

SUSTAINABILITY IN THE COFFEE SECTOR

An analysis of the JDE Sustainability Strategy in coffee origin countries



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Preface

Dear reader,

This thesis has been written to fulfill the graduation requirements of the Global Environment and Sustainability Program at the Radboud University in Nijmegen. I was engaged in researching and writing this thesis from March 2022 to February 2023. The whole process took longer than I expected, but during this year, I also completed a six-month internship at JDE Peet's in Amsterdam, as part of my Master Program.

This journey took me out of my comfort zone. My professional and academic background is in the social field. I hold a bachelor in Sociology, a Master's in Local Development, and I worked five years for an NGO assisting refugees and asylum seekers. Undertaking an internship experience in a corporate and writing a thesis which involves many economic topics was challenging. However, it has definitely been rewarding, and I found a new fascinating field, the one of agricultural commodities.

I would like to thank my supervisor, Dr. Cristina Inoue, for her excellent guidance and support, her patience, and her useful insights. I also want to thank Nadia Hoarau-Mwaura, my supervisor at JDE Peet's whose has been the best mentor I could have asked for; my amazing colleagues in the field Gina Canales, Bruno Ribeiro and Sy Do Ngoc who have taught me everything I know about coffee and finally my dear Elvira Marin who was always there to encourage me. Furthermore, I would also like to thank the whole JDE Peet's sustainability team and the special group of R&D interns with whom I shared this journey.

Finally, I want to thank my friends (especially Leonie, Tommy and Gloria) and master mates for being there for me, brainstorming with me, proofreading my texts and providing fresh perspectives I would also like to thank you, my reader: I hope you enjoy your reading.

Monica FerriNijmegen, 13 February 2023.

Abstract

Climate change with a growing world population, and scarcity of resources are the biggest challenges of our times. Governments, civil society and businesses need to collaborate in order to tackle social and environmental consequences of these manifold problems. Multinational Corporations (MNCs) are international actors within the society, which are often responsible for environmental damage and human rights abuses. At the same time, they are considered as having a key role to contribute in tackling many global challenges the world is facing. The work of non-governmental organizations (NGOs) and civil society have further pressured MNCs to act and take on their responsibility. This research will try to understand how MNCs in the coffee sector, in particular roasters, contribute to promote sustainability through their corporate sustainability strategies. In particular, the focus will be on the multinational roasters Jacobs Douwe Egberts (JDE), a subsidiary of JDE Peet's, the world's leading pure-play coffee and tea company, headquartered in the Netherlands, and their initiatives to promote sustainability in their coffee sourcing countries.

The coffee industry connects millions of smallholder farmers in the Global South with global markets and consumers in the Global North. It has historically been a frontrunner in sustainability efforts through private and voluntary initiatives. Therefore, the governance of this value chain and its sustainability is strongly affected by the distribution of power between market actors.

JDE, together with NGOs, government and the industry sector, promotes several actions, within their Sustainability Strategy, to tackle the main economic, social, and environmental issues affecting the global coffee chain.

To assess the role played by JDE in promoting and governing sustainability, the author decided to combine the Global Value Chain (GVC) framework with the Nonstate Market-driven (NSMD) sustainability governance.

The combination of these two frameworks allows to shed light on how the global coffee chain is structured, who the lead actors are, and how the chain is governed. Since sustainability in the coffee is strongly dependent on private sector's initiatives, it is mandatory to understand companies' commitments, involvement and priorities and the underlying distribution of power across the chain to analyze the sectoral governance of sustainability.

Key words: Coffee, Sustainability governance, Corporate Sustainability (CS), Global Value Chain (GVC), Nonstate Market-driven (NSMD) governance.

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1. Introduction

1.1 Research problem context and statement

Coffee is one of the most widely consumed beverages in the world and one of the most traded commodities in international markets, both in terms of volume and value (Borrella et al., 2015). Like many other tropical agro-commodities, coffee connects the Global South where the production takes place, to the Global North, which is the largest consuming and importing market (Utrilla-Catalan et al., 2022).

Coffee is grown in more than 60 countries in Asia, Africa, and America Latina by smallholder farmers that are responsible for around 70 percent of the global coffee production. It represents the main source of income for about 25 million of producers whose rely on coffee for their livelihood (Borrella et al., 2015; Caswell et al., 2012). However, the sector is facing great challenges in the realms of environmental, social and economic sustainability. Issues including low and volatile prices, the impact of climate change, aging farmers, the rise in input and labor costs, and the uneven distribution of value and risks across the value chain are negatively impacting farmers livelihoods (Lernoud et al., 2017). Furthermore, water pollution, biodiversity loss, soil erosion, agrochemical use, deforestation, waste generation, and labor exploitation complicate production across many current coffee-growing areas (Hannah et al., 2020). National governments and supranational bodies have not been able to tackle these sustainability challenges over global supply chains. This has opened up a regulatory space for private initiatives led by multinational corporations and international NGOs (Cashore et al. 2004; Scherer & Palazzo, 2008). This shift from state-centered to a multistakeholder governance initiatives, mostly relying on nonstate market-driven governance (NSMD) mechanisms (Bernstein & Cashore, 2007) to achieve sustainability, is particularly visible in the coffee sector. These mechanisms can be defined as “deliberative and adaptive governance institutions designed to embed social and environmental norms in the global marketplace that derive authority directly from interested audiences, including those they seek to regulate, not from sovereign states” (Bernstein & Cashore, 2007, p. 348). Coffee sector is a pioneer in embracing social and environmental sustainability. The first organic and fair trade certifications in coffee trading date back to the early 60s, when the *Finca Irlanda* in the state of Chiapas in Mexico, started to produce and export certified organic coffee in 1967 (ITC, 2021). In the following years, NSMD initiatives have become the *modus operandi* of sustainability governance in the coffee sector and have grown considerably in the past years, becoming institutionalized especially in large companies (Bager & Lambin, 2020). Governance mechanisms used by companies to tackle environmental and socio-economic issues variously combine codes of conduct, voluntary sustainability standards (VSSs), certification and verification schemes, direct relations with producers, sustainability programs including multistakeholder partnerships and suppliers’

engagement (Bager & Lambin, 2020; Grabs et al., 2016). All these actions are mostly aimed at origin countries where they try to improve the social and environmental sustainability at farm-level production, imposing standards and enforcing rules while promoting economic sustainability through the increase of productivity and the payment of price premiums (Lernoud et al., 2016). Over the years, NGOs and certification bodies have assumed a central role in defining sustainability in coffee production through their engagement with the main supply chain actors (Giovannucci & Ponte, 2005). More and more companies across the coffee (Giovannucci & Ponte, 2005) and the broader agro-commodities sector (Thorlakson et al., 2018) voluntarily adopt sustainability strategies. The reasons behind this choice may vary but they are often related to reduction in regulatory risks, competitiveness, increase brand reputation, access to niche markets and financial facilities, meet stakeholders requests and have sustainability statements to showcase (Auld et al., 2008; Cashore, 2002; Dauvergne & Lister, 2010; Grabs & Ponte, 2019).

1.2 Research aim and research question

The objective of this Master Thesis is to understand how sustainability governance in the coffee sector is carried out, focusing primarily on the role of Multinational Corporations (MNCs) in addressing environmental and socio-economic concerns in emerging economies where they source raw materials, as part of their Corporate Sustainability strategy.

As mentioned, coffee represents a major source of income for 25 million of small-scale farmers in 60 producing nations. When including processors, workers, pickers, and their families, the number of people directly or indirectly relying on coffee crops for their livelihood becomes 100 million (Giovannucci & Potts, 2008). Since the 1960s, the coffee sector was governed through the International Coffee Agreement (ICA), a system that regulated the target price for coffee and allocated export quotas. The abolishment of the ICA led to a redistribution of power over the global coffee chain and a huge instability in coffee price (Grabs & Ponte, 2019). While at least 5.5 million of smallholders live below the international poverty line due to the volatility of coffee prices on the market (Bozzola et al., 2021), roasting companies dominate the coffee chain reporting record profits (Ponte, 2004). According to the ILO Report about working conditions in the coffee sector, an Ethiopian field worker earns on average USD 37.5 per month (Pinedo Caro, 2020). By contrast, JDE Peet's, the second-biggest roaster in the world, in 2021 delivered total sales of EUR 6.7 billion (JDE Annual Report, 2021). This imbalance is reinforced by the lack of national and international governance systems promoting distribution of value along the coffee supply chain, which is fully governed by liberalization and capitalistic market rules (Potts, 2004). A lot of attention has been given to Northern-based roasters and traders, which have become the key lead actors in the coffee chain. They are accused of perpetuating the unfair

distribution of value while externalizing environmental and social costs of the production (Grabs, 2020).

The already marginalized situation of coffee farmers in the global coffee chain has been worsened by the impact of climate change on the production. Higher temperatures, more severe and frequent extreme weather events such as droughts, floods, hurricanes and storms, greater pest and disease incidence, and soil degradation are affecting coffee yields and threatening farmers' income with the risk to increase the number of farmers living below the poverty line (Bianco, 2020). At the same time, the world coffee market is at risk due to climate change related issues which have reduced suitable areas for coffee production, decrease in the productivity of coffee trees and decline of beans' quality (Bongase, 2017). As a consequence, multiple actors over the coffee supply chain, including big roasters, traders corporations and end consumers, might be affected by the impact of climate change. Concerns about socioeconomic disparities and harmful environmental consequences in coffee production have led to the emergence of sustainable standards and ethical trade schemes such as Fairtrade, eco-labels and code of conducts (Ponte, 2004). Furthermore, big roasters started to commit to sustainability, developing their own Corporate Sustainability strategies to contribute to a more sustainable global coffee supply chain. However, their contribution has often been observed with critical eyes because of the aforementioned unbalanced power structure within the industry (Grabs & Ponte, 2019).

This work will analyze the JDE sustainability program (Common Ground) in order to gain an understanding on the capacity of MNCs to contribute to a more sustainable global coffee chain. JDE is a subsidiary of JDE Peet's, the world's leading pure-play coffee and tea company, headquartered in the Netherlands. Today, JDE is present in more than 100 countries, through a portfolio of over 50 brands including L'OR, Jacobs, Senseo, Tassimo, Douwe Egberts, OldTown, Super, Pickwick and Moccona (JDE Peet's, 2022). The thesis will focus on the Responsible Sourcing (RS) strategy that JDE has been implementing in their sourcing countries and to what extent they contribute to promote sustainability in the coffee value chain. With several RS initiatives, they try to be accountable for the multiple socioeconomic and environmental issues affecting the coffee industry. Furthermore, the thesis will deep dive into JDE smallholders engagement program, carried on by the company, together with actors-agencies from different spheres, to tackle the main sustainability challenges in coffee production. The analysis will investigate the potential of the JDE sustainability program to evoke changes towards a sustainable coffee chain. It will provide room to identify the lessons learned until now and future potential improvements in a suggestive manner which could be used to strengthen JDE Corporate Sustainability strategy.

In order to answer the aforementioned problem statement, the following research question will be examined:

To what extent does JDE Sustainability Strategy contribute to promoting sustainability across the global coffee chain?

In order to examine this research question, the following sub-questions will be examined:

- *What does Sustainability, Corporate Social Responsibility (CSR) and Corporate Sustainability mean?*
- *How does a sustainable coffee value chain look like? What are the current trends in the governance of sustainability in the coffee sector?*
- *What does JDE Coffee Global Value Chain look like?*
- *What is the current Corporate Sustainability strategy implemented by JDE in its sourcing countries?*
- *To what extent the current main actions undertaken through the JDE Responsible Sourcing Strategy contribute to promote sustainability in their coffee sourcing countries?*

1.3 Societal and scientific relevance

1.3.1 Societal relevance

Conducting research about sustainability in coffee sector and the role played by nonstate market-driven (NSMD) governance initiatives implemented by a leading roaster is relevant for gaining an understanding of: 1) how a MNC approaches social and environmental concerns previously externalized over the Global Value Chain (GVC) 2) the extent to which environmental impact and socio-economic conditions of farmers are integrated into the decisions and actions related to procurement of coffee beans (sourcing) 3) the role played by industry-led on-the-ground initiatives to promote a more sustainable global coffee chain. By analyzing the Sustainability Strategy, its program and projects, the findings can illustrate how and to what extent MNCs, as key lead actors in the coffee chain, can contribute to sustainability over the global value chain. This has a societal impact for many reasons:

Coffee is one of the most popular beverages across the world, with approximately 400 million cups consumed globally each year (History of Coffee, 2023). Based on current consumption trends, experts foresee the world will need an additional 40 million bags of coffee per annum (ICO, 2019). If this forecast happens, it will put pressure on either land use, production intensification, or both, since coffee producers, in order to meet the demand, will need to increase their yields or production surface. Therefore, it is of high priority to identify the ways in which coffee production can contribute to

ecosystem conservation and sustainable livelihoods, as well as how private governance mechanisms can help to address such issues.

As coffee is one of the main sources of livelihood for millions of smallholder farmers (ICO, 2019), to guarantee an economically viable coffee sector in producing countries is the key to guarantee livelihood and the survival of farmers. For this reason, investigating how to promote sustainability at farm level has a crucial societal relevance.

As mentioned above, nowadays, the coffee sector is dominated by MNCs (roasters and traders) such as the one presented in the case study of this work. Consequently, at societal level, it is extremely important to implement research which performs a critical analysis of corporate sustainability strategy, in order to make consumers aware.

1.3.2 Scientific relevance

In a market society, MNCs and more in general business have been playing a new political and leading role to global regulation and to address sustainability over global value chains (OECD, 2021). The importance of researching the dynamics between actors in designing, implementing, and enforcing market-driven regulatory governance and to what extent they contribute to achieve sustainable global value chains has an undoubted academic relevance.

Sustainable governance trends in coffee may therefore reflect changes in sustainable initiatives across the globe. Because the coffee industry occupies the forefront of sustainable and responsible value chain organization (Samper & Quiñones-Ruiz, 2017), as well as millions of smallholder farmers depend on coffee to survive, it is imperative to closely monitor the evolution of sustainability in coffee.

The trends in the sustainability governance of the coffee industry have been evolving together with the power (re)distribution over the supply chain (Ponte, 2004). In order to accurately assess sectoral sustainability initiatives, it is crucial to understand the distribution of influence in the marketplace since supply chain sustainability depends heavily on the commitment, involvement, and priorities of major industry actors (Ponte, 2004). Furthermore, defining what a sustainable coffee sector should look like is essential to evaluate the effectiveness of private regulatory initiatives in moving the sector towards that direction.

This study will describe the most updated nonstate market-driven (NSMD) governance initiatives implemented in the sector and analyze them through the Global Value Chain framework. This framework focuses its attention on the power exercised by different groups of “lead firms” and how the interactions among them determine the governance structure, the control and the power

distribution across the supply chain (Gereffi, 1999). It has been used by several authors to analyze the private sustainability governance in the coffee sector, mostly applied to Voluntary Sustainability Standards (VSS) and third party certifications (Grabs, 2017). In this study, the Gereffian framework will be adopted to investigate “on-the-ground projects”, non-certification commitments made by the industry sector consisting in supporting farmers in order to increase productivity, teach climate change adaptation practices or elevate the produced quality (ICO, 2019).

After an extensive literature review, it was clear how academic research related to sustainability in the coffee sector is mostly focused on Voluntary Sustainability Standards (VSS) related to certifications. There is still little literature about industry-led initiatives like “on-the-ground projects” with farmers implemented by roasters and traders. Because single firms increasingly set and verify their own sustainable or responsible sourcing standards as an alternative to third-party certification, it has become crucial to critically assess their stringency, coverage, and design characteristics as well as their distributive impact. The case study of this thesis, the Sustainability Strategy of the rooster company JDE, will mainly be focused on the analysis of sustainability initiatives in sourcing countries.

2. Literature review

2.1 From Sustainable Development (SD) to Sustainability

Industrial development and globalization have offered to humanity many opportunities to improve their lives and their environment (Olteanu et al., 2010). However, these phenomena are often accompanied by collateral negative effects which affect the preservation of the environment, as well as social relations within society. Our planet is currently threatened by human-induced climate change and increasing levels of atmospheric greenhouse gasses. These activities do not only negatively affect the planet and its ecosystem, but according to the EU (2022), it also threatens societies and businesses in several ways. Climate change can impact human health, agriculture and food security, water supply, transportation, energy. It can cause natural disasters such as floods, hurricanes, wildfires and extreme droughts (EU, 2022).

‘Sustainable development’ and ‘sustainability’ are concepts introduced to approach and deal with these examples of ecological, social, and economic challenges. The notions of sustainability and sustainable development have acquired an increasing relevance not only in the academic field but also at political and social level (Mensah, 2019). Despite the academic and social debate, these two concepts are frequently used as synonyms, even in the academic and scientific fields (Olawumi and Chan, 2018; Sartori et al., 2014).

The idea of 'Sustainable Development' (SD) was first introduced in 1987 by the Brundtland Report (World Commission on Environment and Development) from the United Nations. Sustainable development was defined as "...development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland, 1987). For the first time, it was theorized that the only sustainable form of progress should simultaneously address the interlinked aspects of economy, environment and social well-being.

However, many scholars point out how SD's objective is contradictory due to the impossibility of sustaining infinite economic growth on a limited planet (Redclift, 2005; Sachs, 1999). Given the large debate and concerns raised around the concept of sustainable development, in some contexts alternative terminology have been developed to point at some of the same concerns related to the linkage between environmental and social issues. According to Robinson (2004), the term sustainability became popular among NGO and academic environmentalists because it "focuses attention where it should be placed, on the ability of humans to continue to live within environmental constraints" (Robinson, 2004, p. 370).

These different interpretations in academic and other types of literature have created dilemmas about what sustainability and sustainable development mean in theory and in practice.

This is reflected in companies' own interpretations of sustainable development or sustainability and how they operate with blurring boundaries of various degrees of responsibilities overlapping between the state, business, and civil society (van Marrewijk, 2003). Companies recognize their responsibility to be accountable for their social and environmental footprint over the supply chain and their role as agents of sustainability. This is translated into businesses corporate sustainability strategies, an indication of how companies implement their goals while responding to societal concerns related to sustainability. Therefore, there is not a standardized corporate social responsibility strategy for companies, even within the same sector.

In this work, it has been chosen to adopt the term sustainability since it is the one used in the corporate responsibility field and in the academic literature related to the governance of sustainability in the coffee sector.

2.2 Corporate Social Responsibility

CSR is a worldwide popular and used concept, competing with complementary and overlapping concepts (Isa, 2012). In the following paragraph, an explanation on how the concept of CSR has evolved over the past seventy years will be provided.

American economist Howard Bowen is widely considered the father of modern Corporate Social Responsibility (Tsilikis, 2020). He coined the term in 1953 in his publication *Social Responsibilities of the Businessman*, starting the first comprehensive discussion of business ethics and social responsibility. However, CSR truly began to become popular only in the seventies (Mosca & Civera, 2017). In 1971, the Committee for Economic Development introduced the concept of “social contract” between businesses and society which means that companies exist and function because of public consent and, therefore, they have an obligation towards the society and its needs (CED, 1971). By the 1980s, an increased number of organizations started to incorporate social interests and concerns in their business practices and become more responsive to stakeholders (Tsilikis, 2020). The beginning of a widespread approval of CSR was marked in the 1990s. In 1991, Wood published the book *Corporate Social Performance Revisited* and provided a framework to measure the impacts and outcomes of CSR programs. In the same year, Carroll released *The Pyramid of Corporate Social Responsibility*, an article which became a fundamental reading in the literature of CSR. He expanded the dimensions considered as crucial when implementing CSR in an organization (Carroll, 1991). By the early 2000s, CSR has become an essential part of corporate strategy for many firms, with the majority and most famous MNCs incorporating this idea into their business practices (Mosca & Civera, 2017).

2.2.1 Five dimensions of CSR

Despite numerous efforts to find a clear and common definition of CSR, in both the corporate and the academic world, there is still confusion on how CSR should be defined (Dahlsrud, 2008). Bearing in mind that CSR is a social construct and, for this reason, it cannot have an unbiased definition, Alexander Dahlsrud (2008) decided to study similarities in available definitions. According to his analysis, almost all of them involve five “dimensions” of CSR: economic, social, environmental, volunteering and stakeholders dimension.

Economic dimension: it consists of all the aspects related to the supply chain of firms, the management of customers, consumers or users, its financial responsibility, business strategy and firm ownership.

Social Dimension: it includes not only a responsible attitude of firms towards the consequences of their actions, but also those activities which have a positive impact on local communities where companies operate and contribute toward the betterment of society.

Environmental Dimension: in the last years, the environmental dimension has emerged as a central element of the CSR debate. Over time, this concept has broadened in the discussion about sustainability, which requires a long-term perspective with an integrated view of the economic, social and environmental issues.

Voluntary Dimension: it is associated with the pro-activity of companies voluntarily overcoming the minimum standards and rules prescribed by law. The dimension also includes activities to support communities and employees, and commitment to social projects through volunteering and establishing foundations and charities.

Stakeholders Dimension: It involves taking care of corporate stakeholders' interests. This dimension has its foundation in the idea according to which businesses are an integral part of society. Companies have obligations towards internal and external actors "who contribute to the wealth-creating potential of the firm and are its potential beneficiaries and/or those who voluntarily or involuntarily become exposed to risk from the activities of a firm" (Klein et al., 2012, p.311). Over the years, besides investors and shareholders, an increasing number of stakeholders have been included in business strategies, such as citizens, local communities, employees (and their families), competitors, suppliers, and customers.

2.3 Corporate Social Responsibility and Corporate Sustainability

Historically, social issues research has been based in CSR and environmental issues research in environmental management (EM) (Montiel, 2008). However, in recent years Corporate Sustainability, a new term including social and environmental issues, has entered the discourse, increasing the blurring of research boundaries. Although CS and CSR have evolved from different paradigmatic differences, because of their shared environmental and social concerns, they seem directed toward a common future. "They both share the same vision, which intends to balance economic responsibilities with social and environmental ones" (Montiel, 2008, p.246).

Despite numerous approaches across CSR and CS research, some focused on the differences while others on the similarities, for the purpose of this research, the author has chosen to follow the perspectives which stands for an integration of the concepts of CSR and CS. Both aim to balance economic prosperity, social integrity, and environmental responsibility to achieve long-term sustainability and social responsibility. This choice has been made because from a practical perspective, companies use both CSR and CS as interchangeable terms (Green Business Bureau, 2022).

2.4 CSR and Sustainability

The rise of ideas such as corporate social responsibility (CSR) and sustainability, together with the promotion of the stakeholder perspective (Freeman et al., 2010; Schaltegger et al., 2017) have introduced a new approach related to the role of companies in society. Sustainability is a long-term vision which characterizes socially responsible companies and refers to a concept of global

responsibility including economic, social and environmental aspects (Carroll, 1999; Van Marrewijk et al., 2003; Dahlsrud, 2008).

In the last decades, we have assisted the failure of state regulations in addressing the issues raised by climate change and globalization under the Western development model (Smith et al., 2015). At the same time, the role of business firms in combating that same issues has become central, and they have started to engage in activities which have traditionally been a responsibility of the state sphere. (Margolis and Walsh, 2003; Scherer and Palazzo, 2008a). According to Scherer and Palazzo (2011), “this is especially true for multinational corporations (MNCs)” (p. 899).

Companies should learn how to act and operate in a context where boundaries are blurred and responsibilities between state, business and civil society overlap (van Marrewijk et al., 2003).

The role of firms in contributing to sustainable development is crucial (Tukker et al., 2017), as firms are an integral part of society and are therefore highly dependent on natural and human resources. “For the business enterprise, sustainable development means adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future” (Falle et al., 2016, p. 545).

There is a broad debate in the literature where overlapping and sometimes competing concepts such as corporate citizenship, business ethics, corporate social performance, green marketing and corporate sustainability and responsibility have been receiving increasing attention in the academic literature and business field (Blenkhorn & MacKenzie, 2017). All these notions shared the idea that the role of companies in sustainable development is to reduce or eliminate the harmful effects of business activities on society (Carpenter & White, 2004). Moreover, enterprises should not be considered as single entities as they are often part of a supply chain (Bratt, 2014).

Large and powerful firms such as MNCs can give a valuable contribution in the transition to a more sustainable society (Willard, 2012). According to Bratt (2014), without their support, restoring and improving ecological and social systems takes longer, as smaller firms often lack time and resources to invest in activities going beyond their core business such as sustainability or innovation (Spitz, Kamphof, & Hogeling, 2016). In conclusion, firms can play a decisive role in reaching sustainable development (Williams, 2013).

For many firms, especially MNCs, Corporate Sustainability (CS) has become a crucial approach and an effort to operationalize and include sustainable development into a business context (Engert & Baumgartner, 2016). CS is a business approach which tries to shape economic, social, and environmental impacts of a company in a way that contributes to sustainability while meeting the needs of its stakeholders (Joshi & Li, 2016). In order to do so, many companies carry out voluntary corporate social responsibility strategies consisting in corporate responses to environmental or social

issues caused or linked to businesses primary and secondary activities (Engert & Baumgartner, 2016). Furthermore, companies feel the external pressure and influence from media, NGOs, and trade unions increasingly demanding them to respect the environment, labor and human rights. Many companies, especially MNCs, also experience internal pressure from shareholders and investors which increasingly demand responsible management (Welford & Frost, 2006).

Corporate Social Responsibility (CSR) has been understood and interpreted in many ways by both academics and practitioners because there are many debates about its meanings and theories (Gjørlberg, 2010). Furthermore, there is not a common definition and the idea and concept of CSR has changed over time (Isa, 2012).

2.4.1 Triple bottom line

A further concept needed to frame CSR and CR is the Triple Bottom Line, a framework extensively used by companies to build their sustainability programs.

The Triple Bottom Line (TBL) of People, Planet and Profit, a term coined by Elkington (1997), has become a widespread approach within the business sector (Chabowski et al., 2011). This model introduced the key of long-term strategies for companies, making the transition to sustainability, based on the three dimensions of sustainable development: environmental quality, social equity, and economic benefits (Elkington, 1997). According to Elkington (1997), the traditional measure of corporate success – its net income – is insufficient to picture the actual value of a firm. A company can be financially successful, while harming the ecological environment and/or the community in which it operates (Elkington, 1997).

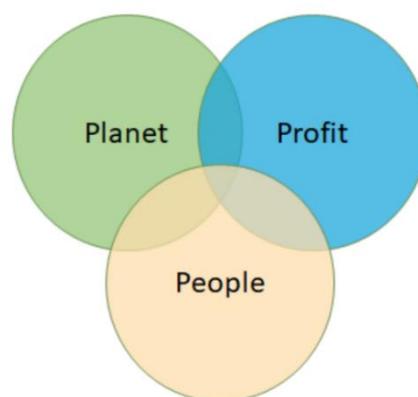


Figure 1 The Triple Bottom Line (TBL) (Elkington, 1997)

The benefits of CSR are generally seen as falling into some combination of those three categories, applied through a framework that he called the triple bottom line (TBL) (Elkington, 1997). The TBL

agenda was targeted at corporations, emphasizing a consistent and balanced focus on economic, social, and environmental sustainability. The generalization of triple bottom line accounting practices has contributed to disseminate the idea that corporate value is not reducible merely to its financial performance, within the corporate world (Raar, 2002). Firms started to employ these three categories to prove their efforts to be more sustainable and responsible (The Economist, 2009).

The TBL has found its way into business practices, provided that, despite its early development, the most popular sustainability reporting tools (GRI, ESG, SDGs) and CSR strategies resemble it. Furthermore, TBL is a popular framework for practical discussions of sustainability, both in academics and in industry (Shnayder et al., 2015).

2.5 The evolution of the Coffee Global Value Chain

In the literature, the history within the coffee sector is often divided into two phases: the ICA regime and the post ICA regime (Ponte, 2002). From 1962 until 1989 the global coffee sector was governed through the International Coffee Agreement (ICA) controlled by the International Coffee Organization (ICO). This agreement between governments of producing and importing countries established target prices for coffee and allocated export quotas, keeping the prices of coffee relatively stable. According to Ponte “although there were problems with this system, most analysts agree that it was successful in raising and stabilizing coffee prices” (2002, p. 1104). Thus, during this phase, there was a balance between the actors, as no single actor was driving the coffee chain (Ponte 2002). However, when the ICA regime collapsed in 1989, the global coffee chain experienced a profound change in the power balance. The main result of the deregulation was the significant dropping of producers’ income. Before the collapse of the ICA (1970-1989), coffee producers gained about 20% of the total income along the coffee chain while after (1990 – 1995), they started to gain about 13%. On the other side, the share of the total income earned by consuming countries increased from 55% before the collapse, to 78% after the collapse (Ponte 2004). Moreover, the liberalization of agricultural markets in producing countries led to a decline in government interventions within the export and marketing processes.

The coffee chain became increasingly “buyer-driven” with international traders, retailers, but most of all roasters, emerging as the powerful agents (lead actors) in the chain (Bitzer et al. 2008). This statement is confirmed by the high firm concentration in the roasting industry: five roasters control around 45% of the worldwide roasted and instant coffee market (Gresser and Tickell, 2002). Most notably, since the International Coffee Agreement ended, the terms of trade for coffee have declined significantly, but the worldwide production has increased tremendously, causing a chronic situation of oversupply and recurring coffee crisis in the early 2000s (Gresser and Tickell, 2002).

Besides the volatile price of green coffee beans, roasters maintain their retail prices relatively stable, reaching an even more increased profit (Ponte, 2004). As a result of the increased flexibility in blending,

which makes roasters less dependent on traders, as well as the ‘vendor-managed inventory’, which reduces considerably stocking costs, the roasters have finally gained control over the coffee chain.

The intensified concentration of power has also affected the value distribution along the chain, causing a precarious revenue condition for coffee farmers. This situation is even worsened by a short-time price volatility due to the impact of weather conditions and diseases of coffee plants (Muradian & Pelupessy 2005).

Combined with the absence of state regulation, these systemic sustainability challenges at macro level caused the externalization of costs and culminated in various sustainability challenges at production level, such as poor working conditions, biodiversity loss and ecosystem degradation (Bitzer et al. 2008). These issues are worsened since many farmers lack the knowledge to produce coffee efficiently, they are not informed about marketing advantages and about the quality demand on the international market (Bitzer et al. 2008).

Added to this already difficult scenario, there is the impact of climate change and global warming, which is especially challenging for smallholders. As coffee depends on stable temperature to grow, it is particularly affected by changes in the climate. Rising temperatures and extreme weather events such as heavy rain and droughts are threatening coffee crops. Scientists have predicted how, in the near future, the areas suitable for coffee production will decrease tremendously (Bunn et al., 2015). Inevitably, numerous smallholders would be forced to either plant other crops or migrate to the cities in order to find other jobs (Haggard & Schepp 2012).

2.6 Sustainability in the coffee sector

Coffee is produced under fragile environmental and socioeconomic conditions in some of the most biodiverse regions of the world (de Beenhouwer et al. 2013). As the amount of green beans sourced continues to rise, it is crucial to identify the ways in which coffee production can be combined with ecosystem conservation and sustainable livelihoods, and how private governance initiatives can contribute to address such issues. Furthermore, defining what a sustainable coffee sector should look like is also decisive in order to assess the effectiveness of NSMD initiatives in making the sector more sustainable. The definition of sustainability in coffee is subject to a contentious debate, which crucially affects the institutional targets that market-driven sustainability schemes aim to attain (Grabs, 2020). In the following paragraph, the author will illustrate what “sustainable coffee” means for different actors in the supply chain and how they stress on different aspects of sustainability.

“How far should human economic activity be constrained in order to protect the environment, particularly in areas where there are still high rates of poverty and underdevelopment?” (Grabs, 2020, p. 76) For smallholders farmers, this abstract question turns into whether they will have food to feed their family given that the cash crop income in most cases sustains the livelihoods of all households

(interview n. 4). From a farmer's perspective, economic sustainability – which means making sufficient profits to meet household needs – is their primary concern. Farmers' profit relies on three factors: farm-gate prices, the volume of production (determined by both yields and production surface), and production costs (Grabs, 2020). Following this reasoning, to increase economic sustainability there are four ways: higher prices, increase in productivity through either higher yields and/or a larger production surface, or decrease production costs (Grabs, 2020).

The manipulation of these factors to increase economic sustainability will directly affect the farm's environmental or social sustainability. There are two approaches that try to reconcile these.

The land sparing hypothesis claims how maximizing yields on the lands that have already been farmed is the way to go in order to be more efficient and leaving aside lands with high ecological value (Phalan et al. 2011). Land sparing harks back to the principle of sustainable intensification (Green et al. 2005) where farmers are encouraged to adopt good agricultural practices to maximize the productivity while minimizing the amount (and the related costs) of fertilizer, pesticides, agrochemical inputs, labor, and land used (Garnett et al. 2013). According to the land sparing approach, the main aim of sustainable agriculture should be meeting growing consumption demands trying to limit as much as possible the expansion of existing farmland, especially in areas with high existing biodiversity (Green et al. 2005). In line with this approach, sustainability can be reached by increasing yields and lowering input costs while containing increases in production surface. It focuses on two of the four economic criteria mentioned above (higher yield and lower production costs), while holding the other two constant (higher prices and larger production surface) (Grabs, 2020).

On the other hand, there is the land sharing approach according to which the implementation of organic farming and agroforestry is the key to make food production compatible with biodiversity protection (Green et al. 2005). Land sharing is mostly advocated by conservationists and is closely linked to the concept of agroecology (Green et al. 2005). Agroecology as a production practice aims at improving the sustainability of agroecosystems, advocating for systemic approaches to the whole-farm management. It is “based on various ecological processes and ecosystem services such as nutrient cycling, biological N fixation, natural regulation of pests, soil and water conservation, biodiversity conservation, and carbon sequestration” (Wezel et al., 2014, p. 3). This production system relies on low chemical input costs, but it generally requires more labor than a monoculture system and, for this reason, production costs tend to increase. Furthermore, it is likely to decrease the yield potential of the land surface. Thus, in this type of production, economic sustainability is guaranteed through the payment of a sustainable price, which plays a crucial role for a farm's survival. In line with this approach, sustainability can be reached by two broad factors: overall price levels and individual-level production decisions.

Based on these two schools of thought, numerous guidelines, reference codes, principles, and frameworks about sustainability in coffee have been developed by different actors and multistakeholder platforms. For the purpose of this research, we have selected two of them – one elaborated by an NGO while the other one from an industry platform – and, for this reason, can be considered representative of the main tendencies in the coffee sector.

The Global Coffee Platform (GCP) is a multistakeholder membership association that brings together several actors from the coffee sector and identifies its mission in “Promote farmers’ prosperity, improved well-being and conservation of nature”(Local Action Global Results, 2022). GCP published the Coffee Sustainability Reference Code, which provides guidelines to support the primary principles of sustainable coffee production. According to the GCP Reference Code, economic sustainability and farmer income improvements can be reached through “optimum productivity, improved quality, improved supply chain efficiency and increasing demand for sustainable coffee” (GCP 2016 as cited in Grabs, 2020, p.96). Furthermore, environmental sustainability embraces climate change adaptation practices, reductions in water use, soil protection, and reductions in deforestation (GCP 2016 as cited in Grabs, 2020). Finally, social sustainability is translated as “improving opportunities for all people participating in the coffee sector, including young people and women, better working conditions and improved access to health and education” (GCP 2016 as cited in Grabs, 2020, p. 96). It can be noticed how productivity and quality improvements are at the core of the Reference Code, while climate change adaptation is considered in the environmental category.

In 2001, a consortium of environmental NGOs, among which Conservation International, the Rainforest Alliance (RA), the Smithsonian Migratory Bird Center (SMBC), the Consumer’s Choice Council, and the Summit Foundation developed the Conservation Principles for Coffee Production with the advices of a group of industry partners. According to the principles, coffee production should be aligned with biodiversity conservation while improving the livelihoods of local producers and providing economic benefits to the community (Conservation International et al., 2001). They include ecosystem and wildlife protection through the protection of areas of high conservation value; soil, water, and energy conservation; water protection and waste management; and pest and disease management (aiming for the elimination of all the agrochemical inputs). Economic sustainability is addressed by promoting income diversification, adherence to minimum wage laws, health and safety practices, and workers’ access to potable water, housing, education, and health services (Conservation International et al. 2001). Finally, to guarantee sustainability in coffee, long-term trading relationships with buyers and equitable prices for producers should have greater importance in all marketing agreements. These principles combine both land sparing (limiting expansion to natural forests and areas of high ecological value) and land sharing (emphasizing agroforestry techniques, alongside equitable prices).

They have been used by a number of private sustainability standards, showing the crucial role they played in defining environmental, social and economic sustainability in coffee production, especially for conservationists and non-profit organizations.

3. Theoretical framework

3.1 The Global Value Chain approach

The role of international trade in economic growth, poverty reduction, and socioeconomic development is widely acknowledged (Bannister, 2001). The rise of globalization has led to the development of Global Value Chains (GVCs) characterized by more complex and geographically fragmented supply chains for a huge variety of goods, including agricultural commodities. Coffee is a clear example of this phenomenon.

A popular approach used to analyze Global Value Chains is the Gereffian Global Value Chain (GVC) framework (Gereffi, 1994, 1999). This approach was developed by Gereffi (1994) as “Global Commodity Chain” (GCC) analysis. Recently, this term was substituted with the concept of “value chain” which better captures a wider variety of products, including the ones which lack “commodity” features.

Gereffi (1999)’s work aims to conceptualize and disaggregate the links and networks in the international structure of production, trade, and consumption of commodities in order to analyze power relations and decision-making processes. Thereby, it addresses issues such as which actors control trade, how it is controlled and the consequences for the producers in developing countries (Gereffi 1994). The GVC analysis allows explaining the side effects of globalization and the reasons why some countries and enterprises do not succeed in penetrating certain sectors.

Buyer-driven chains (like the Coffee Global Value Chain) can be better understood by identifying the downstream actor holding the most power, analyzing how that power is exercised, and examining institutional arrangements that may mitigate or exacerbate unequal power distribution (Gereffi, 1994). In order to address these purposes, Gereffi (1999) proposes an analysis of four components of global value chains: (1) their input-output structure; (2) the geographical coverage; (3) their form of governance; and (4) their institutional framework (Gereffi 1994).

The *input-output structure* is commonly illustrated through supply chain diagrams, where the different stages of production and the responsible actors are emphasized.

The *geographical coverage* of value chains is used to outline their configuration in a descriptive way. The analysis of geographical coverage enables us to identify the lead firms within each block of the value chain and derive country-level positions within the supply chain.

The *form of governance* of global value chains introduces two key concepts for the analysis: entry barriers and chain coordination.

Gereffi defined governance as “authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain” (Gereffi, 1994, p. 97). The concept of governance allows describing how the power is distributed along the chain. According to Humphrey and Schmitz (2001), this process of exercising control occurs when lead firms set or enforce specific parameters under which the other actors of the chain operate. The following four parameters characterize the production process:

- “1. What is to be produced (...).
2. How is it to be produced (...).
3. When is it to be produced.
4. How much is to be produced” (Humphrey & Schmitz, 2001, p. 5).

The actors that control these parameters are the ones called by Gereffi “lead firms” (Gereffi, 1999). Understanding the governance structure, the control and the power distribution along a chain helps to identify entry barriers for new firms as well as development opportunities (Gereffi, 1999).

Gereffi (1999) introduced the distinction between producer-driven and buyer-driven commodity chains, describing the latter as “industries in which large retailers, marketers, and branded manufacturers play the pivotal roles in setting up decentralized production networks in a variety of exporting countries, typically located in the third world” (Gereffi, 1999, p. 41). The control of the production network is usually held by retailers, merchandisers, and trading companies, rather than producers themselves. Crucially, “the main leverage in buyer-driven chains is exercised by retailers, marketers, and manufacturers through their ability to shape mass consumption via strong brand names and their reliance on global sourcing strategies to meet this demand” (Gereffi, 1999, p. 43).

“Buyer-driven” chains are mostly found in labor-intensive sectors, where information costs, product design, advertising, and advanced supply management systems set entry barriers. In these chains, production is generally outsourced to developing countries. Lead actors are focused on branding, designing, and marketing of products, which generate the most profits in the industry. In this way, firms are able to control access to the market, setting entry barriers by controlling information costs, advertising, and the design of products (Gereffi 1999; Ponte 2004).

The *institutional framework* focuses on local, national and international conditions and policies that affect the GVC (Gereffi & Fernandez-Stark, 2016). It determines the conditions under which key firms integrate subordinate firms through their control of market access and information. Related to this, Gereffi also analyzes how subordinate participation in a Global Value Chain provides indirect access to markets at lower costs compared to the ones faced by small-scale producers, and how technological

information and learning-by-doing allow the upgrading of some producers. This means that participation in a GVC is a necessary, but not sufficient, condition for subordinate actors to upgrade. Participation in GVCs implies the acceptance of terms defined by lead agents or institutions, especially for actors who want to upgrade in the chain (Gereffi 1999).

The GVC approach focuses its attention on the power exercised by different groups of “lead firms” and how interactions between these firms determine specific organizational features of trade. Many scholars have applied the GVC framework to the Coffee Value Chain and all agree on how the buyer-driven typology fits the global coffee commodity chain (Bamber et al., 2014; Bitzer et al., 2008; Fitter & Kaplinsky, 2001; Ponte, 2002).

The analysis of the coffee chain through the lens of the GVC framework is relevant for a variety of reasons. First, coffee production takes place in developing countries, while consumption occurs mostly in industrialized economies. The analysis of these production-consumption patterns provides insights on North-South relations. Second, post-World War II, coffee became the second most valuable traded commodity behind oil and, together with oil, the one with more volatile prices (Daviron & Ponte, 2005). Third, coffee is one of the first and most “regulated” commodities. The first attempts to regulate the international coffee trade date back to the beginning of the 20th century (Ponte, 2002). Fourth, a significant number of countries in the Global South rely on coffee for a significant proportion of their export profits. As previously mentioned, coffee is a source of livelihoods for millions of smallholders and farmworkers in several countries (Borrella et al., 2015). Fifth, the governments of the producing country have historically treated coffee as a “strategic” commodity; they have either directly controlled domestic markets or have strictly regulated them—at least until market liberalization took place in the 1980s and 1990s.

The GVC framework will help to provide a description of what JDE coffee value chain looks like and to understand how it is governed. However, because of time and space restrictions as well as data availability, the focus will be on the governance structure of sustainability as a possible dimension for evoking change in the coffee supply chain of JDE.

The concept of Nonstate Market-Driven Sustainability Governance is introduced in the next subchapter.

3.2 Nonstate Market-Driven Sustainability Governance

As global capitalism continues to evolve, the normative framework corporations use to establish social legitimacy for their operations is provided by new actors such as NGOs, industry associations, and Public-Private Partnerships (Giovannucci & Ponte, 2005). In this context, where national and

international regulations about global socio-environmental problems have been weak, standard-setting processes, shared governance and voluntary private initiatives have arisen to fill the policy gap. The role of state agents is to provide a form of basic guarantee, while NGOs and private firms are in charge of negotiating agreements.

The empirical focus of this research are private standards, certification and verification schemes, Public-Private Partnerships rewarding environmentally responsible business practices through positive recognition and market incentives.

By creating systems of private rules, formalized in standards, such initiatives verify and/or certify sustainable production practices and the products resulting from such practices. Consequently, these products become recognizable to intermediate buyers (through business-to-business standards) or final consumers (via on-package labeling) in the marketplace (Pattberg, 2005).

Bernstein and Cashore (2007) named these forms of governance as Nonstate Market-Driven Governance (NSMD) and defined them as “deliberative and adaptive governance institutions designed to embed social and environmental norms in the global marketplace that derive authority directly from interested audiences within the marketplace, including those they seek to regulate, not from sovereign states” (p.2)

In the last twenty years, NSMD programs have been proliferating to address some of the most critical issues facing the planet (Auld et al., 2009).

3.2.1 Key Features of Nonstate Market-Driven Environmental Governance

According to Cashore (2009), five key features distinguish NSMD governance from other forms of public and private authority.

The most important characteristic of NSMD governance is that there is “no use of state sovereignty to enforce compliance” (Cashore, 2007, p.8). The state sovereign authority to develop and enforce rules does not apply. There are no sanctions for who fails to comply. Rather, a private organization develops rules designed to achieve pre-established objectives.

This form of governance institutions serve as governing arenas in which adaptation, inclusion, and learning take place over time and among a variety of stakeholders. The creators of NSMD approaches explain how these features, at practical level, make these institutions more democratic, open, and transparent compared to other clientelist public policy networks.

A third key feature is that the authority of the NSMD systems originates from the market’s supply chain. Producers and consumers across the supply chain can choose whether to require NSMD compliance certification for their products or services.

Fourth, NSMD systems aim to improve the markets through addressing global problems which, in their absence, firms would have little incentive to engage with. It is this feature that sets NSMD systems

apart from new private authorities established to standardize business practices, such as accounting, or to coordinate the market.

Fifth, NSMD systems own mechanisms to verify compliance and to take actions in case of non-compliance. Therefore, standards developed by these bodies become mandatory for those who want to sign onto the system. Most compliance mechanisms involve third-party audits, in which auditors certify compliance with rules or identify improvements needed to achieve compliance. On the other side, self-regulation and CSR standards are mostly voluntary and discretionary, even for those who commit to them. Moreover, they often don't possess an enforcement mechanism that guarantees compliance. Therefore, verification is crucial because it provides the validation necessary for these programs to achieve legitimacy, as certified products are then demanded and consumed along the market's supply chain.

Key Features of NSMD Governance

<i>Role of the state</i>	State does not use its sovereign authority to directly require adherence to rules
<i>Institutionalized governance mechanism</i>	Procedures in place designed to create adaptation, inclusion, and learning over time across wide range of stakeholders
<i>The social domain</i>	Rules govern environmental and social problems
<i>Role of the market</i>	Products being regulated are demanded by purchasers further down the supply chain
<i>Enforcement</i>	Compliance must be verified

Figure 2: Key features of NSMD Governance, (Cashore, 2002)

The Voluntary Sustainability Standards (VSS) in the coffee market, such as Fair Trade or Rainforest Alliance certification, were the first attempts to govern sustainability in the coffee sector and clearly adhere to these conditions, making them ideal examples of NSMD governance (Auld, 2014, 2010).

Auld et al. (2009, p. 190) elaborated five alternative scenarios about how NSMD governance may develop over time:

Scenario One: Fully fledged political legitimacy

Under this scenario, sector stakeholders acknowledge their membership in a political community that enables an NSMD system to govern.

Scenario Two: NSMD exists as a strong but niche or small-market-focused system. Under this scenario, NSMD plays an important role in norm generation, however it cannot address widespread, global issues.

Scenario Three: NSMD institutionalized as a weak system. The institutionalization of NSMD initiatives happens when their rules and standards acquire authority beyond the international system and are widely accepted at societal and governmental level. Under this scenario, the NSMD certification is widely accepted, but is institutionalized as a weak authority incapable or unwilling to address enduring social and environmental problems.

Scenario Four: Hybrid

In this scenario, government arenas and NSMD combine to create new authority forms which integrate government and private authority. This would happen in case governments require that some parts of the supply chain comply with the rules.

Scenario Five: “Bringing the state back in”

Under this scenario, increased public awareness and competition among systems have pushed governments to regulate the issue. Certification schemes have been crucial to promote and facilitate the learning process across different stakeholders but unable to develop further. Governments have become accountable with a newly invigorated sense of mission.

When these scenarios were elaborated, the authors couldn't predict how NSMD governance would evolve. In the final chapter of this work, the author will make some considerations about the direction taken by the actual trends of the NSMD sustainability governance.

3.3 Linking GVC analysis and NSMD frameworks

According to Grabs (2017), in order to analyze the evolution of sustainability governance initiatives in the coffee sector, it is highly helpful to link Global Value Chain (GVC) analysis to the Nonstate Market-Driven Governance (NSMD) perspective. She motivates this statement arguing how the distribution of power in the marketplace tremendously affects the role of market and its incentives in non-state market-driven schemes.

Cashore (2002), one of the main NSMD scholars, highlights how “supply- and demand-side pressures may support different NSMD governance systems for very different reasons, with fundamental implications for the nature of NSMD governance” (p. 511). The GVC perspective can illuminate the relative strengths of those pressures and explain particular types of evolutions.

The implementation of sustainability governance within agricultural value chains is inextricably linked to the governance of the supply chain and its products. Market, relational or hierarchical supply chain governance structures will provide fundamentally different preconditions for sustainability governance frameworks to emerge (Bray and Neilson, 2017). Moreover, sustainability governance schemes tend to be strongly aligned with the pre-existing supply chain governance structures, as in

this way market actors incur in lower implementation costs. As a result, sustainability schemes have a greater success and spread in the “sustainability marketplace” (Reinecke et al., 2012).

Finally, all value chains are embedded in institutional frameworks. The identification of these frameworks contribute to defining the regulatory space that has been left free by state and quasi-state actors and, thus, available to non-state governance schemes. According to Auld et al. (2009), the interactions between state and non-state actors in this regulatory space are a dynamic process which is influenced by the perceived effectiveness of private governance initiatives. If governments perceive that private governance schemes are illegitimate or ineffective, they can take actions to reclaim this space. This would affect all actors across the Global Value Chain of the commodity in question, as well as non-state governance actors in the sustainability sphere.

3.4 The governance of sustainability in the coffee sector

Within the coffee sector there is a consensus among all the different actors (business actors, governmental actors, NGOs and international organizations) about the main sustainability challenges and the potential solutions to address them. In this study, the author introduces the “Inclusive Value Chain Development Theory of Change¹” proposed by the International Coffee Organization (ICO) as an emblematic framework, embracing the main features of the sectoral approach to sustainability. In their Coffee Development Report (2020), the ICO presents this framework describing the main sustainability challenges in the coffee sector, the input, and instruments whose output will lead to achieve long term sustainability.

According to the ICO, the main challenges in coffee producing countries are associated with several market failures, such as

“limited access to information about new technologies and state-of-the-art and climate-smart farming methods, market requirements or prices, lack of access to inputs required to produce high-value coffee products, lack of access to finance, and high transport and transaction costs to access output markets”(ICO, 2020, p. 53).

Consequently, in many countries coffee cultivation is characterized by high transaction costs, inefficient production and commodities with little value addition. The main issues among smallholder coffee growers are the lack of the capacity to invest in their coffee farms, to improve productivity of operations, and add value to their yields in order to be able to participate in the GVC. Possible

¹Inclusive value chain development is a holistic approach to sustainable sectoral transformation (Deaux et al., 2016; de Janvry and Sadoulet, 2020). Inclusiveness is obtained by facilitating the participation of smallholder farmers – otherwise marginalized - in value chains. This approach has been strongly supported by the World Bank and other international donor institutions alike as a pro-poor growth strategy in the past decade (World Bank, 2019).



solutions, such as the adoption of Good Agricultural Practices (GAPs), the implementation of standards and a successful upgrading of on-farm operations by farmers, are not always enough to unleash the benefits related to the participation in the GVC. As an example, despite producers' ongoing efforts to upgrade their conventional coffee value chains, only a fraction of coffee produced according to quality and sustainability standards can be marketed as such, compromising the economic viability and sustainability of their efforts (Panhuysen and Pierrot, 2018).

Within the framework of inclusive development proposed by the ICO, different GVC actors mobilize resources and tools to promote efficiency and remove value addition constraints. As stated in the previous paragraph, the expansion of the GVC is primarily driven by the private sector (buyer-driven value chain). Thus, resources and tools to tackle these constraints and promote efficiency are expected to come from there. These inputs, according to the ICO, should comprise long-term contracts, closer relationships along the value chain, vertical coordination, and foreign direct investment (FDI). For instance, long-term contracts represent a powerful instrument which link smallholder farmers to high value coffee markets, minimizing market risks for producers. Moreover, contracting firms can support farmers to overcome barriers to comply with international and voluntary standards (quality, safety, and sustainability) required by regulations and high value markets, providing them with services such as training and agricultural inputs. Another instrument described in the ICO framework is the horizontal coordination (formation of farmer groups, consortia, or cooperatives) that helps reduce transaction costs and coffee business investments costs for individual farmers while encouraging vertical integration. Among the instruments, Voluntary Sustainability Standards (VSS) have become widely employed within the GVC. Leading companies in the C-GVC are adopting increasingly strict voluntary standards to minimize global coffee production risks, driven by ethical consumerism. Finally, according to the ICO theory of change, governments should provide a legal framework for sustainable value chains by promoting a set of regulations and policies and work to mobilize support as part of an enabling environment approach.

Short term outputs

The participation of farmers in the Coffee GVC is obtained by removing entry barriers and providing them access to knowledge and technologies. Inputs and instruments provided help producers to integrate in the GVC while increasing their performance. According to the framework of inclusive development, short-term results include an increase in productivity, quality of the coffee and revenues created along the chain. Developing stronger, longer-lasting relationships simplifies the process of transferring higher sustainability standards and better management practices to value chain producers upstream.

Intermediate outcomes

Increasing productivity and value addition boosts export value while creating local employment opportunities. In this way, it contributes to increasing farmers income and the prosperity of the wider coffee-growing community. Comparably, the adoption of Voluntary Sustainability Standards, better agricultural and management practices and corporate governance results in improved economic, social, and environmental outcomes. Examples include: a living income for farmers, higher export revenues, employment creation, better governance, as well as reducing environmental impact such as deforestation and contributing to women empowerment.

Long-term goals

Based on the framework of inclusive development, a sustainable transformation of the coffee sector will be achieved through GVC driven improvements of the economic viability of coffee production and more equitable distribution of gains related to upgrading. Consequently, it will contribute to the achievement of some Sustainable Development Goals (SDGs), such as reduced poverty, climate action and gender equality.

In the next section, the author will present the current trends characterizing the sustainability governance in the coffee sector. They all rely on nonstate market-driven initiatives and shared the same approach to sustainability which consist in the expansion of the GVC, aforementioned.

3.4.1 Trends in the sustainability governance of the Coffee Global Value Chain

The transition from state-centered to polycentric governance increasingly relying on Nonstate Market-Driven Initiatives (NSMD) (Bernstein & Cashore, 2007) to achieve sustainability is particularly evident in the coffee sector.

Since the governmental regulations concerning coffee production and its sustainability, their stringency and enforcement mechanisms vary across producing countries, Voluntary Sustainable Standards (VSSs), such as Organic and Fairtrade, arose to address environmental and socio-economic sustainability challenges in the coffee sector (Auld, 2014). Soon, these initiatives were followed by other nongovernmental organizations (NGOs), industry/company and multistakeholder-led programs. In the coffee sector, government regulations have been completely replaced by VSSs, which are becoming the basis of sustainability governance.

Sustainability governance mechanisms are constantly evolving. Third-party certification standards, which have been widely used to address sustainability in coffee, have been recently joined by rosters- and traders- own standards, such as Nespresso AAA and Ofi AtSource. Furthermore, more recent

sustainability initiatives include direct trade and single origin and value chain transparency (Grabs, 2017; Millard, 2016; Grabs & Ponte, 2019).

According to a recent report commissioned by the Specialty Coffee Association (SCA), IDH Sustainable Trade Initiative (IDH), the Global Coffee Platform (GCP), and the Sustainable Coffee Challenge (SCC) (Steemers, 2016), in 2015 the global coffee industry spent an estimated US\$350 million on sustainability initiatives in coffee-producing regions. This proves how the vast majority of sustainability investments in coffee currently stem from the private sector, confirming what has been written so far: sustainability in coffee is the sum of individual companies' and organizations' projects and strategies.

The purpose of this section is to present current trends in sustainability strategies and their effect on the industry. According to Grabs, (2017) in a strongly buyer-driven chain like the coffee value chain, the reinterpretation of sustainability as supply chain management has led to the emergence of industry-led and sectoral platform initiatives, which have been trying to replace third-party certification schemes. She categorized these tendencies in four trends that characterize the sustainability governance in the coffee sector (Grabs, 2017)

3.4.1 Trend 1: the instrumentalization of third-party certification and verification

Certification and verification are still the most popular tool to address sustainability in coffee, as confirmed by the fact that in 2019, more than 1.1 million farmers produced 2.09 million–4.55 million tons of VSS-compliant coffee (Bermúdez et al., 2022). Moreover, the 10 largest coffee-roasting companies, which account for 35% of total global coffee sourcing (Panhuysen & Pierrot, 2020), bought an estimated 1.4 million tons, or 39%, of coffee sustainably sourced and compliant with a VSS or a corporate sustainability initiative (Bermúdez et al., 2022).

The market credibility of VSS relies heavily on “the assumption that training of farmers in good agricultural practices (intervention) leads to higher yields and better quality products (outputs), which results in increased productivity and profitability (outcomes), ultimately improving incomes and livelihoods for certified farmers (impact)” (Bitzer, 2019, p.3).

Some of the most famous certification schemes, such as Fairtrade and Rainforest Alliance, have been more researched in the academia in terms of impact measurement. While the private sector standards have remained largely understudied (Lambin et. Al, 2018). Many studies highlight how certification impact depends greatly on how the production process is embedded within the landscape, supply chain, and social system within which it operates (Oya, 2018; Bray, 2018). In most cases, there is evidence on how adopting sustainability standards leads to an increase of coffee price levels, which is also the main reason for farmers to enroll in certification (Oya, 2018). However, it has been

demonstrated that higher prices do not necessarily result in higher incomes, considering the cost of certification and compliance, and many studies show that improvements are marginal (Bray, 2018).

Coffee growers complain about an increasing erosion of certification price premiums paid to them by intermediaries while standard compliance becomes increasingly complex and as a result, the financial investments required are higher (Grabs, 2020).

Several studies have been conducted on the impact of VSS on economic and social sustainability, and results tend to be vary and highly context dependent (Bray & Neilson, 2018). There is some evidence that coffee certifications “can have moderate positive effects,” (Bitzer et. Al, 2019), however, in most of the cases it contributes marginally to improve producer incomes, also because of the costs of attaining and maintaining such certifications. Enveritas, a data driven, not-for-profit organization, has compared the data collected on the ground from groups of farmers identified as certified with groups of non-certified farmers in terms of compliance. The percentage of farmers who meet all the criteria in the non-certified group is 69% while in the certified group of farmers, the number is 68% (Interview n. 5). Furthermore, they have identified the percentage of farmers who are claiming to be certified and compare it against publicly available information. “From the publicly available sources, about 20 to 25% of farmers should be saying yes. What we find is just under 5%” (Interview n.5)

According to Muradian & Pelupessy (2005), the instrumentalization of certification schemes by the industry as a means of managing supply and risk can explain its persistence despite its controversial impact. Certification and verification have incorporated the requirements of traceability and sustainability factors, for this reason they are still the most straightforward way for coffee companies to prove their compliance with human rights, due diligence and deforestation policies (Bolwig et al., 2009). As large corporations have been developing new sustainability options going beyond third-party certifications (Rathgens et al., 2020), certification schemes have responded evolving toward a more tailored approach that fulfills specific roaster demands. For these reasons, Grabs (2017) is convinced that the adoption of certifications is thus likely to remain a critical sustainability strategy, despite the industry skepticism illustrated in the next sections and confirmed in many interviews.

3.4.2 Trend 2: The rise of own-company, trader-implemented schemes

Recently, roasting companies have developed greater expertise and market share in sustainable coffees, so some of them have chosen to create their company-owned standards such as Nespresso AAA and Starbucks C.A.F.E. Practices (Levy et al., 2016). Such standards are driven by sustainability principles similar to the ones guiding certification, but they allow companies to control the trade-off between sustainability and business efficiency themselves. Moreover, company-owned standards decrease the business risk of exposure to a third-party standard scandal (Alvarez et al., 2010) like the ones which periodically involve the most famous labels. Finally, they turn out to be a useful tool to

exercise supply chain control (Dauvergne and Lister, 2012) and implement quality management (Auld et al., 2015). However, firm-owned standards are only accepted by one company, so farmers who participate in these programs are furthermore increasingly exposed to roasters' sourcing decisions (Grabs, 2020).

Traders have been playing a vital role in the implementation of sustainability in the coffee value chain (Rosenberg et al., 2009). Frequently, they are the key implementers of roasters' company-driven sustainability programs. For instance, more than half of farmer project initiatives JDE is carrying out have been implemented in partnership with traders (Interview, n. 3). Furthermore, over the years they have created their own sustainability standards, such as Ofi's AtSource by Olam and ECOM' SMS Verified, recognized as 2nd or 3rd Party equivalence scheme² by the Global Coffee Platform (GCP).

3.4.3 Trend 3: The emergence of sectoral sustainability platforms

A third trend is related to the emerging interest in creating sector-wide platforms and alignment initiatives related to sustainability. In 2015/16, two important platforms were launched almost simultaneously: the Sustainability Coffee Challenge (SCC) and the Global Coffee Platform (GCP).

“Conceived by Conservation International (CI) and Starbucks, the SCC was launched during the 2015 Paris climate meetings with 18 founding partners, and it is a collaborative effort of companies, governments, NGOs, research institutions and others to transition the coffee sector to be fully sustainable”(Sustainable Coffee Challenge, 2022).

“The GCP is a multistakeholder membership association that brings together coffee producers, roasters, retailers, traders, governments, associations, donors, and NGOs to multiply efforts, collectively act on local issues, and scale successful sustainability initiatives across the sector. GCP Members believe that sustainability is a shared responsibility to enhance farmers' economic prosperity, improve well-being, and conservation of nature”(Local Action Global Results, 2022).

Both of them merge a number of pre-existing platforms that were formed to coordinate and encourage pre-competitive activities to address major issues along the coffee supply chain. Since these platforms are quite young, their effective contribution to sector sustainability has not been addressed yet. However, information-sharing, coordination and alignment efforts allow avoiding the duplication of efforts in the sector and exploit the industry's full potential (Leiderer, 2015). Furthermore, both SCC and GCP have made a notable effort to include coffee producing countries' institutions and the

² To the GCP Baseline Coffee Code

discourse about sustainability and needed changes in the coffee supply chain has been leveraged at a sophisticated level, proving a great industry awareness.

3.4.4 Trend 4: An industry-led re-definition of sustainability

The recent evolution in the coffee industry aims towards a redefinition of “sustainability” that goes beyond sustainability standards to embrace the concept of continuous improvement (Grabs, 2017). Companies are increasingly aware that climate change, generational changes, labor shortages and economic adversities in the coffee lands have been threatening the supply of coffee in the future while the demand has been increasing (Grabs, 2017).

Sustainability in coffee production has been redefined by the industry as high productivity, resilience to climate change and disease outbreaks, and quality assurance. It has become a supply management strategy to keep guaranteeing the availability of green coffee for traders and roasters (Grabs, 2017). Several interviews have confirmed that industry actors are doubting whether third-party certifications are adequate and cost-effective tools to reach those objectives.

In 2016, the Global Coffee Platform’s ‘Vision 2020’ marked a change of direction in sectoral sustainability strategies, shifting away from third-party certifications and verifications. The document remarks that although

“with the focus on voluntary certification and verification standards and programs, the sector took an important step towards sustainability, [...] these steps are not enough on their own to address the more overarching and systemic sustainability challenges the sector is facing” (GCP, 2016 in Grabs, 2017, p.25).

According to the GCP, “the time has come for the coffee sector to continue its pioneering and leading role, and take a more collaborative, holistic and aligned approach to sustainability, aligning the different programs and initiatives towards a unified vision and progress framework” (GCP, 2016 in Grabs, 2017, p.25).

A similar approach has been adopted by the Sustainable Coffee Challenge which equally turns its focus away from certification and verification standards, encouraging the industry actors “to better understand the non-certification commitments that are being made by the sector and how these contribute to the transformation of the coffee sector” (Conservation International, 2016 in Grabs, 2017, p.25).

These non-certification commitments have been called “continuous improvement initiatives”, “farmer support projects”, “direct-impact projects” or “Buyer-driven initiatives” (ICO, 2020) and consist of on-

the-ground projects that aim to teach Good Agricultural Practices (GAPs) to increase productivity while adapt the production to climate change, elevate the quality of coffee produced and reduce the environmental impact (Interview n. 3). According to a GCP report, roasters invest around US\$70 million every year in these projects and initiatives including agricultural extension services, access to finance and risk management, value addition at origin, and logistics services (Steemers, 2016). These farmer support initiatives are generally implemented by suppliers, which are more present locally in origin countries, or by consulting entities such as Technoserve or the Hanns R. Neumann foundation. They are frequently part of a Public-Private Partnership (PPP) or multistakeholder partnership and benefit from match funding from public sources (Interview n. 3).

In addition, certification bodies are repositioning their expertise and networks to be able to respond to industry needs and working on ideal preconditions for becoming partners in rural development projects with farmers, consultants in sector transformation, and stakeholders in Public-Private Partnerships. An example of this trend is the increasingly popular strategic partnerships between MNCs and NGOs, like the one between JDE and Rainforest Alliance.

Direct-impact projects in combination with company-owned standards and the rise of global platforms denote a general shift away from the NGO-dominated, strictly codified definition of sustainable production, implemented and monitored through the certification of coffee by 3rd parties. The current tendency suggests a more broad and flexible definition of sustainability that includes companies' own interpretations and priority projects. It can be expected to see more changes over time in the definitions and requirements of sustainability standards in coffee, and an interaction with the market environment where they need to operate in. Thus, because NSMD governance systems, such as private sustainability standards, consist of dynamic governing arenas "in which adaptation, inclusion, and learning occur over time and across a wide range of stakeholders" (Bernstein and Cashore 2007, p. 349).

These considerations reveal that in coffee, the sector's sustainability is as buyer-driven as the rest of its value chain, raising concerns about the effectiveness of these initiatives in tackling issues such as power imbalances and different bargaining power, unequal value distribution among the actors in the GVC and the way in which the rules of production and trade (from standards/GAP to price and delivery) are set agreed.

3.5 Conceptual model

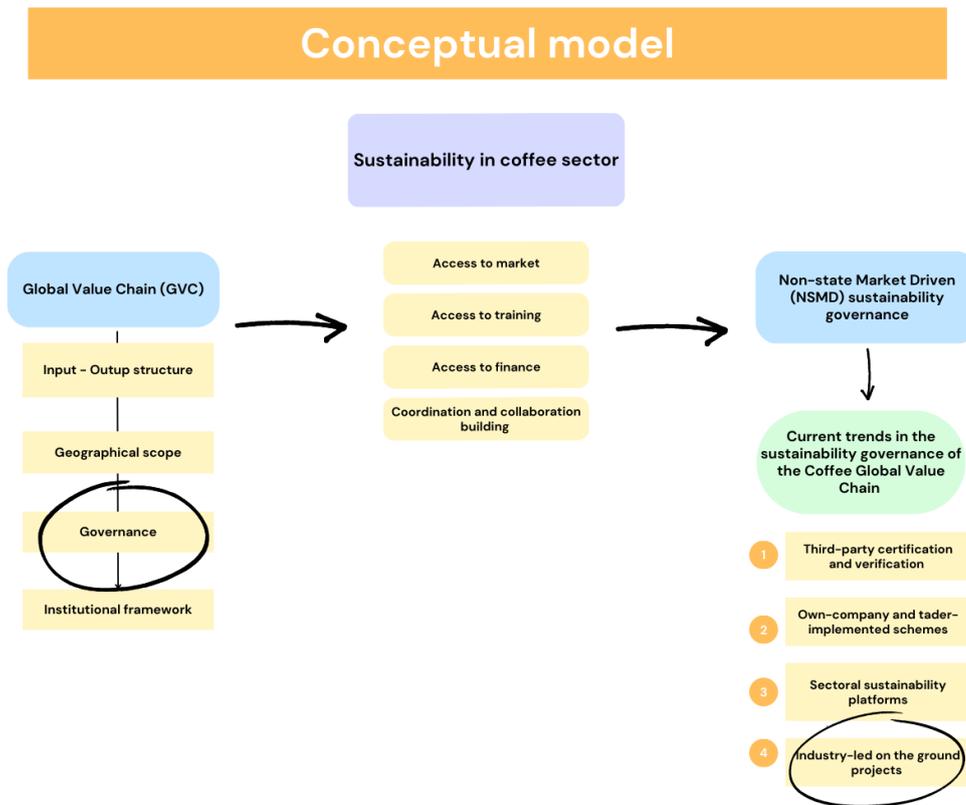


Figure 3: Conceptual Model. Figure by the author, based on the literature review and theoretical framework

To answer the main question *To what extent does JDE Sustainability Strategy contribute to promote sustainability within the global coffee chain?* This section summarizes the theoretical part through a conceptual model (Figure 3). This conceptual model is a schematic simplification of the three theoretical frameworks chosen to analyze the case study.

The frame represents how the governance of sustainability is perceived by the main actors in the coffee sector. There is a consensus among actors on how sustainability in coffee can be reached by the expansion of the GVC, which is obtained through access to market, access to training, access to finance and better coordination and collaboration within the sector. The private sector, by means of NSMD initiatives, led the governance of sustainability in the coffee chain, promoting the aforementioned output to expand the GVC. These initiatives have been categorized in four main trends.

The whole framework will be used to analyze the Corporate Sustainability Strategy of JDE and get an understanding to what extent their actions contribute to sustainability, being aligned with the industry trends.

Firstly, the JDE value chain will be investigated through the GVC approach. A greater attention will be paid to the governance of the value chain, particularly how it embeds sustainability. In order to deep dive into this aspect, the main measures of the JDE Sustainability Strategy addressing sourcing countries will be studied. According to the theories previously introduced, these measures can be considered Nonstate Market-Driven initiatives, and therefore they will be analyzed through this lens, using the four trends. A major consideration will be given to the analysis of JDE on the ground projects since they represent the most relevant action within their Sustainability initiatives addressing coffee origin countries.

4. Methodology

4.1 Research philosophy

Each study is conducted through a research philosophy that provides “the general principles of theoretical thinking, a method of cognition, perspectives, and assumptions that will be used to obtain knowledge of reality and to design, conduct, analyze and interpret research and its outcomes” (Moon & Blackman, 2014, p. 1168).

This section will propose the positions taken by the author for each of these elements.

According to Maxwell, Bickman & Rog (2009), one of the essential decisions that researchers have to make when designing a study is the paradigm within which they want to position their work. “The term paradigm refers to a set of very general philosophical assumptions about the nature of the world (ontology) and how we can understand it (epistemology), assumptions that tend to be shared by researchers working in a specific field or tradition”(p.224).

Ontology has been defined by Moon and Blackman (2014) as the “study of being” and it concerns “what exists in the human world that researchers can acquire knowledge about” (Moon & Blackman, 2014, p. 1167). The ontological position expresses the researcher perspective on reality, and it can be divided into realist ontology that claims the existence of one single reality independent of human experience, and relativist ontology arguing that is a construct of human mind and, thus, “relative” (Moon & Blackman, 2014). When researchers decide to conduct qualitative research, they are embracing the idea of multiple realities (Erlingsson & Brysiewicz, 2013) and for this reason, a bounded relativism approach seems to fit well in this research.

This approach argues that there is no single reality or truth and individuals are creating reality in groups (Moon and Blackman, 2014). In this research, the evidence of the various facts will lay in the presentation of different perspectives related to how sustainability is defined and achieved within the coffee sector, from different actors and over time.

Epistemology is defined as “the study of knowledge” (Moon & Blackman, 2014) and is concerned with all validity, scope, and methods of acquiring knowledge. The epistemological position describes how knowledge is created by a researcher, and it can be divided into an objectivist, constructionist, and subjectivist perspective (Moon & Blackman, 2014). In line with the ontological perspective adopted by this research, the epistemological approach chosen is constructionist since the answer to the research question is formulated mostly based on interviews which knowledge are produced by the subjects of research as a result of the varying social interactions and different views on the social reality.

The philosophical perspective reveals the assumptions that researchers are making about their research and describes the philosophical orientation that guides a researcher all over the study (Moon & Blackman, 2014). Following the constructionist approach, the corresponding methodology selected for this research is interpretivism. Interpretivism looks at individuals' beliefs and motivations to gain understanding of the social life-world (Guba & Lincoln, 1994). “Interpretivist research outcomes emerge from the scientists' interaction with the participants, and all the (different) interpretations are considered contextually dependent on the history and culture that influences how each individual interprets and makes meaning of their world” (Moon & Blackman, 2014, p. 1173). As sustainability in the coffee sector is subject to a contentious debate and interpreted differently by different actors and over time, its definition has been changing over the years. This approach can help to understand better how the governance of sustainability is context-dependent.

4.2 Research strategy

The research strategy combines the chosen research philosophy, the research approach and the methodological choice of the research. Therefore, the research strategy is the logic of procedure followed by the researcher (Van Thiel, 2014) and the plan to collect and analyze data in order to answer the research question (Saunders et al., 2019). Van Thiel (2014) identifies four types of research strategies: experiment, survey, case study, and desk research. In order to answer the research question, the author has employed both desk research, in order to identify the trends in the governance of sustainability within the coffee sector and case study, to link theory to practice and to investigate the role of the market sphere in promoting sustainability in the sector.

The research question revolves around the sustainability governance in the coffee sector, and the case study chosen to try to answer the question is the JDE Sustainability Strategy. Through its assessment, the complex issue of the sustainability governance in coffee origin countries will be investigated.

Robson defines case study as “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of

evidence” (Robson, 2002, p. 178). The primary function of a case study is to provide the reader a clear understanding of the case after the research (Van Thiel, 2014).

Yin (2003) distinguishes between four case study strategies derived from two different dimensions: single case v. multiple case; holistic case v. embedded case.

He explains that a single case is mostly chosen when it represents a critical case or an extreme or unique case. It can be selected because it is typical and/or is the organization for which the student works. The case study chosen in this work can be considered representative because the company investigated is the world's largest pure-play coffee and tea company by revenue (JDE Annual Report, 2021). Furthermore, the author performed a six months internship in the responsible sourcing team of the company, having the possibility to get an in-depth understanding of the Sustainability Strategy and its main actions while working on it.

The second dimension identified by Yin (2003) is holistic v. embedded, and it refers to the unit of analysis. If the research is focused only within the organization as a whole, then the organization will be analyzed as a holistic case study (Saunders et al., 2012). Oppositely, even though a researcher is analyzing a single organization, if they wish to study a number of logical subunits within the organization, this would be called an *embedded case* study. The unit of analysis of this work concerns the several initiatives of the sustainability strategy, which can be considered “a number of logical subunits”. Thereby, it can be deemed as an embedded case study.

Saunders argues that “a case study strategy can be a very worthwhile way of exploring existing theory” (Saunders et al., 2012, p. 140) and therefore, it will be used to link theory with practice.

The analysis of the case study was performed through various steps. Firstly, the author investigated JDE Global Value Chain to gain an understanding of the steps and the actors involved across the chain. Successively, the actions implemented by the Sustainability Strategy of JDE addressing sourcing countries were researched and described. Finally, a comparison between the current trends in the governance of sustainability in coffee and the JDE Sustainability Strategy was performed to try to answer the research question.

In order to frame the analysis of the case study, the author completed first an extensive desk research to identify a theoretical foundation and derive a conceptual model. Furthermore, it helped to contextualize the case study, the findings and to present possible scenarios and ways to move forward in the sustainability governance in the coffee sector.

Desk research consists in using data that have been collected or produced by someone else, so that it already exists (Van Thiel, 2014). It is possible to conduct desk research through both primary and secondary materials. Primary materials include information the researcher has collected, while

secondary materials are the findings of previous research (van Thiel, 2014). More precisely, primary material designates “information that has not been produced for research purposes” (van Thiel, 2014, p. 102). The company reports such as the Annual Report, farmer projects reports, the responsible sourcing principles etc. can therefore be classified as primary material, and they were used to analyze the case study. However, they were enriched with the data collected through interviews and the observation and participation performed during the internship.

Hence, secondary materials “refers to earlier research findings (data) which can be used in another study on the same or a related subject” (van Thiel, 2014, p. 104). They were used mostly for the literature review and theoretical framework. In turn, both primary and secondary materials were used to contextualize the results and to present possible future scenarios in the sustainability governance in the coffee sector.

4.3 Research method, data collection and data analysis

This study is based on an inductive and qualitative approach, applying interviews and document analysis to the JDE case study in order to answer the research question. Before deep diving into the explanation of the methods used to collect data, a critical preamble needs to be made explicit. The topic chosen for this research and the related case study presented, are linked to a six months full time internship that the author performed at the Sustainability team of JDE, the company under investigation.

According to Scott & Silbey (2000), if a student is performing research while also taking part in an internship, the research method utilized is that of participant observation. Being an intern can be convenient because it implies being in a defined role, and as such, it solves in a perfunctory way some critical issues of participant observation (e.g., creating an identity and gaining access, discussed in the next section) (Scott & Silbey, 2000).

According to Guest et al. “participant observation is in some ways both the most natural and the most challenging of qualitative data collection methods. It connects the researcher to the most basic of human experiences, discovering through immersion and participation the hows and whys of human behavior in a particular context” (Guest et al., 2013, p.75).

Norman K. Denzin described participant observation as a research “strategy that simultaneously combines document analysis, interviewing of respondents and informants, direct participation and observation, and introspection” (Denzin, 1989; p. 158). When engaged in participant observation, the researcher gathers data in and about a specific social location, in the case of this study, it was the multinational roaster JDE.

As Denzin states, this “often entails learning their language, their rules of etiquette, their eating habits, and their work patterns” (p. 161).

He has identified three key elements that characterize a participant observation study, since the researcher is embedded in the action and context of a social setting:

- (1) being into the location of whatever aspect of the human experience the researcher wants to investigate.
- (2) Building good relationships with the participants: the researcher should be able to inspire enough trust to enable the research participants to behave as they would if the researcher were not present.
- (3) Spending enough time interacting to collect the needed data: the researcher should spend time both building rapport and participating for a long enough period to have a sufficient range of experiences, conversations, and interviews for the analysis.

(Guest et al., 2013)

Another aspect to consider when doing a participant observation is the role the researcher adopts in relation to the social setting and its members. The role can vary according to the level of involvement of the researcher and whether the researcher's status as a researcher is known (Bryman, 2012)

In the case of this research, the researcher entered the company as an intern, with a working schedule and specific tasks. This allowed her to be in the location every day, build trust relationships with her colleagues and have enough time to collect data. She revealed her purpose as a researcher from the beginning, making clear that part of the scope of her internship was to collect data for her Master thesis.

Once the researcher got familiar with the working environment, the research started with an extensive literature review, in order to understand how the coffee value chain is structured, what "sustainable coffee" means for different actors in the supply chain and to identify the current trends in the governance of sustainability in the coffee sector. For desk research, search engines such as Web of Science and Google Scholar were mostly employed to find secondary sources like scientific publications and studies related to sustainability in coffee. The primary sources were predominantly found by applying the search engine Google, which addressed the researcher to the relevant website where first-hand information is accessible. Sources include the websites and publications of the main coffee platforms and organizations such as the Global Coffee Platform (GCP), the International Coffee Organization and the Sustainable Coffee Challenge (SCC), as well as academic publications of prominent authors such as Grabs and Ponte.

Authenticity and credibility of the sources of information are crucial (Bryman, 2012). In order to ensure this, the publishing institution was taken into consideration, to make sure that the information comes from a professional, reliable source, such as known companies, organizations, or academic and political institutions. The publication date was also considered to ensure the information, especially the ones concerning governance trends, were up-to-date.

The findings from the desk research were analyzed using content analysis. It is a qualitative form of analysis where the researcher chooses relevant information and concepts and interprets parts of the texts bearing in mind the theoretical background (Bryman, 2012). The information considered useful for answering the research questions, which are based on the theory, were then extracted.

The outcome of the literature review was used to conduct a critical analysis of the JDE Sustainability Strategy and try to determine to what extent the world's largest pure-play coffee and tea company by revenue contributes to promote sustainability within the sector.

During the internship and after, the main methods employed to collect data were: document analysis and interviews.

The researcher started reading and analyzing the company’s official documents. Official documents deriving from a private source can be in the public domain such as annual reports, mission statements and press releases, or not like in the case of minutes of meetings, internal reports and memos (Bryman, 2012). Information collected from documents that are not in the public domain can be a very important source for researchers conducting case studies within an organization, linked with other methods like participant observation or qualitative interviews (Bryman, 2012).

Scott (2006) identified four criteria to evaluate such documents: authenticity, credibility, representativeness, and meaning. Authenticity refers to whether the materials are genuine and their production is original and reliable. Credibility addresses whether the document’s information is honest and accurate. Representativeness seeks to determine whether the document is typical of such accounts—perhaps described as “reliable”. Meaning represents the textual analysis of the document and whether the evidence is clear and comprehensible (Scott, 2006).

Title	Year	Typology
Annual Report 2020	2020	Publicly available
Annual Report 2021	2022	Publicly available
JDE Peet’s accelerates its journey towards 100% responsibly sourced coffee	2022	Publicly available
JDE Peet’s Sustainability Overview	2022	Internal
JDE Responsible Sourcing Principles	2019	Publicly available
JDE Peet’s Sustainability Update May 2022	2022	Internal

Table 1: List of company's documents analyzed. Table by the author

After the researcher has built trust relationships with colleagues and partners, she started to schedule some interviews. The choice of respondents for the interviews was made based on the expert sampling method. This implied the identification of key experts who can inform research through their knowledge, experience, and expertise. “Experts can provide valuable insights into the root of

problems, what has been tried and failed, what has been tried and worked, and future trends to watch” (Patton, 2018, p. 75).

Interview is probably the most employed method in qualitative research (Bryman, 2012). There are several types of interviews, but the main two are the unstructured interview and the semi-structured interview. In this study, the author decided to adopt semi-structured interviews where she had a list of questions and specific topics to be covered (interview guide) but the interviewees had a great extent of freedom in how to reply (Bryman, 2012). Sometimes, questions didn’t follow exactly the order in the outline or, other times, questions that were not included in the guide were asked as the interviewer picked up on things said by interviewees. Nonetheless, overall all the questions were asked, and a similar outline was used from interviewee to interviewee, with some adjustments according to their position. Six experts were interviewed in total, as listed in table 1. All of them are employed by JDE or work for partner organizations in the field of sustainability.

All the interviews were audio-recorded and eventually transcribed in Word. To proceed with the analysis of the contents, a coding scheme was used. In this research, codes are mostly based on components of the theoretical framework, since those are the information most relevant for answering the research questions. Additional codes were added, however, regarding certain topics that are repeatedly brought up. Subsequently, the coded text was inspected in detail. Firstly, the answers that were not relevant for the topic of the study and digressions were isolated from the ones that were considered useful for the analysis. The material selected for the analysis was assessed based on whether the information gave a useful contribution to answer the research questions. Information chosen were then analyzed with regard to topics that were mentioned and information that was given. The data were finally, like in the content analysis, related back to the theoretical framework, highlighting how and where it fits into the concepts and how it could be interpreted using the theory and its variables as frame.

	Organisation	Date interview
Interviewee 1	Rainforest Alliance	22-7-2022
Interviewee 2	JDE Peet's	13-7-2022
Interviewee 3	JDE Peet's	25-8-2022
Interviewee 4	JDE Peet's	15-07-2022
Interviewee 5	Enveritas	4-11-2022
Interviewee 6	JDE Peet’s	10-11-2022

Table 1: Interview chart. Table by the author

Finally, being involved in the team looking after sustainability projects in sourcing countries, allowed the author to develop a deep understanding and knowledge about her research topic.

4.4 Validity and reliability

The controllability and repeatability of qualitative data analysis is far less evident and transparent than it is in quantitative data analysis (Van Thiel, 2014). Validity in qualitative research concerns the suitability of the tools, processes, and data (Leung, 2015). Van Thiel (2014) distinguishes between internal and external validity. The first one relates to whether a researcher really measures what it intends to measure (Van Thiel, 2014). In this study, this will be guaranteed through the operationalization of the theoretical concepts in accordance with the case study. External validity indicates the extent to which a study can be generalized (Van Thiel, 2014). To assure the external validity of this research, the author made sure that the methods employed could be transferable for further or similar research.

Information and data found and used in desk research are often produced for a different purpose, for this reason the researcher should pay special attention in their operationalization (Van Thiel, 2014). To do so, the materials were selected and used in such a way that the information could be integrated in and comply with the variables of the research questions.

Semi-structured interviews are another and very different data source, which contribute to enhancing reliability and validity of the research. Information collected through interviews can support or question findings from the literature research. For contradicting information, the researcher should proceed with further desk research in order to understand why or how the contradiction might occur. Moreover, the sources used were reconsidered with regard to their credibility or interpretation. Depending on its relevance, the information was used and explained in the analysis. When an information was identified as a personal experience of the experts, this was made clear, ensuring that it is not mistaken for a scientifically proven fact but a personal perspective helping to make information more tangible.

Finally, when using a case study strategy, it is often the case a researcher needs to use and triangulate multiple sources of data. "Triangulation refers to the use of different data collection techniques within one study in order to ensure that the data are telling you what you think they are telling you" (Van Thiel, 2014; p.139).

This form of triangulation is used for "double (or triple) checking on the data collection and research results" (Van Thiel, 2014; p. 52). That way, the researcher can test if information coming from different sources and collected using different methods corresponds. In this way, she can ensure a very high reliability and validity. Conclusions drawn using triangulation come from a wide variety of research situations and units of study, and therefore they tend to have greater external validity and reliability (van Thiel, 2014).

5. Results

This chapter applies the analytical framework as presented previously to the JDE Sustainability Strategy, in order to examine to what extent the actions taken by the company as part of their CSR contributes to promote sustainability across their global value chain and in the coffee sector. The main focus will be on the initiatives addressing their sourcing countries.

The section will first illustrate the JDE Global Value Chain through the GVC framework (Gereffi, 1994, 1999) to describe the stages and the actors involved in the coffee production and how they interact. Subsequently, the JDE Sustainability Strategy will be presented, and the author will deep dive into the “Responsible Sourcing Strategy”, one of the three pillars of the JDE Sustainability Program tackling the sustainability challenges in coffee origin countries.

5.1 JDE Coffee Global Value Chain

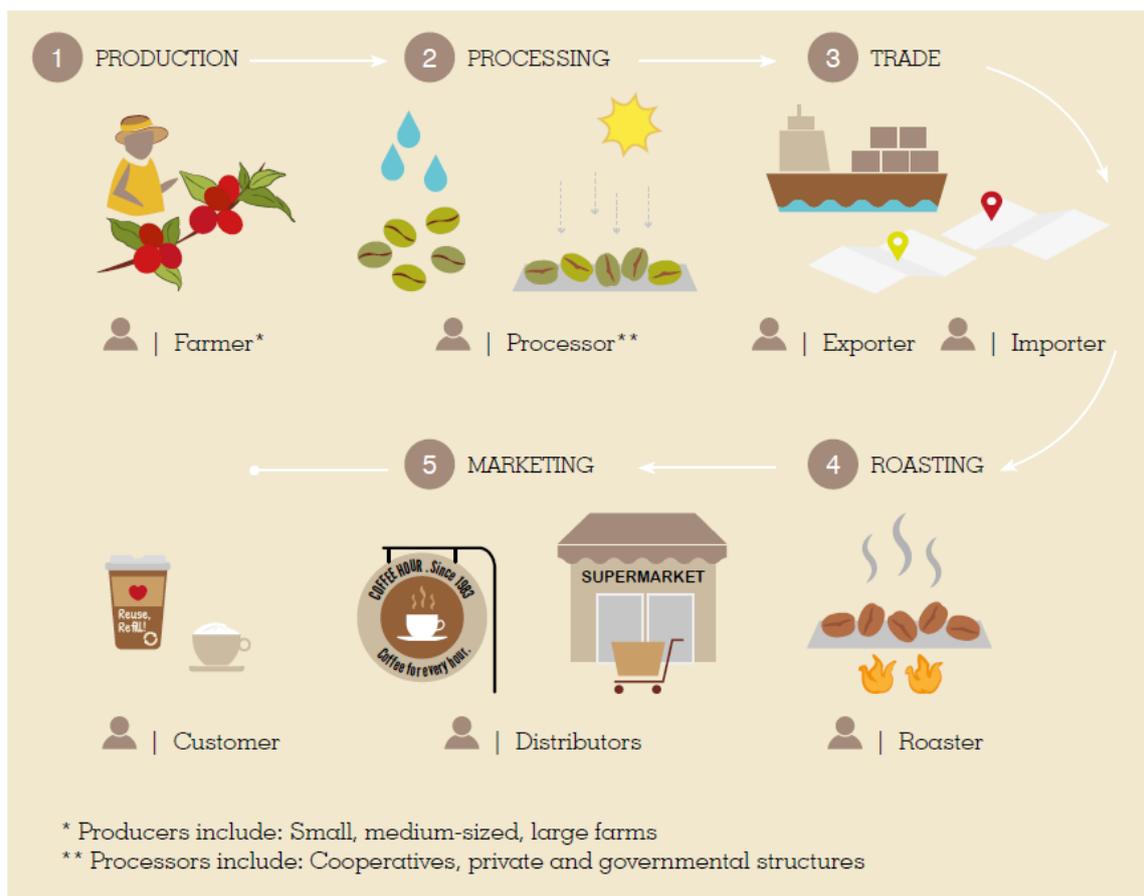


Figure 4: Coffee Global Value Chain. Source: ICO Report

5.1.1 Input – output structure and geographical dimension

The input–output structure describes the stages of coffee production while the geographical dimension deals with the spatial component, where the stages of production are performed (Gereffi,

2011). At a first glance, coffee could seem a consumer good with a straightforward production process. The main commodity product in its simple form is the coffee bean and to be ready for the final consumption, it only needs to be roasted, grounded, and steeped in water. Nevertheless, its supply chain from bean to cup is surprisingly complex, involving multiple actors in each processing stage (Borrella et al., 2015).

The upstream part of the coffee chain includes growing, harvesting, processing, and milling, and it is performed in the tropical belt around the equator, specifically the area between the Tropic of Cancer and the Tropic of Capricorn (Global South). On the flip side, the downstream part is mostly located in the countries where coffee is exported and consumed (Global North) and it encompasses the roasting, the marketing, and the distribution (ITC, 2021).

The JDE coffee value chain is similar to the ones of the other large roasters and, as a global business, they rely on a global supply chain (JDE Annual Report, 2021).

As stated by the interview nr. 6, it can differ from basic quality convention, the country of provenance and the variety of bean produced (Arabica and Robusta). Nonetheless, it is possible to identify four main actors across the chain, from bean to cup.

The upstream coffee value chain is located in coffee origin countries, and it is composed of coffee producers, processors, and exporters. "Currently 12.5 million farms produce 70-80% of the world's coffee with an average farm size of only four hectares. Almost 95% of farms are smaller than five hectares, and over 80% of all coffee farms are smaller than two hectares" (JDE Annual Report, 2021, p. 58). The majority of smallholders do not belong to any producer organization or formal cooperative. These independent small-scale farmers are incredibly vulnerable in the marketplace and "are currently beyond the reach of sustainability certification, which require farmers to be organized in formal structures" (JDE Annual Report, 2021, p. 58). They often have limited access to information, quality and cheap inputs and processing equipment at hand, leading to a lower-quality of coffee beans. Furthermore, they rely on one or two middlemen to purchase their product, which increases the unequal bargaining power (ICO, 2020). Producers organizations and cooperatives can thus bring numerous advantages to coffee farmers, including access to information, cheaper inputs and credit, processing equipment, quality control and market access (Zamora, 2013). Globally, 55% of coffee is produced by independent smallholder farmers, 25% by organized smallholder farmers, and 20% by larger farms (Zamora, 2013). Local farmers sell coffee beans through cooperatives or through "middlemen" (intermediaries), who bring their product to the market and bargain it with larger coffee traders. The world price of coffee is established by the market rules, in accordance with the supply and demand conditions of the good. There are two main markets for coffee beans: the New York Stock Exchange (Arabica coffees) and the London Stock Exchange (Robusta coffees) (Ponte, 2002). They

operate on two different modalities: current or physical markets, as well as future contracts. Large multinational green coffee traders³ act in international markets, where the majority of coffee is exported as “green beans” (not roasted) (Grabs, 2020). They are responsible for buying, exporting, shipping the green coffee overseas, and importing it to sell it to roasters. The market concentration of green coffee traders is even bigger than the one of roasters. According to Grabs “four globally operating companies each move around 10 percent of the world’s green coffee, often through an intricate network of partners and subsidiary companies”(Grabs, 2017, p. 12). An increasing number of coffee traders have a capillary presence at regional level within growing communities. Quite frequently, they own processing and storage infrastructure, and, in many cases, also certification schemes (Interview n. 3-4). As it will be made clear in the next sections, in many coffee origin countries they are the connection point between farmers and the downstream supply chain, especially roasters. Their growing engagement at farm level makes them lead actors for the implementation of sustainability projects.

The downstream coffee value chain goes from the roaster to final consumers, and it is usually developed in Western consuming countries (Zamora, 2013). Coffee traders transport coffee beans to the consuming countries where they sell it to roasters like JDE which takes care of processing the product and serving the demand of consumers. Roasters can range in size from small start-up to multinational corporations like JDE. They roast, freeze-dry (in the case of instant coffee) or ground, pack, and finally distribute the products to customers and retailers, where final consumers purchase it in packages.

Currently, JDE Peet’s and Nestlé, the two biggest roasting companies, buy almost 20% of the coffee produced worldwide (Interview n. 3). This data is confirmed in JDE Annual Report: “We source approximately 8% of the world's coffee (...) from more than 30 countries” (JDE Annual Report, 2021, p. 27).

5.1.2 The governance of JDE Coffee Global Value Chain

As illustrated previously, the concept of governance serves to illustrate the distribution of power along the coffee chain. According to Humphrey and Schmitz (2001), lead firms exercise the power by setting or enforcing specific parameters under which the other actors of the chain operate. In the coffee chain, the two main lead actors exercising control over the production process are big traders (roasters’ suppliers) as well as coffee roasters such as JDE. Roasters do not produce coffee beans by themselves; instead, they buy them from developing countries’ farmers (producers).

³ Called suppliers by JDE interviewees

However, differently from the GVC theory – according to which lead firms are not involved in the production phase – JDE does not buy a finished product, since they still roast, grind and further process some coffee to instant products, for example. Roasters are the actors which exercise the control over the production networks, and this is the reason Ponte labels the coffee chain a “roaster-driven chain” (Ponte 2004, p. 3). JDE can thus be seen as the “lead firm” not only in its coffee chain, holding the control over the five dimensions identified by Humphrey and Schmitz (2001), but also in the whole coffee sector, being the second-biggest roaster after Nestlé (Daily Coffee News, 2022). As previously mentioned, JDE is involved in the last stages of the production by roasting and milling, and then it is mainly occupied with the branding, design and the marketing of its different brands as confirmed by the following statement in the Annual Report: “most of our non coffee & tea, direct material supplier base is concentrated in packaging materials. Marketing and media make up the majority of our total spend on indirect materials and services” (JDE Annual Report, 2021, p. 27).

As a lead actor, JDE owns a larger bargaining power as well as information regarding the global market and its different customers, design, and advertising functions and advanced supply management systems, all elements that allow them to set entry barriers.

Following this reasoning, the increasing interest in sustainable coffee from many stakeholders' sides could be interpreted as market information and at the same time as an idea which JDE is interested in promoting at production level. Therefore, this trend is one of the reasons why JDE engages with projects at farm level. Through its farmer program, JDE finances projects teaching farmers how to become more sustainable, so they learn to produce the coffee in a way which allows the company to claim that their coffee is sustainable and responsibly sourced. It needs to be specified that JDE does not buy coffee from the very same farmer with whom they conduct the projects. Nonetheless, by helping them to produce coffee sustainably, they secure the coffee stock in general and with the long-term perspective.

JDE continuous improvement program enables coffee farmers also to get access to knowledge regarding quality and market, allowing them to achieve better productivity and quality, and a larger access to market, which could lead to higher income. However, the distribution of power across the supply chain doesn't really change through the implementation of its farmer program, and in the next chapter this topic will be illustrated deeply.

In summary, in order to frame and contextualize the research question, it is important to understand the leading role of JDE over its supply chain and in the coffee sector. They control the producing networks and convince farmers to implement sustainable growing mechanisms.

5.1.3 The institutional framework of the coffee sector

The institutional framework regards the local, domestic and international policies, regulations, and circumstances around the commodity chain.

The coffee industry has assisted in significant institutional changes in the last few decades (Samper & Quiñones-Ruiz, 2017). The more profound changes resulted from the collapse of the International Coffee Agreement (ICA) in 1989 which have deeply affected the value distribution across the coffee chain. This institutional vacuum left by the state sphere contributed to create the conditions for private operators, civil society and third party certifiers to acquire an increased influence in the coffee industry. Thus, the decreased influence of state-driven organizations over transnational policies in the coffee sector, lead to key changes in the international coffee value chain (Ponte, 2002).

Yet, simultaneously, coffee farmers started to face increasingly social and economic issues while lacking adequate institutional support from their local or national governments. Origin countries' governments took different lengths in demolishing the institutions governing coffee exports.

Lora (2013) provides an up-to-date picture of the coffee sector governance in 12 key coffee producers, accounting for almost 80% of world production.

Four of these twelve producing countries (Ivory Coast, Costa Rica, Colombia, and Brazil) set minimum prices for export contracts, six coffee institutions manage specialty coffee certifications, eight maintain a register of export contracts, eight provide credit to coffee producers, nine control the export-level coffee quality, ten offer extension services and technical assistance through public institutions, ten engage in international promotion activities, and eleven grant export licenses to exporters.

On the other side, eight out of twelve countries collect taxes on coffee processing or exporting and use it to fund public extension or price support activities (Lora, 2013). In some countries, coffee farmers are further supported through a range of other public actions, such as producer income assistance and price stabilization funds (Lora, 2013); and assistance in disease prevention and post-outbreak replanting. There are a number of coffee institutions that are becoming crucial in leading forward sector transformations toward quality (Anacafe in Guatemala) or sustainability (FNC in Colombia). This advancement could be seen as part of a new tendency toward larger Southern involvement in the creation and implementation of Voluntary Sustainability Standards, which traditionally have been top-down and Northern-centric (Schouten and Bitzer, 2015).

At the domestic level, the coffee market assists to a complicated interaction between private multinational players, such as exporters, traders, and roasters and traditional or relaunched coffee institutions. The former are becoming increasingly powerful due to mergers and acquisitions while the latter tries to advocate for farmers' interests, level out price volatility while maintaining overall quality

characteristics, allowing differential prices at country level, over the stock market. These tensions are replicated in the interpretation and implementation of different sustainability initiatives in the sector.

5.2 Common Grounds: JDE Corporate Sustainability Strategy

In this section, the JDE Corporate Sustainability Strategy will be introduced to give a broad overview about how the company tries to embed sustainability into their business management. Following this, the author will proceed with an in-depth analysis of the JDE Responsible Sourcing Strategy, one of the three pillars included in the company sustainability strategy which addresses sustainability challenges in sourcing countries. The author will apply the Nonstate Market-Driven sustainability governance framework to the main actions included into the Responsible Sourcing Strategy and make a comparison between the current trends in the sustainability governance of the coffee sector and these actions. To complete the analysis, the author has used 11 documents including Annual Reports, internal documents and presentations, minutes from meetings she attended during her internship, field notes and 6 interviews with experts inside the company and from NGOs collaborating with the company.

As stated in the Annual Report (2021), Common Grounds⁴JDE corporate responsibility strategy, is the framework for the company growing strategy and is spanned across the entire value chain, demonstrating the extent to which nowadays sustainability is embedded in all companies' activities.

The words in the company Annual Report confirm this idea: "Through our corporate responsibility strategy, we directly respond to the growing focus on sustainability" (Annual report, 2020, p.23).

In 2020, they completed a materiality analysis to identify the company's priorities based on their importance for external and internal stakeholders, as well as their impact on their business success. The priority topics identified (Climate change mitigation, Ethics and governance, Product quality, Responsible supplier labor practices, supply chain transparency, Sustainable agriculture, Sustainable packaging) have informed the Corporate Sustainability Strategy.

In line with feedback from stakeholders, they have set two primary targets for the corporate responsibility program:

- Working towards 100% responsibly sourced coffee and tea by 2025,
- 100% recyclable or compostable packaging by, 2025

⁴ Before being leveraged and becoming the Corporate Sustainability Program in May 2022, Common Ground used to be the first pillar of the Corporate Responsibility Strategy. For these reasons, in many documents and in some interviews, the former program is referred to as Common Grounds.

One of the two goals is related to sustainability in sourcing coffee, proving how central is the governance of sustainability in producing countries and how companies have been asked to be accountable for the whole supply chain, even if they do not produce coffee themselves.

The core of the strategy comprises three thematic pillars, including:

Responsible Sourcing, addressing the priority issues in the supply chain and aimed at ensuring that raw materials are sourced responsibly.

Minimized Footprint, aimed at reducing their environmental impact step-by-step.

Connected People, engaging their associates and communities where they operate, all supported by the commitment to operate responsibly across all the value chain.

5.2.1 JDE Responsible Sourcing Strategy

JDE Responsible Sourcing Strategy is one of the three pillars of their sustainability strategy described above, and it is the core topic of this research. In the next section, the main measures of the strategy will be described and analyzed in depth based on the NSMD sustainability governance trends identified by Grabs (2017). A greater emphasis will be put on the farmer program initiative, the most relevant action of the responsible sourcing strategy according to what it is stated on their website:

Our smallholder engagement program is a core element of our approach to responsible sourcing, designed to address the primary sustainability challenges in the countries that grow our coffee & tea and to improve the livelihoods of smallholder farmers (JDE Peet's, 2022)

The term “responsible sourcing” is not consistently defined. In this work, the author decided to adopt the definition proposed by the Columbia Center on Sustainable Investments in the report “Responsible coffee sourcing: towards a living income for producers”(Cordes et al., 2021) which seems more in line with the JDE responsible sourcing principles. “Responsible sourcing” is sourcing (decisions and actions related to procurement of coffee beans) that enables economically, socially, and environmentally sustainable production, including producer and farmworker well-being” (p.12)

JDE Responsible Sourcing Strategy is based on JDE responsible sourcing principles, 21 principles that encourage a sustainable production of the raw materials purchased and guide the sourcing of coffee (and other commodities). These principles have been developed in line with the Coffee Sustainability Reference Code released by the Global Coffee Platform (which will be further discussed), supported by “the commitment and expertise of a diverse set of partners to strengthen the sustainability of our coffee supply chain and improve the livelihoods of smallholder farmers” (JDE Responsible Sourcing

Principles, 2021). The principles cover the three main areas of the Triple Bottom Line Framework (People, Planet, Profit). Therefore, they comprise three pillars:

Sustainability of land (Environmental pillar) focuses on sustainable coffee production and responsible land use practices in order to address climate change as well as maintenance and conserve nature.

Equality of people (Social pillar) considers the impacts of production on people including the assessment of human rights abuses such as (gender) discrimination, forced labor, child labor, or all forms of workplace harassment and violence.

Prosperity of farmers (Economic pillar) is concerned with the capacity of producers to earn decent income to live dignified lives.

Responsible sourcing approach

As a pure-play coffee & tea company sourcing 8% of the world coffee, the primary focus of their sustainability strategy is to guarantee the future of coffee (Interview n.6) which is the primary business interest of the company as the words of the interviewee n. 6 shows:

“Without coffee, we don't exist...simple. We are not a charity. But if [...] coffee farmers don't make a decent living and don't produce coffee in a responsible way that doesn't destroy the planet, ultimately there will be no more coffee. So if we want to continue to exist as a company, we need to make sure that farmers prosper in a way that is not damaging the planet”. (Interview n. 6)

Hence, this focus is reflected in the materiality assessment mentioned above where three out of the seven topics that identified – responsible supplier labor practices, supply chain transparency and sustainable agriculture – are related to Responsible Sourcing. The same goes for farmer livelihoods, which ranks highly in the second tier of material topics. All these topics have been grouped under the main Key Performance Indicator (KPI) “sourcing 100% of the coffee responsibly by 2025” (Annual Report 2021, p.34).

The responsible sourcing program was originally designed in partnership with the Rainforest Alliance (RA) in 2018 under the name Common Ground, “to provide transparency on the priority sustainability challenges in the coffee supply chain and to continuously improve the social, economic and environmental conditions in the origin countries” (Annual Report, 2020, p.). However, until May 2022⁵,

⁵ In May 2022, JDE Peet's has announced the leverage of its partnership with Enveritas, a non-governmental third party verification organization that has developed a new, data-driven approach to sustainability assurance, which allows the company to accelerate the journey towards 100% responsibly sourced coffee. Enveritas will verify all the volumes purchased by JDE and inform the company about the issues found in the supply chain.

for the majority of purchases JDE did not use third-party certification or verification of suppliers, it was simply bought as conventional coffee. The responsible sourcing program was a first attempt to show accountability for the huge amount (70%) of non-certified/verified volumes of coffee sourced by the company.

The program has committed to two main sustainability goals:

1. To work towards 100% responsibly sourced coffee, tea, and palm oil by 2025.
2. To reach 500,000 smallholder farmers by 2025 through investments in improvement projects and capacity building.

And it will reach these goals through several actions described in the next lines, in collaboration with a range of stakeholders spanning from suppliers, NGOs, Governments, and others to access and address key sustainability challenges in the countries from which they source coffee.

The Responsible Sourcing (RS) strategy approach consists of mapping the supply chain, identifying priority risks and setting up continuous improvement strategies and programs that ameliorate the social, economic and environmental conditions in their sourcing countries.

JDE RS strategy can be summarized within the following actions, which will be analyzed in depth in the next sections, using the lens of Grab’s trends in the governance of sustainability within the coffee sector (2017).

RESPONSIBLE SOURCING ACTIONS	TRENDS IN THE GOVERNANCE OF SUSTAINABILITY
Purchasing of certified coffee	Trend 1 – Third party certification and verification
Verification	Trend 1 – Third party certification and verification
Participation in multistakeholder platforms	Trend 3 – Sectoral Sustainability Platforms
Farmer support initiatives	Trend 4 – Industry-led on the ground projects

Table 3: Comparison between JDE RS actions and current trends in the governance of sustainability. Table by the author

5.2.2.2 Trend 1: purchasing of third-party certified and verified coffee

Certified and verified coffee is one of the pillars in JDE responsible sourcing strategy.

5.2.1.1.1 Sourcing of certified coffee

Certification assures (through a certificate) that specific regulations and criteria of voluntary standards are complied in a particular area that can vary from individual producers, to producer groups or cooperatives until even a region). In order to be certified, these producers must respect specific social, economic and environmental requirements.

Certification guarantees the compliance through independent third-party confirmation of this status, conducted by an accredited auditor. When roasters buy certified coffee, they benefit from the guarantee provided by the certificate and by using the sustainable labels on their retail packaging, which contributes to better marketing opportunities in a specific market share where consumers ask for sustainable products.

According to JDE Annual Report (2021) certified coffee contributes for around 30% of the total coffee purchased. Part of the reason JDE buys certified coffee is that it is requested by some of its brands, and it represents a market since “a specific customer or consumer sees additional value and requests certification because they actually make deliberate choices”(Interview 3). What becomes evident here is that the intention to meet customers’ needs could be seen as a form of business interest rather than a real commitment to sustainability. Moreover, the volumes of certified coffee they buy, and the amount bought under different labels, is subordinate to the market trends of their brands. If the trends change, they might eventually decrease the purchase of certified coffee. Wherefore, farmers are affected by volatile demand and purchasing commitments from companies. Can this type of strategy really be considered sustainable in the long term?

Another issue with certification schemes is that their impact is limited to the demand. Certification follows market rules of demand and supply. Sometimes there is an overproduction of certified coffee in regions where the demand is lower, while there is no certified coffee in other regions where there is demand for. This means that producers face an uncertain market for certified products and may struggle to reclaim the costs and investments they have made to achieve certification standards. On average, only around 50% of coffee produced in certified production areas is sold as certified (ICO, 2021). This concept was clearly explained by one of the interviewees:

If Nespresso doesn't buy it [the coffee carrying their in-house certification] the farmers maybe are not able to sell the coffee at the price they want. They won't sell it as expensive as they do to Nespresso. You cannot claim this is Nespresso, even if it was produced under AAA standard, you can sell that as a high-quality coffee, but you can't claim it. [...] It's the same thing with the certification. You'll have a cohort and if the supplier can't allocate that whole volume of RA certified, then the rest of the coffee you cannot claim it was produced under RA standards. You need to sell it as conventional coffee [...]
(Interview n.2)

On the other hand, certification covers only a fraction of the total green coffee production and also not in all the origins that JDE buys coffee from. According to the interview n. 4, JDE cannot find all the different qualities and origins of coffee they need from certified farms: “to be perfectly honest, there's not enough certified coffee out there for all of us” (Interview n. 3).

Thus, because certification is demand driven, it strongly affects the purchasing strategies and volumes bought by companies, the ability of farmers to sell their certified coffee, the availability of specific qualities or origin. However, ultimately it does not impact the power imbalance that characterizes the coffee chain, which remains strongly buyer-driven. It is consumers and companies from Western countries who decide what has to be produced (which type of labels) and the amount they will buy. JDE itself buys only 30% of certified coffee, covering a small section of their total purchase of green coffee beans.

Consequently, farmers do not have any power to decide under which certification scheme they want to produce (certification is normally held by traders or cooperatives as it will be explained shortly) nor the amount of beans that have to be produced. As previously mentioned, farmers who are Rainforest Alliance certified, might not be able to sell all the coffee produced as RA certified because there is not enough demand. If they want to sell this coffee, they are obliged to sell it at market prices. In this way, they are depleted of the profit coming from the higher price market of certified coffee, and consequently they do not obtain any economic return for the investments they have made in order to meet certification principles.

Moreover, according to interviewees that have had experience on the ground, the implementation of Good Agricultural Practices (GAPs) and standards compliance decrease when farmers are not able to sell that coffee as certified, at a higher price. The reason behind that is the costs and investments required by sustainable practices.

Another criticism of certification bodies is the fact that they are selective in several ways.

First, they focus only on a cohort of farmers that already implement the standards. “Certified is a way for more advanced farmers to somehow demonstrate that they comply with the GCP standards” (Interview n. 2)

Second, they work with farmers that are registered in cooperatives, associations, or farmers units while 80% of the world's coffee is grown by smallholder farmers, many of whom are not organized.

“They grow their coffee, they harvest it, they dry it in front of their house on the ground and somebody comes with a motorbike or a donkey or a bicycle, and they sell it. Many of these farmers, most likely produce sustainable coffee, however they are not eligible to traditional certification either because of their location (they're hard to reach), or their size, or their knowledge, or they cannot afford it” (Interview n.3)

Third, another selective procedure observed in the data collected through Enveriat's surveys is that certified farmers tend to own a farm that is double the size compared to the average land owned by

smallholder coffee producers. This indicates that certification bodies tend to work with the bigger and more sophisticated farmers that have the infrastructures to meet certification standards.

Another dispelled myth of certification is the larger access to market. For smallholder farmers, it is impossible to be individually certified. They are inevitably part of a group in the certification system. That means they can only sell to the holder of the certificate, which is often a trader. Instead of increasing the access to market, certification might actually restrict it because the farmer has only one choice to sell its coffee as certified, which is through the trader which owns the certification.

Despite all the critiques to certification schemes which emerged during the interviews and the awareness of their controversial impact, the coffee industry seems to have chosen this path. The words reported in the JDE Annual Report 2021 confirm this consideration: “certification has played and will continue to play an important role in responsible sourcing for JDE” (Annual Report 2021, p. 63). This tendency confirmed the trend about the instrumentalization of certification schemes by the coffee industry (Grabs, 2017) For JDE, it represents a straightforward option to comply with human rights, due diligence and deforestation policies.

Moreover, JDE has been collaborating with certification bodies such as Rainforest Alliance, supporting on-the-ground projects to train farmers and help them to meet certification principles, because it needs certified coffee to meet customers and consumers requests.

5.2.1.1.2 Verification of purchased volumes by Enveritas

Verification of purchased volumes by Enveritas

The verification process consists in enforcing certain criteria and practices proving that the coffee was produced and traded in an environmentally, socially, and financially sustainable way, similar to certification standards. However, this mechanism does not use a certificate to market the sustainable claim on packages. Normally, it also tends to be less rigid and costly compared to a certification process which needs to be conducted by specific auditors. Third-party actors such as NGOs, or second-party actors like roasters or traders may be asked to verify adherence to specific criteria.

In this research, the verification body- Enveritas will be presented as an example of Second Party (Verification) Scheme, even though they dispute this his is a denomination given to them by the GCP. Thus, they consider themselves to be a third party - i.e. not the supply chain, not the roaster, but an independent assessor. The reason behind this choice is the meaningfulness of the partnership between Enveritas and JDE which represents a crucial initiative of the JDE Responsible Sourcing Strategy. Therefore it has allowed the company to increase the share of responsibly-sourced coffee from 30% to 80% in 2022 (JDE Peet's, 16 May 2022).

Recognized as Equivalent Second Party Scheme by the GCP (Global Coffee Platform) in 2022, Enveritas emerged in 2016 as a Voluntary Sustainability Standard. It is a not-for-profit organization which has developed a new model of responsible sourcing based on data technology and field surveys to trace all coffee purchases, assess sustainability conditions and, based on this, make the opportune improvements over time (about us, 2022). This program prioritizes data quality and rigor, and provides roasters with statistically significant claims about the conditions under which their coffee was produced, and the effectiveness of their remediation activities. .

One of the main differences with certification standards is that there is licensing or documentation implied for coffee producers, therefore participation for them is free. This choice is motivated by Enveritas with the purpose of “represent[ing] farmers who have been excluded from other schemes because they are small, in hard-to-reach places, not organized into groups or not tied to a single buyer” (about us, 2022).

The definition of verification provided by an associate from Enveritas explains the following:

“verification is finding out and knowing the conditions under which the coffee is produced and it stops there, there's no response [...] it's just the state of having checked. [...] The process of verification is our survey work [...] when we go out in harvest to 26 countries and we run the Enveritas survey amongst a statistically representative sample of farmers and come back with a result, which is this is the conditions under which coffee is being produced. For us that is the process of verification.” (Interview n. 5)

All Enveritas assurance data is collected from the farm level interviews (60,000+ per year), or from remote sensing technology (especially in the case of deforestation). They don't rely on other NGO's or 3rd party actors. The only exception is traceability, where they ask the supply chain to identify sourcing regions. They repeat all assessments annually, during harvest, and with unannounced audits. (interview n. 5).

The verification process from Enveritas consists of providing a “to-do list” to roasters by defining the scope, severity and location of the sustainability challenges. Coffee which has been verified is not necessarily sustainably produced. Roasters need to address the issues raised by Enveritas’ verification within their sourcing countries before they can be considered responsibly sourced (Interview n.5)

The standards developed by Enveritas to verify coffee purchases are in line with the main standards adopted in the coffee sector. “What we tried to do was to synthesize the consensus of opinion. We wanted to make a standard that everybody agreed on. [...] All that thinking has pretty much been done” (interview n. 5)

Enveritas plays two additional roles. The first is to generate excess funds to recirculate back into support for smallholder agriculture. The second role consists of sharing the data they collect with like-minded organizations with similar missions, to improve the efficiency within the sector. However, for the purpose of this work, these two roles will not be analysed further because they are not specifically linked with the partnership between Enveritas and JDE.

Partnership with JDE

In May 2022, JDE leveraged a partnership with Enveritas, originally concerning only Peet's, the US subsidiary of JDE Peet's, extending it to the majority of volumes bought by the company. A big part of this partnership for responsible sourcing consists of the verification of JDE's supply chain. "They [Enveritas] tell us [JDE] what the issues are and we need to demonstrate that we are working with enough farmers to address the gaps that they have identified" (Interview 3). The process involves the following steps:

The first step is a supply mapping exercise which helps JDE understand where their coffee comes from. Once the supply chain map has been created, there is the identification of the conditions under which this coffee is produced and the related issues in terms of economic, social, and environmental sustainability. JDE's responsibilities are then determined and communicated to the company. The company needs to address 4 elements to achieve a "responsibly sourced" status:

1. Collaborative Initiatives: Demonstrate it is actively engaged with collaborative initiatives, such as GCP or World Coffee Research, entities which are addressing large and complex cross-cutting issues in the coffee sector.
2. Supplier Engagement: Communicate the results of the assessments back to its suppliers so that they may adjust their own interventions, where appropriate.
3. Progress Transparency : communicate publicly about the company's responsible sourcing journey.
4. Farm Support : be working with the required number of farmers through improvement projects on the ground.

Each element must be evidenced to enable Enveritas to assess compliance. For the Farm Support element, Enveritas checks the compliance of JDE by conducting surveys on the field and assessing the 45 projects running within the smallholder engagement programme. Throughout this assessment and project chain, Enveritas checks whether these projects are addressing the right issues and serving the correct farmers by then providing feedback to JDE on the projects' impact. This feedback can be useful for JDE to improve the efficiency through which they spend their resources in farmer support projects.

The verification scheme proposed by Enveritas, unlike other verification schemes such as the ones owned by traders, is carried by an independent third party which tailors its assessment to single roasters volumes, allowing companies like JDE to get to know the specific issues of their coffee supply chains. This strategy represents a practical tool to guarantee accountability for roasters' own volumes.

Additionally, Enveritas has introduced an innovative approach in the world of Voluntary Sustainability Standards which is highly rigorous and data-driven, and it allows for the statistical measurement of roasters' economic, environmental, and social footprint. This method seems fully coherent with the current tendency in the field of sustainability where companies are increasingly asked to report their commitments through scientifically based metrics and targets.

Furthermore, it goes hand in hand with trend number four of the theoretical framework (industry-led on-the-ground projects) since part of the strategy, the continuous improvement, relies on farmers' projects to address the issues identified mapping the coffee chain.

From this perspective, the approach used by Enveritas is in line with the current governance of sustainability in the coffee sector which is largely based on non-state market-driven (NSMD) mechanisms. Similarly to all the other trends identified in the theoretical framework, also within the strategy suggested by Enveritas, lead actors (roasters and traders) should be responsible to support farmers to overcome the barriers to accessing the market. This should be done by providing smallholders with knowledge and services such as training and agricultural inputs. Such an approach does not challenge the actual unbalance in the distribution of power over the coffee chain and does not question the fact that producers' participation in a GVC has been seen as a panacea. However, this strategy is not influenced by customers' demands which, instead, strongly affects certification mechanisms.

From the interviews with JDE, it emerged that the official reason behind the decision to work in partnership with Enveritas, embracing their verification model, is the desire to attain that all smallholders, currently beyond the reach of sustainability certification, are addressed. Proving this line of reasoning, the following statement from an associate from JDE declares what follows: “[we want to] make sure that they [farmers] are also part of this journey of prosperity and thriving communities”(Interview n. 3) .

Given that Enveritas does not charge farmers for the verification process, the whole mechanism turns out to be more inclusive, involving all smallholders in the areas where JDE sources its coffee, regardless of the size of their land, their location or their belonging to an organized group. Also, through this approach, farmers that do not meet all the standards from Enveritas to be involved in the JDE Smallholders Programme to improve their own sustainability. Moreover, this scheme allows many

smallholders to prove that they can be considered sustainable because they meet sustainability standards even if they are not able to be certified by a third party.

Nevertheless, because this partnership will allow JDE to claim that they meet their KPI of 100% responsibly-sourced coffee, there is a risk of it being instrumentalized by the company for reporting reasons towards stakeholders and shareholders. In 2022, JDE increased from 30% to 80%, its responsibly sourced coffee due to the partnership with Enveritas. But what does this mean? From a practical perspective, Enveritas has merely verified the current volumes sourced by JDE and their related contracts, identifying the issues in the sourcing regions. So far, Enveritas has just provided JDE with information about the coffee sourced and the number of farmers they need to address on the ground projects (that will be illustrated in more detail thereafter) in order to compensate for the sustainability issues identified in sourcing areas.

Ultimately, this approach does not affect procurement strategies (the choice of suppliers, the type of contracts signed, and the conventional market prices paid to producers) and allows the company to make strong sustainability claims only investing in compensation actions (farmer projects) before making sure they have a real impact.

Verification implemented in the way Enveritas has been carrying out represents a rather new phenomenon, consequently, there is not enough data available on how this new trend could impact the sector and evolve in the future. Furthermore, the partnership between Enveritas and JDE is recent (May 2022) and for this reason, the author has not had the chance to collect data about the impact of this new responsible sourcing strategy on JDE's footprint.

Currently, it can be stated that this scheme does not apply to the characteristics identified in the theoretical framework related to the instrumentalization of third-party certification and verification. However, the author believes that there is a potential risk for this new process to be instrumentalized by companies in the same way it has happened for certification because it provides an quick way to make sustainable claims.

Therefore, lately, many coffee roasters have started using Enveritas for substantial portions of their responsible sourcing commitments.

5.2.1.2 Trend 3: Sectoral sustainability multistakeholder platforms

The third trend identified in the theoretical framework is the emerging of sector-wide platforms and alignment initiatives related to sustainability within the coffee sector. The responsible sourcing strategy of JDE is fully aligned with this trend, hence they are active in a broad set of multi-stakeholder platforms and initiatives designed to promote sustainability in the coffee sector. This consideration is

expressed in the Annual Report as follows: “Collaborative partnerships are at the core of our Common Grounds program”(Annual Report, 2021, p. 56). The ratio behind a collaborative approach was expressed by a JDE associate with these words:

The opportunities that we see in coffee are not solely the responsibility or opportunity of one stakeholder. We need to be able to share and learn from each other and as an industry. Moreover, many of the challenges and opportunities we face can best be tackled when we come together with common interests and local action. (interview n. 3).

In another interview, a JDE employee described the crucial roles played by multistakeholder platforms:

“The major role here is to understand what means responsible sourcing. So it's really alignment and, more and more, it should turn into also engagement because at the end, JDE alone or Nestlé alone cannot solve the issues, all the challenges at the farmer level. We need to work collaboratively, all of us together, to actually tackle the issue. That's the only way, because there are 12.5 million farmers, and so nobody can solve 12.5 million, but if we all work with our share based on what we buy, then you can make the difference. And this is where does multistakeholder platforms play a role. Because they should promote collaboration” (Interview, n. 6).

What can be seen from the interviews confirms the major role of alignment and sector engagement played by multistakeholder platforms identified in the theoretical framework. Furthermore, JDE insists on the coordination role that those platforms should carry on by promoting collaboration among the coffee stakeholders.

These multistakeholder collaborations vary in composition and scope. In paragraph 3.4.3, the Global Coffee Platform was introduced and briefly described as a new phenomenon to coordinate and encourage pre-competitive activities which allows to address together major issues along the coffee supply chain. On the GCP website, they mention a “new era where sustainability is a shared responsibility”(Local Action Global Results, 2022).

In this paragraph, GCP actions will be further analyzed in relation to the role played in the JDE RS strategy, and more memberships will be briefly presented. Based on the data collected, it is possible to affirm that the GCP is the most relevant among all the multistakeholder collaborations in terms of money and efforts invested by JDE, which is a (founder) member, and its Sustainability Director sits on the board.

Despite being a multistakeholder platform where different actors (including NGOs) sit on its board, GCP has become the point of reference for the coffee industry sector. This emerges clearly in several interviews: *“the GCP that defines as an industry, what are the basic criteria we need to achieve to do*

sustainable coffee production” (Interview n.6) ; *“through the GCP [...] we have a common code as an industry that we all refer to”* (Interview n.3).

The data collected confirm what was identified in the theoretical framework, which is the crucial contribution of GCP to a valuable information-sharing, alignment on the meaning of sustainability in coffee and prevention of duplication of efforts in the sector which allow the exploitation of the industry’s full potential. Moreover, through the GCP, the discourse about sustainability and needed changes in the coffee supply chain has been leveraged at a sophisticated level, proving a great sectoral awareness.

One of the main achievements of this platform is the elaboration of a Coffee Sustainability Reference Code, a common framework for all the stakeholders in the coffee sector “to foster better understanding of principles that support baseline sustainable coffee production”(Local Action Global Results, 2022) and addressing ongoing challenges and concerns.

JDE responsible sourcing principles were tailored to Coffee Sustainability Reference Code, as a further confirmation of the central role played by GCP in defining a common understanding of sustainability in the sector.

Another positive aspect noticed within many GCP actions that confirm the tendency identified in the trend number three of the theoretical framework, is the notable effort made by the platform to include coffee producing countries’ institutions and to support local ownership for an enabling environment for sustainable coffee production in origins. Differently from the other trends previously described, involving producing countries through their institutions, public and private bodies, embraces a potential to change the power imbalance that have characterized the coffee value chain so far. It might empower producing countries involving them in decision-making processes at international level (e.g., the discussion about minimum prices for coffee), in Public-Private and Multistakeholder projects to address the main issues in coffee and giving a voice to national governments. All that could lead to a change in the value distribution across the coffee supply chain. However, GCP is quite young, and it is still too early to address its effective contribution to sector sustainability and power redistribution.

Among the initiatives promoted by the GCP to work collaboratively, leveraging the possibilities of the coffee industry, the Collective Action Initiatives (CAI) stands out.

In general terms, collective action refers to voluntary contributions by individuals or organizations into collective efforts aimed at achieving a common goal (Poteete and Ostrom, 2004). Collective action initiatives are also called “pre-competitive collaboration” when they are realized within the business sector. They entail horizontal non-market coordination mechanisms where multiple business actors, voluntarily and collectively, join forces with NGOs and/or government(s) in cross-sectoral partnerships,

which are expected to be more effective in solving the complex sustainability challenges. These initiatives are intended toward enabling business partners to look beyond their individual competitive agendas and work together in 'pre-competitive' partnerships, i.e., working with their competitors on non-competitive issues, such as sustainability challenges they (collectively) face in their supply chain. JDE has been involved in several of the GCP Collective Action Initiatives (CAIs). The main aims of these actions are to identify and prioritize critical issues at coffee origins that negatively impact coffee farmers and joint efforts across the industry "to address systemic priority issues in the supply chain that go beyond a single supply chain approach" (Annual Report, 2021, p. 45).

"GCP Collective Action Initiatives address selected priority issues and coordinate local and international stakeholders, the resources, and the expertise needed to collectively address and act on them" (Collective Action Initiatives, 2022). These issues are jointly identified by the members of the platform and should be representative of their different perspectives.

The results of these actions are shared among the local and global coffee community to promote a scaling and replication at the coffee field level and encourage their adoption into government and company policies, making input resources more effective.

Currently, JDE is an active participant and funder of four of these pre-competitive projects in Brazil, Vietnam and Uganda, addressing the safe use of agrochemicals (Brazil and Vietnam), social well-being and working conditions (Brazil), and the renovation and rehabilitation of farms (Uganda).

A critical aspect that was raised in some interviews is that these initiatives tend to proceed really slowly, considering that several actors from different spheres (state, market and civil society) have to agree upon many aspects such as "what do we want to do? Where do we want to do it? How do we want to do it?" (Interview n.2). Moreover, coordinating so many diverse players, holding different and sometimes contrasting interests, can be challenging.

Other platforms that were encountered during the data collection are: the World Coffee Research (WCR), the International Coffee Organization (ICO) and the OP2B Platform.

The WCR is a research body financed by the global coffee industry to drive science-based agricultural solutions that ensure the future of a diverse and sustainable coffee.

The ICO is a Coffee Public-Private Task Force whose main goal consists in achieving a prosperous, sustainable and inclusive coffee sector through a collaboration between public and private sector. An interesting piece of information that arose during the interviews is that JDE is one of the first signatories of the ICO London Declaration on the economic sustainability of coffee, in 2019. The declaration comes after the ICO issued Resolution 465 on 20 September 2019, which states current

coffee market prices do not allow coffee growers in most producing nations to cover production costs. It indirectly recognizes also how the distribution of benefits in the coffee supply chain is uneven. These are crucial issues that have finally been admitted at sector level. Acknowledging this issue, the resolution commits to seven actions, including the promotion of a dialogue among all coffee stakeholders in the coffee value chain and the launch of a global communication program aimed at consumers, producers and the wider coffee industry. Due to the limited time and resources available for this research, it was not possible to deep dive into this topic. However, it might be relevant to investigate the concrete actions taken to implement the declaration and their impact and how the new role taken by governments (especially the ones in producing countries) in regulating sustainability in coffee looks like.

Finally, JDE is a member of One Planet Business for Biodiversity (OP2B) which is an international cross-sectoral, action-oriented business coalition on biodiversity with a specific focus on agriculture. The coalition claims “to drive transformational systemic change and catalyze action to protect and restore cultivated and natural biodiversity within the value chains, engage institutional and financial decision-makers, and develop and promote policy recommendations for the 2021 CBD COP15 framework”(OP2B, 2022).

5.2.1.3 Trend 4: An industry-led re-definition of sustainability – JDE Smallholder Engagement Program

Before the launching of Common Grounds strategy in 2018, 80% of the coffee bought by JDE was bought as conventional coffee.

“Being the world’s leading pure-play coffee and tea company comes with great responsibility to ensure the resilience of the global coffee supply, in an authentic, inclusive and regenerative way” said Fabien Simon, the CEO of the company (JDE, 16 May 2022). JDE needed to demonstrate they were doing something to look at these volumes responsibly, that they were doing their due diligence with a plan in place to address potential and effective risks in sourcing countries.

In order to become accountable for the sourced volumes of coffee that is not certified/verified, JDE in partnership with the Rainforest Alliance has developed the Common Ground program (now called Smallholder Engagement program), an initiative to involve their suppliers and other stakeholders to identify and tackle the most important social and environmental issues in coffee origin countries.

It focuses on smallholders in the coffee supply chain, aiming to evaluate and mitigate risks while improving agricultural practices and farm profitability. The improvement strategy to address the sustainability within the volumes of conventional coffee purchased is composed by four actions:

- 1) SAF (Suppliers Self-Assessment) designed to map JDE supply chain – it is a questionnaire form that JDE’s suppliers need to fill in every two years. The data collected helps JDE to understand

what is occurring on the ground and to better understand the upstream part of the Coffee Global Value Chain, the main issues and risks perceived by suppliers in their sourcing regions.

- 2) OIA (Origin Issues Assessment) developed to identify priority risks in origins – It is a “desk-based ‘early warning system’ identifying potential issues related to coffee production in a country for each of the 23 JDE Common Grounds Responsible Sourcing principles” (OIA Guatemala, 2022, p. 2).
- 3) Farmer program (also referred to as continuous improvement program, on the ground projects, farmer projects) implemented to improve the social, economic and environmental conditions in the countries that JDE sources from.
- 4) Monitoring & Evaluation of the projects implemented in order to measure the impact and keep improving the actions.

A criticality, noticed by the author while she was performing her internship, is the weakness of the methodology proposed by the Smallholder Engagement program. In reality, a linear methodology cannot be followed easily. Sometimes, project opportunities come before completing the assessment of the sustainability issues in a country. Thus, projects might not address the right issues. In addition, there is a limited monitoring and evaluation system of. Most of the M&E (Monitoring & Evaluation) reports are inherited from project partners, so indicators are not aligned and the measurement of the overall program becomes infeasible. Often, they cannot consistently and accurately document levels and distribution of benefits that accrue to various actors in the value chain. Furthermore, JDE engages with their suppliers (traders) through SAFs questionnaires, which are a further support to identify sustainability issues on the ground and adjust projects’ objectives based on that. However, the SAFs process lasts two years and JDE needs to reach a certain number of farmers every year, This means that there will always be a misalignment in terms of time between the information collected through the SAFs and the project priorities chosen.

Until May 2022, JDE has implemented mostly supplier self-assessments together with country-wide third-party Origin Issue Assessments to evaluate risks in its coffee chain. These two tools are first party verification (internal) which provides a much lower level of oversight than external verifications. Furthermore, it is developed internally without an external and independent audit, which makes these tools less reliable. In 2019-2020, 33% of conventional coffee purchased by JDE was from origins where Rainforest Alliance has not conducted an Origin Issue Assessment, and 5% of conventional coffee purchases were not accompanied by a Supplier Self-Assessment (Cordes et al., 2021).

The smallholder engagement program is the main action of the JDE Responsible Sourcing Strategy, “a core element of our approach to responsible sourcing, designed to address the primary sustainability challenges in the countries that grow our coffee & tea and to improve the livelihoods of smallholder

farmers” (JDE Peet’s, 2022) as it is described on the website. This type of intervention is justified through the fact that many smallholder farmers cannot access sustainability certifications because of the small size of their land, the remote location of their farms, the high investment costs required, etc. Furthermore, the company argues that many sustainability challenges are too complex and goes beyond the capacity of single actors in the supply chain. In order to achieve systemic changes, they believe in the power of collaborative actions involving all the stakeholders along the chain and encouraging a continuous improvement approach. In this paragraph, the author will describe the main actions encompassed by the Smallholder Program applying the trend number four presented in the theoretical framework (an industry-led re-definition of sustainability). The main aim is to understand the impact of JDE on-the-ground projects on the sustainability of the JDE Coffee Global Value Chain.

In partnership with suppliers, development agencies, and NGOs, JDE is currently running 54 ongoing farmer improvement projects (about 43 are coffee centered) in 18 origin countries that engage smallholders. In the Annual Report 2020, the ratio behind these projects is described as follows:

“JDE aims to increase the productivity, profitability, and sustainability of smallholders in the supply chain by improving their capacity to adopt Good Agricultural Practices (GAP), providing business and financial training, increasing access to critical inputs and cost-efficient services. In the long term, increasing yields and diversifying sources of income will lead to increased incomes at household levels, which in turn, will contribute to greater investments to improve livelihoods, such as investment in education that spurs off-farm employment and eases pressure on land resources.” (Annual Report 2020, p.60)

It appears clear how this *modus operandi* fits perfectly the land sparing approach presented previously in accordance with which sustainability can be reached by increasing yields and lowering input costs while containing increases in production surface (Phalan et al. 2011). This approach is the one adopted by the majority of the coffee industry sector and by the Global Coffee Platform, whose coffee sustainability reference code was used as base to develop JDE Responsible Sourcing Principles. It mostly emphasizes economic sustainability, focusing on practices that increase the yield and, in this way, the farmers’ income. Environmental sustainability is mostly seen within this business approach as a tool to pursue the increasing of the yield and thus not oriented to regenerate the ecosystem. It promotes practices such as lowering chemical inputs and pesticides (Phalan et al. 2011).

Furthermore, this method is perfectly in line with the current approach in the governance of sustainability within the coffee sector, where GVC lead actors mobilize resources and tools to promote efficiency and remove value addition constraints to expand the access to the GVC. Since the expansion of the GVC is primarily driven by the private sector (buyer-driven value chain), resources and tools to

tackle these constraints and promote efficiency are expected to come from there. Therefore, in most farmer projects, JDE asks their suppliers to provide training to farmers about Good Agricultural Practices and other topics covered by its responsible sourcing principles such as soil, water, and farm management practice.

Under the umbrella of the Smallholder Engagement Program, there are several kinds of initiatives with farmers developed in partnership with suppliers, NGOs, and governments to tackle sustainability issues in coffee origin countries. However, regardless of the typology of partnership or the number of partners involved, these projects carry the same approach and implement similar actions.

The majority of these projects are developed in partnership with traders (JDE's suppliers). JDE is a roaster company, and they buy their raw materials from trading companies that source commodities in origin countries. Traders represent a crucial part of the JDE value chain and since they operate where commodities are produced, they have a better understanding of the social and environmental issues.

These initiatives are the core part of JDE supplier engagement strategy and due diligence approach. They foster closer relationships with suppliers and consist in providing information, technology, and input to producers. A typical farmer intervention includes provision of training about Good Agricultural Practices (GAPs), technical assistance by agronomists to foster and implement these practices, farm management and income diversification, and financial literacy. In addition, sometimes these programs are associated with provision of community based social services like building schools or infrastructures such as roads. Through their farmer projects, JDE provides smallholders with access to knowledge and training, information about market's access and marketing and encourages the strength of farmers organizations. These actions should eventually lead farmers to an increase in yield productivity and quality, a better access to market and finally achieve a higher income.

It can be noticed how the farmer initiative puts a lot of emphasis on the role played by suppliers, and the company used to refer to the farmer program mostly as "suppliers engagement initiative". This clearly highlights the power imbalances across the global coffee value chain previously described, and it makes explicit that roasters and traders are the lead actors in the coffee value chain, controlling the power. An additional confirmation of that comes from a strong declaration of a JDE associate whose referred to this power unbalance with the following words:

The farmers, and this is life, will never be...will never have the power of negotiation that an exporter or JDE has, and that's just the world . You know,...Do we want, do we want to empower them so much? It wouldn't be a [profitable] business for us. (Interview n. 2)

JDE on-the-ground projects are fully aligned with the trend number four previously described in the theoretical framework (Industry-led on the ground initiatives) which sees the recent evolution in the

coffee industry sustainability shifting away from third-party certifications and increasingly embracing the concept of continuous improvement. These non-certification commitments consist of on-the-ground projects led by industry actors such as roasters and traders, which take the ownership of the sustainability within their supply chain.

The collaboration with traders “is the most effective way, and it's usually the fastest way” (Interview n.3). The reasons behind this statement are several. Firstly, traders have a strong presence at the local level, which means they know the supply chain, including transparency and traceability, the struggles of farmers and the most urgent sustainability issues. Secondly, they already have infrastructures on the field (e.g., washing stations) that makes more practical and less expensive the implementation of projects. Furthermore, traders are the ones sourcing coffee, so they have direct contact with coffee producers. This direct relationship makes it easier to reach farmers when it comes to involve them in training programs, helping JDE to plan these trainings based on local sustainability issues. Finally, managing partnerships with one’s own suppliers is easier for two reasons: because “it's JDE Pete's and the supplier with the farming community...really quick to align, really quick to set things up, super-efficient in terms of reporting, and you don't need to involve so many people” (Interview n.3); and because there is already a business partnership for the sourcing of coffee.

Another advantage of working with traders that has emerged from the interviews is the fact that it guarantees the long-term sustainability of the project. They have a strong economic incentive in co-investing in their own supply chain, training farmers while addressing sustainability issues, because they will be on the ground for many more years whether JDE buys their coffee or not. This was clearly expressed by a JDE associate:

“These are companies that need to work with that supply chain in order for their business to be successful. When you do the way JDE does their sustainability strategy, whether I'm here or not, HonduCafe, Simexco, Comexin will always be in origin”(Interview n.2).

These words were further expanded and connected to the JDE Smallholder Program by another JDE employee:

“This strategy in sustainability is more about being able to impact the supply chain itself, or in a specific region. Even if we don't get that coffee, I think that's the strategy in every company” (Interview n 4)

This statement makes clear that the industry tendency is about improving the whole coffee global supply chain, regardless if it’s one’s own chain or not. In line with this trend, JDE, in its last Annual Report (2021), declared that: “We engage with our suppliers on continuous improvement in the coffee

supply chain, regardless of whether the green coffee we purchase is certified or not” (Annual Report, 2021, p. 60).

JDE engages with the farmers on the ground to improve their supply chain, so ultimately for business profit reasons. In this regard, a member of Rainforest Alliance used the following words to describe the farmer program:

“I don't even think they should be called “farmer projects”, they call them improvement projects, but Common Grounds really started as a supplier engagement program. It wasn't even a farmer. It was engaging with suppliers to understand issues and funding projects in combination with suppliers, oftentimes, at a local level” (Interview n. 1)

Although they do not buy coffee from their projects (this point will be discussed thereafter), they are ensuring the coffee stock in general and (through some specific projects) the availability of certification schemes they need for some of their brands.

Guaranteeing a constant availability of coffee means securing constant coffee prices; increasing the availability of coffee through increasing the productivity of coffee plants means even cheaper prices for the industry sector (Law of Supply and Demand). These deductions are confirmed by the words of Bitzer (2012):

“Partnerships with (...) development actors are among the most common means to exploit these market opportunities [the market opportunities of availability of coffee and ethical products] and secure supply, while demonstrating ethical business behavior” (Bitzer et al. 2012, p. 15).

Another critical aspect linked to what has just been discussed is the disconnection between departments' strategies and priorities, specifically between the sustainability and the procurement departments and between the International Headquarter (IHQ) and the regional teams in sourcing countries. During the six months the author spent working for the company in the sustainability team, she realized that the priority of procurement was purchasing the coffee at the best price. This attitude is perfectly described through the words of a JDE associate during an internal meeting, transcribed by the author on her field notes: “a big problem with JDE, you can see it with other coffee companies as well, but with JDE...is it has a volatile supply chain. They're opportunistic buyers” (Field note, 5 April 2022). For instance, one would expect that, in order to “close the circle” of the responsible sourcing strategy, it would make sense for JDE to buy the coffee from those farmers with whom they have conducted the continuous improvement projects. This would make sense in terms of linking their responsible sourcing initiatives to their procurement activities. Furthermore, it would allow the company to guarantee a full traceability of the coffee purchased. However, JDE does not buy the coffee

produced within their own farmer projects. One of the reasons is because this coffee has become too expensive due to the improvement actions that have increased the quality and the sustainability. This approach has also been criticized internally. In an informal conversation, an employee expressed his disappointment as follows:

“Ideally it would be you train them, you buy that coffee, but then it all depends on the strategy of each company... OK, JDE buys the cheapest of the cheapest of the cheapest.”(Fieldnote, 20 May 2022)

When this topic was raised by the author during the internship, the reason provided by the company for not buying coffee directly from their on-the-ground projects is because they want to allow farmers to be free to sell their coffee on the market to the highest bidder and thus getting the better price for it. They do not want to exploit farmers, obliging them to sell their coffee to the company that has financed their training or provided them with agricultural inputs, avoiding a dependency relation.

Another disconnect is the one between what is discussed in the headquarters in terms of strategies, and what is done at a regional level. At headquarter level, the company needs to show commitments and sustainability reporting data to their stakeholders. At a practical level, they have to prove they have been reaching a certain number of farmers through their projects, they want to show numbers demonstrating the impact of these projects. All of that, whereas the regional teams implement activities on the field involving themselves with farmers and their everyday struggles and try to make the difference. The most common complaint heard by the author from JDE regional staff is the lack of money to make sure farmers are supported individually and effectively.(Field note, 15 June 2022)

The last aspect of farmer projects analyzed is the impact of projects’ activities in promoting changes in production practices. Although this topic could seem a bit technical and specific, it raises important points for further considerations. The following reflections have been built according to the data collected and the experience the author got working on a daily basis on farmer projects in close collaboration with the agronomists of the regional teams.

The rate of adoption of Good Agricultural and Sustainable Practices will “likely have different implementation outcomes based on their opportunity costs for farmers, the necessary trade-offs with the goal of profit maximization, and the presence of a contraposition between market incentives and regulatory enforcement” (Grabs 2020, p.127) The majority of sustainable practices take time to pay off in terms of increased quality and productivity. A representative example is the practice of pruning and stumping, specific techniques consisting in cutting all the main stems of the plant to encourage vigorous new growth. Therefore, the plant will take on average three years to start increasing the yield and in the meantime the farmer cannot rely on the usual coffee income due to the missed harvest.

A first critical aspect is that most of the time, farmers need to invest in sustainable practices, but they cannot afford to deprive themselves of the income coming from coffee. This was expressed in simple words by a JDE associate during an interview:

“Farmers do not have money in their pocket and the implementation of GAPs requires money. For instance, when you tell a farmer don't apply an agrochemical, instead mulch manually, that means that person needs to either hire someone to do everything manually, or he has to do it and invest two to three days. When you apply an agrochemical, you can do that in one day. It is easier for our farmers to implement good agricultural practices when there's good money”(Interview n. 4).

Another important consideration that needs to be taken into account is the project duration. The majority of farmer projects last three years, and the company needs to show the impact of the money they have invested after the end of a project. However, bearing in mind that many sustainable practices take years to pay back, it appears clear where the conflict between the company expectations and the reality on the field arise. This was explained by a JDE employee in an interview as follows:

Sustainability is a long term journey... And that's one of the reasons, you know, we don't get along with the ExCo [Executive Committee of JDE], because they want to invest in a three years project and seeing results when the crop itself needs at least two years to have the first harvest in the majority of varieties (Interview n.2).

Finally, another factor impacting projects' results is the time needed to change the mindset of farmers. The adoption of sustainable practices and behaviors require a change in producers' approach and to convince them to implement those practices takes time, effort, and constant support over the years. Nevertheless, a company does not invest enough time and resources to follow farmers in a mindset transition towards sustainability. Instead, projects' activities include a one or two days training and a visit to the farm, which is clearly not enough to support this process.

To conclude, farmer projects also bring positive aspects. The majority of farmers have increased at least 30% their yield after taking part in projects' activities; the quality of their coffee is increased giving them the chance to sell it for a higher price; they have a better access to market due to the increased quality, the collaboration building activities promoted by projects and to strengthen of the supply chain (Interview n.2 and n.3).

6. Discussion

6.1 Reflections on results

The subsequent sections will summarize and explain the main findings by linking them back to the theoretical framework presented in the first part of this work. It will furthermore discuss ways in which the company could improve the responsible sourcing strategy to be more aligned with the solutions suggested by the sector. Moreover, the paragraph will introduce new and relevant trends that have been arising within the governance of sustainability in the coffee sector. It will conclude by presenting the limitations of this study and by recommending pathways for future studies.

The analysis of the results aimed to provide an answer to the research question about to what extent JDE responsible sourcing strategy contributes to promote sustainability within the global coffee chain.

The literature review helped to frame how a sustainable coffee value chain looks like. It also answered the sub-question about how sustainability is governed in the coffee sector and the current trends followed by the lead actors.

The work then analyzed JDE Sustainability Sourcing strategy to gain an understanding about the role of the private sector in contributing to a more sustainable global coffee chain. In the analysis, the author first described the JDE Global Value Chain, its input-output structure and geographical scope to contextualize the case study. Afterward, she introduced the governance of the JDE supply chain and focused on how sustainability is governed over the chain. The analysis deep dived into the main actions implemented by JDE through its Responsible Sourcing strategy and compared them with the main trends carried out by the sector.

The main findings emerged from the case study are the following:

The input-output structure, the geographical scope and the governance of the JDE Global Value Chain confirm how the coffee chain has become “buyer driven” with international traders, retailers but most of all roasters like JDE, emerged as the lead actors in the chain. Farmers are subordinated to these powerful actors that control the production networks and decide what, how, when and how much is to be produced. The main actions implemented by JDE through their responsible sourcing strategy do not question and, ultimately impact, the structure, and asymmetries caused by the unbalanced power between producers and buyers. Quite the opposite, it was noticed how, through these actions, the company keeps exercising its power over the chain about what should be produced and how, perpetrating the inequalities among the actors. This is evident for instance in the way farmer projects are implemented, through a top-down management where traders are the main partners.

The choice of the GVC framework was particularly relevant for two reasons: 1) it allowed to shed light on the power imbalance characterizing the Coffee GVC, including the JDE's one; 2) the form of *governance* of global value chains introduced two key concepts, extremely relevant in the mainstream approach of the governance of sustainability: market entry barriers and chain coordination. Therefore, within the industry, there is a consensus among different actors (business actors, governmental actors, NGOs and international organizations) about how the main sustainability challenges should be addressed by promoting the expansion of the GVC driven by the private sector. Removing entry barriers to market should be done by companies which provide resources and tools to guarantee smallholders access to market, training, finance while building better coordination and collaboration among actors.

The next step was to identify the most popular trends in the governance of sustainability in the coffee sector and compare them with the main responsible sourcing initiatives implemented by JDE. It was revealed how their strategy covers three over the four trends presented, proving to be in line with the current tendency of the sector. From a deeper analysis, it emerged how every action is aligned with the characteristics of that specific trend.

The purchasing of certified coffee, which is one of the pillars in JDE responsible sourcing strategy, has been instrumentalized by the company for several purposes. Firstly, behind the procuring and retailing of certified coffee there is the intention to meet customers' needs and ultimately a business interest. Secondly, certification is strongly affected by the market rules of demand and supply, exposing farmers to uncertain market conditions which affect them and the investments they have done to comply. Finally, it represents for JDE a straightforward option to comply with human rights, due diligence and deforestation policies without committing themselves first hand. They restrict themselves to simply purchase certified coffee without engaging in actions to improve the coffee chain.

A separate reflection was done for JDE volumes verified by Envritas, since their mechanism does not fit the characteristics of the trend number one, the instrumentalization of third-party certification and verification. The approach implemented by Envritas can be considered innovative in many aspects. It maps the specific supply chain of JDE, informing them about the issues found across the chain. It links effectively with the trend number four about industry-led on-the-ground initiatives (corresponding to the JDE smallholder engagement program) since part of the strategy, the continuous improvement, relies on farmers' projects to address the issues identified mapping the coffee chain. Likewise, it is more inclusive since it does not charge farmers, and it involves them regardless of the size and the location of their land. However, this method does not challenge the power imbalance of the coffee chain, since roasters remain the ones in charge to provide tools and resources to farmers in order to

allow them to participate in the GVC. Moreover, it does not affect procurement strategies and there is a substantial risk for this scheme to be instrumentalized by roasters in order to obtain easy and fast sustainable claims. Therefore, the partnership with Enveritas has allowed JDE to increase from 30% to 80% of its responsibly sourced coffee in a few months.

The second trend, own-company and trader implemented schemes, does not apply to JDE because they do not own any in-house scheme, so it was not further analyzed.

The JDE's responsible sourcing strategy is fully aligned with the third trend introduced in the theoretical framework, hence JDE is active in a broad set of multi-stakeholder platforms and initiatives designed to promote sustainability in the coffee sector. The case study analysis confirmed the major role of alignment and sector engagement played by multistakeholder platform. It focused mostly on the Global Coffee Platform (GCP) to which JDE is a founder member and sits in the board. The data collected confirmed GCP's crucial contribution to an information-sharing strategy, alignment, and prevention of duplication of efforts within the sector, promoting the exploitation of the industry's full potential. Moreover, a remarkable role played by the platform is the effort to include coffee producing countries' institutions in the main actions and discussions within the sector and the willingness to support local ownership. Through its membership in the ICO (International Coffee Organization), JDE has signed the London Declaration on the economic sustainability of coffee that has finally aroused the issue of current coffee market prices, which often do not allow coffee growers to cover production costs. Despite this has been recognized as a remarkable initiative taken by the company, it is pretty recent, and it was not possible to investigate further on the potential impact that this might have on the sector.

Finally, a greater emphasis was put on the farmer program initiative, the most relevant action of the JDE responsible sourcing strategy. Through the analysis, it was found an adherence of the methodology applied in the program to the land sparing approach adopted by the majority of the coffee industry sector and by the Global Coffee Platform. It appears to be also in line with the current approach in the governance of sustainability within the coffee sector, where the most powerful actors of the GVC should encourage a better value distribution. This should be done by removing constraints to market access through the provision of tools and resources. Hence, on-the-ground projects consist of training farmers on GAPs, providing inputs and technologies and promoting horizontal collaboration. The smallholder program represents a meaningful example of the industry-led on the ground initiatives described by Grabs (2017). This trend describes the recent evolution in the coffee industry sustainability, shifting away from third-party certifications and increasingly embracing the concept of continuous improvement.

A reflection emerged during the analysis was the utilitarian reasons of JDE to engage with farmers on the ground. These projects foster the improvement of the coffee supply chain, ensuring the coffee stock in general and (through some specific projects) the availability of certification schemes they need for some of their brands. Furthermore, guaranteeing or increasing the availability of coffee will ultimately secure constant or cheaper coffee prices (Law of Supply and Demand). Another critical aspect revealed through the study is the disconnection between the strategies implemented by the sustainability and the procurement departments. The priority of procurement is purchasing the coffee at the best price. This is one of the reasons why JDE does not source the coffee produced within their own farmer projects, which turns too expensive due to the improvement actions that have increased its quality and sustainability.

The last aspect of farmer projects investigated was the impact of projects' activities in promoting changes in production practices. The implementation of GAPs are negatively affected by the farmers' lack of money to invest in them and the uncertainties of the return of these investments due to the demand fluctuation in the market. Moreover, the short project duration doesn't meet the timing required by sustainability practices to pay back, and it creates a mismatch between the company expectations and the reality on the field.

To answer the last sub question about the contribution of the JDE Responsible Sourcing Strategy in promoting sustainability, it could be stated that, according to the sectoral understanding of sustainability, overall, their strategy is on track. Thus, it fits perfectly in the approach pursued by the coffee sector, contributing tremendously to boost the sectoral sustainability. This is also confirmed by the high scores obtained by JDE in the main coffee sustainability rankings (Morningstar Sustainalytics, October 2022). Therefore, to fully comply with the main trends within the industry, there are some actions of the Responsible Sourcing strategy which could be improved and new initiatives that could be implemented. Firstly, a crucial point concerns the improvement of vertical coordination within the JDE supply chain and the embedment of the responsible sourcing strategy into the one pursued by procurement. This could be achieved by building long term relationship and purchasing commitments to producers and producers groups; source a share of their coffee volumes within JDE Smallholder Engagement program; commit to pay sustainability differentials to producers supplying through JDE farmer projects; make a commitment on living income for producers and on living wages for farmworkers.

Despite all these reflections, it must be made clear how all the current trends do not "grant [the] Nonstate Market-Driven system the authority to govern"(Bernstein and Cashore, 2007); rather, the efforts of all the actors are aimed at reclaiming the definitional space and implementing initiatives aligned with their own rationales (which for traders and roaster is the enhancement of a continue

access to good coffee through productivity and quality; while for growers is represented by higher and stable prices).

At this point of the research, it has to be stated how the discourse within the sectoral trends is strongly embedded in a capitalistic framework. This is proven by the GVC approach, which gets all the actors to agree on the expansion of the Global Value Chain as the main driver to promote an inclusive and sustainable coffee sector. In a private sustainability governance perspective, the role of the market and its potential to create profit is at the core of the set of norms, rules, and practices to be adopted. What needs to be improved is how the value across the chain, in terms of economic benefits, participation, empowerment and equity, is shared. This clarification is necessary to understand that the approach presented in this thesis is just the mainstream one and does not exclude the potential for alternatives. However, in this research there was not the possibility to explore different pathways towards sustainability in coffee outside the most popular and conventional initiatives, because of time and resources constraints. Furthermore, the main aim of the work was to investigate the current trends in the governance of sustainability and the role of MNCs in contributing to it.

It furthermore proves how sustainability has become a buzzword which can be interpreted differently by different actors in different times.

6.2 Possible future scenarios of sustainability in the sector

According to what has been discussed so far and to what the author could experience during her internship, there are some desirable changes that might improve the sustainability within the coffee sector.

The first one concerns the role of the state. National governments in producing countries should be more involved in sector discussions and develop national and (sub-)regional sustainable coffee strategies to help them regulate the production and sourcing of coffee. Supranational organizations, such as the EU, should set and enforce policies and regulations to oblige MNCs operating at transnational level, to become accountable “from bean to cup”, in all the stages of their global supply chain. At this regard, there have been some improvements lately at European level with the approval of a new Regulation on deforestation-free supply chains within the European Green Deal (COM(2021) 706, https://environment.ec.europa.eu/publications/proposal-regulation-deforestation-free-products_en) and the release of Mandatory Human Rights and Environmental Due Diligence Directive (2022/0051(COD) <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022PC0071>) by the European Commission. It seems that the sector is going towards the scenario number four suggested by Bernstein and Cashore (2007) characterized by a mix of market-driven initiatives and

regulatory options. However, it is too early to measure the impact which these new policies and regulations could have in the near future, on the sector.

The second reflection is related to setting minimum prices to regulate the coffee market which, after the collapse of the International Coffee Agreement (ICA), has been characterized by high volatility (Ponte, 2002) exposing coffee producers and farmworkers to a precarious revenue situation. The coffee industry should take a conscious decision, lobbied by the civil society, to pay a minimum price which allows farmers to cover their costs. The governments, especially in sourcing countries, should create an enabling environment to press traders and roasters through laws and regulations on coffee export to pay fair prices.

Finally, the industry sector should invest more money in sustainability. In addition to complying with international and national regulations and laws, lead actors like roasters and traders should financially sustain the adoption of sustainable practices, investing more money at farm level. Furthermore, they should subsidize more research and multistakeholder initiatives, especially in the field of promoting the resilience of the coffee sector.

6.3 Limitations of the study

The reader should bear in mind that there are some limitations related to this research.

The first relates to the position of the author when she collected the data. The research was conducted within the company while the author was performing an internship. Despite this position having provided her with a privileged point of view, the perspective might have been partial and not fully representative of the whole sector.

Furthermore, even though she managed to interview experts from two NGOs, bringing into the research a different angle, it must be taken into account that both organizations currently have a partnership with JDE, involving financial interest. For this reason, it should be assumed that the information collected is not fully objective and impartial.

Finally, due to time and resources limitations, the author could not travel to origin countries, visit a project on the ground and talk to farmers which would have added a point of view of powerless actors of the coffee chain.

Despite the aforementioned limitations, the study provides an accurate and representative picture of the current trends in the governance of sustainability within the coffee sector, from an industry perspective. It also introduced new developments that might be interesting to deepen.

6.4 Recommendations for further research

This section enlists the recommendations of the study. The purpose is to offer ideas on how the findings of this work could be implemented in academia to further this field of study

As a growing number of roasters have been increasingly investing into their own on-the-ground projects (trend four), which are complementing and possibly even substitute the current certification and verification schemes, their impact should be measured carefully. This involves the implementation of reliable Monitoring & Evaluation systems with strong baselines and a consistent impact evaluation over the years. Moreover, trustworthy collaboration between the academia and companies could provide support for a more reliable evaluation of the industry efforts.

A recent trend which should be further analyzed in the next few years is the potential role of the state in regulating the sustainability in the coffee sector by providing a stronger institutional framework. There have been some developments at supranational level with the new EU regulations about deforestation (COM(2021) 706), human rights and due diligence (2022/0051(COD) approved in 2022 . It might be interesting to study how they will be implemented at industry level.

Furthermore, it could be meaningful to investigate the potential of national governments in sourcing countries to regulate the coffee production and export. Finally, the author believes it is relevant to understand how these governments could be empowered and involved in sector discussions, organizations, and platforms to give more voice to the less powerful actors of the chain.

Additionally, another event which might impact the sector, depending on how it will evolve, is the London Declaration (2019), on price levels, price volatility and the long-term sustainability of the coffee sector. For this reason, the actions undertaken under this declaration by the industry and the potential commitments could positively impact the sustainability in coffee, especially concerning economic sustainability and minimum wage.

Finally, the author has reasons to believe that the verification scheme proposed by Enveritas could play a bigger role in the near future within the governance of sustainability in the coffee sector. Therefore, it should be interesting to examine the impact of the methodology they suggest on the coffee sustainability in the next few years in order to understand if it will be instrumentalized by roasters or if it will really “end global poverty in the coffee sector by 2030” (About us, 2022) as they claim.

7. Conclusions

Coffee is one of the most traded and valuable agricultural commodities worldwide, and it represents a major source of revenue for 25 million mostly small-scale farmers (Samper & Quiñones-Ruiz, 2017). Produced in the Global South and consumed in the Global North, it is also “a palpable and long-standing manifestation of globalization (Topik & Clarence-Smith 2003, p.1)”, a link between two worlds characterized by inequalities.

In recent years, the sector is facing great challenges in terms of environmental, social and economic sustainability. National governments and supranational bodies have not been able to address these issues at transnational level, across the coffee global supply chain. This left a regulatory gap which has been filled by private initiatives.

The main goal of this research was to understand how MNCs, in particular roasters, contribute to govern sustainability through Nonstate Market-Driven (NSMD) initiatives embedded in their sustainability strategies. The study focused on JDE’s responsible sourcing strategy, one of the three pillars of their sustainability program, and to what extent it contributed to promote sustainability within the global coffee chain.

To assess the role played by JDE, the author decided to combine the Global Value Chain (GVC) framework with the Nonstate Market-driven (NSMD) sustainability governance.

The combination of these two frameworks allowed us to understand how the global coffee chain is structured, who the lead actors are and how the chain is governed. Since supply chain sustainability is strongly dependent on main industry actors’ commitments, involvement and priorities, understanding the actors, their dynamics and the underlying distribution of power across the chain is necessary to analyze the sectoral governance of sustainability. The frameworks provided a lens showing how none of these initiatives challenge the status quo of a commodity sector characterized by the currently prevailing model of neoliberal capitalism. On the contrary, the solutions proposed fit the present system, advocating for the expansion of the GVC as the main driver to address sustainability challenges.

With this in mind, the next question arising might be what should be done to end producer exploitation while improving the environmental impact of coffee production. The author wonders whether this would even be possible. She believes that it is unlikely trying to find answers under the present circumstances, within the current capitalistic system. The solution will not be found around market-driven initiatives nor through a stronger state intervention. Instead, the world economic system should change significantly towards more equal power relations, in order for the producers (not only in the coffee sector) to escape their disadvantaged market position. Furthermore, the idea of an infinite growth of consumption should be abandoned in order to stop the environmental deterioration.

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