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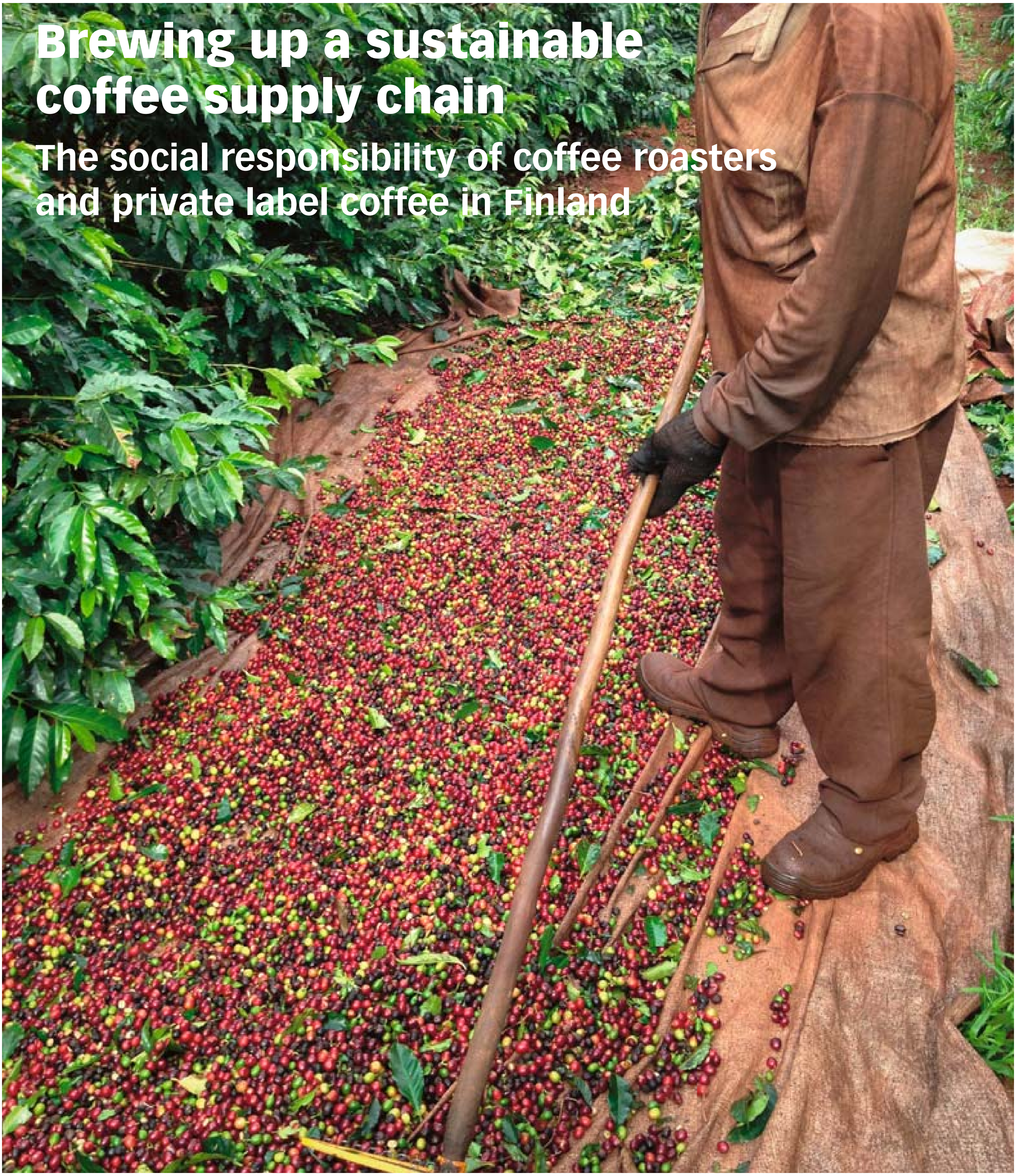
Finnwatch

Brewing up a sustainable coffee supply chain

The social responsibility of coffee roasters and private label coffee in Finland



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Introduction

Year-on-year, Finnish people consume the most coffee per capita in the world. The Finnish coffee market is dominated by the Finnish coffee roaster Oy Gustav Paulig Ab. Other significant players in the market are Meira Oy, owned by the Italian company Massimo Zanetti Beverage Group, and the Swedish coffee roasters Arvid Nordquist HAB and Löfbergs Lila Ab. In addition, small-scale coffee roasters[1], which mostly operate locally or market their products online, have mushroomed in Finland in recent years.

Coffee producing countries, including the world's leading producers Brazil, Colombia and Viet Nam, are often considered risk countries. In other words, they are countries in which there are issues to do with freedom of expression and association, political stability, governance, rule of law, and corruption.[2] In risk countries, human rights protections are also often weak.

Human rights violations such as child labour continue to be directly associated with coffee cultivation. Occupational health and safety issues are also common, especially in connection with the use of pesticides. Poverty-related challenges in smallholder[3] coffee farmers and coffee farmworkers' food security need attention. Farmworkers are paid a low salary which is often insufficient to afford even a basic but decent standard of living, or to ease their way out of the poverty trap.

Coffee is a pioneering crop for voluntary sustainability standards, several of which aim to improve the livelihood of smallholder farmers who have traditionally been seen as the most vulnerable actors in the coffee supply chain. As such, the overwhelming attention of various sustainability schemes in the coffee sector, including both certification schemes and industry initiatives, has been on the producer. The reduction of the cost of production and increase in yield, and the situation of hired farm labour has received much less attention despite their significance and large numbers.

This report explores the terms of employment and working conditions in the supply chains of coffee sold and marketed in Finland.

The first four chapters of this report provide an overview of the global coffee industry and the coffee market in Finland, including the largest coffee roasters active in the Finnish market and their approach to social responsibility in their coffee supply chain. Social responsibility of grocery traders' private label coffee is also discussed. The following three chapters provide case studies from Brazil, Honduras and India. Field research for the case studies was conducted between July 2015 and January 2016. The last chapter is dedicated to conclusions and recommendations to coffee producers, roasters, the grocery trade, voluntary sustainability standards, and political decision makers in Finland.

This report has been produced as part of Finnwatch's Decent work research programme. The programme is funded by Trade Union Pro, Tehy – The Union of Health and Social Care Professionals in Finland, International Solidarity Foundation, Industrial Union TEAM, Trade Union for the Public and Welfare Sectors JHL, Finnish Food Workers' Union SEL and Service Union United PAM. The making of this report has also been supported by the European Union funded SUPPLY CHA!NGE – Make Supermarkets Fair project.

1 The term 'small-scale roaster' or 'small roaster' is not strictly defined. A coffee roaster can be considered small if it uses a roaster of one to 30 kg in capacity, the process of roasting takes longer than in larger, industrial roasteries, and it roasts between five to 150 000 kg per year. Mid-size roasters roast between 100 000 to 300 000 kg per year. For more information see Huhtonen, Hanna-Maria, 2015, Suomalaiset pienpaahtimot – laatua ja paikallisuutta (in Finnish), Kirjakaari

2 See for example Business Social Compliance Initiative (BSCI), List of risk countries, available at http://www.bsci-intl.org/resource/countries-risk-classification (accessed on 29 July 2016)

3 Definition of 'smallholder' vary according to crop and the social, cultural, economic and political context. Typically smallholders produce relative small volumes on relatively small plots of land and have less resources than commercial-scale farmers. They may produce an export commodity such as coffee as part of a portfolio of livelihood activities, and they may either depend on family labour or hired labour or a combination of both. For more information see for example Ethical Trading Initiative, 2009, Smallholder guidelines, available at http://www.ethicaltrade.org/resources/eti-smallholder-guidelines (accessed on 21 September 2016)

1 Global coffee market

The International Coffee Organization (ICO) is an intergovernmental cooperation organisation for coffee exporting and importing countries. As of June 2016, it had 42 exporting members in South and Central America, East Africa and South and Southeast Asia. Together these countries represented 98 per cent of the world coffee production.[4]

Brazil has dominated world coffee production since the mid 19th Century. It is the world's largest producer of *arabica coffee.* Viet Nam, the second largest coffee producing country in the world, is the world's largest producer of *robusta (canephora)*.[5] *Robusta* is cheaper to produce and higher yielding than *arabica*.[6] It is well suited to make instant coffees but also blended with *arabica* to make espresso and other ground coffees.[7]

The world coffee production reached the highest recorded level in the crop year 2012/13. Since then, the level of production has been in the decline. In the crop year 2014/15, the world coffee production was around 140 million bags.[8] One contributing factor to the falling coffee output has been the 2014 drought in Brazil. However, producing countries accumulate stock which is used as a buffer towards supply threats.[9] The vast majority of world coffee production – approximately 80 per cent – is exported.[10] Several of the producing countries get as much as a half of their total export earnings from coffee.[11]

In the calendar year 2014, the global consumption of coffee was around 150 million bags.[12] The eight[13] ICO importing members represent approximately 83 per cent of world consumption of coffee. In recent years, the demand for coffee has increased at about the rate of two per cent per year. This is mostly due to increased consumption in the producing countries and in emerging markets such as East Asia and Russia. In traditional coffee consuming countries in Europe, North America and Japan the growth in coffee consumption has been modest although they still account for over half of the total world demand.[14]

Three-quarters of coffee drunk in the traditional consuming countries is roasted ground coffee of which 90 per cent has been roasted in the country of consumption.[15] The vast majority of roasted ground coffees are blends made from coffee from different origins. This decreases the coffee roasters' dependence on the producers and makes it easier to maintain the quality of the final product despite the variation in bean quality and supply between harvest seasons.

According to the International Trade Centre (ITC) as of 2012, the exports of roasted coffee had never exceeded 0.3 per cent of total coffee exports from producing countries. This means that the producing countries do not benefit from the added value gained through roasting. There are several barriers that limit the growth of importation of roasted coffee from the producing countries. Maybe the most significant of these are the various tariffs imposed on imported, processed coffee in the countries of consumption.[16]

4 International Coffee Organization (ICO), Members of the International Coffee Organization, available at http://www.ico.org/members_e.asp (accessed on 27 July 2016)
5 International Trade Centre (ITC), 2012, The Coffee Exporter's Guide, available at http://www.intracen.org/The-Coffee-Exporters-Guide---Third-Edition/ (accessed on 21 July 2015)
6 Davidron B. & Ponte S., 2005, The Coffee Paradox: Global Markets, Commodity Trade and the Elusive Promise of Development, Zed Books
7 ITC, 2012, The Coffee Exporter's Guide
8 ICO, 2016, Annual Review 2014–2015, available at http://www.ico.org/documents/cy2015–16/annual-review-2014-15-e.pdf. In statistics on production and trade of coffee a coffee year instead of a calendar year is typically used. The coffee year runs for 12 months from 1 October to 30 September, reflecting the global harvest season. A bag means 60 kg (or approximately 132 pounds) of coffee. See ICO, Glossary of terms used, available at http://www.ico.org/glossary.asp#sthash.rXkIsUPU.dpuf
9 ICO, 2015, Annual Review 2013–14, available at http://www.ico.org/documents/cy2014-15/annual-review-2013-14-electronic-e.pdf
10 Faber, Yvette, 2014, Coffee market. In International Institute for Sustainable Development and the International Institute for Environment and Development, 2014, The State of sustainability standards review 2014, available at https://www.iisd.org/pdf/2014/ssi_2014.pdf
11 ICO, Frequently asked questions: Why do we need an international organization to look after coffee?, available at http://www.ico.org/show_faq.aspshow=1#sthash.z5GGF2Uc.2Q5e7e6M.dpuf (accessed on 21 July 2015)
12 ICO, 2016, Annual Review 2014–2015
13 Finland and other EU member countries are represented in the ICO through the EU.
14 ICO, 2016, Annual Review 2014–2015
15 ITC, 2012, The Coffee Exporter's Guide
16 Ibid.

2 Coffee supply and production chains

Conventional coffee supply chains are complex. The supply chain structure and subsequently traceability vary between producing countries.

According to the ICO, the coffee value chains provide employment to an estimated 26 million people in producing countries.[17] Coffee cherries are still typically harvested manually, and harvest remains the most labour intensive stage of coffee production.[18] Although mechanical harvest is becoming more and more common, it is only possible at lower growing regions where the ground is flat and results in harvesting of cherries at various levels of maturation which reduces the quality and sale value of the final product.

The sheer size of the conventional coffee supply chain poses particular challenges for the coffee roasters to monitor the human rights impacts of their business operations. The majority (around 70 per cent) of the world's coffee is grown by smallholder farmers.[19] Mainstream coffee roasters source their coffee from tens of thousands of farms, and the largest international coffee houses from hundreds of thousands of farms. Coffee grown at different farms often gets mixed in processing mills or when it is being traded between cooperatives or other middlemen (of which there can be multiple layers) and mills or exporters.

Corporate responsibility to respect human rights requires all companies – independent of their size or position in the supply chain – to have in place human rights due diligence processes appropriate for their size and circumstances to identify, prevent, mitigate and account for how they address their impacts on human rights. This responsibility extends across the company's entire value chain. The most salient human rights for a company are those that stand out as being most at risk.[20]

For coffee roasters, involvement in labour rights violations through their supply chain is the most typical human rights risk, especially at the level of primary production of raw material. This means that in order to be able to identify, prevent and mitigate their most salient human rights impact – and where necessary, to remedy the victims – coffee roasters must know beforehand which farms and plantations are among the producers of their raw material. Without this knowledge, coffee roasters cannot adequately assess their human rights impact and include the producers of their raw material within the scope of their human rights due diligence processes. Due to typical, conventional coffee supply chain structure, this is often still a challenge.

For voluntary social sustainability standard-compliant supply chains, traceability has always been of particular importance because only traceability enables credible sustainability claims regarding the final product to be made. For these supply chains, various kinds of chain of custody certification models have been developed to prevent or regulate mixing of certified and non-certified produce or products at every single step of the chain.[21] However, without credible monitoring at source, traceability to the primary producer level on its own does little to ensure socially responsible practices or decent working conditions.

17 ICO, 2010, Employment generated by the coffee sector, available at http://www.ico.org/documents/icc-105-5e-employment.pdf

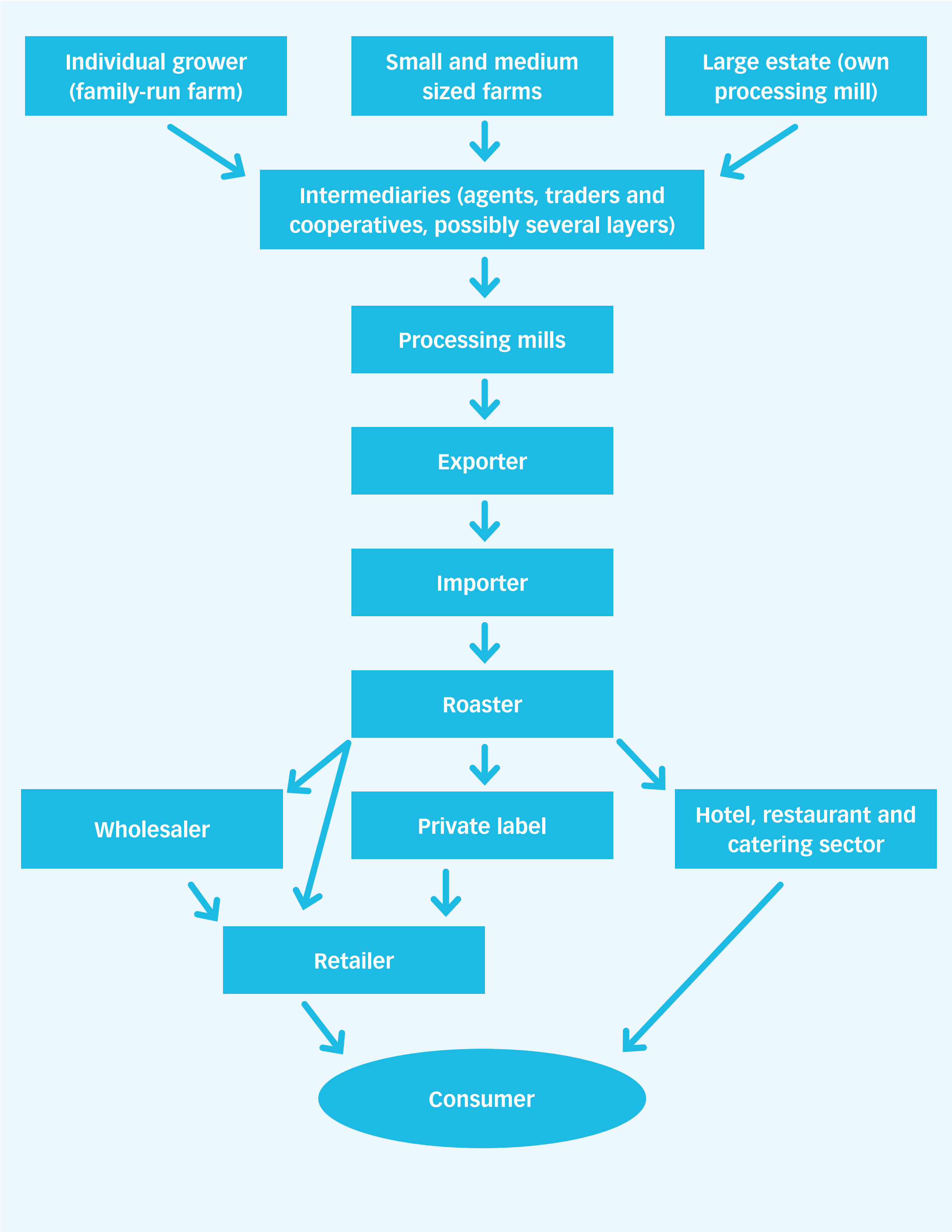
18 Other particularly labour intensive stages include pruning and weeding.

19 See for example Panhuysen, S. & Pierrot, J., 2014, Coffee Barometer, available at https://hivos.org/sites/default/files/coffee_barometer_2014_report_1.pdf

20 For more information see UN, The corporate responsibility to respect human rights – An interpretive guide, available at http://www.ohchr.org/Documents/Publications/HR.PUB.12.2_En.pdf

21 See for example Finnwatch, 2016, Perspectives on the quality of social responsibility monitoring schemes, available at http://www.Finnwatch.org/images/pdf/PerspectivesOnVSS_forweb.pdf. Examples of chain of custody models include segregation and mass balance.

Picture 1 – Typical coffee supply chain.



Coffee and climate change

ICO has estimated that climate change is one of the most important factors affecting future coffee production. Coffee is a sensitive crop and climatic conditions have a significant impact on coffee yields. In addition, temperature and rainfall have an impact on the quality of coffee cherries and the spread of plant diseases and pests. Heavy rainfall and strong winds also further increase the soil erosion of the often already impoverished coffee lands. According to recent predictions, the area suitable for coffee production may be halved in the future.[22] This will lead to greater concentration of production areas, which will in turn increase the fluctuations in coffee supply. At the same time, the cost of production will increase as will the competition between coffee and other crops for arable land.[23]

Coffee cultivation, processing, shipping, roasting, packaging, distribution and consumption also have significant environmental impacts. Studies have shown that of these, the cultivation and consumption stages are likely to be the "hot spots" for environmental impacts and greenhouse gas emissions within the life cycle of a typical coffee cup.[24] Examples of environmental issues at producer level include the use of agrochemicals such as fertilizers and pesticides and at times limited waste water management systems. In Viet Nam and Indonesia, and in new production areas such as in Yunnan Province in China, coffee cultivation has been expanding rapidly leading to deforestation, loss of biodiversity and erosion.[25]

At the consumer level, consumer preferences play a significant role in determining the product carbon footprint of coffee. For example, the estimates for a product carbon footprint of exceedingly popular coffee capsules are significantly higher compared with other forms of packaging due to the emissions involved in the production of metal capsules. The type and efficiency of the coffee brewing machine as well as adding a dash of milk or serving the coffee from a paper cup also have a significant impact on the product carbon footprint.[26]

In particular the smallholder coffee producers' ability to respond to the challenges brought by climate change is limited. Many of the suggested solutions and strategies to cope with the impacts of the changing climatic conditions are structural or technical or require diversification of production for which many of the smallholders have neither the resources and possibilities to make the necessary investments, or the practical know-how.[27]

Voluntary social sustainability standards such as Global Coffee Platform[28], Fairtrade[29], Sustainable Agriculture Network/Rainforest Alliance (SAN/RA)[30] and UTZ[31] for example promote better farming practices and more efficient on-farm processing which help producers to combat the impacts of climate change. In addition, coffee industry actors are running the Coffee & Climate initiative which aims to enable coffee farmers to effectively respond to climate change by offering hands-on tools to farmers and sharing information on good farming practices.[32] Gustav Paulig (see page 12) and Löfbergs Lila (see page 14) are founding members of the Coffee & Climate initiative.

22 Climate Institute, 2016, A Brewing Storm – The climate change risks to coffee, available at http://www.climateinstitute.org.au/coffee.html (accessed on 31 August 2016)
23 ITC, 2012, Climate Change and the Coffee Industry (revised edition)
24 Ibid.
25 Panhuysen, S. & Pierrot, J., 2014, Coffee Barometer
26 ITC, 2012, Climate Change and the Coffee Industry (revised edition)
27 Ibid.
28 In 2016, 4C Association for a Better Coffee World and the Sustainable Coffee Program joined forces to create the Global Coffee Platform. At the same time, the verification operations of the 4C Entry Level Standard, renamed as Baseline Common Code, were spun off into a separate independent company, Coffee Assurance Services. For more information, see Global Coffee Platform, History, available at http://www.globalcoffeeplatform.org/about/our-history (accessed on 31 August 2016). See also text box on *Voluntary sustainability standards in the coffee sector* (page 17).
29 For more information see Fairtrade, available at http://www.fairtrade.net/
30 For more information see Rainforest Alliance, available at http://www.rainforest-alliance.org/
31 For more information see UTZ, available at https://www.utz.org/
32 For more information see Coffee & Climate, available at http://www.coffeeandclimate.org/

3 The price of coffee is determined in stock exchanges

The market price of green coffee is determined at the futures markets in New York (*arabica*) and London (*robusta*) stock exchanges. Between July 2015 and June 2016 coffee composite indicator price[33] reported by the ICO ranged from 1.19 US dollars to a 14-month high of 1.27 US dollars per pound (approximately 450g).[34] This represents approximately a seven per cent increase. Such fluctuation in price can have significant impact on the livelihood of primary producers. A previous World Bank and Economic Policy Research Council study that investigated the impact of coffee price changes on per capita incomes and poverty in Uganda found that a simulated 10 per cent increase in coffee prices resulted in a six per cent poverty headcount reduction. A simulated 10 per cent decrease resulted in a slightly higher increase in poverty.[35] The current increase in the ICO composite indicator price is largely due to the strengthening of the Brazilian real against the US dollar.[36]

Sudden and at times turbulent changes in the price of green coffee are typical in the world coffee market. From 1930 to 1960, the price, demand and supply of coffee fluctuated greatly due to economic depression, the Second World War and other world events. During this time, unprecedented rises in coffee prices were followed by drastic drops which had serious political and economic consequences for a large number of coffee producing countries. In order to stabilise the market and halt the fall of the prices, negotiations were held that led to the signing of the International Coffee Agreement in 1962. The agreement established a quota for the producing countries and a minimum price for green coffee. Since then, the International Coffee Agreement has been renewed between the ICO member countries in 1968, 1976, 1983, 1994, 2001 and 2007.[37]

In 1989 the ICO members, largely due to geopolitical goals of the US government,[38] could no longer come to an agreement over the export quotas which led to their indefinite suspension in the Agreement. When the quotas were suspended, the production of coffee increased rapidly. The biggest surge in supply came from Viet Nam, a country that until then had been a minor producer of coffee but which now, with the encouragement and financial support from the World Bank, increased its coffee production by 1,130 per cent.[39] Subsequent oversupply meant that the market price of green coffee crashed to an all time low at the turn of the century. This had manifold consequences in all producing countries. For example in Nicaragua, many lost their jobs and farms which led to homelessness and mass migration to cities. Farmer families went hungry and parents could no longer afford to put their children in school. The level of investment

33 The 'composite indicator price' means the weighted average of daily prices for selected *arabica* and *robusta* groups, calculated in accordance with procedures established under the International Coffee Agreement. See ICO, Glossary of terms used

34 ICO, 12 July 2016, Coffee consumption increases as market hits 14-month high, available at http://icocoffeeorg.tumblr.com/post/147286923545/coffee-consumption-increases-as-market-hits (accessed on 27 July 2016)

35 Deininger, K. & Okidi, J.A. , 2003, Growth and poverty reduction in Uganda, 1992–2000: Panel data evidence. Development Policy Review 21(3): 481–509

36 ICO,12 July 2016, Coffee consumption increases as market hits 14-month high

37 ICO, Frequently asked questions, available at http://www.ico.org/show_faq.asp?show=5 (accessed on 27 July 2016). The International Coffee Agreement 2007 entered into force in 2011 and will last for ten years, with the possibility for extension. The objective of the 2007 Agreement is to strengthen and promote sustainable expansion of the global coffee sector.

38 The US in the 1980s shifted its focus in Latin America away from South America towards Mexico and Central America. This was apparent in the International Coffee Agreement negotiations where the US backed Central American states and Mexico's demands for a much bigger quota at the expense of Brazil and African producer countries. For more information, see for example ITC, 2012, The Coffee Exporter's Guide, and; Jaffee D., 2007, Brewing justice: Fair trade coffee, sustainability, and survival, University of California Press

39 Jaffee D., 2007, Brewing justice

in coffee farms as well as their up-keep dropped significantly. Recovery took years.[40]

Since the collapse of the quotas in the International Coffee Agreement, the coffee market has increasingly become a buyer's market.[41] Between 1989–1990 the producers share of the retail price of coffee was approximately 20 per cent in the conventional coffee market; five years later it was only about 13 per cent.[42] In 2012, the producers share of the retail price of roasted ground coffee had fallen to an estimated 7.2 per cent.[43]

Green coffee price fluctuation, and the subsequent uncertainty and unpredictability, continues to be a serious risk factor for the coffee farmers. Combined with the low price paid to the producers for their produce it is also one of the key contributing factors in the exploitation of hired labour at coffee farms.[44]

40 See for example Jaffee D., 2007, Brewing justice; ICO, 2004, Lessons from the world coffee crisis: A serious problem for sustainable development, available at http://www.ico.org/documents/ed1922e.pdf; Bacon C., 2005, Confronting the coffee crisis: Can fair trade, organic and specialty coffees reduce small-scale farmer vulnerability in Northern Nicaragua?, World Development 33(3/2005):497–511

41 Ponte S. & Gibbon P., 2005, Quality standards, conventions, and the governance of global value chains, Economy and Society, 34:1–31

42 See for example Talbot J.M., 1997, Where does your coffee dollar go?: The division of income and surplus along the coffee commodity chain, Studies in Comparative International Development, 32(1):56–91

43 ITC, 2012, The Coffee Exporter's Guide

44 See for example Verite, 2012, Research on indicators of forced labor in the supply chain of coffee in Guatemala, available at http://www.verite.org/sites/default/files/images/Research%20on%20Indicators%20of%20Forced%20Labor%20in%20the%20Guatemala%20Coffee%20Sector__9.16.pdf

4 Social responsibility of coffee roasters and sellers in Finland

In 2015, altogether more than 75 million kg of coffee were imported to Finland. The vast majority of coffee imports to Finland originated in Brazil, Colombia and Honduras, followed by Kenya and Tanzania. In addition roasted coffee, in particular from the Netherlands, Sweden, Germany and Italy, was imported to Finland.

Table 1 – Import of green and roasted coffee (by tonne) to Finland in 2015[45]

Coffee, not roasted, not decaffeinated		Coffee, roasted, not decaffeinated	
Exporter	Imported quantity	Exporter	Imported quantity
Brazil	33,512	Netherlands	3,561
Colombia	17,540	Sweden	1,872
Honduras	4,157	Germany	990
Kenya	2,789	Italy	395

The most sold coffee brands in Finland are Gustav Paulig's Juhla Mokka and Meira's Kulta Katriina. Grocery retailers' private label coffees are also popular. For example Pirkka Costa Rica is the second most sold coffee in Kesko stores after Juhla Mokka.[46] The popularity of dark roasts, instant coffees and capsule coffees has increased significantly in Finland in recent years.[47]

The following chapters introduce the social responsibility policies and practices of the major coffee roasters present in the Finnish coffee market and those of the growing number of small-scale roasters and of grocery retailers in regard to their private label coffees.

4.1 ARVID NORDQUIST HAB

Swedish food and beverages company Arvid Nordquist HAB produces its branded coffees and imports groceries and other beverages to Nordic countries. Examples of brands it represents and markets in the Nordic countries include such house-hold names as Del Monte, McVitie's and Tabasco.[48]

Arvid Nordquist's net turnover in 2015 was 1.7 billion Swedish krona (approximately 177 million euros) of which the share of the coffee division was about 40 per cent.[49]

Arvid Nordquist's share of coffee retail sales in Finland is an estimated two per cent. Its most popular coffee products in Finland are organic and Fairtrade certified Reko, and UTZ certified Franskrost and Festivita.[50]

Arvid Nordquist's Operations Policy is based on the Universal Declaration of Human Rights (UDHR) and International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, and the company requires its suppliers to comply with these principles also. The policy specifically bans child and forced labour and discrimination, and includes provisions on the use of safety equipment, continuous improvement in the working environment as well as the rights to freedom of association and collective bargaining. However, it is also Arvid Nordquist's position that no coffee company can guarantee that the coffee farms they source from meet the above mentioned social responsibility criteria unless purchases are made from third-party certified and audited farms.[51]

45 *ITC, Trade map, available at http://www.trademap.org/*
46 Kesko, Matti Kalervo, email 2 July 2015 and SOK, Sari Ristaniemi, email 21 August 2015
47 Paahtimoyhdistys, 2014, Suomalaiset juovat kahvia edelleen ennätystahtiin, available at http://www.kahvi.net/tiedotteet/tiedotteet-2014.html (in Finnish, accessed on 9 July 2015); 2012, Kahvi maistuu suomalaisille entiseen tapaan, available at http://www.kahvi.net/tiedotteet/tiedotteet-2012.html (in Finnish, accessed on 9 July 2015)
48 Arvid Nordquist HAB, Mitä teemme, available at http://www.arvidnordquist.fi/arvid-nordquist-hab/mita-teemme/ledande-leverantor/ (in Finnish: accessed 8 June 2015); Tuotemerkit, available at http://www.arvidnordquist.fi/arvid-nordquist-hab/tuotemerkit/ (in Finnish, accessed 9 July 15)
49 Arvid Nordquist HAB, Peter Dannqvist, email 27 June 2016
50 Ibid.
51 Arvid Nordquist HAB, Operations Policy 2015

Arvid Nordquist buys approximately 13 million kg of green coffee each year from thousands of farms. It makes its purchases through approximately 30 different agents, brokers, and exporting and sourcing companies. Contrary to other industrial coffee roasters covered in this report, 100 per cent of Arvid Nordquist's green coffee purchases have originated from certified farms already since June 2014. Since then, about 84 per cent of the green coffee it has purchased has been UTZ certified and about 16 per cent Fairtrade certified. In addition, a very small proportion, approximately 0.1 per cent, has been Rainforest Alliance certified.[52] The majority of Arvid Nordquist's UTZ certified green coffee comes from Brazil, Colombia and Kenya. Its Fairtrade certified green coffee, which is used to produce Reko for example, comes from Honduras, Peru, Ethiopia, Indonesia and Laos.[53] Going forward, Arvid Nordquist intends to increase the proportion of organic and Fairtrade certified coffee in its purchases.[54] For the purposes of this report, Finnwatch received information from Arvid Nordquist about the farms and cooperatives from where its green coffee originates.

In addition to sustainability certifications, Arvid Nordquist uses Ethos International's *Ethos Supplier Assessment* Tool (ESAT) to assess the risks in its supply chains by comparing suppliers' self-assessments.[55]

4.2 OY GUSTAV PAULIG AB

Oy Gustav Paulig Ab, which is part of the Paulig Group, is Finland's largest coffee roasting company and with its roughly 60 per cent share of the coffee retail sales, clearly the market leader.[56] Paulig's Juhla Mokka is the most sold coffee brand in Finland.[57]

Paulig Group's other main divisions are 'World Foods & Flavouring', 'Snack Food' and 'Naturally Healthy Food'.[58] It has business operations in 13 countries. The Group's turnover in 2015 was 905 million euros of which the coffee division's share was about 346 million euros (38 per cent).[59]

In 2014, Paulig bought the smaller roasting company Robert Paulig which has continued to operate as an independent subsidiary under the Group as Oy Robert Paulig Roastery Ab (see below).[60]

Paulig purchases over 50 million kg of green coffee each year. It makes its purchases through approximately 30 traders and exporting companies. Paulig's 10 biggest trading partners represent over 90 per cent of its purchasing volume.[61] Paulig has estimated that their purchases correspond with the annual production of 15–20,000 medium sized coffee farms.[62]

Paulig requires its suppliers to commit to its Code of Conduct for Suppliers and cascade the principles in the Code to their suppliers. Paulig Group's Suppliers' Code of Conduct is based on the UDHR, ILO Core Conventions, the ten principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises. The Suppliers' Code of Conduct includes a ban on child and forced labour and discrimination, and provisions on the rights to freedom of association and collective bargaining. National legislation must be followed concerning terms of pay and working hours. In addition, the Code of Conduct for Suppliers

52 Arvid Nordquist HAB, Peter Dannqvist, email 27 June 2016
53 Arvid Nordquist HAB, Peter Dannqvist, email 1 April and 10 August 2015
54 Arvid Nordquist HAB, Peter Dannqvist, email 10 July 2015
55 Arvid Nordquist HAB, Peter Dannqvist, email 26 April 2015. For more information about Ethos International's eSAT tool see http://www.ethosinternational.se/files/files/eSAT%20produktblad.pdf
56 Paulig Group, Seija Säynevirta, email 10 April 2015
57 Paulig Group, Juhla Mokka – Kahvin tarina, available at http://www.paulig.fi/tuotteet/juhla-mokka/kahvin-tarina (in Finnish, accessed 13 July 2015)
58 Finnwatch has previously investigated Paulig's purchases of palm oil, see Finnwatch, 2014, The Law of the Jungle, available at http://www.Finnwatch.org/images/palmoil.pdf
59 Paulig Group, Yleistä, available at http://www.pauliggroup.com/fi/index.php/about-us/ (in Finnish, accessed on 8 June 2015)
60 Robert's Coffee chain of coffee shops was not part of the deal.
61 Paulig Group, Seija Säynevirta, email 28 July 2016
62 Paulig Group, Seija Säynevirta, email 10 September 2015

includes requirements on availability of potable water, adequate lighting, temperature and air conditioning and personal protective equipment. Suppliers are also expected to take into account the rights of indigenous peoples in their operations.[63]

In 2015, Paulig Group classified the first-tier suppliers in its supply chains on the basis of country risks and supplier companies' own social responsibility policies and practices. The country risk analysis used by Paulig is based on Business Social Compliance Initiative (BSCI) list of risk countries and further supplemented with information obtained from other sources such as the US Department of State's human rights reports and country profiles. Supplier companies' social responsibility practices were mapped on the basis of their self-assessments. According to Paulig, the suppliers' risk categorisation will be used to prioritise follow-up activities, such as audits.[64] These audits against Paulig's Suppliers' Code of Conduct began in 2016 and are conducted by Paulig in-house and in some cases, also by external service providers.[65]

The vast majority, about 70–90 per cent each year, of Paulig's green coffee comes from Brazil and Colombia. In addition, Paulig sources green coffee from Central American and East African countries, and small amounts from other countries such as India.[66] In 2014 and 2015, 89 per cent of Paulig's conventional (i.e. not certified or verified) green coffee purchases could be traced to processing mills or cooperatives. Whereas a cooperative has a defined supply base (i.e. its members), processing mills do not necessarily have a known supply base as an unknown, varying range of producers can sell their coffee to a processing mill. This means that traceability to a farm or plantation from a cooperative on the one hand and a processing mill on the other, is different.[67]

During the same period, about 40 per cent of Paulig's conventional green coffee purchases could be traced to individual farm or plantation. This figure is a global estimate that has been extrapolated from a sample. In reality, traceability varies between countries.[68] On the basis of further sample analysis Paulig has for example estimated that in Brazil, 95 per cent of its green coffee purchases can be traced to cooperatives and 55 per cent to farms and plantations.[69] For the purposes of this report, Gustav Paulig shared with Finnwatch a selection of traceability reports, including exporter, trader, cooperative and producer names.

Paulig's coffee selection includes both Fairtrade and UTZ certified coffees. In 2013, Paulig made a commitment to increase the amount of certified green coffee in its purchases so that by the end of 2018, 100 per cent of its green coffee purchases will be either third-party certified or compliant with the Global Coffee Platform's Baseline Common Code (i.e. verified). In 2014, six per cent of Paulig's green coffee purchases were third-party certified or verified. In 2015, the share of certified or verified coffee in its buying volume rose to 20 per cent, and Paulig's goal for 2016 is to bring it to 40 per cent. This covers also Paulig's sourcing for the private label coffees it produces for other companies.[70]

Paulig is a member of the Global Coffee Platform (see text box on *Voluntary sustainability standards in the coffee sector*, page 17). In addition, it is a founding member of Coffee

63 Paulig Group, The Paulig Group Code of Conduct for Suppliers, 2014, http://www.pauliggroup.com/fi/files/Paulig-Group-Code-of-Conduct-for-Suppliers.pdf

64 Paulig Group, Seija Säynevirta, email 4 and 22 May 2015

65 Paulig Group, Seija Säynevirta, email 28 July 2016. The risk classification of suppliers does not only apply to Paulig's coffee supply chains but covers other raw materials and products in its product range as well.

66 Paulig Group, Seija Säynevirta, email 10 April 2015

67 Paulig Group, Seija Säynevirta, email 2 September 2016. It should be noted that sometimes cooperatives also buy from non-members or trade with other intermediaries.

68 Paulig Group, Vastuu hankintaketjussa ulottuu kauas ja lähelle, available at http://www.paulig.fi/yhteiskuntavastuu/hankinta (in Finnish, accessed 8 June 2015); Paulig Group 2016, Pavusta kuppiin – Yritysvastuuraportti 2015, available at http://www.paulig.fi/vastuullisuus/raportointi (in Finnish)

69 Paulig Group, Seija Säynevirta, email 22 May 2015; see also Paulig Group, 2016, Pavusta kuppiin – Yritysvastuuraportti 2015. It should be noted that largest cooperatives in Brazil have thousands of members.

70 Paulig Group, Seija Säynevirta, email 17 October 2016

& Climate initiative (see text box of *Coffee and climate change*, page 8) and International Coffee Partners. International Coffee Partners offer smallholder farmers technical assistance in coffee growing and diversification of production with a view to improving the yield and quality of their coffee, their market access and their livelihood. International Coffee Partners' projects are often prepared and implemented in cooperation with other actors, including local or national organisations, international NGOs and certification bodies, and development agencies and governmental organisations.[71]

4.3 OY ROBERT PAULIG ROASTERY AB

Oy Robert Paulig Roastery Ab is an independent subsidiary of Paulig Group. The turnover of Robert Paulig Roastery, which is focussed in speciality[72] and gourmet coffees, was in 2015 approximately 3 million euros.

Robert Paulig Roastery's most sold coffee brand is non-certified Dark Roast Coffee. It uses about 400,000 kg of green coffee each year which mainly comes from Brazil, Colombia and Guatemala.[73]

Robert Paulig Roastery's coffee selection includes one UTZ certified coffee but according to the roastery, 50 per cent of its green coffee in 2015 was UTZ certified. [74]

Robert Paulig Roastery makes its green coffee purchases through Gustav Paulig's sourcing team. Gustav Paulig's goal to increase the share of certified and verified green coffee gradually to 100 per cent also covers sourcing for Robert Paulig Roastery.

71 International Coffee Partners, Our vision, available at http://www.coffee-partners.org/about-us/our-vision; Frequently asked questions, available at http://www.coffee-partners.org/about-us/faq (accessed on 22 August 2016)

72 There is no universally accepted definition of the term 'speciality coffee'. It is generally understood to mean either coffee which commands a premium price over other coffees due to its higher quality, or coffee which is perceived by consumers as being different from the widely available mainstream brands of coffee. See for example ICT, 2012, The Coffee Exporter's Guide

73 Robert Paulig Roastery, Juhani Oranen, email 15 August 2016

74 Robert Paulig Roastery, Juhani Oranen, email 15 August 2016

In addition, Robert Paulig Roastery has made a decision to start sourcing in 2017 green coffee produced under the auspices of for example International Coffee Partners projects.

4.4 LÖFBERGS LILA AB

Swedish coffee company Ab Anders Löfberg has operations in approximately 10 Northern European countries. One of its subsidiaries, Löfbergs Lila Ab, is responsible for the Löfberg Group's coffee and tea product development and the marketing of Löfbergs Lila's coffee products in Finland. In 2015, the turnover for Löfberg Group and Löfbergs Lila was 1.7 billion Swedish krona (approximately 177 million euros) and 1 billion krona (approximately 104 million euros) respectively.[75]

Löfbergs Lila's share of coffee retail sales in Finland is less than five per cent. Its most sold coffee brands in Finland are Crescendo, Kharisma and Magnifika, all of which have been carrying the Rainforest Alliance label since March 2016. About 15 per cent of all Löfbergs Lila coffees sold in Finland is Fairtrade certified.[76]

In 2015, Löfbergs Lila purchased an estimated 29.5 million kg of green coffee sourced from exporters and cooperatives in cultivating countries, mostly in Brazil, Colombia, Central America, Ethiopia and Kenya.[77] Löfbergs Lila estimates that the coffee it uses has been grown at around 40,000 farms in total. According to Löfbergs Lila, it can trace the origins of their coffee at least to the processing mill and in several cases also to the farm or plantation level. However, apart from Fairtrade certified coffee, Löfbergs Lila refused to share details of the farms in its supply chain with Finnwatch, invoking confidentiality on the grounds of trade secrecy. Löfbergs Lila also did not want to disclose the

75 Löfbergs Lila, About Us, available at http://www.lofbergslila.com/en/About-us/ (accessed 6 June 2015); Sustainability Report 2014/2015, available at http://www.abanderslofberg.com/wp-content/uploads/2015/01/lofberg-sustainability-report-2014-2015_printable-version.pdf

76 Löfbergs Lila, Eva Eriksson, email 30 June 2016

77 Ibid.

names of the exporters it buys from to the public.[78]

Löfbergs Lila requires its suppliers to sign its Ethical Guidelines for Purchasing Green Coffee and Tea. These guidelines are based on the ten principles of the UN Global Compact and ILO Core Conventions, and explicitly cover both permanent and seasonal workers on coffee and tea plantations. The guidelines include a ban on child and forced labour and a requirement that collective bargaining be allowed. The workers who come into contact with pesticides must be provided with training in safety issues, personal protective equipment and the opportunity to take care of personal hygiene. The guidelines limit the number of weekly working hours to 48 and a maximum of 12 hours of appropriately paid, voluntary overtime. The guidelines also require the workers' pay to be sufficient to cover the fundamental requirements of water, food, shelter, clothing and basic education for children; however, according to Löfbergs Lila, this in practice means a legally set minimum wage.[79]

In 2015, 47.3 per cent of green coffee purchased by Löfbergs Lila was third party certified. Of this, 34.5 per cent was Fairtrade, 33.4 per cent Rainforest Alliance and 15 percent UTZ certified.[80] The company aims to increase the amount of certified green coffee in its purchases so that by 2020, green coffee used for all company-owned branded products will be certified. This does not necessarily cover all private label products it produces for other companies, as it says it does not have full control over these.[81]

Löfbergs Lila says that it monitors the social responsibility of its conventional green coffee by visiting its most important coffee producers every one to three years. The number of visits vary according to the results of risk assessments which are based on the Human Development Index (HDI) and BSCI list of risk countries. During the visits, the producers are assessed in regard to quality, delivery performance, price and social responsibility. The assessment concerning social responsibility is benchmarked against the Global Coffee Platform's Baseline Common Code.

Löfbergs Lila is one of the founding members of the Global Coffee Platform (see text box on *Voluntary sustainability standards in the coffee sector*, page 17), Coffee & Climate initiative (see text box of *Coffee and climate change*, page 8) and International Coffee Partners (see page 13).[82]

4.5 MEIRA OY

Meira Oy is owned by Massimo Zanetti Beverage Group, one of Europe's largest coffee companies. Massimo Zanetti Beverage Group has operations in over a hundred countries and its turnover in 2015 was 942 million euros.[83] Its internationally well-known brands include for example Segafredo and Boncafé.[84]

Meira markets Massimo Zanetti Beverage Group's products in Finland, the Baltic countries and Denmark. In addition to coffee Meira also produces spices. Meira's turnover in 2015 was approximately 85 million euros.[85] It has subsidiaries in both Estonia and Denmark.

Meira's market share of coffee retail sales in Finland is about 23 per cent. Its most popular coffee brand Kulta Katriina is one of the most sold coffee products in Finland. In Meira's

78 Löfbergs Lila, Eva Eriksson, emails 7, 14, 17 and 22 April 2015

79 Ab Anders Löfberg, 2008, Ethical guidelines for purchasing green coffee and tea – "Code of Conduct" and Löfbergs Lila, Eva Eriksson, email 1 July 2015

80 Löfbergs Lila, Eva Eriksson, email 30 June 2016. These figures have not been adjusted for double-certification. A large proportion of Löfbergs Lila's green coffee is double certified. Fairtrade / organic is the most common type of double certification, totalling 31,4 per cent of all of Löfbergs Lila's purchases of certified green coffee.

81 Löfbergs Lila, Eva Eriksson, email 17 October 2016

82 Löfbergs Lila, Eva Eriksson, email 22 April 2015; Sustainability Report 2014/2015. See also UNDP Human Development Index (HDI), available at http://hdr.undp.org/en/content/human-development-index-hdi

83 Meira, Raimo Sinisalo, email 4 July 2016

84 Massimo Zanetti Beverage Group, Brands, available at http://www.mzb-group.com/en/brands (accessed on 9 June 2015)

85 Meira, Raimo Sinisalo, email 4 July 2016

selection, there is one Fairtrade certified coffee, Meiran Reilu kahvi.[86]

Meira purchases annually about 12–13 million kg of green coffee mainly from Brazil, Colombia and Honduras. Of this, approximately 1.3 per cent is Fairtrade certified. Meira sources green coffee through Cofiroasters, a sourcing company which is part of the Massimo Zanetti Green Coffee Group. About 70 per cent of the green coffee used by Meira comes from Cofiroasters' own processing mills and export companies.[87]

Thousands of coffee farmers supply Cofiroasters' processing mills with their coffee. According to Meira, because of the large number of suppliers it is impossible to trace the origins of a particular coffee shipment all the way to a farm or plantation. Traceability is, however, possible at least to the level of the export company.[88] For the purposes of this report, Meira shared with Finnwatch information such as the names of large cooperatives and some individual farmers that supply Cofiroasters' processing mills.

About 25 per cent of all Meira's green coffee comes via the Nossa Senhora de Guia processing mill/export company in Brazil. One of the primary suppliers of Nossa Senhora de Guia is Fazenda NSG and about 20 per cent of Meira's green coffee has been grown at Fazenda NSG (see Chapter 6). Like Cofiroasters, both Nossa Senhora de Guia and Fazenda NSG are also part of the Massimo Zanetti Green Coffee Group.[89]

Although Meira has in place its own ethical guidelines, the monitoring of social responsibility of its green coffee purchases is assigned to the sourcing company Cofiroasters. In 2015, Cofiroasters adopted non-public supplier guidelines which Meira has shared with Finnwatch. The guidelines include, for example, requirements for the conditions of the coffee shipping container, preparation and handling of green coffee at the place of origin, and fumigation and punctuality of delivery. The guidelines also include provisions on social responsibility which the coffee seller must comply with while also guaranteeing the compliance of its suppliers with the same criteria.[90]

In regard to social responsibility, Cofiroasters' supplier guidelines ban child and forced labour and discrimination. Freedom of association as well as personal protective equipment relevant to a worker's tasks, and hygienic toilets both at workplace and dormitories where applicable, are required. Corporal punishment is forbidden, and national legislation must be followed in terms of working hours, holiday provision, minimum pay and overtime pay. In order to assess compliance with these requirements, Cofiroasters retains the right to visit the facilities of its immediate suppliers and their suppliers if necessary. Visit reports are internal and confidential.[91] Audits against the supplier guidelines were began at the time of writing of this report in June 2016 with an audit of the Nossa Senhora de Guia processing mill/export company. They are first or second-party audits conducted by Cofiroasters or its subsidiaries.[92]

86 Meira, Marleena Bask, email 13 April 2015
87 Meira, Marleena Bask, email 13 April 2015. Both Massimo Zanetti Beverage Group and Massimo Zanetti Green Coffee Group are owned by Massimo Zanetti.
88 Meira, Marleena Bask, email 13 April, 27 April and 14 August 2015
89 Meira, Marleena Bask, email 5 May, 15 June and 14 August 2015
90 Meira, Marleena Bask, email 27 April and 7 May 2015; Cofiroasters, 2015, Suppliers Guidelines
91 Cofiroasters, 2015, Suppliers Guidelines
92 Meira, Raimo Sinisalo, email 4 July 2016. For more information of differences between first, second and third-party audits see for example Finnwatch report Perspectives on the quality of social responsibility monitoring schemes, available at http://Finnwatch.org/images/pdf/PerspectivesOnVSS_forweb.pdf

Voluntary sustainability standards in the coffee sector

Coffee is one the pioneering industries for sustainability initiatives and certification, and coffee was among the first certified products in the world.[93] In the 2000s, both the number of sustainability initiatives as well as the production of and demand for sustainability standard-compliant coffee increased rapidly.[94] By definition, all certification schemes are based on codes of conduct and criteria with which the certified producer must comply. The producers' compliance is assessed for example through regular audits. The most common sustainability initiatives in the coffee sector are the certification schemes Fairtrade, Sustainability Agriculture Network/ Rainforest Alliance (SAN/RA) and UTZ, and the Global Coffee Platform's Baseline Common Code verification scheme, which is an entry level standard for coffee producers with relatively weak minimum requirements for compliance.[95]

One reason for the growing consumer demand of socially responsible coffee was the coffee crisis at the turn of the century which increased awareness among consumers over the harsh working and living conditions at coffee farms and plantations (see Chapter 3).[96] Fairtrade, Rainforest Alliance and UTZ certified coffees are recognisable to consumers from a label that can be used to market a final product under certain conditions. For example, in a pack of coffee that carries the Fairtrade label, 100 per cent of the coffee inside must be sourced from standard-compliant producers; in a UTZ labelled coffee pack, the threshold is 90 per cent whereas in a Rainforest Alliance labelled pack, it drops to 30 per cent only.[97] There is no consumer-facing label for coffee produced in conformity with the Baseline Common Code principles.

Standard-compliant and other value-added markets typically offer the producers a price premium on top of the market price for coffee that has specific attributes (for example, fair, sustainable, organic, high quality). The amount of the premium can vary from zero per cent upwards.[98] Fairtrade is, however, the only sustainability initiative that guarantees the coffee producers a set minimum price.[99] Currently, it is more common that the amount of premium is negotiated on a case-by-case basis.[100] The price premium is usually at least in part intended to cover the higher production cost of standard-compliant coffee; however, one of the challenges for the sustainability schemes is that the supply of standard-compliant coffee is still greater than the demand. This leads to a situation where producers cannot sell all of their standard-compliant production to value-added markets and therefore do not benefit from price premiums in full.[101]

93 See for example Reinecke J., Manning S., & von Hagen O., 2011, The Emergence of a standards market: Multiplicity of sustainability standards in the global coffee industry, Organisation Studies, 33 (5/6):789–812

94 Between 2008 and 2012, the annual growth rate of standard-compliant coffee production was 26 per cent. See Faber Yvette, 2014, Coffee Market

95 Fairtrade, Rainforest Alliance and UTZ are all members of the Global Coffee Platform.

96 ITC, 2011, Trends in the trade of certified coffees, available at http://www.intracen.org/Trends-in-the-trade-of-certified-coffees/ (accessed on 22 July 2016)

97 In the case of Rainforest Alliance, if the quantity of certified coffee in the pack is less than 90 per cent the quantity must be specified. See Rainforest Alliance, 2014, Requirements and Guidelines for use of the Rainforest Alliance Trademarks, available at http://www.rainforest-alliance.org/sites/default/files/uploads/4/rainforest-alliance-marks-guide.pdf

98 In 2011–2012, price premiums between 1 to 30 per cent were reported. Highest premiums were reported for Fairtrade / organic double certification and lowest for Baseline Common Code (at the time, 4C) compliant coffee. See Faber, Yvette, 2014, Coffee Market

99 When the market prices are higher than the Fairtrade minimum price, the producers are paid the market price or a negotiated price. In addition, Fairtrade producer organisations are always paid a social premium which is different to price premium in other standards. See Fairtrade International, Minimum price and Premium information, available at http://www.fairtrade.net/standards/price-and-premium-info.html (accessed on 22 July 2016)

100 See for example UTZ, UTZ Guidance document – UTZ Premium (Version July 2015), available at https://www.utz.org/wp-content/uploads/2015/12/Premium-Guidance-document-UTZ.pdf

101 For example in 2012, only 25 per cent of standard-compliant production was sold to value-added market. See Faber, Yvette, 2014, Coffee Market

Table 2 – Standard-compliant coffee production in 2012[102]

	Baseline Common Code[103]	Fairtrade	Rainforest Alliance	UTZ
% of the total certified of verified coffee production[104]	42	10	6	17
% of global coffee production	22	5	3	9
% of production sold as standard-compliant[105]	8.5	30	68[106]	26

Table 3 – Standard-compliant coffee production and consumption by country

	Baseline Common Code[107]	Fairtrade	Rainforest Alliance	UTZ
Top producing countries in 2012[108]	Brazil (55%) Viet Nam (20%) Colombia (15%)	Colombia (28%) Peru (16%) Brazil (13%) Indonesia (7%)	Brazil (33%) Colombia (11%) Peru (11%) Vietnam (8%)	Brazil (33%) Vietnam (22%) Colombia (11%) Honduras (9%)
Top consuming countries in 2009[109]	n/a	USA, United Kingdom, Germany, France	Europe	Netherlands, Nordic countries, Belgium, Switzerland

The various sustainability initiatives have different goals and therefore, emphasize different aspects of sustainability and have set different requirements for compliance. For example, Sustainable Agriculture Standard has traditionally been focussed primarily on biodiversity preservation although it also includes criteria for social sustainability. Fairtrade only works with smallholder coffee producers who are organised into democratic cooperatives whom it aims to help overcome poverty (i.e. not large plantations or individual farmers).[110] Despite such differences, there is also considerable overlap between the sustainability initiatives and in recent years, several schemes have started to cooperate and introduced for example mechanisms for mutual benchmarking against each others' criteria with a view to reduce the cost and other burden of multiple certifications and audits on the producers.

Voluntary social sustainability standards have repeatedly been criticised for not being able to achieve their intended impact. This is especially the case in regard to social sustainability and labour rights, and in part due to ineffective audits which fail to identify non-compliance. Subsequently, attempts have been made to improve the quality of audits, and the criteria for standard-compliant production have been revised and further developed. The monitoring of the long-term, systemic impact of the schemes has also been improved. For example, the coffee sector sustainability initiatives, including certification schemes and industry-led initiatives, have been criticised for ignoring the coffee producers' dependence on hired labour in their criteria and efforts, and existing studies specific to the coffee sector point to little positive impact in improving the livelihood of hired labour at coffee farms and plantations.[111] In 2013, Global Living Wage

102 Faber, Yvette, 2014, Coffee Market
103 At the time, 4C
104 Other sustainability schemes included in the source data but that are not considered in this table are Nespresso AAA Sustainable Quality, Starbucks Coffee and Farmer Equity (C.A.F.E.) Practices and organic.
105 These figures have not been adjusted for the differences in coffee year (production) and calendar year (sales).
106 This figure applies to year 2011.
107 At the time, 4C
108 Faber, Yvette, 2014, Coffee Market
109 ITC, 2011, Trends in the trade of certified coffees
110 In other crops, Fairtrade also works with plantations.
111 See for example Lyon S., 2015, The Hidden Labor of Fair Trade. Labor: Working Class History of the Americas 12(1–2):159-176; Fair Trade, Employment and Poverty Reduction Project, 2014, Fairtrade, Employment and Poverty Reduction in Ethiopia and Uganda, available at http://ftepr.org/wp-content/uploads/FTEPR-Final-Report-19-May-2014-FINAL.pdf; Committee on Sustainability Assessment, 2013, The COSA measuring sustainability report – Coffee and cocoa in 12 countries, available at https://thecosa.org/news-and-insight/publication/the-cosa-measuring-sustainability-report/ (accessed on 22 July 2016); Valkila J. & Nygren A., 2009, Impacts of fair trade certification on coffee farmers, cooperatives, and laborers in Nicaragua. Agriculture and Human Values 27(3):321-333

Table 4 – Summary of the certification and auditing scheme comparison – table in the Finnwatch report Perspectives on the quality of social responsibility monitoring schemes

	Baseline Common Code[112]	**Fairtrade**	**Rainforest Alliance**	**UTZ**	**SA8000**[113]
Impartiality (max score 8)	3	5	2	2	3
Transparency (max score 7)	1	3	2	1	3
Comprehensiveness and quality of criteria (max score 5)	-3	3	0	0	1
Traceability and consumer communications (max score 1)	0	1	0	1	0
Impact (max score 2)	2	2	1	2	-1
Total score (max 23)	**3**	**14**	**5**	**6**	**6**

Coalition, an initiative between six sustainability standards to improve wage levels for hired labour in certified supply chains, was established. Fairtrade, SAN/RA and UTZ are members of the Global Living Wage Coalition.[114] To date, Global Living Wage Coalition has produced one benchmark study specifically for the needs of the coffee growing industry (see Chapter 6.5).

In April 2016, Finnwatch published a report *Perspectives on the quality of social responsibility monitoring schemes*[115] in which 16 different social responsibility monitoring schemes were compared in five categories: impartiality, transparency, comprehensiveness and quality of the criteria, traceability and consumer communications, and impact (see Table 4). Fairtrade, which was superior to other schemes in comprehensiveness and quality of criteria, fared also best in the overall comparison.

112 At the time, 4C

113 SA8000 is a production facility certificate for socially sustainable workplaces. It is included here because the Anandapura plantation included in the case studies (see Chapter 8) is SA8000 certified.

114 The other members of the Global Living Wage Coalition are Forest Stewardship Council, Goodweave and Social Accountability International, the owner of the SA8000 Standard. For more information see ISEAL Alliance, Global Living Wage Coalition, available at http://www.isealalliance.org/our-work/improving-effectiveness/global-living-wage-coalition (accessed on 22 July 2016)

115 The full report is available at http://Finnwatch.org/images/pdf/PerspectivesOnVSS_forweb.pdf

4.6 SMALL ROASTERS

According to estimates, there are more than twenty small roasters in Finland today.[116] Small roasters differ in comparison to larger, industrial roasters in regard to volume, and the type of machinery and time used for roasting coffee.[117] For the purposes of this report, Finnwatch contacted 20 small roasters of which half responded to the survey.[118]

The smallest of the roasters that responded to Finnwatch purchase only about 500 kg of green coffee per year and the biggest about 30,000 kg. They purchase their coffee from a wide range of producing countries including Australia, Brazil, Burundi, Colombia, Costa Rica, Cuba, Dominican Republic, El Salvador, Ethiopia, Guatemala, Honduras, India, Indonesia, Kenya, Malawi, Mexico, Nepal, Nicaragua, Panama, Tanzania and Thailand.

Due to their small size and relatively limited resources small roasters have completely different leverage in regard to labour rights in their supply chains compared with the larger roasters. However, according to the small roasters which responded, sustainability is a key value to many of them.

In order to ensure sustainability of their purchases, small roasters typically purchase coffee from international sourcing companies which they perceive as responsible actors such as Collaborative Coffee Source (Good Life Coffee[119]), InterAmericanCoffee (Porvoon Paahtimo[120], Rovaniemen Kahvipaahtimo[121], Cafetoria[122]), Nordic Approach (Good Life Coffee[123], Punainen Kirahvi[124], Rovaniemen Kahvipaahtimo[125], Six Pot[126]). InterAmerican-Coffee is a trader of speciality coffee that sells both certified and non-certified green coffee to both small and large roasters.[127] It is part of the Neumann Kaffee Gruppe which is one of the world's largest green coffee trading companies with a 10 per cent market share of the global green coffee market.[128] The operating model of both Collaborative Coffee Source[129] and Nordic Approach[130] is, according to information on their websites, based on long and transparent business relationships with the coffee farmers. On their websites there is, however, no information regarding social responsibility criteria or labour rights' standards required from the producers.

Collaborative Coffee Source told Finnwatch that its most important criteria when making purchases is the quality of coffee and the farmers' ability to produce high-quality coffee year-on-year. Farmers are expected to follow national minimum age legislation but this is not monitored and other social responsibility criteria are not set. Instead, the thinking is that the farmer knows best what is locally appropriate and desirable in

116 Speciality Coffee Association of Europe Finnish Chapter / Suomen Baristayhdistys, Karoliina Mäkelä, email 9 April 2015. See also Huhtonen Hanna-Maria, 2015, Suomalaiset pienpaahtimot

117 Huhtonen Hanna-Maria, 2015, Suomalaiset pienpaahtimot

118 Cafetoria, Good Life Coffee, Helsingin Kahvipaahtimo, Mokkapuu, Paahtimo Papu, Porvoon Paahtimo, Punainen Kirahvi, Rovaniemen Kahvipaahtimo, Six Pot and Warrior Coffee responded to Finnwatch and gave the organisation information regarding the origins of their coffee and on how they monitor social responsibility in their supply chains. Of the small roasters contacted by Finnwatch, Johan & Nyström, Kaffa Roastery, Kaffe Obscura, Kaffiino, Lapland Roast / Aito Lapin Paahto, Lohjan Paahtimo, Mokkamestarit, Pirkanmaan Paahtimo, Tampereen Paahtimo and Turun Kahvipaahtimo either did not respond or did not share the requested information. The current owners of Kaffiino regretted that at the time, they had only just taken over the roaster and therefore, were not in the position to respond.

119 Good Life Coffee, Samuli Ronkanen, email 16 April 2015

120 Porvoon Paahtimo, Linda Pokki, email 14 April 2015

121 Rovaniemen Kahvipaahtimo, Tuomas Kumpula, email 21 July 2016

122 Cafetoria, Mia Nikander, email 29 August 2016

123 Good Life Coffee, Samuli Ronkanen, email 16 April 2015

124 Punainen Kirahvi, Tommi Hulkkonen, email 19 May 2015

125 Rovaniemen Kahvipaahtimo, Tuomas Kumpula, email 22 July 2016

126 Six Pot, Hannu Mastosalo, email 29 July 2016

127 InterAmericanCoffee, Our Coffees, available at http://www.iaccoffee.de/iac-coffees.html (accessed on 23 August 2016)

128 Neumann Kaffee Grouppe, Facts and figures, available at http://www.nkg.net/aboutus/factsandfigures (accessed on 23 August 2016)

129 Collaborative Coffee Source, We Are, available at http://collaborativecoffeesource.com/about/ (accessed on 9 June 2015)

130 Nordic Approach, About Us, available at http://www.nordicapproach.no/about-us/#who (accessed on 9 June 2015)

regard to the treatment of workers.[131] In discussions between Collaborative Coffee Source and producers, farming techniques and know-how are emphasized as well as making sure, that the price paid for green coffee is sufficient to cover the cost of production. The price paid for green coffee is negotiated directly with the farmer who is typically paid above the market price for high quality produce. Although the underlying assumption is that production of high quality coffee requires a highly capable and motivated workforce, and that in order to be able to attract such workers, producers must pay their workers at least the minimum wage or a higher wage than the other producers do, Collaborative Coffee Source does not set criteria regarding wage levels and the level of wages paid to the workers is not being monitored. Collaborative Coffee Source might observe working conditions at coffee farms it buys from during occasional farm visits, but there is no other form of monitoring in place such as systematic audits. The farm visits do not necessarily entail interviews with the workers and when they do, the owner of the farm or a foreman often acts as the interpreter.[132]

According to the Collaborative Coffee Source, their customer roasting companies are typically interested in traceability and quality assurance methods and processes used by the farmers. In addition, roasters are interested in transparency of the supply chain and the distribution of the price paid for green coffee among the supply chain actors. According to the Collaborative Coffee Source, the roasters rarely ask questions about working conditions at the farms.[133]

Collaborative Coffee Source's sourcing model could be described as 'direct trade'. Of the small-scale roaster that responded to Finnwatch's survey, Helsingin Kahvipaahtimo[134] and Cafetoria[135] also engage themselves in direct trade, and Punainen Kirahvi[136] only uses sourcing companies that use direct trade. In addition some others said that they have made direct trade their future goal (Rovaniemen Kahvipaahtimo[137]).

There is currently no universally agreed definition of 'direct trade' sourcing model.[138] It is generally understood to mean that buyers negotiate over the price of green coffee directly with the producers and not with the intermediaries or exporters. Purchasing decisions are guided by the quality of the green coffee, and high quality typically corresponds with higher than the market price paid to the producer. Some roasters, however, have set more specific conditions for their direct trade purchases. For example, Johan & Nyström claim to pay at least 25 per cent on top of the Fairtrade minimum price for direct trade coffee and emphasize environmental responsibility.[139] Typically, the proponents of direct trade monitor the social responsibility of the producer through occasional farm visits or not at all. Like with Collaborative Coffee Source, a correlation between the high quality of coffee and good working conditions and wage levels is largely assumed.

Finnwatch is critical about second-party unstructured farm visits as a tool for

131 Collaborative Coffee Source, Melanie Leeson, telephone interview 7 July 2015

132 Collaborative Coffee Source, Melanie Leeson, telephone interview 7 July 2015. Nordic Approach also emphasises that they pay a price premium for high quality coffee. On their website, they also publish examples of the distribution of the price paid for green coffee between the supply chain actors, see http://www.nordicapproach.no/aboutpricing/. Nordic Approach did not respond to Finnwatch's interview request.

133 Collaborative Coffee Source, Melanie Leeson, email 13 July 2015

134 Helsingin Kahvipaahtimo, Benjamin Andberg, telephone conversation 29 August 2016

135 Cafetoria, Mia Nikander, email 29 August 2016. Cafetoria uses a combination of direct trace and sourcing companies.

136 Punainen Kirahvi, Tommi Hulkkonen, telephone conversation 29 August 2016

137 Rovaniemen Kahvipaahtimo, Tuomas Kumpula, email 29 April 2015

138 "Every company has a different idea about the concept [direct trade]." Chuck Patton, owner of the Bird Rock Coffee Roasters. For more information, see Daily Coffee News, 30 May 2014, What is Direct Trade, Really? A Question for Coffee Consumers and Roasters Alike, available at http://dailycoffeenews.com/2014/05/30/what-is-direct-trade-really-a-question-for-coffee-consumers-and-roasters-alike/ (accessed on 23 August 2016)

139 Johan & Nyström, Direct Trade, available at http://johanochnystrom.se/fi/kahvimme/direct-trade/ (in Finnish, accessed on 23 August 2016)

monitoring social responsibility. To ensure sustainability of production, comprehensive and systematic audits are required, but they take up a lot of resources and special skills which even the larger companies rarely have in-house. Without independent third-party, systematic monitoring and assessment of working conditions against carefully set criteria, the assumed responsibility in direct trade is fully based on a notion of trust. Independent, third-party, systematic monitoring and assessment of working conditions in the coffee sector currently in practice means certification of verification (see text box on *Voluntary sustainability standards in the coffee sector*, page 17). The proponents of direct trade however, often criticise certification schemes for being inflexible and bureaucratic, for not offering the farmers an incentive to improve the quality of their coffee, and for costing a lot to the producers. The certification schemes that implement the established good practice for certification schemes however, develop their criteria in cooperation with producer representatives or organisations (and other stakeholders) and adjust their criteria according to country or sector specific issues and risk factors. The most common sustainability standards in the coffee sector are also based on the principle of continuous improvement and support producers when issues in complying with the standard criteria occur, and work towards lowering costs through mutual benchmarking.

Some small-scale roasters that responded to Finnwatch's survey have certified coffees in their selection.[140] For example, five of the 21 coffees in Cafetoria's[141] selection and all of Mokkapuu's[142] coffees are Fairtrade certified, and one of the six Good Life Coffee's[143] coffee products is Rainforest Alliance certified. According to their responses, some other roasters also purchase significant amounts, compared to their overall purchasing volume, of coffee grown on certified farms. However, as they are not themselves certified supply chain actors they cannot market or sell their coffee as certified. As a reason for this, some sited the high cost of chain of custody certification.

4.7 PRIVATE LABEL COFFEE

In August 2015, Finnish grocery traders, civil society organisations, the Ministry of Employment and Economy and the Ministry for Foreign Affairs adopted *A Shared Vision for Respecting the UN Guiding Principles on Business and Human Rights (UNGPs) in Grocery Trade Supply Chains.*[144] The round-table discussions leading to the adoption of the Shared Vision were part of the National Action Plan for the implementation of the UNGPs in Finland.[145]

The Shared Vision applies to all types of business enterprises which engage in import or marketing of products under their own name, trademark or some other distinguishing symbol (i.e. private label products). The signatories to the Shared Vision include Kesko Oy, SOK Corporation and Tuko Logistics Cooperative. Finnwatch is also one of its NGO signatories.

In the Shared Vision, the grocery retailers commit to:

- begin to chart the risks associated with raw materials in regard to private label products already in their selection, prioritising suppliers in risk countries.

140 Mokkapuu, Paahtimo Papu and Warrior Coffee are also certified organic roasters. Mokkapuu, Tanja Anttila, email 15 April 2015; Paahtimo Papu, Virpi Hyvärinen, email 15 April 2015; Warrior Coffee, Riku Uski, email 18 July 2016

141 Cafetoria, Mia Nikander, email 29 August 2016. In Cafetoria's selection, there are also 16 organic coffees; some coffees in Cafetoria's selection are double certified organic and Fairtrade.

142 Mokkapuu, Tanja Anttila, email 15 April 2015

143 Good Life Coffee, Samuli Ronkanen, email 16 April 2015

144 The full text of the shared vision is available at http://tem.fi/documents/1410877/3084000/UNGP+grocery+trade_en/54a9d248-7467-4903-8f2a-99a975445b27 (accessed on 22 August 2016)

145 The full text of Finland's National Action Plan is available at http://tem.fi/documents/1410877/3084000/National+action+plan+for+the+implementation+of+the+UN+guiding+ponciples+on+business+and+human+rights/1bc35feb-d35a-438f-af56-aec16adfcbae (accessed on 22 August 2016)

- avoid entering into business relations with suppliers whose operations include serious shortcomings or whose human rights due diligence process-based information is not available.
- only use measures that have been proven reliable for the monitoring of the human rights compliance of their suppliers. International, third party, criteria-based, standardised systems are always preferable options in the implementation of credible monitoring (i.e. certification).
- actively engage in the further development of auditing systems and certification criteria and, if necessary, complement them through the companies' own additional measures.
- try to relate to the interested parties that the potential impacts concern by interviewing them face-to-face in a manner which makes it possible to take into account any coercion, threats or coaching by the employer as well as any barriers to effective participation.
- not to automatically cancel orders from a supplier if problems arise but rather engage in an active dialogue with the supplier to resolve and rectify the problems without delay.
- upon request and within the framework of their existing contractual obligations and competition law, make every effort to determine and provide information on the raw materials, producers, manufacturers and processors of the products that they market in a transparent manner.

For the purposes of this report, Finnwatch asked the biggest Finnish grocery traders about the social responsibility policies and practices that they have in place for the sourcing of their private label coffee products. The grocery chains included in the analysis are Kesko Oy, SOK, Tuko Logistics Cooperative and Lidl Finland Ky.

Kesko Oy

Kesko Oy is a publicly listed Finnish retail company that operates in grocery trade, building and technical trade and car trade. Other than Finland, it has stores also in Belarus, Estonia, Latvia, Lithuania, Norway, Poland, Russia and Sweden. Kesko and K-retailers together form the K-Group, the third largest retailer in northern Europe,[146] with retail sales totalling about 11 billion euros in 2015.

In Kesko's selection in Finland, there are five private label coffees. Of these, one is Fairtrade certified and the other four are UTZ certified. This includes one instant coffee product that became UTZ certified last in the range in autumn 2016 when this report was being written.[147]

Of Kesko's private label coffees, 98 per cent are roasted in the Netherlands. The rest of Kesko's private label coffees are made in Finland and Germany. Between June 2015 and May 2016 Kesko imported to Finland approximately 2.8 million kg of private label coffee. Approximately 13 per cent of the total sales (by kg) of Kesko's 15 most sold coffees are private label coffees.[148]

Lidl Finland Ky

Lidl Finland Ky is an independent subsidiary of Germany-based retail giant Lidl, which has operations in nearly all European countries. In 2015, Lidl Finland's turnover was over 1.4 billion euros.[149] In Finland, Lidl has more than 150 stores.[150]

Lidl Finland did not want to disclose how much private label coffee it imports per year.

146 Kesko, Kesko in brief, available at http://www.kesko.fi/en/company/kesko-in-brief/ (accessed on 25 August 2016)
147 Kesko, Sohvi Vähämaa, email 28 June 2016
148 Ibid.
149 Lidl Finland, 1 September 2016, Lidlin investoinnit ja henkilöstömäärä kasvussa, available at http://news.cision.com/fi/lidl-suomi/r/lidlin-investoinnit-ja-henkilostomaara-kasvussa,c2069619 (in Finnish, accessed on 2 September 2016)
150 Lidl Finland, Yrityksemme, available at http://www.lidl.fi/fi/yritys.htm (in Finnish, accessed on 25 August 2016)

It also did not divulge details on the traceability of their private label coffee.

Lidl Finland's private label coffees are roasted mainly in Germany. Lidl Finland requires all its suppliers to agree to its ethical guidelines for suppliers which incorporate the BSCI Code of Conduct.[151]

According to Lidl Finland, third-party social responsibility certification schemes are the most trustworthy and efficient way to ensure that the conditions in its coffee supply chains are being monitored and developed.[152] However, of the 22 private label coffee products[153] in Lidl Finland's selection, only four are currently certified. This equals about twenty per cent of Lidl Finland's total coffee sales (in kg).[154] Of the sales of certified coffee, 18 per cent is Rainforest Alliance, 50 per cent is UTZ and 27 per cent is Fairtrade certified.[155] Lidl is a member of the Global Coffee Platform (see text box on *Voluntary sustainability standards in the coffee sector*, page 17).

In 10 countries including Denmark, Finland, Germany, Sweden, and the UK,[156] Lidl has made a commitment to increase the share of certified green coffee in the sourcing for its private label coffees so that by the end of 2017, 30 per cent of its private label coffees will be either UTZ, Rainforest Alliance or Fairtrade certified, and that by the end of 2020, the share will have risen to 50 per cent.[157] Finnwatch considers this timeline for transitioning to certified raw material unnecessarily slow and lacking in ambition. In regard to uncertified coffee, Lidl Finland's position paper[158] on furthering of sustainable coffee production is particularly weak as it does not require social audits to suppliers and the monitoring does not extend to primary producers in risk countries. Even according to Lidl Finland's own position paper, certification is the preferable method for ensuring sustainability in the coffee sector.

151 Lidl Suomi, Maija Järvinen, email 29 June 2016
152 Lidl Suomi, Maija Järvinen, email 29 June 2016. See also Lidl, 2021: Sertifioitua kahvia vähintään 50%, available at http://www.lidl.fi/fi/7697.htm (in Finnish, accessed on 6 July 2016)
153 This figure includes coffee beans, ground coffees, instant coffees and capsule coffees.
154 Lidl Suomi, Maija Järvinen, email 29 June 2016
155 Lidl Suomi, Maija Järvinen, email 12 August 2016
156 Five other in-country Lidls had not made their commitment public by the time of writing of this report.
157 Lidl, 2021: Sertifioitua kahvia vähintään 50%
158 Lidl Finland, Linjaus kestävän kahvintuotannon edistämiseksi, available at http://www.lidl.fi/statics/lidl-fi/ds_doc/Valikoimalinjaus_kahvi_2016.pdf (in Finnish)

SOK

S Group is a Finnish network of companies operating in food and consumer goods, petrol stations, travel and hospitality, department, speciality and DIY stores. In 2015, the S Group's retail sales totalled about 11 billion euros. It has more than 1,600 outlets in Finland, and additional operations in Russia and the Baltic countries. With its 46 per cent market share in groceries, it is the market leader in Finland. The S Group comprises 20 regional and eight local cooperatives and SOK, which is owned by the regional cooperatives, and its subsidiaries. SOK provides the cooperatives with procurement and other services.[159]

SOK's selection includes five private label coffees of which two are instant coffees. The sales of private label coffees total about seven per cent of all of SOK's coffee sales. 90 per cent of SOK's private label coffees are roasted in Finland. In addition, during the first six months of 2016, SOK imported approximately 51,000 kg private label coffee to Finland from Denmark and Germany.[160]

According to SOK, a supplier company's social responsibility policies and practices is one of the criteria that is taken into account when potential private label coffee suppliers are being tendered. The potential supplier is expected to be able to ensure that in their supply chains – including at the level of primary production of raw materials – national legislation, collective bargaining agreements, ILO Core Conventions, UDHR

159 S Group, S Group in brief, available at https://www.s-kanava.fi/web/s/en/s-ryhma-lyhyesti (accessed on 25 August 2016)
160 The figure is based on coffee sales between 1 January – 26 June 2016. SOK, Senja Forsman, email 1 July 2016

and UN Convention on the Rights of the Child are all being followed. In addition SOK requires that its suppliers, whose production or whose suppliers' production is located in a risk country, or who import/market products made in risk countries, sign the BSCI Code of Conduct (or similar), conduct self-assessments and obtain the necessary social audits. Suppliers, who themselves or whose supply chains are within the scope of monitoring by a social responsibility certification scheme, are not required to sign the BSCI Code of Conduct.[161]

SOK has confirmed to Finnwatch that coffee is considered a risk country ingredient;[162] therefore, to be in line with the supplier guidelines outlined above, SOK's coffee supply chains should either be within the scope of third party social audits or monitoring by a social responsibility certification scheme. Still, currently only one instant coffee in SOK's private label coffee selection is certified under Fairtrade. The rest of SOK's private label coffees are not currently certified under any certification scheme or within the scope of third-party social audits.[163]

SOK's supplier guidelines also specify that a supplier must be in a position to provide information over the entire supply chain of a product including the origins of the raw materials all the way to the primary producer.[164] However, according to SOK, at present only about 50 per cent of the green coffee supply chains for their private label coffees can be systematically traced back to the farm or plantation level. Furthermore, this figure only applies to about 20 per cent of the green coffee used for their private label coffees by volume.[165] As the overwhelming majority of SOK's private label coffees are not within the scope of third-party social audits or certification schemes, and not all of their green coffee is systematically traceable, it is Finnwatch's view that SOK is not implementing its own supplier guidelines in the sourcing of its private label coffee.

During the period of writing of this report, SOK announced that from the beginning of 2017, 90 per cent of its private label coffees will be UTZ certified.[166]

Tuko Logistics Cooperative

Tuko Logistics Cooperative is a groceries assortment, purchasing and logistics service provider. Its owners and customer companies include wholesalers Wihuri Oy, Heinon Tukku Oy and retailers Suomen Lähikauppa Oy and Stockmann Oyj. Tuko Logistics' turnover in 2015 was 744 million euros.[167]

Tuko Logistics's private label coffee selection includes three ground coffees and one instant coffee product. None of the Tuko Logistics's private label coffees are certified. According to Tuko Logistics, it requires all its suppliers to implement the BSCI Code of Conduct in their own operations or obtain similar guarantees through third-party auditing or certification.[168] In practice this means that Tuko Logistics's private label coffee roasters have agreed to BSCI Terms of Implementation for Business Partners.[169] The Terms of Implementation require these roasters to ensure that their suppliers work towards the observance of the BSCI Code of Conduct. The implementation of these Terms by roasters in their supply chain is, however, not being monitored and Tuko Logistics does not, for example, conduct or require audits of coffee plantations.

161 For more information see SOK, Tavarantoimittajille, available at https://www.s-kanava.fi/web/s-ryhma/tavarantoimittajille (in Finnish, accessed on 6 July 2016)
162 SOK, Sari Ristaniemi, telephone conversation 29 July 2016
163 SOK, Senja Forsman, email 1 July 2016
164 SOK, Tavarantoimittajille
165 SOK, Sari Ristaniemi, email 9 September 2016
166 SOK, Sari Ristaniemi, email 18 July 2016
167 Tuko Logistics, Tuko yrityksenä, available at http://www.tuko.fi/tuko-yrityksena (in Finnish, accessed on 23 August 2016). Suomen Lähikauppa was bought by Kesko in 2016.
168 Tuko Logistics, Pirjo Heiskanen, email 21 July 2016
169 BSCI, Terms of Implementation for Business Partners, available at http://www.fta-intl.org/sites/default/files/Terms%20of%20Implementation%20for%20Business%20Partners_final%20version_2014Feb03.pdf

Table 5 – Summary of coffee roasters and grocery traders' green coffee purchases and sustainability targets

Roaster	Amount of green coffee purchased per year	Percentage of certified green coffee	Target to increase level of certification
Arvid Nordquist	13 million kg	100% since July 2014	Increase the share of Fairtrade certification
Gustav Paulig	50 million kg	40% by the end of 2016*	100% by the end of 2018*
Löfbergs Lila	30 million kg	47.3%	100% by 2020 for all company-owned brands
Meira	12–13 million kg	1.3%	No set target

Grocery trader	Number of certified private label coffees	Target to increase levels certification
Kesko	6 out of 6	100% certified; achieved in 2016
Lidl Finland	4 out of 22	50% by the end of 2020
SOK Corporation	1 out of 5	90% from the beginning of 2017
Tuko Logistics	0 out of 4	No set target

** These percentages for Paulig include both certified and verified green coffee*

Regarding traceability of its roasted private label coffees to the primary producer of raw material at the origin, Tuko Logistics referred to the general traceability statistics of their supplier Gustav Paulig (see page 12).

Tuko Logistics buys its private label instant coffee from Germany. The imports of Tuko Logistics's private label instant coffee hover at around 2,000 kg per year. According to Tuko Logistics, it has similar arrangements, based on BSCI Terms of Implementation for Business Partners, in place with their German supplier as those described above.[170]

170 Tuko Logistics, Pirjo Heiskanen, email 21 July 2016

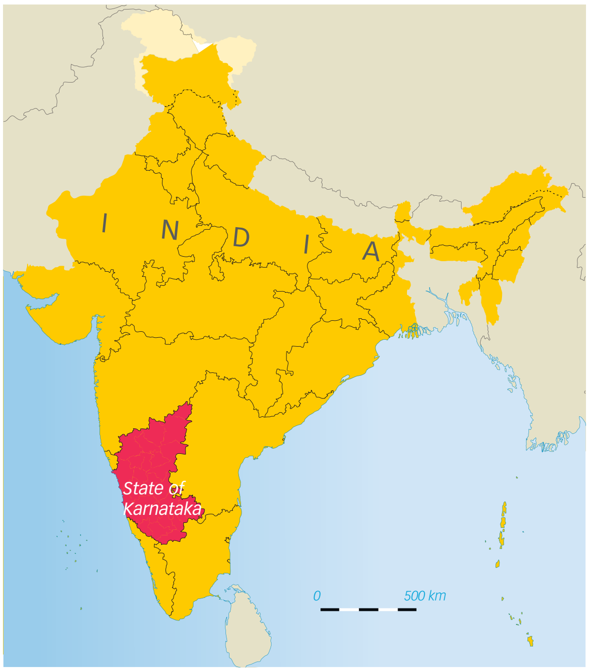
Coffee drying area at Fazenda Nossa Senhora da Conceição in Brazil. The workers in charge of drying coffee on the farm reported working seven days a week throughout the harvest season (i.e. three to four months).

5 Introduction to case studies

In March 2015, Finnwatch requested from the coffee roasting companies introduced in Chapter 4 information about origins of the raw material used for their most popular coffee products. The farms and plantations for the following case studies were randomly selected from the supplier lists that the coffee roasting companies provided to Finnwatch in response. Arvid Nordquist, Gustav Paulig and Meira all provided Finnwatch with information on a range of their suppliers. Löfbergs Lila only shared information on their Fairtrade certified suppliers.

Brazil and Honduras were chosen as countries to focus on due to the large volumes of coffee they export to Finland. India was chosen as an example of an Asian coffee producing country. The field research in these countries was conducted by Repórter Brasil, Centro de Desarrollo Humano and Cividep respectively. The field research findings have been analysed by Finnwatch.

In all three case studies, the field research focussed on terms and conditions of employment of both permanent farmworkers and temporary farmworkers who had been hired for the harvest season only. In addition, questions were asked to gauge the possibility of child or forced labour. Attempts were made to share the field research findings with the producers (and certification schemes where applicable) prior to the publications of this report. The producers and certification schemes' responses are incorporated in the case studies. In Brazil, in addition to field research official databases such as Ministry of Labour and Employment database on administrative proceedings against employers and the Dirty List (see page 32) were also consulted.



Field research in Brazil was conducted in Minas Gerais, in Honduras in Cortés and La Paz, and in India in Coorg, Karnataka.

6 CASE Brazil

COFFEE SECTOR IN BRAZIL

Brazil is the world's largest producer and also the largest exporter of green coffee. Brazilian production has dominated the global coffee market since the mid-19th century. Initially built on slave labour from Africa, the coffee industry supported much of the country's industrialisation in the first half of the 20th century.

The most important coffee farming areas in Brazil are concentrated to the south-east of the country in the states of Minas Gerais and Espírito Santo. The majority of Brazil's more than 270,000 coffee farms are family-owned and less than eight hectares in size.[171]

In 2015, Brazil produced approximately 2.6 million tons of green coffee, of which nearly two million tonnes were exported.[172] The majority of the coffee grown in Brazil is of the *arabica* variety although the proportion of *robusta* is growing, especially due to growing domestic demand. Brazil is set to become the largest consumer of coffee in the world in the near future.

Brazil was an early adopter of voluntary sustainability standards in coffee cultivation. In addition to being the world's largest green coffee producer, Brazil also produces the majority of the world's standard-compliant coffee (see also Table 4 on page 19).[173] The majority of Brazil's standard-compliant coffee is produced at large, professionally-run plantations or by major cooperatives, and is almost exclusively sold to the export market.[174] According to several experts,[175] certification is one of the factors that has helped drive up working conditions at coffee farms in Brazil. Another key factor has been the government's efforts to stamp out some of the most serious labour rights violations – such as forced labour (see page 31) and child labour. Despite this, problems still exist.

6.1 BACKGROUND: LABOUR RIGHTS ISSUES IN BRAZIL

Brazil's Human Development Index (HDI) value put the country in the high human development category, measured by long and healthy life, access to knowledge and decent standard of living.

The HDI report in 2015 explored the relationship between work and human development and used several work related indicators. One fourth of the people who were employed were considered to be in vulnerable employment[176] and of the total working population, more than three per cent were categorised as working poor.[177]

Freedom of association

Brazil has ratified one of the two ILO Core Conventions on freedom of association and

171 TechnoServe, 2013, Brazil: A Business case for sustainable coffee production, available at http://sustainablecoffeeprogram.com/site/getfile.php?id=213 (accessed on 22 July 2016)

172 ITC, Trade map

173 Faber, Yvette, 2014, Coffee market

174 TechnoServe, 2013, Brazil: A Business case for sustainable coffee production

175 See for example an interview with Vilson Luiz da Silva, head of an agricultural workers' union FETAEMG, in Danwatch, 2016, Slavery-like working conditions and deadly pesticides on Brazilian coffee plantations, available at https://www.danwatch.dk/wp-content/uploads/2016/03/Danwatch-Bitter-Coffee-MARCH-2016.pdf; an interview with agronomist Sérgio Parreiras Pereira, researcher at the public research institute Agronomical Institute of Campinas, available at https://www.embrapa.br/busca-de-noticias/-/noticia/2293393/cafes-certificados-do-brasil-conquistam-mercado-interno-e-externo (in Brazilian Portuguese, accessed on 26 August 2016)

176 See for example ILO, 2010, Vulnerable employment and poverty on the rise, available at http://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_120470/lang--en/index.htm (accessed 31 August 2016)

177 UNDP, Human Development Report 2015 – Briefing note for Brazil available at http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/BRA.pdf

collective bargaining.[178] National laws restrict workers' rights to form and join organisations of their own choosing by imposing a single trade union system per industry and territory (e.g. municipal, state, regional and federal for example). In order to establish a union, the number of union members must equal at least one third of all workers in a specific industry in the territory and the union leader must be a Brazilian citizen born in Brazil.[179]

Although anti-union discrimination is prohibited, cases of harassment of trade union leaders and workers' rights activists continue to be reported. In 2016, a female trade unionist and rural workers activist was murdered in the north-eastern state of Maranhão, leading to demonstrations by farm workers federations and rural workers' unions.[180]

The right to collective bargaining is guaranteed by law in Brazil.[181] However, rural collective agreements in general do not to raise the standards above what has already been established through legislation. In 2014, in the state of Espírito Santo, for example, the federation of agricultural workers was in 2014 able to achieve pay levels of less than five per cent above the legal minimum wage in negotiations with the federation of employers.[182] According to the National Confederation of Agricultural Workers (CONTAG) of Brazil, the seasonal nature of the work, internal migration and job rotation limit unions' collective bargaining power in rural areas.[183]

Minimum wage

A law on minimum wage was adopted in Brazil already in 1938.[184] The 1988 Constitution further defined minimum wage as nationally unified and capable of meeting the basic needs of workers and their families including housing, food, education, health, leisure, clothing, hygiene, transport and social security.[185]

The current minimum wage in Brazil is 880 Brazilian real per month (243 euros) whereas in 2015, it was 788 real (217 euros). The minimum wage is calculated on the basis of an 8-hour work day (44 hours per week) and adjusted once a year to reflect changes in the consumer price index. Over the past decade, the national minimum wage has been increasing almost twice as fast as inflation.[186] However, the minimum wage has also been criticised for not being sufficient to meet the Constitutional requirements. For example Dieese, a socio-economic research institute linked to trade unions in Brazil, produces a monthly calculation for a "necessary minimum wage", i.e. a wage sufficient to support a family of two adults and two children. The calculation is based on the cost of the basic food basket which is multiplied by three to cover the expenditure on food of a family. The necessary minimum wage is then stipulated from this figure on the basis of the results of a family budget survey according to

178 ILO, Ratifications for Brazil, available at http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::P11200_COUNTRY_ID:102571 (accessed on 22 July 2016)

179 Trade union rights and responsibilities in Brazil are regulated by the Federal Constitution and Labour Law.

180 See for example International Trade Union Confederation, Survey of violations of trade union rights: Brazil – In practice, available at http://survey.ituc-csi.org/Brazil.html#tabs-3 (accessed on 22 July 2016)

181 Consolidation of Labour Laws, Article 611, available at http://www.planalto.gov.br/ccivil_03/decreto-lei/Del5452.htm (in Brazilian Portuguese, accessed on 2 September 2016)

182 The collective agreement of rural workers in the state of Espírito Santo is available at http://www.fetaes.org.br/images/album/downloads/CCT%202014-2016%20-%20REGIONAL%20NORTE%20II.pdf (in Brazilian Portuguese)

183 ILO, 2015, Giving a voice to rural workers: International Labour Conference 104th Session, 2015: General survey concerning the right of association and rural workers' organizations instruments, available online at http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_343023.pdf

184 DECRETO-LEI N. 399 – DE 30 DE ABRIL DE 1938. Aprova o regulamento para execução da lei n. 185, de 14 de janeiro de 1936, que institue as Comissões de Salário Mínimo, available online at http://legis.senado.gov.br/legislacao/ListaPublicacoes.action?id=12746 (in Brazilian Portuguese, accessed on 22 July 2016)

185 Constitution of the Federative Republic of Brazil, 1988, available at http://english.tse.jus.br/arquivos/federal-constitution (accessed on 22 July 2016)

186 TechnoServe, 2013, Brazil: A Business case for sustainable coffee production

which a lower income family spends almost 36 per cent of their income on food. [187]

The Dieese calculation for a necessary minimum wage in July 2015, when the workers' interviews for this report were conducted, was 3325.37 real[188] – more than three times the national minimum wage at the time. However, it should be noted that the Dieese figures are based on the cost of living in São Paulo, one of the most expensive cities in Brazil. For information on a living wage in southern or south-western Minas Gerais, see Chapter 6.5.

Occupational health and safety

Brazil has ratified 15 ILO conventions on occupational health and safety.[189] Brazil's national standards on occupational health and safety are largely in line with international standards but unsafe working conditions are still relatively common. Employers are required to take steps to prevent accidents in the workplace, for example by setting up health and safety committees.[190]

In Brazil, coffee pickers must by law be provided with protective equipment free of charge, including gloves, boots, goggles and a hat to protect the workers from rain and sun. Employees tasked with applying pesticides must be provided with personal protective equipment that corresponds to the level of risk to which the workers are exposed. The employer is responsible for ensuring that the protective equipment is used, cleaned properly and in good working order before being used again, and that the workers are given training in correct handling of pesticides.[191]

Child labour

Brazil has ratified the ILO Core Conventions on minimum age and the worst forms of child labour.[192] National laws in Brazil set the minimum age for admission to employment at 16. Adolescents who are 16 or 17 years old can be formally employed when certain conditions are met and as long as the work does not involve extended hours nor dangerous or unhealthy conditions. Minors at the age of 14 can be admitted to apprenticeships.

There were approximately 554,000 million children between the ages of five and 13 years old working in Brazil in 2014 of whom 344,000 worked in agriculture.[193] The official statistics on child labour are not disaggregated further by crop type so the exact number of children working in coffee cultivation is not known. Ten years ago, there were more than one million children under the age of 13 working in Brazil. Brazil has been accredited for significant advancements in its efforts to eliminate child labour which include for example monthly cash stipends to families to keep their children at school and vaccinated.[194] The number of children working in agriculture has been reduced also due to rural unions paying increasing attention to

187 Dieese, Metodologia da Pesquisa Nacional da Cesta Básica de Alimentos, available at http://www.dieese.org.br/metodologia/metodologiaCestaBasica2016.pdf (in Brazilian Portuguese)

188 Dieese, Cesta Básica Nacional – Salário mínimo nominal e necessário, available at http://dieese.org.br/analisecestabasica/salarioMinimo.html (in Brazilian Portuguese, accessed on 22 July 2016). The Dieese calculated necessary minimum wage for January 2016, when the national minimum wage was adjusted to 880 real, was 3795,24 real.

189 ILO, Ratifications for Brazil

190 See for example US Department of State, 2015, Country report on human rights practices; Brazil, available at http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper (accessed on 22 July 2016)

191 Norma Regulamentadora 31 – NR 31, available at http://www.guiatrabalhista.com.br/legislacao/nr/nr31.htm (in Brazilian Portuguese, accessed on 2 September 2016)

192 ILO, Ratifications for Brazil

193 Instituto Brasileiro de Geografia e Estatística (IGBE). See for example Economia, 13 November 2015, Em 2014, havia 554 mil crianças de 5 a 13 anos trabalhando, aponta IBGE, available at http://g1.globo.com/economia/noticia/2015/11/em-2014-havia-554-mil-criancas-de-5-13-anos-trabalhando-aponta-ibge.html (in Brazilian Portuguese, accessed on 2 September 2016)

194 These efforts are part of the government-run Bolsa Familia and Program to Eradicate Child Labour (PETI) programmes. Bolsa Família is a social welfare programme which provides financial aid to poor Brazilian families; if they have children, recipient families must ensure that the children attend school and are vaccinated. PETI provides direct transfer of funds to families with children or adolescents in work situations as well as services to strengthen ties between parents and children.

the problem.[195] However, due to the economic downturn it is estimated that the number of working children is likely to have increased since 2014.

Modern slavery

The Brazilian government in 1995 acknowledged the existence of modern slavery in the country. The efforts of the government since then to eradicate modern slavery are often commended in the international fora.[196] Instead of the term 'forced labour' which is commonly used in international standards,[197] Brazil uses the term 'slave labour' which is prohibited and defined in national laws as

"[R]educing someone to a condition analogous to that of a slave, namely: subjecting a person to forced labour or to arduous working days, or subjecting such a person to degrading working conditions or restricting, in any manner whatsoever, his mobility by reason of a debt contracted in respect of the employer or a representative of that employer."

The 'conditions analogous to that of a slave' are further defined as

- forced labour: people forced to work under threats or acts of physical or mental violence
- exhausting working hours: workers subjected to workdays that go far beyond normal overtime and threaten their physical integrity
- degrading conditions: people lodged in substandard housing and/or without access to appropriate equipment to protect themselves in handling and applying agrochemicals, decent food or water
- debt bondage: workers are tied to labour intermediaries and/or landowners by illegal debts related to expenses on transportation, food, lodging and work equipment.[198]

The effectiveness of the Brazilian government's efforts to stamp out modern slavery is sometimes in part attributed to this expansive definition of the phenomenon in national laws. However, currently in Brazil there is some debate among politicians to narrow down the definition to bring it in line with the international definition.[199]

The Brazilian government's efforts to eliminate modern slavery, coordinated by the National Commission for the Eradication of Slave Labour (CONATRAE), have included the introduction of mobile labour inspection teams (DETRAE) in 1995 that conduct surprise field investigations accompanied by the police and prosecutors to workplaces; the publication of the so-called Dirty List or a register of companies convicted, following administrative proceedings, of having used slave labour (see page 32), and: the 2005 National Pact for the Eradication of Slave Labour (Pacto Nacional pela Erradicação do Trabalho Escravo). Signatories to the Pact commit to eradication of slave labour in their supply chains and ending business relations with producers on the Dirty List. Until recently, no coffee company had signed the

195 See for example an interview with Jorge Ferreira dos Santos from Adere, an NGO focussed on rural workers' rights in Minas Gerais, in Danwatch, 2016, Slavery-like working conditions and deadly pesticides on Brazilian coffee plantations

196 See for example Walk Free Foundation, Global Slavery Index, available at http://www.globalslaveryindex.org/region/the-americas/ (accessed on 29 July 2016)

197 According to ILO, for example, forced labour refers to situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as accumulated debt, retention of identity papers or threats of denunciation to immigration authorities. In the ILO Convention No.29 on Forced Labour, forced labour is defined as "all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily". The full text of the Convention is available at http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C029. See also ILO, The meanings of forced labour, available at http://www.ilo.org/global/topics/forced-labour/news/WCMS_237569/lang--en/index.htm (accessed on 29 July 2016)

198 Article 149, Brazil Penal Code, available at http://www.planalto.gov.br/ccivil_03/LEIS/2003/L10.803.htm#art149 (in Brazilian Portuguese, accessed on 2 September 2016)

199 International standards on forced labour do not recognise exhausting working hours or degrading conditions as forms of forced labour but they are considered indicators of forced labour. For more information see ILO, Indicators of forced labour, available at http://www.ilo.org/global/topics/forced-labour/publications/WCMS_203832/lang--en/index.htm (accessed on 29 July 2016)

Pact; however, in 2016, the Brazilian Coffee Exporter Association CECAFÉ and UTZ signed it.

In 2014, the Pact was institutionalised through the introduction of Institute for the National Pact to Eradicate Slave Labour (Instituto do Pacto Nacional pela Erradicação do Trabalho Escravo, InPACTO). InPACTO is a membership organisation for companies and other relevant actors who are signatories to the Pact. ILO is also one of the InPACTO members. InPACTO monitors the implementation of the Pact and supports data collection and analysis. It is organised in sector-specific working groups; an opportunity to create a coffee sector working group is reportedly being explored.[200]

Between 1995 and 2014, about 50,000 workers – most from poor states of Brazil but also migrant workers from Bolivia, Haiti and Paraguay – have been freed from slave-like conditions in Brazil by labour inspectors. Freed workers are eligible for financial assistance and training to help them reintegrate into society.

The Dirty List

When the mobile labour inspection teams find that an employer has kept their workers in conditions analogous to slavery, administrative proceedings against them are began, and can take up to two years to conclude. Once the proceedings have concluded, the employer's name is added to the Dirty List. Employers listed on the Dirty List cannot receive public funding and are sometimes ineligible also for loans from private financing institutions. If the employer has completed corrective actions required by the labour inspectors, their name will be removed from the List after two years.

At the coffee farms on the Dirty List, payment of salaries is often irregular and many of the workers have deductions made from their salaries that render their take-home pay lower than what they had been promised. Some are not paid at all. The workers' living conditions can also be degrading with no running water, sanitation or garbage disposal. The workers may have to cook over open flame and sleep on dirt floors. In the coffee fields, the workers may have no access to drinking water, sanitation or shelter from the elements. They are not provided with personal protective equipment for handling agrochemicals or they have to pay for such equipment themselves.[201]

Many of the coffee farms on the Dirty List rely on *gatos* (labour brokers, see page 34) to recruit their workers, sometimes under false pretences of the nature or conditions of the work. In addition to debt bondage, the workers' freedom of movement on the farms on the Dirty List is also restricted through retention of identity documents and in some cases, threats of violence.[202]

The Ministry of Labour and Employment last updated the Dirty List in July 2014. The List should have been updated in December 2014 but it was suspended by the Brazilian Supreme Federal Court after accepting a claim by a construction association. As long as the lawsuit – which could take years – is ongoing, the Dirty List will not be published on the Ministry's website. On the last released Dirty List, there were 16 coffee farms from which more than 400 workers had been rescued.[203]

200 Catholic Relief Services and Repórter Brasil, 2016, Exploring isolated cases of modern slavery: Farmworkers protections and labor conditions in Brazil's coffee sector, available at http://coffeelands.crs.org/wp-content/uploads/2016/04/CRS-Policy-Brief-Farmworker-Protections-and-Labor-Conditions-in-Brazil%E2%80%99s-Coffee-Sector.pdf

201 For more information see Catholic Relief Services Coffeelands blog, 14 December 2015, This is what modern slavery looks like, available at http://coffeelands.crs.org/2015/12/this-is-what-modern-slavery-looks-like/ (accessed on 2 September 2016)

202 Catholic Relief Services and Repórter Brasil, 2016, Exploring isolated cases of modern slavery

203 Since the List was suspended, it was removed from the Ministry of Labour and Employment's website. It is however, still available on the Repórter Brasil website at http://reporterbrasil.org.br/listasuja/resultado.php?busca=caf%C3%A9&submit=Buscar&lingua=pt (in Brazilian Portuguese, accessed on 2 September 2016)

The Transparency List

Although the publication of the Dirty List on the Ministry of Labour and Employment's website was suspended in December 2014, the labour inspections and administrative proceedings against employers on slave labour grounds continue. Repórter Brasil and InPACTO have continued to make the information on new additions to the Dirty List publicly available by obtaining information from the authorities through freedom of information requests. This unofficial Dirty List is called the Transparency List. Although it does not hold the same status as the Dirty List and for example, financial institutions do not necessarily have to consult the Transparency List when making decisions on loans, the Transparency List is however based on official information on concluded administrative proceedings.

On the last update of the Transparency List in June 2016 10 coffee producers were included. These 10 producers had been added to the list between December 2014 and June 2016. Altogether 213 workers have been freed from their farms.[204]

The producers on these lists represent only a very small fraction of the total of more than 270,000 coffee farms in Brazil. The work of mobile labour inspection teams is hampered by Brazil's large territory and reduced resources. According to ILO, the labour inspection teams are able to investigate only about half of the cases that are brought to their attention. Therefore, the true number of coffee farms benefiting from slave labour is likely to be higher.[205]

204 Lista de Transparência, available at http://reporter-brasil.org.br/wp-content/uploads/2016/06/listadet-ransparencia4.pdf (in Brazilian Portuguese, accessed on 2 September 2016)

205 Danwatch, 2016, Slavery-like working conditions and deadly pesticides on Brazilian coffee plantations

Root causes of slavery

A 2013 investigation by Repórter Brasil for Catholic Relief Services identified several modern slavery risk factors specifically in relation to coffee cultivation in Brazil.[206] These include poverty, farm size and market incentives:

- Most workers rescued from the farms on the Dirty List had been recruited by *gatos* (labour brokers, see page 34).
- Most of them were uneducated men who at the time of their recruitment lived in poverty in remote areas of the country. For them, employment opportunities at home were scarce and taking up employment in coffee farms was perhaps the only option to earn an income. As such, they were vulnerable to abuse by *gatos* who often approach potential recruits with false promises of good pay and free accommodation and food. *Gatos* are known to also particularly target people of afrobrazilian ethnicity.
- Labour demand, and as such, the risk of labour rights violations, is higher at higher altitudes in the more mountainous growing areas where the harvest cannot be mechanised.
- Workers at medium size farms are also potentially more vulnerable to conditions analogous to slavery because medium size farms are often too big to be run on the labour provided by family members only yet too small to afford investments that would enable them to reduce their reliance on hired manual labour and to improve working conditions and salary levels.
- One of the reasons why these farmers cannot afford such investments or increased pay for the workers is the low price paid for green coffee (see also Chapter 3).

206 Catholic Relief Services and Repórter Brasil, 2016, Exploring isolated cases of modern slavery

Problems related to seasonal workers

It has been estimated that about 40–50 per cent of the temporary workers hired for the coffee harvest season have no employment contract, and sometimes the workers are promised a higher salary if they agree to work informally.[207] Without Work and Social Security Cards signed by the employer, the workers have no access to health care, social security benefits or pension. An impact assessment study to UTZ certification, undertaken by an independent consultant, noted that formalised employment relations is one of the clearer improvements attributable to certification schemes at certified farms in Brazil.[208]

About 30 per cent of temporary coffee workers are migrant workers in Minas Gerais whereas the majority is recruited locally.[209] Migrating seasonal workers typically move after work with their entire families, and both parents and their children take up temporary work picking coffee cherries during the harvest season. Many of them are recruited through *gatos*, or labour brokers, who act as intermediaries between employers and employees, and the cost of their services – such as recruitment, transportation, lodging, food, field supervision and payroll – is deducted from the workers' future salaries. This may lead to a situation of debt bondage, a form of forced labour or modern slavery (see page 31). Furthermore, employers usually pay *gatos* a flat fee for their services which creates an incentive for the *gato* to cut corners in order to reduce their costs and make greater profit, thereby risking workers' safety. Some *gatos* also receive a commission from the workers' daily wages.[210]

207 Danwatch, 2016, Slavery-like working conditions and deadly pesticides on Brazilian coffee plantations

208 Effects of UTZ certification according to coffee farmers in Brazil

209 Danwatch, 2016, Slavery-like working conditions and deadly pesticides on Brazilian coffee plantations

210 Catholic Relief Services and Repórter Brasil , 2016, Exploring isolated cases of modern slavery: Farmworker protections and labor conditions in Brazil's coffee sector, available at http://www.crs.org/our-work-overseas/research-publications/farmworker-protections-and-labor-conditions-brazil%E2%80%99s-coffee (accessed on 29 July 2016)

6.2 METHODOLOGY

In Brazil, the field research for this report was conducted by Repórter Brasil which has been monitoring and reporting on labour rights violations in the coffee supply chain in Brazil for more than a decade.

For this report, Repórter Brasil interviewed workers from Fazenda (farm) Paraíso, Fazenda Nossa Senhora da Conceição and Fazenda Nossa Senhora da Guia (NSG) in July 2015 in Minas Gerais. The interviews were conducted in Brazilian Portuguese. In addition to interviews, Repórter Brasil also searched Ministry of Labour and Employment's databases for information such as possible labour fines, and compared the lists of their suppliers that the coffee roasters provided to Finnwatch against employer names on the Dirty List and Transparency List.

The field research team interviewed between 10 and 12 workers at each of the three farms. The majority of the interviewees were seasonal workers employed temporarily for the duration of the harvest season and tasked with picking coffee cherries. Of the seasonal workers, some were locally recruited whereas others were internal migrants. Of the permanent workers, some performed administrative tasks whereas others were assigned to drying or washing coffee during the harvest season, and general care-taking such as weeding and applying pesticides at other times.

The interviews with the workers at Fazenda Paraíso and Fazenda Nossa Senhora da Conceição were conducted inside the farm gates. This method of interviewing the workers was used after attempts to organise interviews off-site through local rural workers' unions and other channels had failed. Although the workers appeared to be talking freely during the interviews, and the field research team's observations confirmed much of the workers testimony, it is possible that the workers

Table 6 – Farms investigated in Brasil

	Fazensa Paraíso	Fazenda Nossa Senhora da Conceição	Fazenda Nossa Senhora de Guia (NSG)
Location	São Sebastião do Paraíso, Minas Gerais	São Tomás de Aquino, Minas Gerais	Pimenta, Minas Gerais
Link to coffee market in Finland	Has supplied coffee to Gustav Paulig	Has supplied coffee to Arvid Nordquist	Owned by Massimo Zanetti Green Coffee Group. Supplies approximately 20% of the green coffee used by Meira.
Certification	Not certified	UTZ certified since 2011	Not certified
Cooperative, processing mill or exporter	Member of Cooparaíso cooperative. Cooparaíso, founded in 1960, has almost 6,000 members.		Fazenda NSG exports its coffee through Nossa Senhora de Guia processing mill/export company. The processing mill/export company is also part of the Massimo Zanetti Green Coffee Group.
Farm size	50 ha (all manually harvested)	410 ha in total; 283 ha planted with coffee (of which 185 ha manually harvested)	About 2,133 ha in total; 1,382 ha planted with coffee (a mix of manual and mechanical harvesting)
Yield	Approximately 30 sacks per ha (sack = 60 kg)	48 sacks per ha	
Number of employees	3 permanent employees, around 12 more people hired for the harvest season	38 permanent employees, around 60 more people hired for the harvest season	300 permanent employees, around 550 people hired for the harvest season[211]

deliberately chose not to bring up some challenges they face for fear of retaliation.[212]

The Fazenda NSG workers were interviewed off-site. In addition to the workers, the field research team also spoke separately with representatives of the Fazenda NSG middle management. In all three locations, representatives of the local rural workers' unions were also interviewed.

The field research findings were sent to all three farms in writing in November 2015 and again in December 2015 for comments. In addition, the field research team called each farm to confirm the receipt of these communications, and to offer the farms a further possibility to respond. The findings pertaining to UTZ certified Fazenda Nossa Senhora da Conceição were also sent to UTZ, and the findings pertaining to Fazenda NSG to Meira, who in turn sent them to Cofiroasters for comments. Responses from UTZ and Cofiroasters are incorporated below. Of the farms, a response was received only from Fazenda Nossa Senhora da Conceição; in their response, they simply referenced UTZ's response to Finnwatch and did not provide a substantive response of their own.

In their response, UTZ stressed that they take the findings seriously and that they are in touch with the farm directly to look into the situation further. UTZ also pointed out that the UTZ assurance system is based on continuous improvement and enabling the farmers to make the necessary improvements when non-conformities are uncovered.

211 Cofiroasters via Meira, Raimo Sinisalo, email 4 July 2016

212 See also for example Danwatch, 2016, Slavery-like working conditions and deadly pesticides on Brazilian coffee plantations. According to Vilson Luiz da Silva, a union leader interviewed by Danwatch, many coffee plantation workers fear being replaced by machines, or are even directly threatened so by their employees, and therefore do not dare to complain about poor working conditions.

According to Cofiroasters, NSG farm is about to be UTZ and Rainforest Alliance certified, and that the process of obtaining certifications has been easy due to good conditions at the farm.

6.3 DISCRIMINATION IN RECRUITMENT AT FAZENDA NSG

All workers interviewed at all three farms, Paraíso, Nossa Senhora da Conceição and NSG, had formal employment contracts and Work and Social Security Cards signed by the employer. Seasonal workers hired to pick coffee cherries typically had temporary contracts lasting for three months, according to the workers. It appears that the situation at these three farms is better than on coffee farms in Brazil in general (see page 34) as generally, a relatively high proportion of workers at non-certified farms in Brazil have informal employment relations.

Temporary, seasonal workers at Fazenda Nossa Senhora da Conceição who were interviewed for this report had been recruited by a *gato* (see page 34) but they did not allege having been abused in the process. Interviewed workers at the other two farms had not been recruited by *gatos* and they were also not aware of anyone else on the other farms having been exploited by a *gato.*

At the Fazenda NSG, the recruitment practices for migrating seasonal labour were found to be discriminatory. Migrating seasonal workers are offered accommodation in the barracks on the farm and, according to the NSG manager interviewed for this report, in order to avoid conflicts that could arise from having men and women living together in the barracks the farm only employs male migrant workers for the harvest season. According to a Brazilian labour inspector, such discrimination is illegal under the Brazilian Constitution and the Labour Law.[213] The Cofiroasters Code of Conduct also forbids all forms of discrimination, including on the basis of gender.

According to Cofiroasters' response, the migrating seasonal workers at the farm are men because women typically cannot or do not want to leave their families for longer periods of time. The farm also employs people locally to whom they offer daily transportation to work; of these about 40 per cent are women and 60 per cent are men.

6.4 NO SIGNS OF CHILD LABOUR

At Fazenda Paraíso, the youngest two interviewees were 17 years old. In addition to working at the farm, they attended evening school after work. In Brazil, evening schools are common in the coffee growing areas, and many minors attend them in addition to working at the farms during the day. Only one of the underage interviewees was not currently attending school, and according to them, this was due to administrative problems to do with changing schools mid-term and that they would return to school later when the coffee harvest was over.[214]

No children below the legal minimum working age in Brazil were reported by the interviewees, or observed by the field research team, to be working at any of the three investigated farms.

6.5 WAGES INSUFFICIENT TO AFFORD EVEN A BASIC LIVING

Temporary seasonal workers and permanent workers at all three investigated farms reported monthly pay above the national minimum wage which was set at 788 real (217 euros) per month in 2015 when the interviews for this report took place. However, many said they were struggling financially.

213 Telephone conversation 27 August 2016. Constitution of the Federative Republic of Brazil, and; Consolidation of labour laws, Article 373A, available at http://www.planalto.gov.br/ccivil_03/leis/L9799.htm (in Brazilian Portuguese, accessed on 2 September 2016)

214 Education in Brazil is compulsory until the age of 14. The interviewee had completed compulsory education.

None of the interviewees reported irregularities in receiving pay. However, some workers at the Fazenda Paraíso said they were unclear about how their salary was calculated. Parts of the farm are higher yielding than other parts and, according to the workers, the piecemeal pay rate is adjusted downwards for coffee picked from the higher yielding parts and upwards for the coffee picked from the lower yielding parts. The criteria for such adjustments was not understood by the workers.

The permanent farmworkers at Fazenda Paraíso reported monthly pay of approximately 1,000 real (275 euros). However, during the harvest months their pay is calculated at piecemeal rate like that of temporary workers as they too are then tasked with picking coffee cherries. According to both permanent and temporary workers at Fazenda Paraíso, during the harvest season they earn between 800–1,600 real (220–440 euros) depending on how much coffee they pick. In addition to the monthly salary, temporary migrant workers and their families at Fazenda Paraíso can live free of charge at the farm during harvest months. Seasonal workers and permanent workers recruited locally are responsible for their own accommodation.

The piecemeal pay rate at Fazenda Paraíso – at 14 real (3.85 euros) per sack – appears to be relatively high. According to rural workers' rights organisation Adere, most coffee pickers are paid just 8 real (2.20 euros) per sack, and 40 per cent of agricultural workers in Minas Gerais, including those who work on coffee farms, are paid less than the legal minimum wage. According to Danwatch, the typical piecemeal pay rate at non-certified farms in Minas Gerais during the 2015 harvest season was between 8 and 15 real (2.20–4.13 euros), whereas an owner of a certified plantation reported a pay rate between 12 to 20 real (3.30–5.50 euros) per sack.[215]

At Fazenda Nossa Senhora da Conceição, permanent farmworkers reported a monthly pay of 1,273 real (350 euros). During the harvest season, they reported higher earnings between 1,400–2,254 real (385–620 euros). The temporary workers interviewed for this report had not received their first pay by the time of the interviews but they estimated that they'd be earning between 1,320–2,000 real (360–550 euros) per month. Their salary is also calculated on a piecemeal basis, and the amount they are paid depends on the amount of coffee they pick. The Fazenda Nossa Senhora da Conceição farmworkers interviewed for this report were all responsible for their own accommodation.

At the Fazenda NSG, temporary workers reported a basic monthly pay of 900 real (247 euros) on top of which they were paid a harvest bonus on piecemeal basis. According to the workers, the bonus can as much as double their monthly earnings to 1,800 real (495 euros). Permanent farmworkers who were not tasked with harvesting coffee cherries reported monthly pay of 1,134 real (312 euros) and no bonus. Employees who performed administrative or other tasks reported fixed rate monthly pay of 900 real and no bonus. Of the interviewees from all three investigated farms, the workers at the NSG farm who were interviewed for this report were the most unsatisfied with their salary levels. Although Fazenda NSG offers migrating seasonal workers accommodation at the dormitory in the farm, all of the workers interviewed for this report had to provide for their own accommodation. The company offers free transportation to work to workers who live locally outside the farm.

The Global Living Wage Coalition of six voluntary sustainability standards (see page 19) has published a benchmark study for a living wage for the coffee growing industry in rural Minas Gerais southern and southwestern region.[216] In the report, they provide an estimate for a living wage applicable to permanent rural workers who live in the urban areas and not in accommodation provided by

215 Danwatch, 2016, Slavery-like working conditions and deadly pesticides on Brazilian coffee plantations

216 Global Living Wage Coalition, 2016, Living wage report: Living wage for southern and southwestern Minas Gerais state, Brazil with a focus on the coffee sector, available at http://www.isealalliance.org/sites/default/files/Living_Wage_Benchmark_Report_Brazil.pdf

their employer. This estimate, provided in the report for July 2015, is 1,629 real (448 euros) per month over a year. If the workers receive in-kind benefits – such as free transportation to work as is typical in the agricultural sector – the living wage needs to be adjusted to take this into account. Going forward, the living wage also needs to be adjusted for inflation according to the consumer prices index which is also used for indexing the legal minimum wage in Brazil.[217]

For the benchmark study, the Global Living Wage Coalition also investigated the prevailing wage rate for permanent, general service coffee farmworkers in Minas Gerais and found the rate to be 1,307 real (360 euros) per month over a year. This calculation for the prevailing wage takes into account typical in-kind benefits and higher earnings during the harvest season and applies to certified farms only. The Global Living Wage Coalition's estimate for a living wage is therefore 25 per cent higher than their findings regarding the prevailing wage rate at certified farms and 86 per cent higher than the minimum wage. Despite this, it is still 24 per cent below the average for formal sector workers in the same geographical area.

None of the permanent farmworkers at the three farms included in this case study reported earnings at the level of Global Living Wage Coalitions' living wage estimate. Although most workers reported salaries above the living wage estimate during the harvest season, the reported higher earnings during the three to four harvest months are still not sufficient to afford even a basic but decent standard of living the year round.

In their response UTZ, which is part of the Global Living Wage Coalition, said that the requirement to pay a living wage is a recent addition to the standard and that as of this year, any certified farms that do not meet the level of a living wage will be asked to work on improvement plans. The implementation of these plans will be monitored through audits. According to UTZ, the goal of the living wage benchmark studies is to show what a living wage would be so that progress can be made towards it. The benchmarks studies are aimed at stimulating dialogue in the sector and to give workers and their representatives the tools they need to negotiate. They also noted that the pay for permanent farmworkers at Fazenda Nossa Senhora da Conceição was largely in line with the prevailing wage rate for coffee workers at certified farms in Brazil.

217 Global Living Wage Coalition's living wage estimate for permanent labourers in the coffee sector adjusted for typical in kind benefits, cash allowances and bonuses in the industry is 1,414 real (389 euros). The Coalition's living wage estimate does not apply to temporary workers who are only hired for the duration of the harvest.

6.6 LACKING AND DEGRADED PROTECTIVE EQUIPMENT; FAZENDA NSG STANDS OUT POSITIVELY

The Brazilian law requires coffee pickers to wear the following personal protective equipment: boots, gloves, hat and goggles. Additional personal protective gear is required when working with pesticides; the requirements depend on the type of pesticide being applied. The protective gear must be provided by the employer to the workers free of charge.[218] Having no access to necessary personal protective equipment is one of the indicators of degrading working conditions under Brazil's slave labour legislation (see page 31).

At Fazenda Paraíso, most workers were wearing boots and gloves but only one employee was wearing goggles. For sun protection, the workers were wearing headscarves or bandannas. The protective gear worn by most of the workers was observed to be degraded. A permanent farmworker, whose tasks included applying pesticides, said that they wore a mask and gloves when working with pesticides.

At the Fazenda Nossa Senhora da Conceição, permanent employees wore all the legally required protective equipment including goggles. However, none of the temporary workers were wearing any protective gear. According to the interviewees, the farm managers had promised to provide them

218 Norma Regulamentadora 31 – NR 31


PHOTO: MARCEL GOMES / REPÓRTER BRASIL

An employee of Fazenda Nossa Senhora da Conceição. All permanent employees at the farm had personal protective equipment – unlike seasonal workers. Fazenda Nossa Senhora da Conceição is UTZ certified.

with personal protective equipment but by the time of the interviews, they had not yet been given any. In some cases, this meant that the workers had been harvesting coffee without legally required protective gear for three weeks already. The field research team was later able to confirm that the temporary workers had been provided with personal protective equipment about a week after the first interviews had taken place, i.e. one month into their employment.

In their response UTZ said that during the latest audit at Fazenda Nossa Senhora da Conceição which took place at a similar time of year (i.e. in the beginning of the harvest season) the auditors detected two non-conformities against the UTZ standard in regard to workers' health and safety. According to UTZ, the farm subsequently implemented corrective actions.

The Fazenda NSG workers interviewed for this report said that they wore all the legally required personal protective equipment at work, and that they had been provided with such equipment free of charge by their employer. Indeed, according to the workers anyone found to be not wearing protective gear at Fazenda NSG could be fired.

In their response Cofiroasters stressed that there is a team of professional safety experts and a safety engineer at Fazenda NSG and that the workers are offered professional training. In addition, there is also a first aid clinic where there is a doctor and a nurse available.

6.7 SOME WORKERS HAVE NO REST DAY DURING THE HARVEST SEASON

The Brazilian Constitution limits the amount of daily working hours to eight and weekly working hours to 44 for a six day working week.[219] In general, workers at all three farms reported working eight hours a day and weekly working hours within the permissible limits. According to the workers at all three farms, they are also given between 30 minutes and an hour's break for lunch, and other breaks ranging from a few minutes in the morning and in the afternoon to half an hour once a day.

Some workers at Fazenda Nossa Senhora da Conceição and Fazenda NSG said that they occasionally worked overtime but not more than the two hours per day permissible by law.[220] At Fazenda Paraíso, one employee reported working overtime for five hours per day once or twice per week.

219 Constitution of the Federative Republic of Brazil
220 Consolidation of Labour Laws, Article 59

According to Brazilian labour law, employees are entitled to a weekly rest day.[221] The law allows for Sunday work in certain job categories such as harvesting crops as long as the workers get a weekly rest day.[222] At both Fazenda Paraíso and Fazenda Nossa Senhora da Conceição, the workers in charge of drying coffee reported working seven days a week throughout the harvest season (i.e. three to four months). The workers did not complain about this as this meant higher earnings for them; however, the arrangement is a violation of Brazil's labour laws.

6.8 CHANGES TO WORKERS' ACCOMMODATION ARRANGEMENTS

Whereas it used to be common practice in Brazil that coffee farmworkers lived inside the farm gates, workers who live at the farms are nowadays a minority.[223] This means that the workers increasingly have to cover the cost of housing themselves, and that the cost and the burden of compliance with legal requirements for workers' accommodation to the farm owners are reduced.

Despite this overall trend, the vast majority of the temporary workers at Fazenda Paraíso were living in accommodation provided by their employer free-of-charge. They also did not pay for water or electricity. Workers at Fazenda Paraíso complained that their living quarters were crammed, with a family of five sharing just one room. Otherwise the housing conditions were relatively good.

Fazenda NSG also provides most of their temporary migrant workers' accommodation. The field research team was unable to visit the workers' dormitory or interview any of the workers staying there. However, Brazilian Ministry of Labour and Employment inspectors visited and approved the temporary workers' living quarters during inspections in 2013 and 2014. The inspectors did not visit the farm in 2015.[224] According to Cofiroasters' response, the workers who live in the dormitorty are charged 3 real (0.83 euros) per day towards their accommodation and food.

Permanent workers and locally recruited seasonal workers at Fazenda Paraíso and Fazenda NSG and all employees of the Fazenda Nossa Senhora da Conceição who were interviewed for this report had to provide for their own accommodation. They reported rents around 300 real in São Sebastião do Paraiso and 200 real in São Tomás de Aquino. Several were living in family-owned houses, and said that if they had to pay rent, they would not be able to make ends meet. Some had purchased their homes through governmental programmes for social housing.

6.9 WORKERS HAVE LIMITED OPPORTUNITIES TO HAVE A SAY ON TERMS OF EMPLOYMENT

None of the workers interviewed in any of the three farms were currently members of, or in contact with, any trade union. Only one worker at Fazenda Nossa Senhora da Conceição reported ever having been a union member. Another employee at the same farm recalled union members having visited the farm but this was several years ago.

The local rural workers unions that do exist in coffee growing areas in Minas Gerais appear to have in practice given up organising workers and bargain collectively. Instead, many rural unions focus their efforts on

221 Consolidation of Labour Laws, Article 67
222 Amendment to the Consolidation of Labour Laws, 2010, available at http://www.planalto.gov.br/ccivil_03/_Ato2007–2010/2010/Decreto/D7421.htm#art1 (in Brazilian Portuguese, accessed on 1 September 2016)
223 See for example BSD Consulting and Ibi Êté consultoria, 2015, Effects of UTZ certification according to coffee farmers in Brazil, available at https://utzcertified.org/images/stories/site/pdf/downloads/impact/brazil2015/Effects_of_UTZ_Certification_according_to_Brazilian_farmers_2015.pdf. The study was commissioned by UTZ Certified. See also Catholic Relief Services and Repórter Brasil , 2016, Farmworker protections and labor conditions in Brazil's coffee sector
224 Interviews with representatives of the Rural Workers Union of Pimenta.

issues such as provision of legal support and retirement upon request from the workers.[225]

6.8 LITIGATION AND ADMINISTRATIVE PROCEEDINGS AGAINST THE SUPPLIERS OF MEIRA AND GUSTAV PAULIG

Brazil's Ministry of Labour and Employment maintains a database which contains information on labour fines that have been issued to employers following irregularities related to implementation of legal provisions on workers' health and safety, wages and other labour issues. At the end of October 2015, there was information on 28 cases against Fazenda NSG, a Meira supplier, available in the database. These cases had been filed by labour inspectors between 2003 and 2014 on grounds of irregular payment, excessive working hours, rest periods and lack of safety conditions. In 2014, three cases were filed – all regarding working hours and rest periods. According to Meira and Cofiroasters' response, Fazenda NSG has reacted quickly to the cases and the conditions at the farm largely exceed legal requirements.[226]

A search in the Labour Justice's database on litigations brought up two references to farms that have supplied coffee to Gustav Paulig. In two separate cases involving two farms in São Sebastião do Paraíso, initiated in 2012, a worker sued their respective employer because their employer had not formalised their employment relations and provided them with Work and Social Security Card. In one of these cases, the farmer acknowledged his guilt and agreed to pay compensation to the worker. In the other case, the farmer was found guilty and ordered by a judge to formalise the employment relationship and to pay the worker a sum towards the Severance Indemnity Fund (FGTS) to cover the period of informal employment when no contributions towards the fund had been paid.[227]

None of the farms on the supplier lists that the coffee roasters provided to Finnwatch, was on the Dirty List or Transparency List (see pages 32–33). However, a recent Danwatch investigation[228] was able to trace coffee grown on two Brazilian farms that the authorities found in 2015 to have been employing workers in conditions analogous to slavery upward the supply chain. The workers at these two farms – Fazenda da Lagoa and Fazenda da Pedra – had no employment contracts, no personal protective equipment, no access to clean drinking water and no doors in their accommodation. Furthermore, the worker's personal documents had been retained by their employer. Both farms sold their coffee to cooperative Cocarive, which in turn sells coffee for example to Volcafe, a major coffee exporting company. In response to Danwatch, Volcafe confirmed that it has been purchasing coffee from Cocarive and that it cannot guarantee that it has not resold coffee from Fazenda da Lagoa and Fazenda da Pedra to its international customers.

In another similar case exposed by Danwatch, Cocatrel, another cooperative, was confirmed to have continued to sell coffee to exporters such as Volcafe, Grupo Tristão and Cooxupé from a farm that was placed on the Dirty List already in 2014. In this case, the workers on a plantation owned by Eduardo Barbosa de Mello had no contracts and no personal protective equipment. The producer was also found to have violated pay regulations and guidelines for suitable housing for workers. Despite this, Cocatrel confirmed to Danwatch in September 2015 that Mello remained a member of the cooperative. Volcafe said in

225 See for example Federação dos Trabalhadores na Agricultura do Estado de Minas Gerais, 2015, Fortalecimento sindical é pauta no 4º Encontro de Trabalhadores Rurais, available at http://www.fetaemg.org.br/noticias/fortalecimento-sindical-e-pauta-no-4o-encontro-de-trabalhadores-rurais/ (in Brazilian Portuguese, accessed on 2 September 2016)

226 Meira, Raimo Sinisalo, email 12 October 2016

227 FGTS was created in 1967 by the Federal Government. It involves opening a specific account in the name of a worker to which their employer must deposit a sum equivalent to 8 per cent of their salary each month. It applies to particular types of workers including rural and temporary workers who can then withdraw funds from the account in the event of, for example, undue dismissal, retirement or serious disease.

228 Danwatch, 2016, Bitter Coffee – Slavery-like working conditions and deadly pesticides on Brazilian coffee plantations

their response that "Cocatrel is one of the largest cooperatives in Brazil, comprising several thousand individual farmers and plantations. Cocatrel receives over a million bags of coffee each year from these several thousands farmers. I can confirm we bought coffee from Cocatrel between 2008 and 2015 but have yet to receive any evidence that the coffee we bought from Cocatrel included coffee from Eduardo de Mello's plantation."

The customers of these exporters, Volcafe, Grupo Tristão and Cooxupé, include the world's largest coffee houses such Nestlé and Jacobs Douwe Egberts (JDE). In Finland, Gustav Paulig also buys coffee from at least Volcafe.[229] According to Paulig, in addition to requiring all the exporters it works with to sign its Suppliers' Code of Conduct, it also requires them to actively monitor the Dirty List for new additions of producer names. The exporters are expected to agree not to supply Gustav Paulig with coffee from producers on the Dirty List and to proactively inform Paulig if connections are made between producers on the Dirty List and the exporters' supply chains. According to Paulig, the investigations done by the exporting companies who supply Paulig to their supply chains show that they have not resold coffee from Fazenda Lagoa, Fazenda da Pedra or Eduardo Barbosa de Mello on to Gustav Paulig.[230]

The cooperative Cocatrel used to be one of the main suppliers of Cofiroasters' processing mill/exporting company Nossa Senhora da Guia.[231] Meira sources 25 per cent of its green coffee from Nossa Senhora da Guia via Cofiroasters. However, according to Meira, Cofiroasters has not sourced coffee from Cocatrel for a year and not for five years from Eduardo Barbosa de Mello.[232]

Of the large global coffee houses, Nestlé confirmed to Danwatch that it had also been buying coffee from Fazenda da Lagoa and Fazenda da Pedra via another exporter, Carmo Coffees. Nestle's own inspectors had visited the farms in August 2015 and August 2014 respectively, but had not observed any problems during these visits. According to Nestlé, "since the harvest season was already over, temporary workers were not present and houses were empty. Moreover, our August 2015 visit to Fazenda da Lagoa did not reveal any evidence of misconduct as the farmer is very likely to have already taken corrective action to address the issues brought to light by the local authorities in their audit earlier in the year." Nestle's instant coffee and Nespresso capsules are sold in Finland. JDE owns several coffee brands which are sold in Finland, including Gevalia, Jacobs, Maxwell House and Tassimo. In their response to Danwatch, JDE stated that "[…] due to the nature of how coffee is traded, we cannot guarantee that there are no labour-related issues on each and every farm in Brazil from which coffee is sold to cooperatives, exporters, traders and eventually to us. It is a long and complex supply chain, with an estimated 260,000 farmers and, despite our best efforts, it is possible that coffee from coffee farm in Brazil with poor labour conditions has found its way into our supply chain."

229 Paulig Group, Seija Säynevirta, email 22 May 2015
230 Paulig Group, Seija Säynevirta, email 8 September 2016
231 Meira, Marleena Bask, email 15 June 2015
232 Meira, Raimo Sinisalo, email 6 September 2016

7 CASE Honduras

Honduras became the largest coffee producer in Central America in 2011.[233] Coffee production is crucial for the Honduran economy. According to IHCAFE (Instituto Hondureño del Café, a coffee organisation), the value of coffee production in 2014/15 equalled an estimated 35 per cent of the country's GDP.[234] The total value of Honduran coffee exports in 2015 was approximately 930 million US dollars (830 euros).[235]

Coffee is grown in almost all departments in Honduras. There are around 120,000 coffee producers in Honduras. The majority of these are small family-run operations with less than five manzanas[236] (approximately 3.5 ha) dedicated for coffee plants.

The coffee harvest season in Honduras usually lasts from October until March or April. For the harvest season, farms that exceed 10 manzanas in size (approximately 7 ha) typically hire temporary labour.[237] An estimated one million people in total are employed in the coffee supply chains in Honduras.[238]

A relatively large proportion of coffee production in Honduras is certified. In 2012, Honduras was the world's fifth largest producer of standard-compliant coffee after Brazil, Colombia, Viet Nam and Peru. That year, three per cent of the world's standard-compliant coffee was produced in Honduras. The proportion of Fairtrade compliant production of the total Honduran coffee production was 4.5 per cent. The figures for Rainforest Alliance and UTZ certified coffee production were 2.1 per cent and 18.2 per cent respectively.[239]

7.1 BACKGROUND: LABOUR RIGHTS ISSUES IN HONDURAS

Honduras HDI value put the country in the medium human development category. Child labour employment rate in the 5 to 14 age group is 14 per cent. Of the total working population, almost 20 per cent are categorised as working poor and the majority of people who are employed are considered to be in vulnerable employment.[240]

Freedom of association

Honduras has ratified the ILO Core Conventions on freedom of association and collective bargaining.[241] In practice though, national laws restrict workers' right to form and join organisations of their own choosing by imposing a single trade union system by enterprise or institution. In order to establish a union, a minimum of 30 workers are needed and the union leaders must be Honduran nationals employed in the sector and able to read and write. Farms and other workplaces in the agricultural sector that do not permanently employ over 10 people are excluded from the scope of the labour law, and the workers there do not have the right to form and join trade unions.[242] The right to strike is restricted by law. Generally, a two-thirds majority of the workforce is required to approve a strike and employees

233 Wall Street Journal, 29 July 2011, The Prince of the Coffee Bean, available at http://www.wsj.com/articles/SB1000142405311190480030457647421197363 7364 (accessed on 17 May 2016)

234 HRN, 18 December 2014, Rubro de café aporta un 35 % al PIB del país, available at www.radiohrn.hn/l/noticias/rubro-de-café-aporta-un-35-al-pib-del-país (in Spanish; accessed on 29 July 2016)

235 ITC, Trade Map. The figures pertain to not roasted and not decaffeinated coffee exports.

236 In Honduras, one manzana is a unit of land area commonly used in Argentina and Central America. In Honduras, 1 manzana equals 6,972.25 square meters.

237 IHCAFE, Information general de cafe de Honduras

238 El Heraldo, 4 May 2015, Casi 20% de la poblacion depende del cafe en Honduras

239 Faber, Yvette, 2014, Coffee market

240 UNDP, Human Development Report 2015 – Briefing note for Honduras, available at http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/HND.pdf

241 International Labour Organization, Ratifications for Honduras, available at http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102675 (accessed on 22 July 2016)

242 See for example International Trade Union Confederation, Survey of violations of trade union rights: Honduras – Legal, available at http://survey.ituc-csi.org/Honduras.html#tabs-2 (accessed on 22 July 2016)

in state-owned enterprises must give six months notice or obtain prior approval before striking.

Implementation of laws guaranteeing workers' right to organise and collectively bargain is weak. Some employers are reported either to refuse to engage in collective bargaining with unions or make it very difficult to engage in bargaining. Anti-union discrimination is prohibited but cases of harassment and dismissal of trade union leaders and workers' rights activists are common. There are currently three active freedom of association cases in the ILO database against Honduras, one of which involves allegations of a murder of a female union activist,[243] and during the first nine months of 2015, civil society organisations had documented nine cases of threats or violence against union leaders. Unions have also raised concerns about the use of temporary contracts as well as part-time employment to avoid union formation or having to provide full benefits. In the manufacturing industry, workers seeking to form trade unions have been blacklisted whereas in the agricultural sector, employer controlled "yellow" unions have been established.[244]

Minimum wage

Minimum wages in Honduras are set by tripartite negotiations. Although national trade unions are party to negotiations over minimum wages, there are no agricultural workers' unions or other workers' organisations that would represent the agricultural workers in these negotiations. Minimum wages are calculated on the basis of an 8-hour working day (44 hours per week), but wage levels are adjusted according to the industry sector and the number of employees in a company. Subsequently, there are 42 categories of monthly minimum wages in Honduras. In 2015, minimum wages ranged from 5,385.52 lempiras (211 euros) to 8,882.3 lempiras (349 euros) per month. However, for several years now, the median wage in Honduras has been below the minimum wage levels, meaning that a large proportion of the workforce is paid less than the minimum wage, especially in the agricultural sector.[245] Honduran Secretary of Labour and Social Security has estimated that about 50 per cent of private employers in the country are not paying the minimum wage.[246]

Occupational health and safety

Honduras has ratified only three ILO conventions on occupational health and safety and occupational health and safety standards are poorly enforced, especially in construction, the garments industry and the agricultural sector. In 2015, the Secretary of Labour and Social Security conducted 577 re-inspections to follow up on previously identified occupational health and safety and other labour rights violations. However, there are allegations of corruption among labour inspectors and inspectors are failing to respond to new inspection requests.[247]

Child and forced labour

Child labour is common in Honduras. According to official statistics from 2012, more than 350,000 children in Honduras were working; 76 per cent of them in rural areas. Children who worked attended school for an average of 5.4 years. According to the US Department of State, of the working children between ages five and 14 in Honduras, 65 per cent work in agriculture, including production

243 ILO, Freedom of association cases – Honduras, saatavilla osoitteessa: http://www.ilo.org/dyn/normlex/en/f?p=1000:20060:0:FIND:NO:20060:P20060_COUNTRY_ID,P20060_COMPLAINT_STATU_ID:102675,1495810 (accessed on 22 July 2016)

244 See for example US Department of State, 2015, Country report on human rights practices: Honduras, available at http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper (accessed on 22 July 2016)

245 Wageindicator.org, Minimum wages in Honduras, available at http://www.wageindicator.org/main/salary/minimum-wage/honduras (accessed on 23 July 2016); Danish Trade Union Council for International Development Cooperation, Honduras – Labour Market Profile, available at http://www.ulandssekretariatet.dk/sites/default/files/uploads/public/PDF/LMP/lmp_honduras_2014_final_version.pdf

246 ILO, 2003, Estudio de condiciones y medio ambiente del trabajo infantil en la agricultura: Café, Costa Rica, available at http://white.lim.ilo.org/ipec/documentos/cafe.pdf.pdf (in Spanish)

247 US Department of State, 2016, Human Rights Report 2015 – Honduras, available at http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper

of melons and coffee.[248] The average income of working children in rural areas was about 1,350 lempiras (53 euros) per month.[249] Paying a child less than the minimum wage is a crime punishable with between three to five years of imprisonment in Honduras.[250]

In Honduras, the legal minimum working age is 14; however, children under the age of 14 are allowed to work if they obtain permission from the authorities. A permission is given if the authorities consider it necessary for the children to work in order to survive. In 2015, the UN Committee on the Rights of the Child expressed its concern about the continuing high rates of child labour and the inability of the labour inspectorate to identify cases of child labour in Honduras, and the lack of harmonisation of the Honduran Labour Code with international standards, including the ILO Minimum Age Convention.[251]

Although all forms of forced labour are prohibited by law in Honduras, forced labour occurs in agriculture, street vending, domestic service, and in the drug trade and other criminal activity. Typical victims of forced labour are rural and urban poor.[252]

7.2 METHODOLOGY

The field research in Honduras for this report was done by a women and children's rights organisation Centro de Desarrollo Humano (CDH). In January 2016, CDH interviewed 24 people who worked on five different coffee farms for this report. The farms were located in Cortés and La Paz departments in Honduras.

Two of the farms were not certified. They are suppliers of Meira that sell their coffee through Boncafé which is part of the Massimo Zanetti Green Coffee Group.[253] The three other farms were chosen after they were identified by two independent sources, both Honduran coffee industry insiders, as farms that sell their coffee through Cooperativa Agropecuaria Regional Unión Chinacla or CARUCHIL. The name of CARUCHIL was provided to Finnwatch by Arvid Nordquist, Gustav Paulig and Löfbergs Lila as one of their suppliers of Fairtrade certified coffee when Finnwatch asked the roaster in March 2015 for details of their suppliers.

In line with Finnwatch's ethical guidelines for research, attempts were made to provide all investigated farms the possibility to comment on the field research findings prior to the publication of this report. Contacting the farms however, proved challenging for example due to poor connections, and therefore in order to ensure right of reply, Finnwatch turned to IHCAFE and local authorities. Their representatives agreed to communicate the findings to the farms. Finnwatch sent the findings that had been translated into Spanish to the two contact persons for the first time at the beginning of August and again about a month later. In addition, the field research team spoke to them over the phone several times. In one case, the local authority was unable to communicate the findings to the farm. In the other case, Finnwatch was able to confirm that the farm owner had received the findings; however, they did not provide a response to Finnwatch in time. Because Finnwatch has not been able to contact these farms directly, these two farms are not named in this report.

Finnwatch was able to contact CARUCHIL directly. When the findings were sent to CARUCHIL for comments, they informed Finnwatch that they are in fact no longer certified by Fairtrade. In their response, CARUCHIL also said that one of the three farms included in the field research was not a member of

248 US Department of State, 2016, Human Rights Report 2015 – Honduras, available at http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper (accessed on 23 July 2016)
249 Committee on the Rights of the Child: Combined fourth and fifth periodic reports of States parties due in 2012: Honduras, available at http://tbinternet.ohchr.org/_layouts/treatybodyexternal/SessionDetails1.aspx?SessionID=829&Lang=en (accessed on 23 July 2016)
250 Article 134, Children and Adolescents Code 2014
251 Committee on the Rights of the Child: Concluding observations on the combined fourth and fifth periodic reports of Honduras, available at http://tbinternet.ohchr.org/_layouts/treatybodyexternal/Download.aspx?symbolno=CRC%2fC%2fHND%2fCO%2f4-5&Lang=en (accessed on 23 July 2016)
252 US Department of State, 2016, Human Rights Report 2015 – Honduras; US Department of Labor, List of goods produced with child labour, available at https://www.dol.gov/ilab/reports/child-labor/list-of-goods/ (accessed on 23 July 2016)

253 Meira, Marleena Bask, email 15 June 2015

Table 7 – Farms investigated in Honduras

	CARUCHIL (cooperative)	Farm R	Farm F
Location	Chinacla, La Paz	San Antonio, Cortés	Chinacla, La Paz
Certification	Fairtrade certifi ed between 1993–2016; UTZ certified	Non certified	Non certified
Cooperative / farm size	325 members	35 ha in production	50–100 ha in production
Link to coffee market in Finland	Supplier of Löfbergs Lila, Arvid Nordquist and Gustav Paulig Interviews for this report were conducted on three farms, two with 0–10 ha in production and one with 10–50 ha in production.	Sells coffee to Boncafé processing mill which is owned by the Massimo Zanetti Green Coffee Group. Supplier to Meira. Meira is part of the Massimo Zanetti Beverage Group.	Sells coffee to Bon Cafe processing mill which is owned by the Massimo Zanetti Green Coffee Group. Supplier to Meira. Meira is part of the Massimo Zanetti Beverage Group.

the cooperative and that CARUCHIL had never sold coffee from this farm on to its customers. This farm is referred to below as Farm E.

Fairtrade Finland confirmed in their response that at the time of Finnwatch's field research, CARUCHIL had still been Fairtrade certified. Fairtrade auditors had found non-compliances at the cooperative already in 2014 and again in 2015. At both times, certification was suspended until a corrective action plan had been devised and implemented but eventually in May 2016, CARUCHIL was decertified following serious non-compliances. According to Fairtrade Finland, the main reason for CARUCHIL's decertification was problems with traceability, in other words, it was suspected of having sold coffee from non-certified farms to Fairtrade market. The responses from both CARUCHIL and Fairtrade Finland are discussed in more detail below.

One day before the publication of this report, Finnwatch found out that CARUCHIL is also UTZ certified. Despite the short notice, UTZ was able to confirm to Finnwatch that its auditors had found some non-compliances with regard to working conditions at the cooperative during the last audit, for which corrective actions were implemented. In addition, UTZ said that they will work closely with the auditors, with specific attention for the issues raised in this report.

The youngest farmworkers who were interviewed for this report in Honduras were just five years old. Altogether six of the interviewees were below 18 years of age. Of the adult interviewees, 11 were men aged between 25 and 61, and seven were women aged between 22 and 53. The majority of the interviewees, including all minors, were tasked with picking coffee and carrying coffee cherry sacks to the weighing station. Others were working as general labourers on the farms. Their tasks included applying fertilizers, working in greenhouses, cleaning and clearing land. The samples per farm were small partly due to difficulties in arranging interviews with the workers in conditions that would enable confidentiality and anonymity. In addition to interviews with the workers, coffee sector experts and local authorities were also interviewed for this report. The information obtained from them was used to put the findings from workers' interviews in to context.

All of the interviewees were Honduran nationals. Those in the department of La Paz were indigenous peoples, whereas those in Cortés were mestizo Honduran. In the departments of Cortés and La Paz, most coffee farm workers are employed locally. Although migrant labour is common in other coffee growing departments in Honduras, labour rights issues effecting migrant workers in Honduras are not included within the scope of this study.

Coffee being transported in Chinacla, La Paz.

7.3 INFORMAL, ORAL EMPLOYMENT CONTRACTS

According to the Honduran labour law, all workers should be given an employment contract in writing. This however, does not apply to a large proportion of agricultural sector workers (labour law does not apply to smallholders), or those who are engaged in piece-rate work for less than 60 days. Workers in the agricultural sector, especially farms, typically have informal employment relations and are therefore excluded from the benefits guaranteed by the labour law and in practice, often excluded also from social security.

Of the workers interviewed for this report, none had formal employment contracts. Instead, they had all made verbal arrangements with the foremen to work at the five investigated farms. In areas where the interviews were conducted, coffee farms are typically located near each other and temporary workers and permanent workers are locals. According to the workers' testimony, if they were unsatisfied with the terms and conditions at their current place of employment, they could simply walk to another nearby farm and seek employment there. However, according to the workers and local authorities, conditions and levels of pay are similar on each farm, and the workers have no possibility to negotiate over the terms or rate of pay.

In their response, CARUCHIL noted that as the labour law does not apply to farms that employ less than 10 permanent workers, the requirements in this law do not apply to 90 per cent of the members of the cooperative.

Although the workers interviewed for this report had no contracts or long term job security, several of them had been working at the same farms for several years, some up to 10 years. Generally, the workers at non-certified farms had been with the same employer longer than those at the Fairtrade certified farms. All interviewees had found employment through relatives, friends and neighbours or by directly approaching the farms without the involvement of any middlemen or labour brokers.

7.4 CHILD LABOUR IS COMMON

According to the interviewees, children aged 13 years or younger were working on all five farms, and on Farm E and Farm R, this included children as young as five or six years old. None of these children were farm owners' family members. These child labourers performed tasks such as harvesting coffee cherries and carrying the coffee sacks to a weighing station at the end of the working day. The amount of coffee that the children carried to the weighing station varied from 2.5 to 37 kg depending on their age. The children who were interviewed for this report said that they worked between five to six hours at the farms associated with CARUCHIL, and eight hours per day at the

Child labour at coffee farms and plantations

The US Department of Labor maintains a list of goods produced with child labour. According to the list, there is child labour in coffee farms and plantations in Colombia, Côte d'Ivoire, Dominican Republic, El Salvador, Guatemala, Guinea, Honduras, Kenya, Mexico, Nicaragua, Panama, Sierra Leone, Tanzania and Uganda. Child labour is more common only in cotton, sugar-cane and tobacco cultivation. In 2015, coffee was imported to Finland from all countries highlighted in bold in the above list.

Not all work done by children is considered child labour. Children's participation in work is generally not regarded as negative as long as it does not affect their health, personal development or schooling. The term 'child labour' is defined as work that deprives children of their childhood, their potential and their dignity, and that is harmful to their physical and mental development. Whether or not a particular form of "work" can be called child labour depends on various factors, for example the child's age, the type and hours of work and conditions under which it is performed.[254]

Child labour is most common in the agricultural sector. Sixty per cent of child labourers work in agriculture, amounting to 98 million girls and boys worldwide. The main cause of child labour in agriculture is poverty, together with limited access to education and inadequate agricultural technology. Eliminating child labour in agriculture is particularly challenging as agriculture on the whole is often an under-regulated sector of work in many countries. Participation in some agricultural activities is not always child labour. Although agricultural work is also one of the most hazardous work sectors, age-appropriate tasks that are of lower risk and do not interfere with a child's schooling and leisure time can be a normal part of growing up in a rural environment.[255]

The ILO Minimum Age Convention No. 138 (1973), ratified by168 countries, sets the minimum age for children to work generally at 15 years of age and not lower than the end of compulsory education. Children between the ages of 13 and 15 may do light work, as long as it does not threaten their health and safety, or hinder their education or vocational orientation and training. The minimum age for work considered hazardous is 18.[256]

An ILO case study on conditions of child labour in agriculture includes an assessment of risks to the health of child labourers in coffee farming. These include colds and flu caused by damp and rain; heat exhaustion, heat stroke, skin cancer and sunburns caused by exposure to sun, and; stings, bites and even death or serious injury and skin lesions caused by contact with worms, ants, wasps, snakes, rodents and other animals.[257]

254 ILO, What is child labour, available at http://www.ilo.org/ipec/facts/lang--en/index.htm (accessed on 27 July 2016)

255 ILO, Child labour in agriculture, available at http://www.ilo.org/ipec/areas/Agriculture/lang--en/index.htm (accessed on 27 July 2016)

256 ILO, Convention 138 – Minimum Age Convention, 1973, available at http://www.ilo.org/dyn/normlex/en/f?p=1000:12100:0::NO:12100:P12100_INSTRUMENT_ID:312283 (accessed on 27 July 2016)

257 ILO, 2003, Estudio de condiciones y medio ambiente del trabajo infantil en la agricultura: Cafe, Costa Rica

non-certified farms. According to the Honduran labour law, children under 17 years of age can work for a maximum of six hours per day; however, as discussed above, the minimum age legislation in Honduras is not in line with international standards.

In Honduras, the school term for primary education starts at the beginning of February and finishes with final exams in the first week of November. As the coffee harvest season typically lasts from October until the end of February, children often miss class at the end and in the beginning of school terms. Of the children interviewed for this report, those who were working on Farm E said that they do not go back to school until March.

According to the interviewed workers, children's age is not checked at any of the farms, and the foremen readily accept that parents bring their children to work with them. Most commonly the amount picked by the children is added to the amount that their parents have harvested when the parents piece-rate wages are calculated. Some children work together with their parents but children can also work unsupervised and apart from their parents at the farms. At least on Farm E and Farm R, there were some children working whose parents were not working on these farms at all. On all five farms, some children were also being paid directly.

The Cofiroasters Code of Conduct bans the use of child labour as it is defined by the ILO. The Fairtrade standard for hired labour prohibits the employment of children under the age of 15 or under the minimum age defined by national law, whichever is higher.

In their response, CARUCHIL noted that as the school holidays largely coincide with the harvest season, many parents who are working on the farms bring their children to work because it is safer than to leave them alone at home; this, however, does not mean that the children would be working. CARUCHIL also noted that eliminating child labour is challenging as it is widespread and culturally accepted in Honduras, and also often necessary due to poverty. However, in order to address the situation, CARUCHIL is running campaigns aimed at changing attitudes towards child labour and operates a weekend school where subjects such as English language and computer skills are being taught.

In their response, Fairtrade Finland noted that the Fairtrade auditors found children below the age of 15 working at farms belonging to CARUCHIL cooperative already in 2014, and that the cooperative's certification was suspended until corrective actions had been implemented. Allegations of child labour at Fairtrade certified farms always trigger a special procedure known as Protection Policies and Procedures for Children and Vulnerable Adults. Fairtrade Finland also noted that risks related to child labour cannot be dealt with only through forbidding such practices and monitoring. Instead, Fairtrade seeks to encourage smallholder farmers and the community to assume responsibility over the issue. According to Fairtrade Finland, CARUCHIL has received plenty of training on child labour. In 2013, CARUCHIL became the first Fairtrade certified cooperative where the Youth Inclusive Community Based Monitoring and Remediation programme was piloted in 2013. Since then the programme has been piloted in 13 other countries. According to Fairtrade Finland, with the help of the pilot, CARUCHIL identified some risks related to child labour on two farms and consequently, implemented several corrective action measures and developed an action plan to prevent child labour.

7.5 PIECE-RATE PAY OF LESS THAN HALF THE MINIMUM SALARY

On all five investigated farms, the amount that the workers harvest is weighed and noted down each day. The workers' pay depends on the amount they harvest. Most workers interviewed for this report said that they trust the weighing system. The workers collect their pay typically once a week, around noon on Saturdays. They are paid in cash and receive no salary slips. None of the interviewed workers reported deductions from their salaries, or irregularities in payment.

The workers interviewed for this report reported pay of between between 100 and 125 lempiras (3.93–4.92 euros) per quintal[258] of coffee during the harvest season 2015/16. This meant earnings of roughly between 2,430 and 4,420 lempiras per month (95.55–173.80 euros) depending on the amount of coffee cherries they harvest. In the interview sample, workers at farms that were smaller in size reported lower levels of pay whereas the workers at Farm E reported the highest levels of monthly earnings during the harvest season. However, all workers reported monthly earnings significantly below the legal minimum wage for the agricultural, hunting and fishing sector which, in 2015 was 5,385 lempiras (211 euros) for rural companies with between one and 10 employees, 5,666.64 lempiras (222.82 euros) for companies with 11–50 employees, and 5,856 lempiras (230.27 euros) for companies with 51 to 150 employees. In 2016, each segment of minimum wage was raised by 5 per cent.[259]

Earnings reported by the workers outside the harvest season were even lower. Permanent workers on four of the farms reported pay between 80 and 100 lempiras per day outside the harvest season (3.15–3.93 euros). Workers on the Farm R reported weekly pay between 200 and 600 lempiras (7.86–23.59 euros).

According to several interviewees, the low levels of pay are one of the reasons why child labour is so prevalent in the coffee sector in Honduras. The working adults are simply unable to earn sufficient levels of income to support their families.

The Honduran national statistics organ INE, maintains a cost calculation for a basic food basket. In 2015 and 2016, the cost of the INE basic food basket for a family of five was 7,780 lempiras (306 euros) and 7,980 lempiras (314 euros), respectively. Most workers interviewed for this report, who had an average family size of six, used their scarce income to buy beans, rice, sugar, butter, corn, coffee, salt and soap. All of the interviewees said that their levels of income vary throughout the year. In addition, several of the interviewees said that they would have to ask for credit at local stores, and/or find alternative means to earn money such as selling *tamales* (a type of traditional food) or temporary, even daily, work in other crops to cover medical expenses, afford decent clothing or to pay for the equipment needed for school. Four interviewees reported having taken loans from rural financial institutions or financing NGOs which they used to buy agricultural supplies.

In their response CARUCHIL confirmed that during the 2015/2016 harvest season cooperative members paid workers 100 lempiras per quintal. According to them, workers would harvest approximately between 1.50 and 2 quintals per day.

In their response Fairtrade Finland noted that Fairtrade auditors had found low levels of payment for seasonal workers already in 2015, which again led to the suspension of the cooperative’s certification. Fairtrade Finland also acknowledged, that smallholder coffee farmers often find it difficult to take into account the needs of their seasonal workers due to economic hardship which they themselves also face. Therefore, Fairtrade certification criteria for hired labour are different for smallholders and plantations. Criteria that apply to hired labour at smallholder farms will be further developed to better response to the challenges related to seasonal hired labour in particular.

Fairtrade Finland also noted in their response that a solution to many of the problems raised in this case study lies in guaranteeing sufficient levels of income to both the smallholder farmers and their hired, seasonal

258 A quintal in Honduras equals about 46 kg.

259 Secretar í a de Estado en los Despachos de Trabajo y Seguridad Social, available at http://www.congresonacional.hn/transparencia/images/leyes/2014_2/STSS-_Acuerdo_No._STSS-599-2013-_Salario_Minimo_2014_a_2016.pdf (in Spanish)

workforce. Fairtrade minimum price, and the social premium paid to the cooperatives, are a means to achieving this. However, when the cooperatives cannot sell their coffee to Fairtrade market, this safety net is rendered inadequate. In 2014, according to Fairtrade Finland, the Fairtrade certified cooperatives in Honduras were able to sell 75 per cent of their crop to Fairtrade market, which according to Fairtrade, is a high percentage. Fairtrade Finland however, was unable to tell how large a proportion of their coffee CARUCHIL was able to sell to the value-added market.

7.6 LACKING PROTECTIVE EQUIPMENT; NO COMPENSATION FOR SICK LEAVE

During coffee harvest, adult and child workers at the investigated farms reported being exposed to various health hazards including the damp and the cold (which can be intense in December), but also heat, and animal stings and bites. Most commonly the workers interviewed for this report complained of respiratory problems and of heatstrokes and headaches; complaints of diarrhoea and vomiting were less common.

According to all of the interviewees, they receive no sick pay. If they feel ill in the morning and cannot go to work, they will simply lose the day's income. If they fall ill during the day, they will have to arrange and pay for medical care themselves.

The workers also reported that they would receive no compensation in case of an accident or injury at work. Only one interviewee from Farm F suggested that in case of an accident at work they would be taken to see a doctor. On the CARUCHIL farms, workers said that in case of an accident, they would be either administered first aid, taken to see a doctor, or given money to arrange for transportation to see a doctor.

Of the interviewed workers, only the permanent workers at Farm F reported having been given personal protective equipment (masks and goggles). All other interviewees reported having purchased their own clothing such as long-sleeved shirts, boots, hats and rain gear to wear at work. The workers at non-certified farms reported also having purchased some of their own tools. Of all the interviewees only one who was working at a CARUCHIL farm, reported having received training on occupational health and safety.

According to the Honduran labour law, employers should undertake proper measures to protect the workers from occupational hazards and compensate workers for accidents at work. Fairtrade Finland in their response said that Fairtrade auditors had recorded shortcomings in personal protective equipment and in first aid skills and equipment at CARUCHIL farms during audits, which had lead to corrective actions.

7.7 PROBLEMS WITH ACCESS TO POTABLE WATER AND SANITATION

The verbal arrangements that the workers had made with the foremen at the farms, stipulated working hours which were in line with the Honduran labour law (i.e. eight hours a day, 44 hours per week). However, seasonal workers said that if they wanted to earn more, they could start work earlier and leave later. Some permanent workers reported occasionally working overtime for which they would receive extra compensation.

In their response, CARUCHIL noted that the workers at the investigated farms typically work from 7am until 2pm, including an hour's break for lunch.

According to the interviewees, only the workers on Farm F said that they have access to drinking water and toilets where they work. More typically, the workers carry their own water to work and relieve themselves in the fields.[260] Taps for drinking water were in the process of being installed at Farm E.

260 On one CARUCHIL farm and on Farm R, the workers had access to drinking water in the farm house but not in the fields where they work.

Coffee smallholders and farmworkers' food security

About 13 per cent of the world's population lives in extreme poverty,[261] and approximately 12.9 per cent of all people are undernourished.[262] Poverty and hunger go hand in hand. The world's poor are smallholder farmers, landless agricultural workers, nomads, women and children. A significant proportion of their income is spent on food (an estimated 60 to 80 per cent whereas the average in Finland, for example, is 10 per cent).[263] Food security is one of the commonly used welfare indicators.

According to the Food and Agriculture Organization (FAO), food security exists when people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life.[264] The four dimensions of food security are availability, access, utilisation and stability. In other words, the production of food or the amount of available food alone are not sufficient to guarantee food security. Food insecurity exists also in countries that produce food, and where food is available in the market. About half of people suffering from food insecurity live in families engaged in agricultural activities.[265]

Smallholder farmers in developing countries often suffer from intermittent food insecurity because their own production is not sufficient to meet their and their families' needs for the entire year and because they do not have necessary funds to buy food. At the same time they typically also do not have the resources needed to transition to more efficient and higher yielding farming techniques or practices, or these are not suitable for local conditions. Other forms of food insecurity exist in addition to this kind of intermittent food security, such as long-term structural food insecurity and sudden food insecurity which can be caused for example by changes in climatic conditions such as droughts or political conflicts.[266]

Existing academic literature suggests that coffee smallholders also suffer from intermittent food insecurity especially during the rainy season and the planting season, and also during the first months of the harvest season when the profits from the sales of the previous years' crops have already been spent but the new crop has not yet been sold. These studies, which have been heavily focussed on Central American coffee producing countries, have found food insecurity at about 63–100 per cent of the investigated farms.[267] Statistically, poverty and food insecurity are more common

261 World Bank, Poverty – Overview, available at http://www.worldbank.org/en/topic/poverty/overview (accessed 31 August 2016)

262 FAO, The State of food insecurity in the world 2015, available at http://www.fao.org/hunger/key-messages/en/ (accessed 31 August 2016)

263 Karttunen, K., Kihlström, L. & Taivalmaa, S., 2014, Nälkä ja yltäkylläisyys – Ruokaturva maailmassa (in Finnish), Gaudeamus

264 FAO, Food security statistics, available at http://www.fao.org/economic/ess/ess-fs/en/

265 Karttunen, K., Kihlström, L. & Taivalmaa, S., 2014, Nälkä ja yltäkylläisyys

266 Karttunen, K., Kihlström, L. & Taivalmaa, S., 2014, Nälkä ja yltäkylläisyys

267 See for example Bacon C.M., Méndez V. E., Gomez M., Stuart D. & Flores S., 2008, Are Sustainable Coffee Certifications Enough to Secure Farmer Livelihoods? The Millenium Development Goals and Nicaragua's Fair Trade Cooperatives, Globalizations 5(2):259-274, available at https://www.uvm.edu/giee/pubpdfs/Bacon_2008_Globalizations.pdf; Campbell C., 2013, East Timorese Sell Their Coffee to Starbucks, Starve at Home, Time Magazine, available at http://world.time.com/2013/10/25/the-east-timorese-are-selling-tons-of-great-organic-coffee-but-they-still-starve/ (accessed on 21 July 2015); Caswell M., Méndez V.E. & Bacon C.M., 2012, Food security and smallholder coffee production: current issues and future directions. ARLG Policy Brief # 1., Agroecology and Rural Livelihoods Group (ARLG), University of Vermont. Burlington, VT, USA, available at http://www.uvm.edu/~agroecol/CaswellEtAl_FoodSecurityCoffeeARLG%20pb1_12.pdf; Méndez V. E., Bacon C. M., Olson M., Petchers S., Herrador D., Carranza C., Trujillo L., Guadarrama-Zugasti C., Cordón A. & Mendoza A., 2010, Effects of Fair Trade and organic certifications on small-scale coffee farmer households in Central America and Mexico, Renewable Agriculture and Food Systems 25(3):236-251, available at http://journals.cambridge.org/abstract_S1742170510000268 (accessed on 21 July 2015); Morris K.S., Méndez V. E. & Olson M. B., 2013,'Los meses flacos': seasonal food insecurity in a Salvadoran organic coffee cooperative, The Journal of Peasant Studies 40(2):457-480, available at http://www.tandfonline.com/doi/abs/10.1080/03066150.2013.777708#.Va4CjvlUyUk (accessed on 21 July 2015)

in Southeast Asia and Sub-Saharan Africa,[268] but in these regions the links between coffee cultivation and food insecurity have been studied less. However, researchers have shown that in the coffee growing regions in Ethiopia, India, Indonesia, Kenya and Viet Nam 30 per cent of children are small for their age. Stunting can be a sign of chronic food insecurity.[269]

Some of the recent studies have also brought to light food insecurity among hired labour at smallholder coffee farms. For example, according to a comparative survey study focussed on six research sites in Ethiopia and Uganda, the farmworkers at smallholder coffee farms consumed less meat, milk and yoghurt, and *teff*[270] than other people living in same area.[271]

The right to adequate food as a basic human right was first recognised in the Universal Declaration of Human Rights as part of the right to a decent standard of living. It is also included in the International Covenant on Economic, Social and Cultural Rights.[272] Ending hunger, achieving food security and improved nutrition and the promotion of sustainable agriculture is also one of the UN Sustainable Development Goals.[273] Ending hunger is not a new goal, and over the years, several initiatives at both international and national levels have aimed at the elimination of hunger through various means. Food security is also one of the priorities for the official development aid of the Finnish government.[274]

FAO guidelines for the practical application of a human rights based approach to achieving food security emphasize people's access to adequate food alongside measures to increase food production and making it more efficient. In practice this means adequate levels of income and for example, that people are paid a living wage.[275]

Brazil is one of the food security success stories in the world. Ensuring that all people could eat three meals a day became political priority in Brazil in 2003 with the launch of the Zero Hunger (Fore Zero) programme. By 2006, the undernourishment rate in Brazil had been halved. The programme comprised a set of actions linking social protection to policies for promoting income equality and distribution and nutrition such as Family Allowance Programme (Programa Bolsa Famíllia), school meals and support for family farm production through credit loans and training. The Zero Hunger programme was later continued as part of the wider Brazil without Extreme Poverty (Brasil sem Miséria) plan.[276] Other contributing factors include growth in GDP and the policy of adjusting minimum wages to inflation.

268 See for example Global Food Security Index, available at http://foodsecurityindex.eiu.com/Resources and Global Hunger Index, available at https://www.ifpri.org/topic/global-hunger-index (accessed on 21 July 2015)

269 Dorp, M. van, Vries, K. de, McClafferty, B. & Weiligmann, B, 2013, Increasing coffee productivity through improved nutrition – A call to action, available at https://www.wageningenur.nl/en/Publication-details.htm?publicationId=publication-way-343430353438 (accessed on 31 August 2016)

270 Teff is an edible grass, high in protein, carbohydrates and fibre.

271 The Fair Trade, Employment and Poverty Reduction Project, 2014, Fairtrade, Employment and Poverty Reduction in Ethiopia and Uganda – Final Report to DFID, available at http://ftepr.org/wp-content/uploads/Response-to-Fairtrade-Statement-on-FTEPR-Final-Report-Posted.pdf

272 According to Article 25 of the UDHR, "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control." According to Article 11 of the ICESCR, " The States Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions. The States Parties will take appropriate steps to ensure the realization of this right, recognizing to this effect the essential importance of international co-operation based on free consent."

273 UN Sustainable development goals, available at https://sustainabledevelopment.un.org/?menu=1300 (accessed on 31 August 2016)

274 Ministry for Foreign Affairs, Suomen kehityspolitiikan tavoitteet ja periaatteet, available at http://formin.finland.fi/Public/default.aspx?nodeid=49312&contentlan=1&culture=fi-FI#Painopisteet (in Finnish, accessed on 31 August 2016)

275 FAO, 2005, Voluntary guidelines to support the progressive realization of the right to adequate food in the context of national food security, available at http://www.fao.org/docrep/014/i2250e/i2250e.pdf

276 FAO, 2014, The state of food insecurity in the world: Strengthening the enabling environment for food security and nutrition, available at http://www.fao.org/3/a-i4030e.pdf

8 CASE India

8.1 COFFEE SECTOR IN INDIA

In India, coffee has traditionally been grown in Karnataka and two other southern states, Kerala and Tamil Nadu. Nowadays, coffee is also grown in other parts of India, such as the states of Andhra Pradesh and Odisha on India's eastern coast.[277] India used to produce mostly the *arabica* variety, but now produces mostly *robusta*.

About 70 per cent of the coffee in India is produced by smallholders with land up to 10 hectares. In 2014–15, over 600,000 people were employed in coffee plantations across India. The figure includes both permanent and temporary labour.[278]

Countrywide, the area where coffee is grown has increased from approximately 90,000 hectares in 1950–51 to 420,000 hectares in 2014–15.[279] During this time, India's share of the world's coffee exports increased slightly to approximately 4.6 per cent in 2014–15.[280] In 2014–2015, India produced 327 million kg of coffee[281], of which more than 283 million kg were exported.[282] The post-monsoon production forecast for 2015–16 is 350 million kg. Domestic consumption of coffee in India almost doubled between 2000 and 2011.[283]

Imports of Indian coffee to Finland peaked in 2012, when more than 700,000 kg were shipped over. Since then, the volume of imports to Finland has dropped to approximately 360,000 kg in 2015.[284]

277 Coffee Board of India, Statistics on Coffee, available at http://www.indiacoffee.org/coffee-statistics.html (accessed on 2 June 2016)
278 Coffee Board of India, Database on Coffee, February 2016 Part 1, available at http://www.indiacoffee.org/Database/DATABASE_Feb16_I.pdf (accessed on 2 June 2016)
279 Coffee Board of India, Database on Coffee, February 2016 Part 1
280 Coffee Board of India, Database on Coffee, February 2016 Part 1
281 Coffee Board of India, Statistics on Coffee
282 Coffee Board of India, Exports of coffee from India by Countries, available at http://www.indiacoffee.org/Indian%20Coffee/countrywise_exports4.8Dec15.pdf
283 Coffee Board of India, Statistics on Coffee
284 ITC, Trade map

8.1 BACKGROUND: LABOUR RIGHTS ISSUES IN INDIA

India's HDI value put the country in the medium human development category. Most people are employed in the agricultural sector, and almost 12 per cent of the children aged between 5–14, are working. Of the total working population, about 55 per cent are categorised as working poor, and the vast majority are considered to be in vulnerable employment.[285]

Freedom of association

India has not ratified ILO Core Conventions 87 and 98, which cover the right to organise and collective bargaining National laws guarantee these rights, but the employer is not obligated to recognise a union or to engage in collective bargaining. Existing trade unions predominantly represent formal economy workers, and the unionisation rate is very low among the majority of workers.[286] Where unions exist, many employers bypass them and negotiate instead with employer-established "yellow" unions or individual workers. Limitations to the right to strike exist at both national and state levels.[287] Harassment of trade union leaders and worker representatives is common.[288]

285 UNDP, Human Development Report 2015 – Briefing note for India, available at http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/IND.pdf
286 Papola, Trilok Singh, 2013, Role of Labour Regulation and Reforms in India, ILO Employment Working Paper No. 147, available at http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---ifp_skills/documents/publication/wcms_232497.pdf; Sen Ratna, 2013, Organizing the Unorganized Workers: The Indian Scene, The Indian Journal of Industrial Relations, available at http://wiego.org/sites/wiego.org/files/publications/files/Jhabvala_Unorganized_Workers_IJIR.pdf
287 ILO, 2011, Challenges, Prospects and Opportunities of Ratifying ILO conventions Nos. 87 and 98 in India, available at http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new_delhi/documents/publication/wcms_165765.pdf
288 See for example International Trade Union Confederation, Survey of violations of trade union rights – India: In practice, available at http://survey.ituc-csi.org/India.html#tabs-3 (accessed on 12 July 2016)

Minimum wage

India's minimum wage law was enacted in 1948. As a result of a complex method of determining the minimum wage, there are over 1,200 different minimum wages in place across India. Even then, minimum wages are only set for certain employment sectors and occupations (known as *Scheduled Employment*) meaning that not all wage-earners are covered. In those sectors and occupations where minimum wages are set, they vary between skill level and state – even for the same occupation.[289] The current minimum daily wages are, for example, almost 248 rupees (3.30 euros) in Karnataka for plantation labour in the coffee sector.[290] In Odisha, according to the Coffee Board of India, the prevailing daily wage for coffee plantation workers is 126 rupees (1.68 euros) which is significantly lower than the minimum wage for unskilled agricultural work in Odisha at 200 rupees (2.67 euros).[291]

Occupational health and safety

India has ratified only five ILO conventions on occupational health and safety.[292] Still, India's Constitution emphasises the health and safety of workers. India also has a national policy programme for occupational health and safety. Additionally, the government has enacted more specific provisions concerning occupational health and safety in four sectors: construction, factory work, harbour work and mining.[293] However, laws on occupational health and safety do not apply to the large informal sector, and ineffective implementation of legislation and poor monitoring of compliance with health and safety regulations are a problem. Awareness of occupational health and safety is often meagre, and due to shortage of work, workers are willing to work in potentially dangerous conditions. Occupational health and safety provisions that apply to agricultural workers are specific regulations governing the use of insecticides and dangerous machinery, and laws pertaining to plantation workers.[294]

Child and forced labour

Child labour remains commonplace in India, especially in agriculture and manufacturing.[295] In recent years, the Indian government has taken steps to eliminate the worst forms of child labour but the basic legal protections for working children remain weak. India has not ratified ILO Core Conventions 138 and 182 on minimum working age and elimination of the worst forms of child labour.[296] Although according to national statistics, child labour in India decreased between 2001 and 2011 to a figure of just over 4.4 million, the unofficial estimates put

289 Belser, P. And Rani U.2010, Extending the coverage of minimum wages in India: Simulations from household data, available at http://www.ilo.org/wcmsp5/groups/public/@ed_protect/@protrav/@travail/documents/publication/wcms_145336.pdf (accessed on 12 July 2016)

290 Coffee Board of India, Database on Coffee, February 2016 Part 1

291 Paycheck.in, Minimum wages in India 2016, available at http://www.paycheck.in/main/salary/minimumwages (accessed on 12 July 2016). In traditional coffee growing areas in India, coffee plantation workers are in a different minimum wage category than unskilled agricultural workers.

292 ILO, Ratifications for India, available at http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102691

293 ILO, Occupational Safety and Health, India 2013, available at http://www.ilo.org/dyn/legosh/en/f?p=14100:1100:0::NO:1100:P1100_ISO_CODE3,P1100_YEAR:IND,2013:NO (accessed on 19 August 2016)

294 See for example US Department of State, 2015, Country report on human rights practices: India, available at http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper (accessed on 22 July 2016)

295 See for example US Department of Labor, List of goods produced by child labor or forced labor, available at http://timesofindia.indiatimes.com/city/delhi/Govt-in-process-of-amending-Minimum-Wages-Act/articleshow/52108736.cms (accessed on 12 July 2016)

296 ILO, Ratifications for India. For more information on child labour in India, see for example US Department of Labor, 2014 Findings on the worst forms of child labour – India, available at https://www.dol.gov/agencies/ilab/resources/reports/child-labor/india (accessed on 11 June 2016). India's Minister of Labour announced in September 2016, that India is ready to ratify ILO conventions 138 and 182, see http://indianexpress.com/article/india/india-news-india/india-ready-to-ratify-ilo-conventions-on-child-labour-bandaru-dattatreya-3052644/ (accessed on 11 October 2016)

the number of child workers closer to 50 million.[297]

India's Constitution forbids forced labour and the use bonded labour was further prohibited with a separate law in 1976. However, poor implementation of legislation has led to mediocre results only.[298] The most common form of forced labour in India is bonded labour, which also involves child labour as children are forced to work as bonded labourers to pay off family debt. Non-agricultural sectors with high levels of bonded labour are stone quarries, brick kilns, rice mills, construction, embroidery and *beedi*[299] production.

According to the ILO, there is a clear connection between the long-term structural discrimination of population groups, such as the caste system, and forced labour. An overwhelming majority of victims of bonded labour in India are believed to be Dalits (see below under Discrimination) or indigenous peoples.[300]

Discrimination

India's Constitution prohibits caste-based discrimination. However, due to deep-rooted prejudices, ineffective implementation of legislation and impunity, caste-based discrimination is commonplace. The Dalits (officially known in India as *Scheduled Castes*), who fall outside the caste system, and indigenous peoples (*Scheduled Tribes*) are in an especially weak position. In the professional and work world, caste-based discrimination can mean, for example, a wage gap between the Dalits and other population groups, discrimination in the benefits offered by an employer or limited access to certain types of jobs.[301] Dalits are often assigned the dirtiest, most menial and hazardous jobs which further add to the stigmatisation that they face in the society.[302]

Only a small percentage of women participate in the labour force in India. Cultural and social norms that discriminate against women, weak implementation of laws that promote gender equality and the prevalence of gender-based violence, including sexual violence, prevent a large number of women from enjoying equal rights and opportunities at work. Women are still often employed in traditional "women's professions", as maids, cooks, seamstresses, nurses and cleaners, which are low-skilled and low-paid.[303]

Internal migrant workers

Estimates on the number of internal migrants in India vary, but according to data from official censuses, they number over 300 million. Work and marriage are the most common reasons for migration, and migration can entail settling for a longer period of time in a new location or short-term moves for seasonal work. The majority of seasonal migrants are poor and have little education.[304]

297 Guardian, 23 February 2013, Rescuers fear India will drop new law banning child labour, available at http://www.guardian.co.uk/law/2013/feb/23/india-law-child-labour (accessed on 11 June 2016)

298 The Constitution of India, 1949, available at http://india.gov.in/sites/upload_files/npi/files/coi_part_full.pdf; Bonded Labour System Abolition Act, 1976, available at http://pblabour.gov.in/pdf/forms_procedures/procedure01_bonded_labour_system_abolition_act_1976.pdf

299 Traditional Indian cigarette made of cut tobacco rolled in leaves

300 ILO, 2005, A Global Alliance Against Forced Labour, Global Report under the Follow-up to the ILO Declaration on Fundamental Principles and Rights at Work 2005, available at http://www.ilo.org/public/english/standards/relm/ilc/ilc93/pdf/rep-i-b.pdf (accessed on 31 August 2016); International Dalit Solidarity Network, 2015, Diversity in the workforce: why it is good for business, available at http://idsn.org/wp-content/uploads/2015/05/Diversity-in-the-workforce-why-it-is-good-for-business-%E2%80%93-Deshpande-ILO-study.pdf (accessed on 31 August 2016)

301 ILO, 2011, Equality at Work, Global Report under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, available at http://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_154779.pdf; see also International Dalit Solidarity Network, Caste Discrimination in Business Operations, available at http://idsn.org/business-csr/ (accessed on 11 June 2016)

302 Dalit Solidarity Network UK, Caste discrimination, available at http://dsnuk.org/caste-discrimination/ (accessed on 12 July 2016)

303 ILO, India – Decent Work Country Programme 2013-2017, available at http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new_delhi/documents/genericdocument/wcms_232655.pdf

304 Unesco, Internal Migration in India Initiative – For a Better Inclusion of Internal Migrants in India, available at http://www.unesco.org/new/fileadmin/MULTIMEDIA/FIELD/New_Delhi/pdf/Policy_briefs_full_low_02.pdf (accessed on 10 December 2014); UNDP, 2009, Migration and Human Development in India, available at http://hdr.undp.org/sites/default/files/hdrp_2009_13.pdf (accessed on 10 December 2014)

Migrants often work in the informal economy in poor working conditions, without any social security. Their salaries are often low and payment is uncertain. It is also often difficult for migrants to find housing with clean drinking water and proper sanitation, and their access to public services such as education and health care is limited.[305]

8.2 METHODOLOGY

Finnwatch's partner organisation Cividep India conducted field research in India for this report. Bangalore-based Cividep India is a labour rights organisation focused on corporate social responsibility.

In November and December 2015, Cividep interviewed 10 randomly selected workers from Anandapura plantation in Coorg, Karnataka. Anandrapura is one of the Tata Coffee plantations (see page 58). In 2013, Gustav Paulig sourced coffee from eight Tata farms, one of which was the Anandapura. The interviewed workers performed various tasks, including coffee-picking, pruning, weeding, composting, fertilizing and spraying pesticides at the farm. Of the interviewees, four were women aged between 35 and 56, while six were men aged between 20 and 60. Two were seasonal workers, while the other eight were either permanent workers or employed on a temporary basis, but working year-round on the plantation. All interviewees were first or second generation migrant workers. Some were originally from Tamil Nadu, and Dalits, the rest were from Kerala or Assam.

The researchers faced difficulties in making contact with the plantation workers. As a result, the interview sample does not necessarily reflect the ethnic make-up of the Anandapura plantation's workforce, as the sample was determined by whom the field research team could gain access to. A few of the interviews were conducted inside the plantation in workers' living quarters, in conditions that allowed confidentiality and anonymity. However, the field research team was not able to return to conduct more worker interviews on the farm as they were spotted by the plantation security personnel who told them that they needed permission from the company to enter. This appears to be in stark contrast with the Plantation Labour Act and Karnataka Plantations Labour Rules which guarantee the public free access to plantation workers' living quarters.[306] The rest of the interviews were conducted off-site.

In addition to the interviews with workers at Anandapura plantation, a manager and people from the Scheduled Tribes community at another Tata Coffee plantation in Coorg were also interviewed for this report. The manager agreed to speak to the field research team on condition of anonymity only, as employees are not allowed to share information with outsiders without the company's permission.

The field research findings were shared with Tata Coffee, SAAS, SAN/RA and UTZ prior to the publication of this report. SAAS and SAI requested DNV GL, an auditing firm, to respond to Finnwatch.

All certification schemes and Tata Coffee in their responses pointed out that the interviewee sample was very small (less than 1 per cent of the total workforce at Anandapura farm). However, the certification schemes also acknowledged that the small sample size does not detract from the research findings' relevance. In addition, UTZ said that during the most recent audit of the Tata Coffee farms, some issues with working conditions were identified for which

305 Unesco, 2012, Internal Migration in India Initiative – For a Better Inclusion of Internal Migrants in India, available at http://www.unesco.org/new/fileadmin/MULTIMEDIA/FIELD/New_Delhi/pdf/Policy_briefs_full_low_02.pdf; UNDP, 2009, Migration and Human Development in India, available at http://hdr.undp.org/sites/default/files/hdrp_2009_13.pdf; Abbas Rameez & Varma Divya, 2014, Internal Labor Migration in India Raises Integration Challenges for Migrants, Migration Information Source, available at http://www.migrationpolicy.org/article/internal-labor-migration-india-raises-integration-challenges-migrants (accessed on 11 June 2016)

306 Plantations Labour Act 1951, available at http://www.ilo.org/dyn/legosh/en/f?p=14100:503:12357261523202::NO:503:P503_REFERENCE_FILE_ID:131784:NO; Karnataka Plantations Labour Rules, available at http://iboblr.in/labour/wp-content/uploads/2015/10/THE-PLANTATIONS-LABOUR-KARNATAKA-RULES-1956-new-part-1.pdf (accessed on 12 July 2016). The Karnataka Plantations Labour Rules state that "The employer shall not deny to the public free access to those parts of the plantation where the workers are housed."

corrective actions have been successfully implemented, but provided no further details.

Tata Coffee said that the small sample size might have been a contributing factor in what they say were inaccurate findings. Tata Coffee also said that due to the vast area of the plantation and local conditions, unmonitored entry by outsiders could present a security risk and that therefore, for the safety of the workers and their families, Tata Coffee management follows a protocol whereby permission has to be sought in order to visit the plantation. Further details of Tata Coffee's response are incorporated below.

8.3 TATA COFFEE

Tata Coffee Limited is among the top five coffee exporters in India.[307] Between January and May 2016, it exported, in total, nearly 10 million kg of green coffee and instant coffee abroad.[308] Tata Coffee is part of Tata Global Beverages, which also produces tea and bottled water.[309] Tata Global Beverages, in turn, is part of the global conglomerate Tata Group.

Tata Coffee is one of the most popular coffee brands in India. Tata is also the exclusive supplier of *arabica* coffee to Starbucks India. In addition, it supplies coffee to many other internationally well-known coffee brands such as Illycaffè, Nespresso and Lavazza.[310]

Tata Coffee has 19 coffee farms, 18 of which are located in Karnataka. The total size of Tata's coffee farms is 8,037 hectares.[311] All Tata Coffee plantations are UTZ, Rainforest Alliance and SA8000 certified.[312]

Tata Coffee has adopted a Code of Conduct and an Affirmative Action Policy aimed at addressing social inequality by encouraging positive discrimination for Scheduled Castes and Scheduled Tribes communities. The company also operates a hotline where workers can report issues of concern, has a remediation plan for instances of child labour and has set up The Coorg Foundation to improve the economic, environmental and social welfare of the economically weaker local communities. The Foundation runs a school which currently has 50 students with special needs.

8.4 SEASONAL MIGRANT WORKERS ARE CHARGED HIGH FEES

There are about 1,200 workers at the Anandapura plantation. This figure includes permanent and temporary workers who are employed year-round. In addition, a number of workers are hired for the harvest season only. According to national laws, an employee should be made permanent after 240 days.[313] However, at the Anandapura plantation, it appears that this is not being followed. One worker interviewed for this report had asked the union to negotiate for them and their spouse, as after four years of continuous employment, their status was still considered temporary.

According to the workers interviewed for this report, the permanent workers are given appointment letters which stipulate the terms of employment; however, they were

307 Tata Coffee, Company profile, available at http://www.tatacoffee.com/corporate/company_profile.htm (accessed on 15 June 2016

308 Tata Coffee, Company profile; Coffee Board of India, Export Info, available at http://www.indiacoffee.org/ExportInfo.aspx (accessed on 2 June 2016)

309 Tata Global Beverages is the world's second largest tea producer. In 2013, Columbia Law School Human Rights Institute issued a report "'The more things change…' The World Bank, Tata and enduring abuses on India's Tea Plantations detailing labour rights violations at Tata's tea plantations in Assam." The report is available at http://web.law.columbia.edu/sites/default/files/microsites/human-rights-institute/files/tea_report_executive_summary.pdf. The report found several violations of India's Plantation Labour Act at Amalgamated Plantations Private Ltd which was created with the help of the World Bank to operate Tata's plantations in Assam and West Bengal. See also BBC, 8 September 2015, The bitter story behind the UK's national drink, available at http://www.bbc.com/news/world-asia-india-34173532 (accessed on 15 June 2016)

310 Tata Coffee, Annual Report 2014–15, available at http://www.tatacoffee.com/performance/pdfs/Annual_Report_2014-15.pdf

311 Tata Coffee, Company profile

312 Tata Coffee, Annual Report 2014–15

313 Interview with a Centre of Indian Trade Unions (CITU) local leader, 22 September 2016

not in the possession of these documents as the letters are kept in the management's office. The interviewed workers said that the letters are in Kannada that many members of the migrant workforce cannot read.[314] Moreover, Assamese migrant workers interviewed for this report also reported having difficulties communicating in Hindi. Language barriers isolate migrant workers from the rest of the workforce and from company management.

According to the workers' testimony, temporary and seasonal workers are not given appointment letters at all. Seasonal workers reported that at the time of recruitment, they were verbally told that they would be entitled to accommodation, medical care and child care at the farm. However, they were unable to describe their entitled benefits in greater detail, the exception being what they were actually given (see below), and their understanding of health care provisions in particular appeared hazy.

Seasonal workers interviewed for this report were recruited by a contractor (a labour broker known as *maistry*) in their home state. This is typical for most, if not all seasonal migrant workers. These workers said that they must pay the *maistry* 8–10 rupees (0.11–0.13 euros) as "commission" for every 30 rupees (0.40 euros) that they earn during the entire time that they spend working working at Anandapura plantation, which is usually for six to seven months. This "commission" is not deducted from their wages, but workers pay it to the *maistry* afterwards. In addition, the seasonal workers had taken a loan of 5,000 rupees (66.63 euros) per family from the *maistry* to cover travel to Coorg.

Tata Coffee in their response said that they hire their workforce directly, except when seasonal services during the harvest season are needed. Such seasonal workers are hired through identified labour contractors who are given a monetary incentive for the effort of mobilising workers. The seasonal workers are recorded on Tata's payroll and are paid the government stipulated wages and benefits directly, and not through the contractors. All workers are given appointment letters despite their status, and when these letters are issued in Kannada, the estate manager or a staff representative makes sure that the content is fully explained to the workers.

In their response, SAAS/DNV GL stated that the majority of Tata Coffee workers know the Kannada language, and that the company management is committed to helping migrant workers from other parts of India understand the contents of the appointment letters. When interacting with such migrants, the management use the Hindi language. Workers are informed about the facilities and services at the plantation, and benefits are equally available to all employees without discrimination. Regarding the alleged "commission" that the seasonal workers must pay to the *maistry*, SAAS/DNV GL said that this is not encouraged by Tata Coffee and that the company has a procedure in place for labour contractors.

In light of the interviews with the workers for this report it appears, that the management efforts to communicate the terms of employment and benefits to at least some of the workers have been unsuccessful, and as a result the workers do not know their entitlement and rights. In Finnwatch's view, Tata Coffee is responsible for the labour contractors it uses. Whether the company encourages the *maistry* to collect a "commission" or not, does not reduce Tata Coffee's responsibility over the situation.

SAN/RA provided their feedback through the lens of compliance with the certification requirements of the Sustainable Agriculture Standard. According to them, although it is good practice to give each worker a copy of their appointment letter, not doing so does not violate their certification criteria. Neither SAN/RA nor UTZ commented the high fees charged by the *maistry* in any way.

314 Kannada is a regional Indian language and an official language in Karnataka. It is the native tongue of most Kannadigas (the ethnic population of Karnataka).

8.5 FORCED OVERTIME AND UNDERAGE WORKERS?

According to the two seasonal workers' testimony, overtime during the harvest season is compulsory. However, they are not paid overtime rates for this work. In addition, temporary and seasonal workers said that they are sometimes verbally threatened by their supervisors if they come to work late or are unable to finish work on time.

According to permanent and temporary workers, overtime – typically for two hours per day during the harvest season – is completely voluntary. Also unlike the seasonal workers, permanent and temporary workers report receiving double the normal rate for overtime work.

According to Tata Coffee there is no compulsion on the workers to work overtime during the harvest season. As an incentive, and purely on a voluntary basis, harvest workers are given a picking bonus that is higher than the industry norm in addition to their normal wage. According to Tata Coffee, sometimes the workers voluntarily start early or stay back a little longer than stipulated in order to maximise their earnings. There is no discrimination between permanent, temporary and seasonal workers on overtime payments.

In their response, SAAS/DNV GL categorically referred to established procedures that Tata Coffee has in place, which have been verified during audits that cover working hours and compensation, including overtime. According to SAN/RA, being forced to work overtime during the harvest season without receiving additional remuneration could potentially be non-conformity with three criteria in the Sustainable Agriculture Standard.

The interviewed workers (who were all adults) stated there was no child labour at the plantation. According to them, the youngest workers at Anandapura plantation are 16 years old. These young workers perform the same tasks, keep the same hours and are paid the same rates as adults.

India's national Plantations Labour Act[315] allows minors aged 15 and above to work on plantations, but not during school hours or at night time between 7 pm and 6 am. Minors must be examined by a doctor before taking up work, and prove that they are attending school. The address of their school and the name of the headmaster must be provided to the employer.

In their response, Tata Coffee stated that they do not employ anyone below the age of 18, and that the age of employees is verified based on government-issued documents provided by workers themselves when they are registered for employment. According to Tata Coffee, the age of the labour force is also regularly checked by auditors. Although none of the certification schemes explicitly confirmed this in their responses, SAAS/DNV GL referenced an interview with Tata Coffee's top management during which the managers had confirmed that they are committed to not using child labour and that the minimum age of employment at the plantation is 18 years.

8.6 SEASONAL WORKERS REPORT PAY BELOW MINIMUM WAGE

The permanent and temporary workers interviewed for this report reported earnings around 243 rupees (3.30 euros) per day. Seasonal workers said they are paid at a rate of 218 rupees (2.94 euros) per day. Seasonal workers also said that they do not receive pay slips, in contrast to permanent and temporary workers, who do.

The remuneration of permanent and temporary workers is in line with the minimum wage in Karnataka, which is currently set at 247.98 rupees per day. Although they have a regular income throughout the year, some still rely on financial support from relatives. They cannot afford to put money aside for savings and some reported having taken out loans on special occasions – for example, to

315 Plantations Labour Act 1951, available at http://www.ilo.org/dyn/legosh/en/f?p=14100:503:12357261523202::NO:503:P503_REFERENCE_FILE_ID:131784:NO (accessed on 12 July 2016)

pay for weddings. Most said that they are able to afford only a very basic diet of low nutritional value. Some hold Below Poverty Line (BPL) cards, a governmental benefit, which entitle them to 25 kg of rice, 3 kg of wheat, one packet of salt and one litre of cooking oil every month free of charge. The seasonal workers, who said they earn significantly, and also pay one-third of their earnings to the contractor, found it particularly difficult to make ends meet.

On average, the workers estimated that a family of four spends about 800 to 1000 rupees (10.77–13.46 euros) on food per week. In their view, daily wages between 300–400 rupees (4–5.39 euros) would allow them to cover their living costs comfortably. In their response, UTZ pointed out that Global Living Wage Coalition is currently working on a living wage benchmark study for southern India which will be an important step in improving wages for the workers in this region.

A weekly deduction of about 180 rupees (2.42 euros) is made from the salaries of workers who are entitled to Provident Fund benefits (i.e. those who have been working for 140 days). Provident Fund is a retirement benefit scheme in which both the employee and the employer contribute 12 per cent of the employee's basic salary each month. The employee also earns interest from their Provident Fund account. According to the interviewed workers, sometimes they have to put forward demands before the employer's contributions towards the Provident Fund are processed.

According to local leaders the Centre of Indian Trade Unions (CITU) and Anandapura plantation workers, who were union members, workers at the Anandapura plantation are divided into four bands known as *pattis.* These *pattis* reflect the workers' legal entitlement to gratuity and annual bonus, in addition to Provident Fund benefits. Gratuity, which is equal to 15 days' salary per year of service, is paid to workers who have been employed in continuous service at the farm for 4.5 to 5 years at the end of their employment.[316] The annual bonus is a share of the profits made by the company. The payment of an annual bonus to employees whose monthly salary does not exceed 21,000 rupees (283 euros) and who have been working for the same employer at least 80 days that year, is also a legal requirement.[317] According to the union representatives, only the permanent workers who form the highest *patti,* have full access to medical care at the company's hospitals in Ammathi and Pollibetta.

According to Tata Coffee, all workers at Anandapura plantation are paid the legal minimum wage. There is no discrimination among the workers on wage and medical care. Legal benefits, such as Provident Fund, annual bonus, incentive, paid annual leave and holiday pay, and gratuity, are paid to workers as per their eligibility according to the law.

In their response, SAAS/DNV GL said that samples verified during audits show that payments to workers are aligned with Indian legislation. However, according to SAAS/DNV GL, payments are sometimes interpreted differently by some of the workers, which might raise questions, and might have been the reason behind the problems reported by the workers.

8.7 LACK OF CLARITY OVER MEDICAL ENTITLEMENTS; LACKING PROTECTIVE EQUIPMENT

Permanent and temporary workers whose tasks include spraying pesticides said that they were given personal protective equipment such as masks, gloves, boots and hats by the company. However, it was not clear from the interviews whether these were sufficient to provide workers with adequate protection while performing their tasks. One of

316 Payment of Gratuity Act 1972, available at http://labour.bih.nic.in/acts/payment_of_gratuity_act_1972.pdf

317 Payment of Bonus Act 1965, available at http://labour.bih.nic.in/acts/payment_of_bonus_act_1965.pdf, and the Payment of Bonus (Amendment) Act 2015, available at http://www.indiacode.nic.in/acts-in-pdf/2016/201606.pdf

Use of pesticides in coffee production

Pesticides are used in the production of coffee for example to prevent the spread of diseases such as coffee rust and pests such as the coffee berry borer. There are differences in which pesticides are used between countries, climatic conditions and the type of production system used. At some small and medium sized farms, especially in higher altitudes, the farmers who apply more traditional methods to growing coffee might use very little pesticides or none at all.[318] According to Pesticide Action Network (PAN) UK, since the early 2000s coffee crisis, a declining overall trend in the use of many highly hazardous pesticides (HHP) at coffee farms and plantations can be observed due to an upward trend in standard compliant coffee production and the inclusion of endosulfan on the Stockholm Convention list of persistent organic pollutants (POP) in 2011.[319]

Comprehensive, worldwide statistics about the use of pesticides are not available.[320] Examples of pesticides that have been widely available in developing countries and which may be used at some coffee farms and plantations include chlorpyrifos, malathion, dimethoate, glyphosate, paraquat, carbendazim, chlorothalonil and triadimenol.[321] Of these, all but triadimenol are considered as highly hazardous according to PAN[322] criteria and paraquat and carbendazim are not approved for use in the EU. None of them however, are banned in Brazil or India.[323] In fact, in Brazil, the use of all of them except carbendazim and dimethoate has been approved for coffee production.[324] A previous Danwatch research identified altogether 30 pesticide active ingredients that are prohibited in the EU but approved for use on coffee farms and plantations in Brazil, including also the highly hazardous terbufos.[325]

Arguably the most hazardous pesticide still being used in the production of coffee is endosulfan which is one of the most harmful pesticides in the world.[326] In addition to coffee plantations, endosulfan is also (and more widely) used in growing cotton. Before it was recently banned across most of West Africa, thousands of cotton farmers and their families suffered accidental poisoning, sometimes fatal, in connection to its use.[327] When PAN UK interviewed coffee farmers in Colombia, El Salvador and Nicaragua in 2013, one third of the interviewees knew about at least one poisoning incident involving pesticides, mainly endosulfan.[328]

Although endosulfan was added to the Stockholm Convention list of POPs in 2011, requiring states to eliminate its use, there is no set date for when all countries must do so. Endosulfan

318 For example, traditional shaded groves are generally less intensive in fertiliser and pesticide inputs than those in full sun but also lower yielding. PAN UK, Stephanie Williamson, email 27 July 2015. See also for example, Jaffee D., 2007, Brewing Justice

319 PAN UK, Stephanie Williamson, email 27 July 2015

320 PAN International has published a consolidated list of banned pesticides which includes information from 98 countries for which such data is available. The consolidated list includes information on Brazil, India and the EU but not, for example, Honduras. Altogether the list includes 316 pesticide active ingredients or groups of actives which have been banned by one or more of the 98 countries but which are nevertheless regarded as still currently in use elsewhere. EU has banned 48 pesticides on the list, India 31 and Brazil 17. The list is available at http://pan-international.org/pan-international-consolidated-list-of-banned-pesticides/ (accessed on 23 August 2016)

321 PAN UK, Stephanie Williamson, email 27 July 2015

322 PAN International, 2015, List of Highly Hazardous Pesticides, available at http://www.pan-germany.org/download/PAN_HHP_List_150602_F.pdf

323 PAN International, 2015, Consolidated List of Banned Pesticides

324 Ministy of Agriculture database on pesticides approved for agricultural use, available at http://agrofit.agricultura.gov.br/agrofit_cons/principal_agrofit_cons

325 Danwatch, 2016, Bitter coffee: Slavery-like conditions and deadly pesticides on Brazilian coffee plantations

326 PAN AP Factsheet Series, Highly Hazardous Pesticides: Endosulfan, available at http://pananz.net/wp-content/uploads/2013/04/1endosulfan-5-Web2.pdf

327 PAN UK Project: Growing coffee without endosulfan, available at http://www.pan-uk.org/projects/growing-coffee-without-endosulfan/ (accessed on 27 July 2016)

328 Experiences with health and environmental risks of using endosulfan and issues in distribution, handling and product stewardship, 2014, available at http://www.4c-coffeeassociation.org/assets/files/Documents/Reports-Brochures/Experiences_with_Risks_and_Stewardship_Issues_01.pdf. The document was developed in framework of the project Growing coffee without endosulfan which was funded by the Sustainable Coffee Program powered by IDH, the FAO and the ISEAL Alliance and implemented by the PAN UK and 4C Association.

is still on the market in several Asian and African countries where it might be used on coffee farms and plantations, mainly those supplying the conventional (i.e. non-certified, non-verified) markets.[329] Some coffee producing countries have banned the use of endosulfan at national level, including Brazil, Colombia, Nicaragua, Peru and Viet Nam.[330] However in Brazil, endosulfan, which was widely used before the national ban, is still stocked in the country and as such it cannot be completely ruled out that it is not still being used by a small number of farms while stocks remain.[331] Some other coffee growing countries have applied for exemption for essential use, such as Costa Rica.[332] Costa Rica's exemption terminates in March 2017, and the use of endosulfan has been almost entirely phased out there now.[333] India, which was the largest exporter of endosulfan in the world in 2011, has also requested more time – 10 years – to phase out the use of endosulfan.[334] PAN UK has documented several cost-effective non-chemical alternatives for managing the coffee berry borer without endosulfan.[335]

In order to minimise health hazards, exposure to pesticides should be avoided. Other means to reduce the risks include careful work habits, good personal hygiene and use of appropriate personal protective equipment. The type of protective gear needed depends for example on the pesticide and application methods used. In general, protective equipment should prevent the workers from inhaling the chemicals and getting them on their skin.[336]

Common problems at coffee farms and plantations that are related to pesticide use include

- lack of appropriate personal protective equipment which is expensive;
- inadequate protective gear which may provide a false sense of security but does nothing to prevent the risks and in some cases, might even increase the risks;
- lack of adequate facilities to shower, change and wash clothes separately from other clothing after pesticides have been applied, and
- lack of awareness of the risks and training.

Even when protective equipment is provided, many workers do not want to wear it because it is often extremely uncomfortable to do so in the hot and humid climate and conditions, or they bring their pesticide-tainted work clothes home to be washed alongside other family laundry.[337]

The standards of Global Coffee Platform,[338] Fairtrade,[339] SAN/RA[340] and UTZ[341] all include a ban of selected pesticides in the production of standard compliant coffee. In organic production, the use of all synthetic pesticides is banned.

329 PAN UK, Stephanie Williamson, email 27 July 2015
330 PAN International, 2015, Consolidated List of Banned Pesticides
331 PAN UK, Stephanie Williamson, email 27 July 2015
332 Ibid.
333 PAN UK, Stephanie Williamson, email 15 August 2016
334 NDTV, 30 April 2011, India agrees to endosulfan ban, available at http://www.ndtv.com/india-news/india-agrees-to-endosulfan-ban-454302, accessed on 27 July 2016
335 PAN UK, 2013, Highly Hazardous Pesticides: Coffee farmers' perspectives on problems and alternatives, available at http://www.pan-uk.org/projects/growing-coffee-without-endosulfan/#videos (accessed on 23 June 2016)
336 See for example Sosiaali- ja terveysministeriö, 1999, Torjunta-ainetöiden työhygienia (in Finnish)
337 PAN UK, Stephanie Williamson, email 27 July 2015. See also case studies included in this report. Finnwatch does not have information on which pesticides are used in the farms and plantions featured in the case studies.
338 Global Coffee Platform, Baseline Common Code, available at http://www.globalcoffeeplatform.org/assets/files/Baseline-Common-Code/GCP-Baseline-Common-Code_2.1_en.pdf
339 Fairtrade International, Fairtrade prohibited materials list, available at http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/Prohibited_Materials_List_EN.pdf
340 Sustainable Agriculture Network, List of prohibited pesticides, available at http://www.san.ag/biblioteca/documento.php?id=173 (accessed on 27 July 2016)
341 UTZ, List of banned pesticides and watchlist, available at https://www.utz.org/?attachment_id=3272 (accessed on 27 July 2015)

the workers interviewed complained that the strong smell of pesticides gave them headaches and caused dizziness. Seasonal workers said they were only given long-sleeved shirts and had to purchase other protective gear for themselves.

Interviewed workers' experiences regarding health and safety training varied greatly. Whereas some, including all seasonal workers, said they had never received any such training, others recalled having been given training when assigned a new task. Some said basic safety training was given to permanent and temporary workers once every year. Interviewed workers were not sure what compensation, if any, is given for accidents at work. However, they said that injured workers are taken for treatment to a company hospital in the nearby village of Ammathi.

The 2010 amendment to the national Plantations Labour Act requires every worker who is tasked with handling, mixing, blending and applying pesticides to be given proper training. Protective clothing and equipment should be provided by the employer, along with washing and bathing facilities. Furthermore, workers who come in contact with pesticides should be regularly examined by a doctor, but none of the interviewees mentioned any medical examinations.[342]

According to the interviewees, the workers at Anandapura plantation are not provided rain gear to protect them from occasional rainfall. Instead, they use plastic sacks to cover their heads and shoulders. According to them, coughs, colds and low fever are common among the workers. For minor illnesses, the workers must go to the company hospital in the village of Pollibetta (which is further away than the Ammathi hospital). Permanent and temporary workers said that they receive half a day's pay when they fall ill if they are able to provide a letter from a hospital. The employer reimburses the return bus fare to the workers.

Seasonal workers said they receive no sick pay. In interviews, the seasonal workers also appeared unclear about their entitlement, if any, to medical care at company hospitals. According to them, if they have a health problem, they report it to their *maistry.* They can also pick over-the-counter medicine such as paracetamol from the management office in the plantation against a small fee, and consult an Accredited Social Health Activist (ASHA; a government provided service).

According to the state-level rules in Karnataka, any plantation with more than 1,000 employees must run its own hospital. Workers should receive sick pay at a rate of two-thirds of their salary per day; however, for the first two days of sickness, the workers need not be compensated. Also, according to state-level rules in Karnataka, a welfare officer should be appointed for every 300 or more workers regularly employed at plantations. If the number of workers ordinarily employed exceeds 1,200, additional welfare officers must be appointed. The duties of a welfare officer include, among others, bringing grievances to the attention of the employer, helping settle disputes between the employer and the workers or their representative bodies, and suggesting measures that will help to raise the workers' standard of living and advance their well-being.[343] None of the workers interviewed for this report were aware of any welfare officers at Anandapura farm.

According to Tata Coffee, protective equipment and training is given to all workers whose role at work requires it, irrespective of whether they are permanent, temporary or seasonal workers. The training is provided by a team of safety officers at all company locations. All workers are also provided rain gear during the monsoon.[344] Medicines are dispensed by the General Nursing and

342 Plantations Labour (Amendment) Act 2010, available at http://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=87982&p_country=IND&p_count=511&p_classification=22.01&p_classcount=14 (accessed on 11 June 2016)

343 The Karnataka plantations (Welfare Officers) rules, 1978, available at http://iboblr.in/labour/wp-content/uploads/2015/10/THE-PLANTATIONS-LABOUR-KARNATAKA-RULES-1956-new-part-2.pdf

344 The monsoon begins in June and ends around September.

Kitchen facilities at company provided accommodation at Anandapura plantation.

Midwifery or through the Rural India Health Project (company hospital) free of charge. Medical expenses, including hospitalisation or reference to other hospitals for specialised treatment, are borne by the company.

In their response, SAAS/DNV GL stated that the workers are provided with personal protective equipment following a risk assessment, and that evidence of this is available. According to their response, safety trainings are also provided to all workers without discrimination towards seasonal workers. In case of an accident, workers are provided with the same medical assistance regardless of whether they attend the company hospital or a private facility. Compensation is provided according to the law. The plantation has three welfare officers and from audits, SAAS/DNV GL has "reasonable evidence" of their visits to estates.

According to SAN/RA, lack of trainings on agrochemicals and of medical check-ups and examinations could be non-conformities with the Sustainable Agriculture Standard.

8.8 PROBLEMS WITH ACCESS TO POTABLE WATER AND SANITATION

According to the workers interviewed for this report, the working day at Anandapura plantation normally starts at around 7.30am and ends at 4.30pm. Workers work six days a week with two breaks, including an hour's lunch break, on a typical working day. The permanent and temporary workers who were interviewed for this report said they receive between 10 to 15 days of paid annual leave; the seasonal workers get a weekly rest day and national holidays off. The maternity leave provisions at Anandapura farm are in line with the national laws.

There is no access to drinking water in the immediate vicinity of the work areas on the plantation so the workers must carry their own drinking water with them. Toilets are also located far away as they have not been constructed throughout the plantation.

According to the Plantations Labour Act, the employer should make effective arrangements to provide workers with drinking water and a sufficient number of toilets for both men and women. State-level rules in Karnataka specify that toilets must be provided for every 50 acres of land under cultivation. According to Tata Coffee, the company is investing in and upgrading toilets and drinking water facilities. The water that is provided is tested for its potability.

8.9 WORKERS GET FREE ACCOMMODATION AND CHILD CARE

All workers at Anandapura and their families, including children who are under 18 years of age, can live free of charge at company-provided accommodation inside the plantation. Childcare is also provided. Deductions for electricity are, however, made from the workers' salaries. A house is typically shared between members of a family, and the number of people sharing depends on the size of a family. There is access to clean drinking water in the workers' living quarters but toilets are shared between families. Food is prepared on an open fire, and at least some of the workers collect the wood for the fire during the day from between the coffee plants. Although the plantation has one canteen, according to the union representatives, it only serves tea and coffee, and not lunch or other meals.[345] The workers interviewed for this report prepared their own food at home, including lunch.

Blankets and bedding are provided to permanent and temporary workers and their families, but not to the seasonal workers. The nights can be cold and the accommodation does not have heating.

According to the SAAS/DNV GL, the audits show that there are canteens where regional food is prepared, to which some of the workers may not be accustomed. For some workers, the canteens may be located some distance away, which might hinder their utilization of the service.

8.10 WORKERS' VOICE

According to the workers interviewed for this report, when auditors visit the plantation, workers are asked to go somewhere else and can only see the auditors from a distance. The management only allows selected individuals to speak to the auditors. In their response, Tata Coffee said that when the auditors visit the farms, the auditors select the interviewees on a random basis from the day's muster sheet (worker deployment sheet) and visit the areas where work is being carried out to cross-check facilities.

SAN/RA in their response said that management hand-picking workers for interviews during audits would be bad auditing practice. SAN/RA requirements for auditors indicate that the audit teams must pick the interviewees themselves. According to SAN/RA, it is possible that workers interviewed for this report are not aware that interviewees are selected by the audit team from a list and then introduced to the auditors by the farm's management. UTZ also said that the auditors select workers for interviews themselves.

SAAS/DNV GL said that the SA8000 audit process includes opening and closing meetings where the presence of a worker representative is required. In the case of Tata Coffee, meetings are also held with estate trade union leaders. The workers interviewed during audits are selected by the auditors. The workers are interviewed in a separate room and in the estate during the course of their working day.

There is some unionisation at Anandapura plantation. The largest union on the plantation is affiliated to CITU, and has about 200 members at Anandapura. In addition, there are two other unions present, of which one is registered with the All India Trade Union Congress. At least the CITU leaders say they have not been interviewed during an audit in the recent past.[346]

Of the workers interviewed for this report, all those who knew about the unions felt that they were free to join a union without interference, and that the unions were genuinely representative of workers' interests and able to negotiate with the management. According to the interviewees, a month or two before the interviews took place, a young man who had been wrongfully removed from his job was reinstated by the estate management after a large number of workers stopped working and gathered at the estate gate for two hours in protest. According to

345 Interview with a Centre of Indian Trade Unions (CITU) leader, 22 September 2016

346 Interview with a Centre of Indian Trade Unions (CITU) local leader, 22 September 2016

both Tata Coffee and SAAS/DNV GL response, there is no record of an industrial dispute at Anandapura estate.

The Tata Code of Conduct includes the following statement which appears to contradict the spirit of freedom of association (emphasis added): "We recognise that employees may be interested in joining associations or involving themselves in civic or public affairs in their personal capacities, provided such activities do not create an actual or potential conflict with the interests of our company. Our employees must notify and seek prior approval for any such activities as per the 'Conflict of Interest' clause of this Code, and in accordance with applicable company policies and law".[347]

According to Tata Coffee, the company has no objection to the workers' association as long as there is no violation of the "Conflict of Interest" clause in the Code, or violation of laws or company policies. According to Tata, in practice this clause means that the workers must disclose to the company an intended association and that in turn, the company will then determine (within a reasonable period of time) that such association does not result in conflict of interest. This is above and beyond workers joining a labour union. According to Tata, the company allows and encourages freedom of association and workers are free to join a union of their choice recognised by the company without restrictions.

According to SAN/RA, it may be true that the Tata Code of Conduct is in conflict with the right to freedom of association. However, in their responses they also noted that the workers interviewed for this report had not reported problems in their ability to join a trade union of their choosing.

347 Tata, Code of Conduct 2015, available at http://www.tata.com/ebook/tcoc/index.html (accessed on 13 July 2016)

9 Conclusions

The long and complex coffee supply chains contain multiple risk factors. In regard to social responsibility, the principal risks are in the involvement in labour rights violation in primary production of raw material, specifically, hired labour at coffee farms and plantations.

In Brazil, the three farms investigated for this report were found largely to be in line with national labour laws and international human rights standards. However, problems in regard to occupational health and safety and, in individual cases, excessive working hours were found on two farms of which one was UTZ certified. At Fazenda NSG, which has the same owner as Meira, the research exposed discriminatory recruiting practices.

The findings from Brazil are not surprising when taking into account the relatively high levels of standard-compliant coffee production in the country. For decades now the Brazilian government has prioritised programmes aimed at improving protection for labour rights, protections, eliminating child and forced labour and raising the Brazilian people's standard of living. Despite this, forced labour still exists in coffee cultivation in Brazil. Coffee grown in conditions analogous to slavery has been re-sold to the international market by some large cooperatives and export companies. Due to this, export supply chains have been tainted. For example, exporters and cooperatives that have been supplying coffee to Gustav Paulig and Meira have been connected to farms which the Brazilian authorities have found to be employing people in such conditions (see page 41). Therefore, roasters should not fall into the trap of false security in the case of Brazil but take action to prevent forced labour.[348]

A clear risk factor in both Brazil and India is the use of labour brokers known as *gatos* and *maistries,* respectively, to recruit internal migrant workers for the harvest season. The recruitment fees reported by the Tata Coffee seasonal workers were, at a third of their earnings, extremely high and risking their livelihood. Recruitment fees are also in stark contrast to the international labour rights principles.[349] Recruitment fees that are extortionate are a contributing factor in situations of debt bondage, a form of forced labour.

In light of all three case studies, perhaps the most striking findings were the low levels of wages paid to the workers, the low unionisation rate among workers and subsequently, the almost non-existing possibilities that the workers had to influence working conditions and terms of employment. Both a living wage and effective realisation of the right to freedom of association are key questions for the improvement of working conditions and the livelihood of the hired labour at coffee farms and plantations. None of the workers at any of the investigated farms were paid a living wage – not even in Brazil where the prevailing wages were clearly above the legal minimum wage.

In Honduras, the situation has arguably come to a head and the economic hardship that the seasonal workers are facing has led to widespread occurrences of child labour. Child labour was present at all investigated farms in Honduras, and on two farms the youngest workers interviewed for this report were only 5–6 years old.

Coffee roasting companies (see Chapter 4.1–4.5) included in this report typically obligate the first-tier suppliers to ensure the social responsibility of their own suppliers. The monitoring of the implementation of these contractual requirements is however, weak

348 Paulig Group, 14 March 2016, Epäeettisesti tuotettu kahvi jättää kitkerän maun, available at https://www.paulig.fi/kahvijutut/epaeettisesti-tuotettu-kahvi-jattaa-kitkeran-maun (in Finnish, accessed on 31 August 2016)

349 See for example ILO, Private Employment Agencies Convention, 1997, available at http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312326 (accessed on 11 October 2016)

or tenuous. For example, the coffee roasting companies mostly only audit their first-tier suppliers.

Because the coffee roasting companies cannot themselves monitor all the primary producers of raw material in their supply chains, they have to an encouraging extent outsourced responsibility monitoring to various certification and verification schemes. Already there are clear signs on the Finnish coffee market, of standard-compliant coffee becoming mainstream.

Some roasters and grocery traders that produce and market private label coffees, have however set unambitious responsibility targets for themselves regarding the sourcing of green coffee. In a comparison between companies, Arvid Nordquist and Kesko, whose coffee products are all already certified, come out on top. Both Gustav Paulig, Löfbergs Lila and SOK have also set relatively ambitious targets for themselves for transitioning to certified raw material in the near future. For example, SOK decided during the writing of this report, that 90 per cent of the private label coffees in their selection will be certified from the beginning of 2017. Lidl Finland has only set half-baked for transitioning to certified raw material whereas Meira and Tuko Logistics have no set responsibility targets.

It is worth noting, that there are differences between certification schemes. Several of the roasters featured in this report favour certification schemes which performed relatively poorly in Finnwatch's qualitative comparison of various responsibility monitoring schemes, published earlier in 2016. Coffee roasting companies and grocery traders should actively seek to further develop the certification schemes. An excellent opportunity is provided through the implementation of living wage benchmark studies conducted by the Global Living Wage Coalition.

The findings of the case studies in this report are however, also partly alarming for the credibility of certification schemes. The coffee sector social sustainability standards as well as various industry initiatives, have long ignored the problems related especially to hired labour at coffee farms and plantations. It is high time to take them to task.

Both in Brazil and in Honduras, where there were certified and non-certified farms among those investigated by Finnwatch, the differences in working conditions between the certified and non-certified farms were at times very little or almost non-existent. To Fairtrade's credit, however, it must be noted that their auditors had found problems at the farms that were members of the CARUCHIL cooperative and that the cooperative had been supported in its efforts to implement corrective actions. Finnwatch would also like to thank both CARUCHIL and Fairtrade for their openness, which they demonstrated by sharing with Finnwatch the reasons behind the cooperative's decertification. In this regard, their approach was markedly different to that of Rainforest Alliance for example, which responded to the findings in only a cursory manner.

For small roasters and other actors who are proponents of direct trade, establishing a credible social responsibility monitoring system that is applicable to their business model is a clear challenge. Currently coffees sourced through direct trade are being marketed to consumers as the ethical choice even though there is not even a commonly accepted definition for the sourcing model. In Finnwatch's view, the claimed responsibility in direct trade is currently purely based on notions of trust and largely unverified assumptions. Despite shortcomings, third-party certification schemes remain the only largely available means to monitor the social responsibility at the level of primary production of raw material in an impartial, systematic and verifiable manner.

Recommendations

FOR THE COFFEE PRODUCERS IN BRAZIL, HONDURAS AND INDIA

- The coffee producers must ensure without a delay that none of their migrant labour force is required to pay recruitment fees to labour brokers such as *gatos* and *mais-tries*, and take prompt, remedial action as necessary, including reimbursement to the workers of the fees already charged.
- The coffee producers must gradually raise wages to close the gap between prevailing wages and a living wage (such as a living wage calculated by the Global Living Wage Coalition). This requires cooperation also from the other actors in the coffee value chains.
- The coffee producers must ensure, that all their workers are given adequate personal protective equipment free of charge and health and safety training relevant to their tasks. Fazenda NSG's reported zero-tolerance towards non-use of personal protective equipment is an example of good practice in this regard.
- The coffee producers must take steps to advance and support the freedom of association and the possibilities to negotiate terms of employment and working conditions of their workforce.

IN BRAZIL

- The coffee sector actors should sign the National Pact for the Eradication of Slave Labour which would send a clear sign to other actors in their value chains that they are aware of the risk of slave labour and that they are taking steps to mitigate it.

IN HONDURAS

- The coffee producers must take steps without delay to eliminate child labour in coffee cultivation. Given the dire economic situation of the coffee farmworkers, this is only going to be possible if wage levels are raised to a level sufficient for hired labour to afford a basic but decent standard of living, i.e. a living wage. This requires cooperation also from other actors in the coffee value chain.

IN HONDURAS AND INDIA (TATA COFFEE)

- The coffee producers must ensure that all workers have access to potable water and hygienic sanitation where they work. All workers should be entitled to sick pay and have access to medical care in case of accidents at work.

FOR VOLUNTARY SUSTAINABILITY STANDARDS

- Responsibility monitoring schemes, as part of the Global Living Wage Coalition, must calculate a living wage for the coffee sector in Honduras and secure support from other actors in the certified coffee chain to implement a living wage.

- The schemes must ensure that the use of labour brokers such as *gatos* in Brazil and *maistries* in India to hire seasonal workers in the coffee sector are addressed in the certification criteria and included within the scope of social audits. The employer and not the employee, should cover the full cost of recruitment.
- The schemes must ensure that audits always include interviews with the workers that are held in conditions that enable confidentiality and anonymity. The interview sample should include workers from high risk categories such as migrant workers, seasonal workers, and workers from groups that face discrimination on the basis of for example colour, gender, language, religion, national or social origin, caste, birth or other status.
- Global Coffee Platform should make living wage a minimum criteria for compliance with the Baseline Common Code.

FOR COFFEE ROASTERS AND GROCERY TRADERS THAT PRODUCE PRIVATE LABEL COFFEES

- Companies must make a commitment to support their suppliers in their efforts to eliminate child labour and improve the livelihood of their hired labour. The low price paid for green coffee in the global marketplace is one of the key contributing factors to the prevalence of child labour, wages that are insufficient to afford even a basic but decent standard of living, and other labour rights violations in coffee cultivation. The price paid for green coffee must be sufficient to cover the production costs for socially sustainable green coffee.
- Companies should increase their efforts to shorten the coffee supply chain and to make it more transparent.
- Companies should set ambitious targets for increasing the level of standard-compliant coffee in their green coffee purchases where such targets are not already set. In addition, companies should actively engage in the future development of responsible sourcing certification schemes.

POLITICAL DECISION MAKERS IN FINLAND

- The national implementation of the UN Guiding Principles on Business and Human Rights must continue in an ambitious manner. The long term goal should be mandatory human rights due diligence. As a step towards this direction, the authorities should ensure that in the national implementation of the EU Directive on Non-Financial Reporting, its full potential to advance the transparency of the supply chains of large companies and the implementation of human rights due diligence as it is defined in the Guiding Principles is utilised.
- Public procurers should increasingly utilise certification schemes. EU directives on public procurement, which are being implemented in Finland through amendments to the Public Procurement Act, for the first time require Finland to ensure that environmental, social and labour rights considerations are taken into account when entering into procurement contracts. Compliance with human rights and core labour rights standards should be made compulsory, not recommendatory.

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