisdictions, has lead to opportunities for various "enhanced cooperation" and mutual recognition strategies to be considered, developed and adopted. For the purposes of this paper, the expression—*enhanced cooperation*—refers to strategies and actions taken to facilitate, or to increase the likelihood of, the implementation of mutual recognition arrangements and/or agreements. While the actual achievement of mutual recognition may be uncertain in some circumstances, these strategies and actions may still have very strong merits on their own.

In this regard, four such arrangements are presented in the Sections below. The approaches and measures undertaken are potentially transferable to the business of coffee labelling.

4.1 Case Study #1: Enhanced Cooperation between Energy Performance Labelling Programs

Under the *Energy Policy and Conservation Act* (and several amendments under other related pieces of legislation) of the United States, the national *Energy Guide* Program has operated since 1979. The primary purpose of the Act and of this Program is to "conserve energy by enabling consumers purchasing appliances to compare the energy usage of competing models." *Energy Guide* labels are required to be placed on certain types of new home appliances for which energy costs can vary greatly based on individual appliances' construction and design. The U.S. Federal Trade Commission (FTC) is responsible for the format of the labels; the U.S. Department of Energy (DOE) promulgates standardized test procedures and minimum efficiency standards, and conducts a consumer education program to complement the labelling program.

Under the Canadian *Energy Efficiency Act* and the corresponding *Energy Efficiency Regulations*, the *EnerGuide Labelling Program* has been established and requires mandatory labelling of appliances within selected appliance categories. The Canadian federal government department of Natural Resources Canada (NRCan) manages and operates the Program; the Canadian Standards Association (CSA) is responsible for developing relevant test procedures.

Given the similar objectives and requirements of the two programs, FTC, DOE and NRCan officials have taken measures to pursue and implement cooperative arrangements. Various efforts have been undertaken

with the dual purposes of pursuing harmonization while at the same time facilitating mutual recognition. These efforts have included:

(i) routine notification of, and consultation on the revision of label designs and content;[100]
(ii) consultation on the selection of new appliance categories for inclusion in the programs;
(iii) significant input to the establishment or revision of the other's minimum efficiency standards with a stated goal of possible harmonization; and
(iv) joint review and consideration of test performance standards with the intent to harmonize these to the greatest extent possible.

With respect to commercial air conditioning units, the programs have actually achieved some degree of mutual recognition through the acceptance of each other's test results due to harmonized test performance standards. Mutual acceptance of certain testing agencies and facilities is also being pursued and formalized. Program delivery officials recognize that this mutual recognition has improved operational efficiencies and flexibilities by enabling appliances to be tested against both programs' test standards simultaneously, and/or at test facilities that are most convenient to the manufacturers.[101]

For the environmentally responsible coffee labelling industry, this example of identifying common objectives and similar criteria considerations provides a useful model to be considered. The difference, however, is that this bilateral cooperation is built upon mandatory measures, as opposed to the voluntary nature of shade-grown coffee labels.

4.2 Case Study #2: Enhanced Cooperation between Environmental Claims Verification Programs

Around the world, several governments are designing and implementing voluntary environmental technology verification programs to assist in fostering the growth and marketability of the environment industry both domestically and internationally.[102] In North America, programs have been launched by the Canadian federal government department of Environment Canada, the California Environmental Protection Agency, the New Jersey Corporation for Advanced Technology, and the U.S. Environmental Protection Agency. These programs share the goal of expanding and accelerating the acceptance of environmental technologies by domestic and international customers and environmental regulators.

Basically, these programs provide third party assessment and validation of environmental technology suppliers' performance claims. When a claim is validated, the pertinent business is entitled to identify and promote such verification in its marketing activities. For example, under the Canadian *Environmental Technology Verification (ETV) Program*, a business with a successfully validated claim is provided an "ETV Verification Certificate," a fact sheet defining conditions of performance, and a summary report prepared by independent experts.

Besides seeking and securing domestic recognition of the programs and their "performance validation" labels, officials of these programs have implemented measures to facilitate and pursue mutual recognition. Specifically, bilateral "memoranda of understanding" have been executed between the programs that commit them to exchanging information on verification process and procedure, and working towards "reciprocity" between their programs. In terms of content and text, strong similarities are being incorporated by design,

[100] Of note, a decision by Canadian program officials to revise the EnerGuide label, through adding a "performance scale" graphic, was conveyed to U.S. officials in advance, and replicated by them.
[101] In a telephone interview, the Program Coordinator of the EnerGuide Program conveyed this view.
[102] In this regard, other countries which are pursuing the establishment of verification programs include: Mexico, the People's Republic of China, South Korea, Australia, Indonesia, Israel, the Netherlands, Singapore, Spain, Taiwan, and several Central and South American countries. Officials from these other countries are consulting with officials representing the American and Canadian program in order to design their programs to be comparable to the existing North American programs. Besides the simple logic of this approach, it also is being followed in order to potentially enable mutual recognition arrangements in the future.

with the expectation that these bilateral agreements may be replaced or supplemented by a multilateral agreement between interested parties.

In practical terms, this has led to the Canadian and California programs jointly and simultaneously undertaking a "pilot verification" of a specific environmental technology product under the programs' two verification testing procedures. This pilot has helped program officials begin to gain "mutual confidence" in each other's processes and capabilities, while allowing the pertinent technology supplier to undergo only one session of "verification testing" in order to save time and money. A clear intent is to replicate this "dual verification process" when a similar demand for multiple "performance validation" labels is sought.

However, as was the case with the energy performance labelling discussed above (under Case Study #1), these claims verification programs are also collaborating on efforts to produce a list of mutually acceptable test standards and facilities for the different types of technologies which may be addressed. Such mutual recognition of test standards and facilities will enable programs to undertake tests on behalf of each other. This arrangement, when testing is more appropriately undertaken in another program's jurisdiction, and/or there is a desire to have testing undertaken to validate claims under multiple program protocols, should reduce program delivery resource requirements and costs to applicants, and accelerate the verification of the claims.

In assessing the applicability of strategies adopted by these programs to the coffee labelling industry, it is noteworthy that while the programs have different protocols, procedures and overall requirements, program representatives have found it constructive to consult and collaborate on strategies relating to their respective programs. The specific strategy of identifying mutually acceptable testing and verification entities is of particular note, as it could be a useful strategy for coffee labellers to also pursue. Lastly, program officials clearly have concluded that establishing mutual recognition arrangements between the programs should provide greater credibility and appeal for each program. This is an important perspective for coffee labellers to consider.

4.3 Case Study #3: Enhanced Cooperation Activities of an International Network of Programs

The Global Ecolabelling Network (GEN) is a non-profit association of "eco-labelling" organizations from around the world. Eco-labelling is the implementation of a "Type I environmental labelling program," as defined by the International Organization for Standardization (ISO). The ISO definition is: "a voluntary, multiple-criteria-based third party program that awards a license which authorizes the use of environmental labels on products indicating overall environmental preferability of a product within a particular product category based on life cycle considerations."[103]

GEN was founded in 1994 to improve, promote, and develop the eco-labelling of products and services. GEN fosters information exchange among its members, dissemination of information to the public, and longer-term harmonization of eco-labelling programs, as appropriate. In addition, GEN represents the interests of eco-labelling in various international forums, and provides information and technical assistance to developing programs. Membership is intended for eco-labelling organizations that share GEN's objectives and meet basic criteria. Finally, much of the information collected in GEN's programs and many of GEN's meetings on eco-labelling topics are open to the public.

GEN's enhanced cooperation efforts, in pursuit of mutual recognition, have been at four levels:

(i) general initiatives and activities;
(ii) framework for enhanced cooperation and mutual recognition;
(iii) implementation strategy for the framework; and

[103] *International Standard ISO 14024: Environmental labels and declarations - Type I environmental labelling - Principles and procedures [ISO 14024:1999(E)].*

(iv) preliminary consideration of a multilateral mutual recognition arrangement for the awarding of eco-labels relating to photocopier equipment.

4.3.1 General Initiatives and Activities

Specific GEN activities, contributing to enhanced cooperation between members and other stakeholders, include:

(i) collection, compilation and provision of information on eco-labelling programs including their product criteria, and relevant reports through a library system and the GEN home page - http://www.*gen.gr.jp* - on the Internet World Wide Web;

(ii) participation in eco-labelling activities of the World Trade Organization (WTO), the International Organization for Standardization (ISO), the United Nations Environment Program (UNEP), and others;

(iii) development and dissemination of position papers and analyses on such issues as eco-labelling and trade, harmonization of programs, etc.;

(iv) conducting a technical assistance program to assist programs under development or revision;

(v) information exchange among members with regard to setting criteria, marketing, green procurement, etc.;

(vi) producing and publishing a quarterly newsletter providing pertinent, up-to-date information;

(vii) staging an Annual Meeting of members and invitees;

(viii) conducting workshops on various eco-labelling strategies and issues; and

(ix) preparation, adoption and implementation of a system for potential mutual recognition (see below).

4.3.2 Framework for Enhanced Cooperation and Mutual Recognition

A major activity area for GEN has been the preparation and adoption of a framework for potential mutual recognition,[104] and corresponding development of an implementation strategy/system for the framework. The framework, which was originally contemplated at the 1997 GEN Annual Meeting, incorporates the following four steps:

Step 1: Cooperation and interchange of information, including policy objectives;

Step 2: Mutual confidence is established;

Step 3: Mutual recognition of testing and verification is established; and

Step 4: Analysis of environmental criteria leading to mutual recognition.

The creation of the GEN itself and its various mechanisms already play a role in information exchange (Step 1). The approach requires a set of guiding principles (Step 2), the development of a system of equivalency and mutual recognition (Steps 3 & 4), and an appropriate means for implementation. However, it should be recognized that full equivalence or harmonization of criteria will not always be possible or desirable, and that a system of enhanced cooperation may not always be able to include the fourth step. Nonetheless, most of the elements of this approach are not new and can be found in the multilateral and bilateral work already underway in various fora and on a variety of subject matters.

[104] This section is based significantly on the contents of a GEN Discussion Paper—***Global Ecolabelling Network Discussion Paper on Enhanced Cooperation—***that was prepared by TerraChoice Environmental Services Inc. (the authors of this paper).

Step 1: Cooperation and Interchange of Information

The first step of any cooperative relationship, be it multilateral or bilateral, is the exchange of basic information on the operation of the programs. This should include policy objectives, existing product criteria, product selection and criteria development methodologies and marketing strategies. In order to proceed beyond this first step, there needs to be a level of comfort and compatibility between the programs involved.

Step 2: Mutual Confidence

The second step, establishing mutual confidence, is a prerequisite for implementing a bilateral or multilateral "Enhanced Cooperation Agreement." In order for any program to accept the results of another program, be it verification, testing or environmental criteria, some common standards of behaviour need to be in place. The GEN has adopted ISO 14024 as a "Code of Good Practice" to guide program development, operation and management. This Code defines the principles for how "responsible" eco-labelling programs should operate, while respecting the need for individual program flexibility, criteria, and national or regional environmental values and priorities.

Programs must be able to demonstrate compliance with the GEN Code of Good Practice in order to consider participation in mutual recognition with other programs. This compliance will be self declared, but will be evaluated by potential enhanced cooperation partners after the exchange of information stage (Step 1) has been satisfied. In essence, programs will need to be comfortable and confident that entering into any cooperative relationships with other eco-labelling programs will not damage their credibility.

Step 3: Mutual Recognition of Testing and Verification

Once the first two stages have resulted in mutual confidence between programs, the important step of mutual recognition of testing, assessment and verification can be established. Normally, this means that if a product meets an importing country's eco-labelling requirements, and has been verified by an exporting country's eco-labelling program as meeting those requirements, further verification would not be required and the related costs avoided. This approach applies whether or not the exporting country's environmental criteria are similar to the importing country's program requirements. This could provide a substantial economic incentive for a manufacturer or distributor to get such a product certified.

Step 4: Analysis of Environmental Criteria

The fourth step in the process is the analysis of participating country programs' environmental criteria. In the area of eco-labelling, there are two types of environmental criteria:

(i) those that relate to the product's use and disposal; and
(ii) those that relate to the product's manufacture, but whose impacts are not transferred at the use or disposal stages of the product's life cycle (i.e., non-product related PPMs).

While it is unlikely that participating programs will accept products that meet different product-related environmental requirements as equivalent, there is an opportunity to treat the PPM question in a different manner. Dealing with PPMs in any eco-labelling cooperation agreement poses a number of challenges. The system must be flexible in order to deal with different products, values and marketplaces. It should also allow for environmental priorities to differ from program to program and rely on equivalency of environmental requirements where it can be evaluated on a case-by-case basis, and be acceptable from the perspective of program credibility.

Consequently, this process incorporates the consideration of several interpretations of "equivalency" (as outlined earlier in the paper) to address different circumstances. While "equality of measure" (i.e., absolutely the same) is the approach generally required for environmental criteria related to a product's use and disposal,

several "equality of result" interpretations could be applied in addressing different non-product-related PPM requirements of participating programs, including:

(i) results derived from measurement methods of the same parameter could be considered equivalent because the test methods correlate well. For example, biodegradability could be measured by the Sturm test or the OECD test;

(ii) different levels of the same parameter that have similar environmental impact. For example, different levels of acid deposition in different ecosystems could have the same effect depending on the buffering capacity of the receiving environment;

(iii) different parameters could have similar environmental impacts. For example, AOX as a measure of the effects of chlorine bleaching in paper production and actual measurement of ecosystem impacts could be deemed equivalent; and

(iv) different parameters with different environmental impacts but similar in significance. For example, the effect of air quality and water quality in different countries will be different, but may be deemed equivalent in significance.

Only the first interpretation of "equality of result" should be used in application to product-related requirements; however, all of the interpretations may be used in regard to the evaluation of equivalency of non-product-related PPM's.

4.3.3 Implementation Strategy for the Framework

A system which corresponds to the framework described in Section 4.3.2 has been designed to operate on an "as needed" basis. Its application involves a process that can be applied when exporters (or importers) want to have foreign products eco-labelled by an eco-labelling program. The process takes into account situations where either one or both (exporting and importing) countries have eco-labelling programs, and is designed to allow for the application of equivalency and mutual recognition in either case.

Three key features of the strategy are:

(i) the establishment of mutual respect and confidence in the situation where two eco-labelling programs are in place;

(ii) the establishment of acceptable and agreed upon means to determine equivalency of PPM requirements (e.g., implementation of "expert panels" to review and advise); and,

(iii) the receiving country program retaining authority over related decisions.

To date, several eco-labelling programs, which are GEN members, have developed and implemented bilateral pilot agreements through the use of this system (see Case Study #4 below), while others have been encouraged to get engaged. There is some interest among GEN members to develop a general agreement for a multilateral system of enhanced cooperation. A view is that this multilateral system could be automatically employed when eco-labelling programs join the GEN.

4.3.4 Mutual Recognition Arrangement for Photocopier Equipment

An interesting exercise is currently underway to consider the merits and means of implementing a mutual recognition arrangement for photocopiers. One option would allow mutual recognition of test results against "common criteria." An alternative would be to enable photocopier equipment to undergo a single certification process in order to be eligible to display eco-labels of multiple programs.

The original exercise was initiated last year with the purpose of reviewing and comparing existing eco-labelling standards (criteria and compliance verification processes) of various GEN members for photocopiers. While some programs were contemplating revisions and enhancements to their existing standards, others were seeking guidance for developing their own standards within their respective programs.

However, through information exchange (Step 1), participants recognized some strong similarities between the different programs' standards. In terms of eco-labelling criteria, the existing standards shared some identical criteria, other criteria that could be perceived as "equivalent," and some criteria unique to individual programs. At the same time, testing and verification requirements were found to be somewhat similar (but not identical).

At this point, a collective decision was taken to collaborate on the consideration and development of a set of "shared criteria" and a process that would enable compliance verification under "equivalent," but not harmonized, testing and verification processes and procedures. Based on the information exchange which had already occurred, the establishment of "mutual confidence" (Step 2) had been initiated. Further consideration of each other's criteria and verification processes led to a proposal that certain criteria could be collaboratively developed and adopted by interested programs (Step 4). Individual programs would likely still have their own additional, program-specific criteria. In terms of the compliance verification component, a general position taken was (and remains) that further investigation and comparison of verification processes and facilities is necessary before "equivalencies" can be determined and accepted (Step 3).

With work continuing, the desired outcome is to implement a system that enables testing of products against "common criteria" (and perhaps even other programs' criteria) by one program to be accepted by the other programs.

An interesting alternative that is also being given some consideration (i.e., a "discussion paper" on its merits and feasibility is being prepared), is the formulation and multilateral approval of a common "standard" that would involve a single set of environmental criteria and testing and verification requirements. The objective would not be to force absolute harmonization, but to combine national programs' criteria into a single comprehensive set of criteria, while also incorporating the individual programs' respective testing and verifications processes and procedures. If deemed feasible and worth pursuing, both flexibility and "equivalency" aspects would need to be negotiated and built into the final "standard." Numerous administrative and logistical challenges would also need to be worked out. However, for photocopier manufacturers and suppliers, such a "one-stop shopping" arrangement could be very attractive in terms of resource (time and money) savings.

This exercise is focusing on photocopier standards at this time, but is being viewed as a pilot for developing a process that could be replicated for other appropriate products (or services).

4.3.5 Application to Coffee Labelling

While eco-labelling and coffee labelling schemes contrast in scope, focuses and approaches, considerable direction and strategy in exploring and pursuing mutual recognition arrangements among participants is transferable. Within this case study, the four-step approach should be easily transferable to coffee labelling.

4.4 Case Study #4: Mutual Recognition Agreements between Eco-labelling Programs

Based significantly upon the framework and the general strategy and system for implementation outlined under Case Study #3, a series of three bilateral "enhanced cooperation/mutual recognition" agreements have been implemented between the Canadian Environmental Choice Program (ECP), the American Green Seal program, and the Republic of China/Taiwanese Green Mark program. (A "generic version" of the agreement text is attached to this paper as Annex 2.) These agreements have been drafted to be quite similar, which allows the possibility of a three-party agreement in the future.

Key features of these agreements include:

(i) compliance by the eco-labelling programs with the GEN Code of Conduct and the ISO 14024 guiding principles is recognized as establishing the necessary mutual confidence in each other's programs and processes, and the basis for mutual recognition;
(ii) if similar parameters are measured using different techniques, these different test methods are to be evaluated to determine whether some correlation exists upon which to base equivalency; and
(iii) if PPM requirements are different between countries, an option is provided for an expert panel to be established and tasked to assess and advise on relative environmental values. While such a panel would normally be comprised of national experts, the possibility could exist for appropriate foreign experts to also participate.

For a product made in a foreign country whose manufacturer or distributor is seeking an eco-label from an importing country eco-labelling program, the following decision making process is applied by the importing country program:

(i) Can the manufacturer of the product in question demonstrate compliance with local environmental, health and safety laws and regulations (including legal requirements at all relevant levels of government)?

(ii) Does the exported product meet the requirements (related to the product's use and disposal) of the eco-labelling program in the importing country?

(iii) Does the product meet the non-product-related requirements of the importing country eco-labelling program? If not, can the product's PPM performance be deemed to be equivalent to the requirements of the eco-labelling program?

(iv) Do both programs have criteria for the product category in question and is it eco-labelled by the exporting country program?

The answers to these questions lead to four possible outcomes:

(i) an eco-label cannot be awarded by the program in the importing country;

(ii) an eco-label may be awarded, but the product must meet all of the program's requirements (i.e., no equivalency);

(iii) verification of importing country program requirements can be done by the exporting country program; or

(iv) an eco-label is awarded on the basis of mutual recognition.

To date, and in practice, several North American and Asian producers have benefited from being able to receive an eco-label under outcome #3, accelerating the verification period and reducing relevant costs. In several instances, the particular agreement between the ECP and Green Seal has guided the acceptance of each other's test results, eliminating the need for re-testing or reducing the extent of testing required to secure a second eco-label for the North American market place. While no eco-labels have been awarded under outcome #4, these agreements combined with collaboration on the development and review of certain product-specific criteria, make this outcome a future possibility.

In contemplating enhanced cooperation and mutual recognition initiatives, a key decision for coffee labellers is whether efforts should be on a bilateral or multilateral basis. Regardless of the decision, the arrangements and efforts identified in this case study can provide good guidance.

4.5 Case Study Summary

While motivations, scale and other aspects vary among the case studies/initiatives identified above, the general approach identified and discussed under Initiative #3 seems to have been utilized, to a fair degree, in all four initiatives. As elaborated upon in the last section of this paper, this approach could be adopted in the specialty coffee industry in order to advance and enhance environmentally responsible coffee production and marketing efforts.

Section 5: Enhanced Cooperation Within Coffee Labelling: Key Considerations

While earlier sections illustrate that enhanced cooperation and mutual recognition efforts have merit and are applicable in the broad international trade arena, and with respect to certain types of environmental labelling initiatives, it is important to focus on the merits of such efforts in the environmental labelling of coffee. In assessing their applicability, it is appropriate to identify relevant developments and significant challenges to be overcome with particular relevance to shade-grown coffee and related eco-labelling schemes. A salient point to keep in mind, through these discussions, is that the coffee farmers being certified are, first and foremost, human beings trying to make a living. While many are responsible land stewards, they are *not* in the business of cleaning up the effects of chemical pollutants, nor in the business of biodiversity development/protection.[105] They are in the business of coffee growing, with the ultimate aim of providing for their families and communities. Therefore, whatever labelling solution is ultimately arrived at must respect this fact—it must encourage and reward good stewardship, without being too onerous or costly to be effective.

5.1 Reasons for Pursuing Enhanced Cooperation and Mutual Recognition

Some within the industry argue that enhanced cooperation/mutual recognition efforts for coffee are either inappropriate or premature at this point. This view is more prevalent among those involved in commercial, for-profit labelling schemes, who may be participating on a "test market" basis, or are focused predominantly on short term economic benefits. They emphasize that environmental labelling initiatives are still in the formative or early establishment stages, and are mainly focused within select local markets and/or at fairly small and particular niches of the specialty coffee sector. Their resulting stance is that efforts should first be made to enhance the market presence and influence of the current and independent initiatives. Only once these schemes are more entrenched, they argue, should consideration be given to directing attention and resources to building broader industry cooperation and cohesion.

On the other hand, many stakeholders (labelling organizations and proponents) have expressed the opinion that it is timely and necessary for labelling interests to initiate measures to cooperate and build cohesion. In support of this position, various reasons have been forwarded for promoting, supporting and participating in such efforts.

With a common criticism being this sub-sector's "fragmentation" and inadequate information exchange between participants, the pursuit of enhanced cooperation can play a significant role in formalizing, consolidating, and broadening information exchange between stakeholders and with other interested parties. Direct benefits should include: savings in time and effort required of individual participants to identify, monitor and investigate significant developments; more consistent, frequent and pro-active information sharing; and an expanded information base available to all interested parties.

The achievement of mutual confidence and recognition among the diverse labelling programs should lead to increased perceptions of sub-sector-wide credibility, legitimacy and consistency from the perspectives of both participants and observers. Perceived cohesion can move such environmental labelling more into the

[105] *Beneficial Impacts of Ecolabeled Mexican Coffee: Organic, Fair Trade, Rainforest Alliance, Bird Friendly*, Boot, et al, 2003.

mainstream as an established consumer information/marketing tool (as "certified organic" labels have become in the broader agricultural and food products sector).

The forming of "alliances" (e.g., the Sustainable Agriculture Network, ISEAL Alliance, etc.) should enable the labelling entities (both commercial and NGO) to respond to challenges with greater "clout" and in a unified manner. In this regard, while general reaction to "environmentally responsible"[106] coffee labels and production processes have been positive or neutral, it is noteworthy that there is possible strong opposition from entities whose own initiatives and activities are directly counter to sustainable coffee interests. On the Thanksgiving Coffee Company's Internet Web site,[107] several of these international "opponents" are identified, including: timber companies; chemical companies that market pesticides, herbicides, and fertilizers; lending institutions and national governments that are advocating and supporting "technified" coffee production processes; and large retailers of "regular" coffees or other types of specialty coffees.

The formation of alliances should also be useful in, and give greater effect to, such activities as: refining definitions for concepts such as "shade-grown" and "sustainable"; providing coordinated "expert" input to regulatory and broader agricultural industry efforts to develop international and national "organic" definitions and standards; addressing and responding to "trade community" pressures for standardization, etc. Lastly, alliances based on mutual respect and confidence should also aid in differentiating and distancing "responsible" initiatives from "irresponsible" and/or suspicious ones.

In the pursuit of mutual recognition arrangements, labelling organizations could acquire a greater understanding of and appreciation for other initiatives, and receive valuable peer review relating to their own initiatives. Further, labelling officials will be able to compare experiences, and discuss strategies and activities which have worked and those which have not. In this way, they can also collaboratively formulate strategies to address common and arising challenges.

Enhanced cooperation initiatives may also serve as a good means to coordinate and involve appropriate stakeholders in the exploration and contemplation of overlap between specific requirements (for example: shade grown and organic coffee labelling requirements), and could facilitate a systematic consideration of broader "sustainable coffee" requirements. While harmonization of criteria and certification/verification requirements and procedures is improbable, determining "equivalencies" in these areas can be explored, negotiated, and possibly achieved.

For parties interested in securing and using multiple labels, any mutual recognition arrangements relating to certification and verification procedures and organizations, should reduce relevant costs (money and time). In turn, this should decrease any possible premium charge to consumers that would have to be applied to cover such costs; thus keeping multi-labelled coffees relatively more price-competitive.

5.2 Favourable Scenarios: What Might Happen?

As stated above, while many initiatives exist or are underway relating to the sustainable coffee movement, a key weakness is the fragmented nature and lack of coordination. As suggested in the Consumer's Choice Council publication—*Sustainable Coffee at the Crossroads,* the sustainable coffee movement needs:

> "…an honest broker that can bring the various initiatives and stakeholders to the same table. This broker…could help create a sustained coffee network to facilitate communication, information-sharing and possible coordination between the initiatives. It could support the movement with data collection and research in areas identified by the stakeholders

[106] This term is used in this section to categorize labels that address one or several environmental aspects, including: organic, shade-grown, bird friendly, sustainable practices, etc. "Sustainable" is not used, because the focus of the section excludes consideration of fair-trade aspects.

[107] Refer to www.thanksgivingcoffee.com/insider_shadepol1.html – *Thanksgiving Coffee – CEO Insider: Politics of Shade Coffee 1.*

themselves. It could also establish mechanisms for collecting and disseminating information and analyzing policy developments impacting coffee."[108]

Other possible events and activities could impact on the advancement of environmentally responsible coffee production and marketing. By extension, these events and activities could positively influence either the demand for, or supply of eligible coffees and corresponding environmental labels. Such events and activities could include:

(i) consumer demand:
- consumer awareness of, and interest in, environmentally responsible coffees increases;
- consumer demand grows in currently established (local) markets, but also on a broad scale (nationally and internationally);
- consumers, through their purchases, demonstrate a willingness to pay a premium for such coffees, whether organically-certified or otherwise identified as environmentally preferable; and
- consumer surveys provide useful and consistent feedback on consumer expectations and considerations relating to "environmentally labelled" coffees.

(ii) marketplace:
- existing and new labelling initiatives gain legitimacy and credibility on their own merits;
- market demand studies conclude that there is real potential growth for labelled, environmentally responsible products (and possibly provide actual estimates of this potential);
- substantial pressure arises, from various stakeholders, for more consistent use of such terms as: "organic," "shade-grown," "sustainable" (and/or other relevant terminology); and
- business chains (i.e., retailers, coffee houses, specialty stores, distributors, etc.) begin carrying and promoting environmentally responsible coffees on a broader scale and at significant volume levels,[109] thus generating significant demand for more product.

(iii) industry:
- commercial labellers express and demonstrate greater willingness to collaborate/co-operate with others to explore and pursue common interests (e.g., consumer marketing and awareness campaigns), and to commit resources (time and money) to work towards mutual recognition.

(iv) regulatory sector:
- the USDA National Organic Program moves forward with organic regulations established; and
- pressure is intensified and exerted on North American and European organic certification authorities and organizations to establish some form of mutual recognition.

(v) international trade sector:
- pressures mount and intensify for cooperation and "harmonization" among agricultural environmental labelling initiatives on standards and participation requirements.

[108] *Sustainable Coffee at the Crossroads: A Report to The Consumer's Choice Council*, page 133.
[109] Of note, Starbucks officials committed in 1999 to begin offering such coffees, provided financial support for Conservation International's shade-coffee project in Chiapas, Mexico, and were to have begun offering the Chiapas shade coffee in their stores as of August 1999.

(vi) government support and stimulation:
- reversal or off-setting of agricultural and tax policies in place which support "technified" coffee production;
- funding and educational assistance for farmers to adopt and implement environmentally responsible techniques and to undergo verification/labelling;
- farmers provided with financial incentives, access to credit, and community development assistance (e.g., help to establish cooperatives to process and market environmentally responsible coffee);
- assistance in case of crop failure is committed;
- environmentally responsible techniques and labelling becomes an issue for discussion and action by the Association of Coffee Producing Countries (ACPC) and/or other multi-governmental organizations;
- pertinent officials participate in international fora attempting to develop harmonized definitions, and/or provide support for representation of producers' interests;
- (continuing) research and demonstration in this field is supported;
- national merits and successes are promoted internationally to increase awareness and demand; and
- better pricing for applicable coffee products (i.e., greater financial incentives for farmers to grow and label) is negotiated.

(vii) international institutional support and promotion:
- numerous successful community development, research and development, technical assistance, market development, and other types of projects are financed and/or implemented by a number of international institutions and agencies including the Global Environmental Facility, International Financial Corporation, the World Bank, the Inter-American Development Bank, the United Nations Development Program, the United Nations Environment Program, the Inter-American Foundation, USAID, and others; and
- CEC-sponsored, community-based projects[110] succeed in nurturing the development of the shade-grown coffee markets for relevant Mexican coffee producers.

(viii) non-governmental organizations:
- Conservation International, along with other international, national and regional NGO's, provide valuable technical assistance and support for relevant developmental, environmental, and social programs and projects to aid the coffee producers, cooperatives, and importers.

5.3 Major Challenges

There seems to be both a general desire and movement to undertake concerted efforts to advance the environmental labelling of coffee, and its related positive impacts. Nevertheless, it is important to recognize several significant challenges that will need to be addressed in the implementation of cooperative measures aimed at achieving mutual recognition. These key challenges include:

(i) a continuing lack of universally accepted or understood definitions for core terms such as "shade-grown coffee," "sustainable coffee," and others;

(ii) many marketers of "sustainable coffee" are using unsubstantiated/unverified claims;

(iii) conflicting scientific and environmental arguments for promoting "organic" versus "shade-grown" versus "bird-friendly" versus others;

[110] According to an August 1999 *Business and Environment* article, through its North American Fund for Environmental Cooperation, CEC is contributing funding to a Montreal-based NGO which is to encourage importers, roasters, retailers and consumers to purchase fairly traded and environmentally sound coffee from Mexico, and also contributing funding to Conservation International to help that NGO assist traditional shade coffee farmers in the Chiapas region to "develop the means to participate in the international market."

(iv) current "politics" of coffee production and export which predominantly favour "technified" coffee;

(v) recognition of varying levels of environmental appropriateness of different production techniques in different applications, regions, ecosystems;

(vi) uncertainty about the potential growth and longevity of the environmentally responsible coffee labelling industry due to such factors as:
- consumer willingness to pay (or continue to pay) a price premium is uncertain;
- willingness and ability of coffee farmers to (continue to) grow "shade" and/or "organic";
- consumer demand for other coffee options - e.g., specialty/gourmet coffees, lower price "premium" blends, etc.; and

(vii) a history of difference, and even antagonism, among some of the players involved in the sustainable labelling and standards development processes.

Section 6: Strategies for Pursuing Mutual Recognition

6.1 Environmental Labelling Options for the Future

A position forwarded in the Consumer's Choice Council (CCC) publication—*Sustainable Coffee at the Crossroads*, and supported by many other industry players and observers, is that environmental labelling of coffee will evolve, resulting in the development of a "common set of standards." This common set of standards, in addressing the interrelated issues corresponding to organic, shade-grown (and fair trade) concepts, will incorporate comprehensive criteria in order to identify coffee that is both ecologically and socially responsible, economically viable, and is itself a marketable product to the industry.[111] Based on stakeholder feedback, the following conclusion is drawn:

> "[T]here appears to be unmet demand in the industry for certified coffees that embody a rich, scientifically rigorous and commercially marketable definition of sustainability. If Eco-OK is the "low-bar" seal for sustainable coffee, the closest approximation to a "high-bar" alternative at the present would be the combination of organic, shade and Fair Trade certification—"triple-labelling"—on the same package or bin of coffee. Neither of these two alternatives is ideal, and neither have been on the store shelves long enough to be able to adequately evaluate their performance or predict their future."[112]

The Vice-president of Quality Assurance International (QAI) has provided the following perspective on this evolution to a common set of standards:

> "The idea of new "sustainable" coffee seals …which target producers who farm with managed shade systems...is a fine concept….[T]he strength of the organic movement, however, is that its standards and procedures have been tested over the years and are government regulated, meaning they have been honed and polished to a certain level. Newer seals…will take time to perfect and implement, and even longer to gain the confidence of consumers."[113]

[111] *Sustainable Coffee at the Crossroads*, page 104.
[112] *Sustainable Coffee at the Crossroads*, page 117.
[113] *"Making Sense of Sustainability, Part II"*, in "Fresh Cup Magazine." (reproduced on Internet Web site—http://www.freshcup.com/almanac/sustain2.html)

In *Sustainable Coffee at the Crossroads*, five possible future scenarios for sustainable coffee labelling, which are not necessarily exclusive, are presented[114] below.

1. Current Path of Co-existing (and Competing) Labels Continues

This scenario is identified as a possibility if initiatives to enhance and combine existing labelling schemes are not successful or avoided. However, some industry participants view this scenario, especially in the longer term, as unacceptable. For example, a coffee buyer for Allegro Coffee has the following opinion:

> "I think the worse thing that could happen in terms of the consumer would be to have a coffee package that's littered with five or six different seals."[115]

2. Addition or Expansion of Criteria Within Existing Labelling Initiatives

Under this scenario, a "common set of standards" might be achieved through the expansion or evolution of an existing label initiative to more comprehensively and formally include the multiple factors of sustainability. The continued development of shade criteria by diverse groups is viewed as encouraging, as is the non-explicit inclusion of shade criteria into organic standards. The enhancement of organic certification criteria is most often suggested, given that the organic labels are more established and consistent in the market place.

In support of this option, a representative of an organic coffee roaster has the following opinion:

> "I'd love to see one overall "environmentally responsible" (ER) label and certification process. (It's getting difficult to fit all the labels on the bag!) Let's expand the organic certification process to include a guaranteed "fair-trade" price, and the requirement to protect the natural flora."[116]

A representative of the Smithsonian Migratory Bird Center has the following, similar opinion:

> "Because the infrastructure and markets already exist, I would argue that all efforts should be made to broaden the issues approached in organic certification. When shade management is fully incorporated into organic certification using a graded classification system, then these coffees can be promoted to the larger potential markets concerned with such issues as bird conservation."[117]

It is noteworthy that QAI and SMBC officials have initiated cooperative activities with the purpose of creating an "organic+" label.

As noted previously (Section 2.5.3), there is a risk that ad hoc efforts by individual labels to unilaterally expand their criteria could lead to the marketplace being flooded with a series of ambiguous labelling schemes. This would presumably only serve to increase market confusion, to the detriment of all stakeholders in this debate.

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[114] This section of the paper just highlights several aspects of each proposed scenario. The CCC report provides a much more thorough and comprehensive discussion of these future options.

[115] *"Making Sense of Sustainability, Part II"*, in "Fresh Cup Magazine." (reproduced on Internet Web site—http://www.freshcup.com/almanac/sustain2.html)

[116] This was a quote contained in an email message to the authors of this paper.

[117] *"Making Sense of Sustainability, Part II,"* in "Fresh Cup Magazine." (reproduced on Internet Web site—http://www.freshcup.com/almanac/sustain2.html)

3. New Super-seal for Sustainable Coffee is Developed

A new "super" label, which would address shade and organic (as well as fair trade) factors, could produce economies of scale for inspections and administration, compared with two or three separate labels. Such a new, more comprehensive sustainability label could also present a more attractive funding target for foundations and development agencies. The new seal could also be designed specifically for coffee in order to avoid perceived problems faced by organic certifiers of multiple products.

In support of this option, a view offered by one retailer is:

> "…an overall logo with promotion of what exactly it stands for, promoted in the mainstream of consumers, would greatly increase the value of environmentally/socially responsible coffee."[118]

To strengthen buy-in of a broader group of stakeholders, development of the new program could involve as broad and comprehensive a group of stakeholders as possible, and incorporate greater producer participation in the standards development. Sets of standards from other programs could be adopted in large blocks. Nevertheless, any new seal would likely have to compete with the existing labels and/or the organic certifiers.

Obstacles have also been suggested, including: the history of disunity between labellers; a sense that most labellers are too invested in their own ventures and would prefer to compete; major funding would likely be required for this undertaking; and a single new labelling regime might include too many producers.[119] There is also the possibility that introducing such an alternative could actually *increase* "label-fatigue," that it would be presenting yet another logo that consumers would have to learn about. One Fair Trade proponent noted that they would "be loath to abandon that and start over and try to educate consumers to look for something new when they were just getting the heads around Fair Trade."[120]
Nevertheless, an existing model for the nature and extent of criteria that could be adopted is the Rainforest Alliance's Eco-OK label requirements.

Another possible model could be the recently prepared Canadian Environmental Choice Program (eco-labelling) certification criteria for coffee. In response to a request by a Canadian coffee importer/distributor, ECP officials have formulated a set of certification criteria, and verified compliance through an audit of the production site in Costa Rica.

4. Umbrella Structure Developed to Embrace Existing Initiatives

Under this scenario, existing programs would retain their identities, but join a formal association that would dictate and oversee the combination of seals displayed on pertinent coffee packaging. Some argue that it could be a way to publicly recognize shade as an additional feature of the basic organic certification. This structure could also have broader impact and be more inclusive than other options that incorporate "all-or-nothing" criteria.

Existing seals would probably still appear on a coffee package along with the umbrella seal. The umbrella seal would have its own series of requirements that could include the requirement to satisfy labelling requirements of various existing seals. Suggested graphic presentations for such an umbrella seal include: a pie chart, a star system (perhaps with one star for each of the concepts of shade, organic and Fair Trade), a table or report card, joint accreditation logos of relevant bodies (such as IFOAM, FLO, etc.), and others.

Supporters of this option point out that it would not require competition with the existing labels, or even require dramatic changes to these labels. Others suggest that this umbrella structure, because it would probably involve selection of already accredited labels for inclusion in the scheme, would simply be a double accreditation of seals already accredited by an existing system. The Thanksgiving Coffee Company's "Just

[118] This was a quote contained in an e-mail message to the authors of this paper.
[119] *Sustainable Coffee at the Crossroads*, page 7.
[120] North, Rodney, personal communication with Equal Exchange, December 2003.

Cup" points system, while developed to address in-house sourcing policies, could serve as a useful model for an industry-wide scheme.

The formation of a new body to oversee this scheme, an Agriculture Stewardship Council whose criteria could be formulated through the cooperation of the existing major accreditation bodies, has also been suggested.

5. Other Alternatives (Label based or Non-label based)
The development and implementation of a voluntary "Code of Conduct" was seen as a possible development in 1999; as of 2003, several such schemes had been implements (e.g., Conservation Principles for Coffee Production, Utz Kapeh code of Conduct). Other initiatives that could occur irrespective of, or in parallel with labelling developments, might involve: community development projects, scientific research and technology projects, importer-grower partnerships, and industry sourcing policies (e.g., the Thanksgiving Coffee's "Just Cup" points system).

This paper is not intended to assess or debate the merits of environmental labelling options for the future, but to provide suggestions for strategies and approaches which incorporate enhanced cooperation and mutual recognition concepts.

6.2 Suggested Areas for Initial Efforts

Based on the current market and industry conditions and dynamics, six initiatives are suggested for consideration and potential implementation.

6.2.1 Suggestion 1: Establishment of a Labellers' Network/Alliance

The staging of the "Experts' Workshop on Mexican Shade-Grown Coffee" provided a good opportunity to begin planning and initiate the formation of a labellers' network/alliance. The Global Ecolabelling Network (GEN), which is described earlier in this report, provides a good model for this network. Such a Network could be useful in terms of:

> "…facilitat[ing] greater coordination and mutual assistance between initiatives around operations, inspections, marketing and fundraising. Greater coordination could help avoid the possibility of consumer confusion from seal proliferation. Joint inspections could create cost efficiencies. Pooled resources in a given geographical campaign, for instance, could lead to a larger impact on consumer awareness. Ultimately, such a network could lay the groundwork for the development of an eventual super-seal or umbrella seal."[121]

The period between 1999 and 2003 saw the emergence of several multi-stakeholder initiatives. Some, like the *Conservation Principles for Coffee Production*, developed by Conservation International, the Consumer's Choice Council, the Rainforest Alliance, the Smithsonian Migratory Bird Centre and the Summit Foundation, are essentially codes of best practices, with some level of built-in (third-party) certification.[122]

An even better example may be provided by ISEAL's "Social Accountability in Sustainable Agriculture" program. SASA is a cooperative effort between four well-respected, but disparate, organizations active in promotion and certification of progressive social and/or environmental practices in the agricultural sector. While being strong proponents of third party verification systems, these organizations are equally concerned about the growing confusion and frustration over the state of food-labelling, confusion that extends through the entire producer-supplier-retailer-consumer network. While still based, more-or-less, on a "code of practice," one of the key goals of this project is to improve the actual *social auditing* process, including such

[121] *Sustainable Coffee at the Crossroads*, pages 133-134.
[122] *Conservation Principles for Coffee Production: Final Version*, Conservation International, et al, April 2001.

issues as adaptability to the farmer/producer's specific situation and inclusion and adaptation of the SASA member's own certification/verification standards.[123]

The organizations participating in SASA include the Fairtrade Labelling Organization International (FLO), Social Accountability International (SAI), the International Federation of Organic Agriculture Movements (IFOAM) and the Sustainable Agriculture Network (SAN). It is noteworthy that the first three are all connected with respected, credible third-party certification programs (or groups thereof). While the latter (SAN) is more aligned to a "codes of practice" approach, at least some of its individual members are active in the certification field (e.g., Brazil's IMAFLORA and Denmark's Nepenthes).[124] This experience and commitment to third-party verification provides both ISEAL and the SASA program with an immediate credibility that may not be shared by some of the other "codes of practice"-type programs (especially those that are seen as corporate-driven).

Key issues for consideration in the formation of an even broader network include:

(i) Should it be a multi-stakeholder network, or should a labellers-only network be initiated at this time?

(ii) How can "Fair Trade" proponents participate in the membership in a meaningful way? or should the focus be on environmental labels only?

(iii) Is there an organization or agency that could and would "broker" such an arrangement?

(iv) If a labellers' network is to be established that will include "organic," "shade," and other types of environmental labels, should it be established as a new and autonomous organization, or would it be appropriate/useful to have it directly affiliated with the SCAA, OCA, and/or some other established association(s)?

(v) Should its scope be North America, "the Americas," or "global"?

(vi) Alternatively, should regional networks be established with a formal coordination system between these regional groups also established?

In considering these issues, it would be useful to assess the levels of interest of different stakeholder groups and individual entities in participating in such a network. For the network to be credible, useful and effective, it will require sufficient membership, and strong commitment and active participation from that membership.

Once established, this network could undertake specific initiatives and activities similar to those that the GEN has undertaken on behalf of its membership. These might include:

(i) collection, compilation and provision of information on the various member programs including their criteria, and relevant reports through a possible library system and/or a home page on the Internet World Wide Web;

(ii) participation in environmental activities of the Free Trade Commission of the NAFTA, World Trade Organization (WTO), the International Organization for Standardization (ISO), the United Nations Environment Program (UNEP), and others;

(iii) development and dissemination of position papers and analyses on such issues as markets for environmentally responsible coffees, etc.;

(iv) provision of technical assistance and advice to programs under development or revision;

(v) information exchange among members with regard to setting criteria, marketing, green procurement, etc.;

[123] *Why this Project?* and other related information on the Social Accountability in Sustainable Agriculture program may be accessed through the SASA section of the ISEAL Web site: www.isealalliance.org/sasa/

[124] *The Sustainable Agriculture Network: Latin American Conservation Groups Raising the Standard for Export Agriculture*, Rainforest Alliance Web site, 2003.

(vi) production and distribution of a newsletter (hard copy and/or electronic) providing pertinent, up-to-date information;

(vi) staging routine meetings of members and invitees;

(vii) conducting workshops on various labelling strategies and issues; and

(viii) preparation, adoption and implementation of a system for potential mutual recognition (see #2).

6.2.2 Suggestion 2: Adoption of the GEN Model for a System to Pursue Mutual Recognition Arrangements

Even if the establishment of a formal network is deemed inappropriate or impractical at this time, concerted efforts should be made to improve communications capabilities and initiatives among labelling programs. Further, the system for pursuing mutual recognition that the GEN has adopted could serve as a useful model for the environmental coffee labelling industry.

6.2.3 Suggestion 3: Establishment and Implementation of a "Code of Conduct"

With the significant variations between the programs with respect to operations and procedures (notably self-verification of claims versus third-party verification versus third-party certification), it would be useful to pursue the creation and adoption of a "code of conduct." As noted above (Sections 6.1 and 6.2.1), several organizations, and groups of organization have already been quite active in this area. Resulting examples include: the *Conservation Principles for Coffee Production,*[125] the Utz Kapeh *Code of Conduct*[126] and the ISEAL *Code of Good Conduct for Setting Social and Environmental Standards.*[127] Such efforts (many of these programs are still in pilot phases) could potentially lay the groundwork for more inclusive efforts to have an industry-wide "code of conduct." That, in turn, could provide the basis for future mutual recognition and/or "superseal" developments.

This "code" could aid in advancing mutual confidence and respect among industry players. As well, industry compliance to the "code" would convey a degree of industry unity and consistency to stakeholders and observers. Such compliance could also be a key condition for membership in the Network proposed in #1 above. Finally, "code compliance" could be used in the market place as a means to distinguish "responsible" programs from less credible or suspicious ones. Note that the CEC could be a "broker" in further efforts on this front.

An issue with such "codes of practice" is the stringency of verification involved, as this relates directly to the program's perceived credibility. Acceptance of any resulting certification label will surely be more likely if application of the code is verified by an acknowledged and credible organization. As noted above (Section 6.2), ISEAL's SASA provides an excellent model for this, seeing as how it is a co-operative effort between well-established certification organizations.

Guidance in the nature and appropriate contents of such a "code" can be obtained through consideration of the following:

(i) *International Standard ISO 14020: Environmental labels and declarations - General Principles*;

(ii) national and regional truth-in-advertising legislation and guidance documentation (e.g., U.S. Federal Trade Commission rules and requirements);

(iii) GEN membership requirements and conditions (available upon request); and

(iv) appropriate consumer advocacy organizations.

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[125] *Conservation Principles for Coffee Production: Final Version*, Conservation International, et al, April 2001.
[126] *Summary of the Utz Kapeh Code of Conduct*, may be obtained via their Web site: www.utzkapeh.org
[127] *P005 ISEAL Code of Good Conduct for Setting Social and Environmental Standards: Public Draft 2—July 2003*, ISEAL Alliance, 2003.

It would be additionally beneficial if the "code" could receive support from the SCAA and other established coffee industry associations in the United States and the other countries in the Americas. Further suggestions in this regard include:

> "During its initial stage, the Code of Conduct would be voluntary and uncertified to hold cost downs and rapidly build broad support. A second stage [c]ould provide for the development of an independent monitoring and certification mechanism giving companies that adhere to the Code greater recognition and credibility…This might possibly involve a new seal of certification, although considerable market research and analysis would be required to establish the demand for and viability of a new seal to represent the Code."[128]

6.2.4 Suggestion 4: Development and Implementation of a Unified Certification/Verification System Relating to Non-organic Criteria

As identified earlier in this paper, compliance to labelling requirements is currently being conducted through three considerably different methods, or a combination of these:

(i) "self-verification" meaning that an individual entity verifies the performance of its own product (e.g., visits by individual retailers to source farms to assess and confirm compliance);

(ii) "third party verification" meaning that an independent agency undertakes a site visit and reports on conditions that comply with specified criteria. Note that this applies mostly in relation to "shade coffee" and other non-organic labelling programs; and

(iii) "certification" meaning that a recognized and accredited certification body has verified the performance of a particular supplier and subsequently awarded permission to use a label. The certification body follows well documented administrative and verification procedures that are universally applicable. Note that this currently applies to organic labels (due to existing organic certification rules and regulations), and sometimes to some non-organic criteria.[129]

Within the industry, there are conflicting views on the merits and appropriateness of the different options. By way of example, conflicting views are identified in the following positions (which happen to focus specifically on "shade coffee" labelling systems):

> "[M]ost shade coffee sales are coming from uncertified shade coffee introduced by roasters moving quickly to capture the market opportunity and promote the shade coffee concept…Many of these roasters claim to have visited the farms themselves and thereby justify "self-certifying" their shade coffees. In some cases, roasters say they moved ahead with uncertified brands out of frustration with the high cost and slow pace of the non-profit agencies that control shade certification. In any event, the rapid proliferation of uncertified shade coffee brands is fuelling concerns across the industry regarding free-riding and even fraud. This has led to greater interest in third party certification by some roasters. …Moreover, several importers and roasters report that they see very limited market potential for non-organic shade coffee, and have therefore decided to offer shade only in conjunction with organic coffees (double certification)."[130]

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[128] *Sustainable Coffee at the Crossroads*, page 133.

[129] As identified in *Sustainable Coffee at the Crossroads [page 51]*, OCIA officials are considering the publishing of shade standards for coffee as additions to their organic standards. OCIA International has invited any member or local chapter to propose specific standards for shade. The Guatemala chapter is working to develop and propose publishable standards for organic, shade coffee. These would include indicators for the degree and type of shade as well as other coffee-specific practices. The Mexican certifier - Certi-Mex - specifies in its organic standards that coffee should be grown under diversified shade.

[130] *Sustainable Coffee at the Crossroads*, pages 68-69.

> "A roaster who has dealt in shade coffee says that the personal stories that importers tell about shade farms are gradually becoming better-documented. Another roaster who has visited many source farms pointed out that shade criteria could potentially be more easily verified than organic; there may be more air-tight credibility in photographs of a shade farm than in an organic inspector's report that the crop is chemical-free (since the inspector would have to work beside the farmer every day to be 100 percentage certain that the farm is organic."[131]

For the sake of industry credibility and advancement, efforts should be undertaken to collectively assess the appropriateness and desirability of the three options with respect to non-organic or "organic+" labels. Factors for consideration should include: trends in consumer awareness, expectations and preferences; willingness and ability of certifying and verifying entities to accommodate procedural modifications and enhancements, etc.

While total harmonization and/or full consensus on a particular method may not be achievable, this is an area where mutual recognition arrangements should be pursued, and could be extremely useful and beneficial.

If a general agreement can be reached that verification procedures are adequate and appropriate in this regard, issues for consideration in moving towards mutual recognition might include:

(i) Based on mutual confidence and respect, could self-verification procedures be collectively formulated and formalized (and possibly even harmonized)?

(ii) What is the possibility of mutually acceptable self-verification procedures being accepted as "equivalent" to third-party verification practises (in terms of thoroughness, due process, regularity, etc.)?

(iii) Should and will certification entities agree to undertake verification (instead of formal certification) work?

(iv) With respect to "organic+" labels, is it acceptable for compliance to some criteria to be certified while other criteria compliance is simply verified?

(v) Can "performance standards/requirements" for verifiers be devised, and mutually accepted by labelling programs, that could be used to establish a shared list of "industry-recognized, acceptable verifiers"?

(vi) In an effort to reduce verification costs and contribute to local community development in producing regions, would it be appropriate and constructive for labellers to promote and support the development of local entities to conduct verification exercises on behalf of various labelling programs (i.e., establish local and independent capabilities in regions where there is significant production of "environmentally responsible" coffees)?

(vii) If item (iv) were to be pursued, would a "coordinating body" need to be established to accredit "local verifiers" (i.e., the Forestry Stewardship Council model)?

If the prevalent view of stakeholders is that certification rather than verification is essential (e.g., "organic+ labels" become more common and shown preference by consumers), then efforts to promote and encourage mutual recognition among organic certification organizations should be pursued (refer to Suggestion #5 below).

6.2.5 Suggestion 5: Promotion of Mutual Recognition among Organic Certifiers

As identified in *Sustainable Coffee at the Crossroads*:

> "Coffee growers, importers, and roasters have all expressed a desire to see mutual recognition among organic (and/or shade) certifiers. This reciprocity among certifiers would

[131] *Sustainable Coffee at the Crossroads*, page 73.

> eliminate the need for double or triple inspections and the attendant costs. These situations arise when growers and roasters wish to sell their coffee to more than one national market. This problem also occurs in the case of importers and roasters when one certifier does not certify coffee from all the origins carried by a given importer or roaster. Not all the same certifiers are active in every part of the world.
> …Mutual recognition, although desired by the coffee growers and the buyers, is not easy to achieve given the fact that these certifiers are competitors for business. For the certifiers to move towards reciprocal recognition would mean a potential loss of business for smaller organizations with less coverage.
>
> …[With respect to American certifiers,] [t]his issue may be resolved by the eventual USDA National Organic Program, which could force U.S. certifiers to recognize each other's certifications,…USDA-NOP will not resolve turf battles between U.S. and European certifiers unless the EU rules are clarified on their own and the USDA-NOP and EU reach an equivalence agreement."[132]

In this regard, labelling programs should collectively and uniformly make representations to certification bodies and national governments, expressing the strong desire to see mutual recognition and equivalency measures implemented. Labelling programs should also recruit other stakeholders in this exercise through stressing the mutual benefits of such measures. In the fullness of time, it is probable that broader bilateral and multilateral reciprocity agreements will be executed among national and /or international regulators and certification bodies; however, attempting to accelerate this process for coffee certification seems sensible and highly desirable.

As an alternative, or additionally, consideration could be given to encouraging and supporting the development of local capabilities and accreditations to enable certification work to be performed locally. This would probably require cooperation from the major international certification organizations, but may be worth pursuing. The development of local capabilities is a concept that should be promoted to national governments and institutional aid agencies that are pursuing community development in coffee producing regions already.

6.2.6 Suggestion 6: Development of "Common Standards"

Reference has also been made in *Sustainable Coffee at the Crossroads* to common standards:

> "Most of the talk about developing a new common set of standards and a super seal comes from the non-profit world. Perhaps the dynamism of business is first required to launch a concept in the market, test its viability, build consumer demand, and create the conditions (and need) for subsequent certification by non-profit certifiers. Many of the business stakeholders …would support this view. But most non-profit stakeholders feel that their own brand of leadership is also needed to inject greater objectivity and legitimacy into the movement. They reject the notion that they should simply stand aside and watch the industry run with these concepts with no independent verification of claims. The lack of resolution of this leadership issue will make broad-based acceptance of a new seal more difficult."[133]

Many steps and considerable negotiations will be required in order to arrive at widely accepted, scientifically sound, and economically viable set of common criteria. To move this exercise along, several initiatives should be pursued at this time, including:

(i) efforts should continue to achieve general agreements on definitions and terminology;

(ii) critical and thorough review of options (e.g., a super-seal, an umbrella label, etc.) should proceed in a collaborative and open manner;

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[132] *Sustainable Coffee at the Crossroads*, pages 62-63.
[133] *Sustainable Coffee at the Crossroads*, page 114-115.

(iii) mutual confidence and respect between existing programs and industry participants should be established as a base from which to proceed with significant changes; and

(iv) multi-stakeholder consultation should be conducted to the greatest extent possible.

6.3 Harmonization Versus Equivalency

Two ways in which stakeholders and certification bodies may approach the issues of shade/sustainability definition and criteria are *harmonization* and *equivalency*. Harmonization requires the adoption of *one* set of criteria that defines sustainable coffee and which provides the basis for its certification. Given the incongruent (and even competing) sets of issues brought to the table by various stakeholders, it will likely be very difficult to agree on any such common standard. In fact, interest in this approach may have actually waned since this paper was originally published in 2000.[134] Nonetheless, providing *consumers* with one, consistent sustainable designation may yet be the only approach that guarantees long-term acceptance and credibility.

Equivalency implies that certifying bodies would continue to use their own criteria, but would respect the common, agreed upon goal (e.g., producing and marketing shade/ sustainable coffee for a reasonable price while maintaining ecological integrity). Efforts would therefore be made to find and respect common ground that does exist between criteria and concerns. Stakeholders would essentially choose to travel by different roads to the same destination. This could allow for variances in farming practices, as long as a general, mutually-respected, effort is being made to produce coffee that addressed environmental and social concerns. This may well be an eventual outcome of ISEAL's SASA program. Subsequently, consumers could be presented with one label representing environmentally (shade, organic) and socially responsible coffee.

6.4 Appealing To Consumers

The ultimate success of environmentally/socially-responsible or shade-grown coffee will depend on consumer acceptance. More market research would be beneficial in determining whether one "super seal" is preferable to a continuation of several (or just three, for organic, bird-friendly and fair-trade). There is also the emergence of the "codes-of-practice" concept to consider—are aware consumers prepared to accept the retailers support and promotion of such codes, or will they continue to demand the stringency of third-party certification? Research is also required to confirm what the consumer would expect, desire and demand from a sustainable coffee label.

The coffee industry might wish to reconsider its entire approach to the marketing of gourmet coffees in general, and organic and shade-grown coffee in particular. Previous research has suggested the advantages of tying sustainable production practices to higher quality/better taste.[135] Perhaps an important lesson could be learned from the wine and beer industries. Coffee, like wine, could be marketed as a "high-end" product; a product that benefits greatly from a careful, nurturing approach to its cultivation and processing. Specific sustainability labels, like "Fair Trade" or "Shade-grown" could come to be synonymous with "vintage" designation for wines (e.g., Canada's VQA labelling system). At least one American coffee retailer has already compared the organic/sustainable coffees they sell to fine wines in promotional efforts.[136]

Another example to consider is the changing North American beer market. Recent years have witnessed the rise of countless "micro-breweries" that market "preservative-free" beers, made with only four basic ingredients (water, barley malt, hops and yeast). Much like organic food, these beers present a healthier product, one that avoids the chemicals used by the large commercial breweries. However, their marketing focuses just as much on quality and taste, and has been very successful; many of those large competitors are now bringing out similar products. The Campaign for Real Ale in Britain is another, largely consumer-driven

[134] This is somewhat subjective conclusion, but does reflect many of the opinions based on surveys conducted for the original and revised versions of this paper (see Annex 2).
[135] *Measuring consumer interest in Mexican Shade-grown coffee*; CEC, 1999
[136] Thanksgiving Coffee Web site, 2000

initiative that has been successful in restoring the traditional brewing methods in that country. This suggests that a similar marketing effort by promoters of shade/organic/sustainable coffees may be feasible.

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