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# Ethics and Environment in the Coffee Sector – Linking CSR to the Consumer's Power in the Context of Sustainable Development

A case study of Lönbergs Lila

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## ABSTRACT

Coffee is a much enjoyed everyday-luxury in many parts of the world. It is not only enjoyed as a stimulant but also for social activities. “Fika” is a Swedish word which is difficult to translate and basically means to-have-coffee-with-friends. Coffee is so loved in Sweden that the average Swede consumes about nine and a half kilogram per year. But coffee often comes with a bitter aftertaste of environmental degradation and social injustice. Pesticide use is one of the environmental problems; some of the most dangerous ones are used in coffee productions. When it comes to social aspects world market prices on coffee has been very low for about two decades. At its worst coffee farmers were paid about a quarter of the production price for their coffee. This has led to a situation of wide spread financial debt, poverty, and sometimes even starvation among farmers. One solution which some farmers take is drug production. Coca is easy to grow and gives high revenue, which may make it appealing to a desperate coffee farmer. Another option can be provided by responsible corporations and concerned consumers – a fair pay.

The coffee sector in general and Swedish coffee roasting company Ljöfbergs Lila AB in particular are used as a case study for this thesis focal point which is the correlation between consumer power and Corporate Social Responsibility (CSR). The large social and environmental problems in the coffee sector make it an area where voluntary responsibilities from consumers and businesses can have a very large positive impact. Sales numbers of organically produced and Fairtrade labelled coffee are increasing due to consumer demand. It is clear that consumer power is one of the cornerstones of CSR. When consumers ask for socially and ecologically sustainable goods corporations can produce these goods with an economical gain, thus a win-win situation occurs for corporate profit and the social-/environmental sphere. Both consumer demand and the possibility for corporate profit seems to be prerequisites for CSR.

It is clear that voluntary approaches to sustainable development such as consumer choice and CSR can lead to many positive changes; however concerns arise when it comes to the fulfilment of sustainable development. The ecological footprint gives us a number for the worlds’ total over consumption and it shows that to fulfil sustainable development as defined in “Our common future”, also known as the Brundtland

commission, most western countries would have to reduce their total consumption by approximately 75 %. Consumers are driven by many other factors than social and environmental concerns, and companies and corporations have shown many times that there is much talk in CSR but little is actually done. This leads to the conclusion that although some positive changes occur, voluntary actions such as CSR and consumer power/choice will probably not be enough to lead us to a sustainable development.

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## Preface

I would, next to water, classify coffee as the most important drinks in the world. This opinion is influenced by the fact that I live in Sweden, one of the largest coffee consuming countries in the world, at a per capita basis. Coffee in Sweden is more than a drink; it is a part of society. It is consumed in homes, workplaces, board meetings and endless rows of cafés and coffee shops. Sometimes the caffeine “kick” or the plain relief of the “need” for coffee is the aim of the drinking. But just as often, or so it seems, it is the social event attributed to the coffee break, usually named “fika” in Swedish, that we seek. There is not a good English translation for the word fika which covers all its aspects and this enhances fika’s significance in Sweden. To sit down with friends, discussing whatever comes in mind over a cup of coffee can make a boring day more enjoyable. I have been drinking coffee for about two years and now I have no idea how I ever got through my first years of university without it. It is impossible in Sweden to miss that coffee is something that you are supposed to drink. From personal experience, I can give the example of my father’s expression when I, at the age of 23, announced that I had started drinking coffee: “So, you have finally become an adult!” My mother who still, in that sense, is not a grown up, sometimes spreads panic among hosts who do not know what to offer her as she declines both coffee and tea.

Unfortunately coffee often comes with a bitter after-taste. Starving children, poisoned farmers and environmental degradation are some of the bitter side effects of our coffee consumption. The “fika” moment is at risk as it has become impossible for me to ignore the bitter taste in my coffee after having dug deep into the reality of coffee production. Luckily there is such a thing as “organic” or/and “fairtrade” occasionally labelled on the coffee packets. For me personally they are life-savers, as they enable me to continue drinking coffee with a clean, or at least cleaner, conscience. To coffee farmers in the South they are also life-savers but in the more literal sense. Thank you coffee roasters who are engaged in producing these labelled coffees and thank you consumers who encourage and demand them to do so.

During the process of finishing this thesis the consumption of eco- and fair-trade coffee have changed dramatically. From being an item you needed to search

for, it is now one of the most exposed items in many supermarkets in Sweden. One tenth of the total sales from Ljöfbergs Lila is now ecological, compared to some 4.5 percent<sup>1</sup> when I started working on this thesis. Although this might reduce any potential impact from my thesis I cannot be anything other than happy about these numbers; for the sake of our environment and the coffee producers. This rapid change shows the potential of the consumers in sustainability issues, and perhaps even the power of media over society. Hopefully this reflects an oncoming persistent change in society and not just a trend. Hopefully it means that my conclusions, that ethical consumerism and Corporate Social Responsibilities (CSR) is not enough for Sustainable Development, are wrong.

It has not been easy to come to the conclusions in this thesis. By “not easy” I do not mean a physical difficulty of actually printing them down but rather a psychological one. All my research on consumer power and CSR has slowly turned me against it and I do not believe that sustainable development will be reached on simply the good will of humankind. I say humankind because it truly involves all of us and all of our daily choices. Voluntary CSR makes it easy for profiteers to exploit other people’s good will by talking and not acting CSR as well as withholding sensitive information. And as long as there are people to take advantage of at the bottom of the chain, be it from lack of education, desperation or some other cause, it will probably not stop on pure goodwill from some. But that is not what I want to believe of the world, and so, in spite of my conclusions, I will continue to spread the word that we can change things; you and I. At least until something is done on a higher political plane we need to speak up and let governments know that we do not accept that financial returns are more important than human lives. Because in the end, that is what it all comes down to. I will cite the marketing director of Ljöfbergs Lila, the coffee roasting company. Without judging if her words are good for business or pure goodwill but I couldn’t have said it better myself:

*“It is in our way of behaving towards others that we can take part and are able to influence the future and future generations...We can tell that there is chance here to make a difference so we say; Why shouldn’t you?”* Kathrine Ljöfberg (20<sup>th</sup> Nov 2006)

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<sup>1</sup> Sales number from 2005.

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## Chapter 1. Introduction

### 1.1 Background

That coffee has become strongly involved in our cultural lives cannot be doubted. A simple search on Google for “coffee culture” gave more than 20 million hits while only using the word “coffee” gave 209 million hits in just 0.06 seconds. Coffee originates from the region of Kaffa in Ethiopia, hence coffee’s name. The tradition of drinking coffee then spread from the Abyssinians: first via the Arabs and then on to the Turks and later to the rest of Europe. In the year of 1685, coffee first appeared in Sweden as about half a kilo was imported and registered at the Swedish Customs Service in Gothenburg. (Sigfridsson, 2005)

Going back to the 1300-1400s the main area of coffee production was the Arabic peninsula. The Dutch later brought coffee with them on their colonial journeys and the Dutch East Indies became the most important area of coffee production, setting standards and prices. Other colonial states also became interested in coffee and it was first introduced to the tropical regions of the “New World,” the Americas, in the 1700s. After a fungal disease hit coffee plants in plantations in the East Indies in the 1800s, which at the time was the economic centre for coffee growing, coffee from that region became scarce and expensive. As the disease lingered production took time to recover and so the “New World” took over the position as the economic centre for coffee production. (Rice, 2003) Over time coffee has moved away from being an item of luxury to being an everyday occurrence.

The notion that coffee plantations could severely affect the environment is not new. As early as the 1920s, concerns were expressed about the coffee plantations covering the volcanic slopes of El Salvador. Ousting both natural forests and other crops, creating food shortages and misery, coffee was even compared to the conquistadors<sup>2</sup>. (Rice, 2003) One might wish that the scenery has changed today. Like most other commodities, coffee is being overproduced causing prices to spike and fall in turn. Different ways of stabilising the coffee prices have been in effect over the centuries and

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<sup>2</sup> The conquistadors were Spanish conquerors who colonised the Americas with the ambition to become feudal lords over their new won land. They were known for their cruelty.

most recently this was represented by what was called the International Coffee Agreement (ICA). When the ICA collapsed in 1989 coffee prices were free to fall. (Rice, 2003) This has created what is often called the “*coffee crisis*.” “The coffee crisis is a disaster caused by human actions. It is a disaster that will cease to exist if only there is a will for action.” (Björn Lindh in Kooperation utan gränser, 2004)

Many humanitarian organisations worldwide such as Oxfam and Fairtrade report the same thing. The steep drop in coffee prices on the world market is pushing people into poverty and sometimes even as far as starvation. Farmers are telling stories on how their profits are not even covering costs. Education for their children is one of the first things to go, then selling out their assets and cutting down on food. Many children of coffee farmers have been so malnourished that they have had to be hospitalised. The United Nations World Food Programme estimated the “coffee crisis” to have caused famine for around 30 000 people in Honduras alone. (Kooperation utan gränser, 2004, and Oxfam, 2002).

Besides the social ethics there is the natural environment to consider. The heavy use of pesticides, harmful to both the environment as well as humans, is one of the problems. Extensive deforestation, soil erosion, dumping of organic waste and ultimately a perhaps irreversible loss of biodiversity are other aspects to consider. (Swedish Society for Nature Conservation, 2006) This kind of effects, although perhaps not always as severe as in the coffee industry, exists in many places of the commodity trade where production takes place in developing countries to cover western “needs” Coffee is only one example where severe environmental degradation and a “low price crisis” exist. (Golding and Peattie, 2005)

There are ways for a coffee producer to receive a higher price for his coffee: one way could be to increase the quality of his beans. A high quality bean however is no guarantee for a liveable pay unless the farmer has the ability and means to choose where to sell his/her coffee to. More certain ways to achieve a higher price, or a premium, is producing organic coffee and/or fairtrade.

As consumers we can help this process by consuming ethically which would increase the market for these goods. For the consumer’s ability to consume ethically or environmental friendly, knowledge is important as the Swedish government has

recognised with their new consumer politics<sup>3</sup>. Their goal is to have secure consumers who with their knowledge base will act (and thus shop) in a way which favours not only themselves but the environment as well as people affected by their consumption all over the world. (Persson, 2006) Labelling is one way of making it easy for the consumers to make an environmentally friendly/sustainable choice. But there is another important requirement for the consumer's ability to act sustainable: there must be producers who supply these goods.

The new consumer politics in Sweden seems to put a lot of faith in consumers to lead the way in reaching a sustainable society. This puts a lot of responsibilities on the individual consumer. But not everyone is willing to accept this responsibility and even if we say that we do there is a gap between attitudes and behaviour (Persson, 2006), as well as between corporate attitudes and behaviour.

## 1.2 Purpose

The purpose of this thesis is to analyse what the important factors are for a company to develop and adapt to the idea of Corporate Social Responsibilities (CSR). With today's global economy where multinational corporations trade with more money than many countries' GNP<sup>4</sup>, this is an important and up-to-date question.

In writing my bachelor thesis about the new consumer politics in Sweden, questions arose about the fact that today a great deal of the responsibility for achieving Sustainable Development is, as has been mentioned, being put on consumers to lead the way for corporations as well as the rest of society. According to the Swedish Government it is now up to the consumers to make consumption, and in a way even society, sustainable. The role of the Government will be the role of the teacher and guide, not the enforcer of law. (Persson, 2006) Thus it becomes important to know how the relationship between CSR and consumers work, especially with regards to Sustainable Development.

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<sup>3</sup> Proposition Prop.2005/06:105 *Trygga konsumenter som handlar hållbart – konsumentpolitikens mål och inriktning.*

<sup>4</sup> In 2006 it was reported that during the Christmas shopping in Sweden alone, more than 50 billion SKR was spent. That is the same amount as the GNP of Ghana. For comparison, note that Sweden has a population of 9 million people.

Consequently my focus will be on consumers and their role in the process of a company entering the realm of CSR.

The coffee industry, which serves as a case for this study, is a business-sector producing a means of enjoyment; it is not a necessity in a vital way in consumer countries. It is also a sector with huge environmental and social problems. One first task is to find out how coffee is being produced and which problems exist and why they exist. CSR in a sector with large problems like these could potentially have a big and almost instant positive impact on both social and environmental conditions in coffee producing areas. The coffee-sector is therefore suited to serve as an example of the potential of CSR and consumer's power.

I also want to see how CSR is conducted in practice. Löfbergs Lila AB is a family owned coffee roaster company local to Karlstad in Sweden. They work actively with environmental and social issues and have been at the forefront of corporate social responsibilities in the coffee sector. They were the first of the major Swedish brands to introduce fairtrade labelled coffee. The International Coffee Partners is a project Löfbergs Lila helped start and found; it is dedicated to helping small coffee farmers and coffee farming communities to increase the quality of their beans, production and their profits. Consumerist actions have also been important for this company to initiate some of their projects. As Kathrine Löfberg, marketing director and part owner of Löfbergs Lila says: "Even if we want to do things in another way, we still need consumers to buy our products." (Löfberg 20<sup>th</sup>, Nov, 2006) Their active work with CSR makes them suited as a case study for this research, to illustrate the benefits from CSR and how it promotes ethical consumption.

### **1.3 Research questions**

What are the environmental and social problems in coffee production? To understand the context and why corporate responsibilities might make such a difference in the coffee sector we must firstly know more about the coffee sector itself.

What are the motives for a company to enter the realm of CSR, and how does CSR live up to the idea of sustainable development? My hypothesis is that consumer

pressure and demand are of great importance for the occurrence of CSR and that companies are unlikely to take action unless there is a win-win situation. During the process of this work I have come to question the efficiency of CSR when it comes to sustainable development.

How is CSR conducted in practise in a small family owned coffee roasting company? It will be interesting to see if the theory of why corporations enter CSR agrees with the reality of the relatively small company.

## **1.4 Theory and Methodology**

### **1.4.1 The Case Study Methodology and Theory.**

The field of environmental studies and sustainability is a complex area affected by many different factors. A case study is a way to include the wide variety of factors and the result is both descriptive and theoretical. With a case study you can investigate a contemporary issue in its surrounding context (Yin, 1989 in Blaze Corcoran et al., 2004). This is especially suitable when you believe the real-life context is important for the issue or phenomenon which is studied (Yin, 2003). The case study is a method which can be used to study a phenomenon in a systematic way, allowing you to take all aspects into account (Merriam, 1994). All the characteristics of the case study methodology make it suitable for research in sustainability (Blaze Corcoran et al., 2004).

This case study can be described as being both exploratory and descriptive. Descriptive as the hypothesis that consumers affect a company's willingness to enter CSR was formed before the data collection begun. Exploratory as the question about the potential of CSR in sustainable development was formed along the course of the study (see Blaze Corcoran et al., 2004). Researching the issues of CSR and consumer power it becomes relevant to see what is being said and also how these issues are spoken about. It is easy to see that there are several competing discourses in these areas. Thus this research has involved both discourse analysis as well as textual analysis. These are both parts of the case study research methodology (Travers, 2001). However no effort has been made to explain why these different discourses exist or what they are caused by.

Travers (2001) speaks of the tradition among some researchers and scholars to be critical. This tradition originated in Marxism which claimed that “the object of intellectual inquiry was not simply to understand the world, but to change it” (Travers, 2001, p. 111). Although Marxism may be “dead,” the tradition of critical analysis has in many ways stayed in qualitative research. However, to be able to conduct critical research effectively it is argued that the researcher must have some kind of feeling that there is a great injustice in society. Considering the nature of the topic in this thesis it is surely a case study in the critical tradition, as the production of coffee is an area where injustices are evident.

One common concern about case studies is the difficulties of generalising from a single case. It would be impossible to find one case which completely reflects the reality of every other single case. To make a generalisation possible it is important to sufficiently link the case and the findings of the case to theory. Theory can then make the findings of a specific case valid for discussion in a general context (Yin, 2003). There are also linguistically inspired approaches in qualitative research which claims that “since the basic structures of social order are to be found anywhere, it does not matter where we begin our research” (Silverman, 2005, p. 134). However, efforts have been made in this thesis to link findings in the case study to theory with a comprehensive theoretical framework.

#### **1.4.2 Data Collection for this Thesis**

The separate chapters of this work are of different characters. The information needed for them has been of different types and therefore different methods of research have been used. The research in the beginning chapters are conducted as literature studies while chapter five consists of the case study. However one could perceive all of the information about the coffee sector as part of the case study for the main research question on the consumer’s ability to affect corporations in a more sustainable direction. Information about the coffee sector and its problems is needed to make generalisations and to draw conclusions on the workings (or non-workings) of CSR and consumer power.

Data for the theoretical framework was gathered in different ways. Literature searches were conducted in scientific databases, existing literature at the

Karlstad University Library and LIBRIS<sup>5</sup>, although some articles were given to me by my supervisor or other helpful hands. The reports on coffee from NGOs have been downloaded from their respective home page, such as Oxfam, the Swedish Society for Nature Conservation and Kooperation Utan Gränser<sup>6</sup>. Internet web-pages have also been the main source of information for the policies of Kraft, Nestlé and the Common Code for the Coffee Community (Chapter 2.2.7), and facts about the different labelling schemes (Chapter 2.3.4). The web-pages used have been the actual homepages of the companies/organisations themselves; this reduces the risk of faulty information however it increases the risk of bias. The possibility of bias however, has been considered in the conclusions. Some information has also been gathered on different seminars and conferences on the topic of consumer power.

Data for the case study in Chapter 3 have mostly been provided by Kathrine Löfberg, marketing director and part owner of Löfbergs Lila, through interview, e-mail communication and sharing of documents. For some information purposes the company's homepage has also been used. As a triangulating part, which is not prone to be biased towards the company, the Swedish Society for Nature Conservation was contacted where Maria Palm, contact person for "shop environmentally friendly" at SSNC provided the NGOs view of the company. Both Kathrine Löfberg and Maria Palm were contacted for interviews. Löfberg first gave a presentation of the company and its work and questions were asked along the way. Complementary questions were asked via e-mail and some were answered by other personnel at the company after Löfberg took a leave of absence. The interview with Palm was conducted on telephone after the president of the Swedish Society for Nature Conservation was consulted on which person would have the information that I was looking for.

### **1.4.3 Limitations of the data.**

In the empirical part of this study most information about Löfbergs Lila is gathered from the company and its representatives. This provides a weakness as they are bias towards making themselves look good. However the company has also been praised as the number one company in Sweden when it comes to CSR by the Swedish Society for

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<sup>5</sup> A library database for all Swedish libraries.

<sup>6</sup> Translated to English means; Cooperation Without Borders.

Nature Conservation (SSNC). The SSNC in turn is the largest environmental NGO in Sweden. Efforts have also been made to search for reports on consumerist action or critique about the environmental and social responsibilities by Löfbergs Lila but none were found. The “approval” of Löfbergs Lila by the SSNC can be seen as the triangulating third part who confirms that, compared to many other companies in the coffee sector, they have a decent record on social responsibilities.

Another limitation is that I have not myself visited any coffee growing region to see the conditions that coffee farmers work and live. I do not have first-hand experience with the differences in the conditions in different kind of plantations, such as conventional, fair-trade cooperatives and/or ecological. However there are many NGOs who have done their part as auditors of the coffee sector and reports on the suffering of people and environment are abundant.

## **1.5 Definitions**

### **1.5.1 Sustainable development**

One important concept for the understanding of this thesis and my analysis is sustainable development. Many definitions are being used which often makes the concept broad and difficult to grasp. The most commonly used definition of sustainable development is the one from *Our Common Future*: the report from the World Commission on Environment and Development<sup>7</sup>. But even where this definition is being used only parts of it is being looked at; secondary sources are often quoted and the explanation to the definition is sometimes lost. This opens up for different interpretations of the same definition. I therefore felt it necessary to give an account of the original definition from *Our Common Future*.

Sustainable development includes the three areas of environmental, social and economical sustainability. It also includes a commitment to future generations: “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland, 1987, p. 54). This is where many later sources stop, leaving the definition weak and open

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<sup>7</sup> Also known as “the Brundtland report” after former Norwegian prime minister Gro Harlem Brundtland who at the time was chair of the World Commission on Environment and Development.

for interpretations. To find the strengths of this definition one must look deeper into the original document. By “needs” the commission specifies that it is the essential need of all humans, especially the poor, which has “overriding priority”. It is also concluded that an increased depletion of natural resources is not an acceptable way to meet the needs of the future (Brundtland, 1987, p. 54). The document also notes the three parts of sustainability, ecological, economical and social sustainability. It should be pointed out that the environmental or ecological part of sustainability is the most important one since our environment is what makes life as we know it possible. Ultimately money or prosperity does not produce food, the earth and its ecosystems do. As said in *Our Common Future*: “At a minimum, sustainable development must not endanger the natural systems that support life on Earth; the atmosphere, the waters, the soils, and the living beings” (Brundtland, 1987, p. 55).

Sustainable consumption is defined as the level of consumption where it is possible for all to aspire to the same level of consumption, without compromising long-term sustainability or the ecological possible (Brundtland, 1987, p. 54-55).

Sustainable coffee production: considering the definition of sustainability, a sustainable coffee production would be one where no natural systems are endangered and farmers can make a living, covering at least their basic needs but also the ability to aspire for a little bit more.

### **1.5.2 CSR**

CSR, the acronym for Corporate Social Responsibility, is an umbrella term and it encompasses different methods for a company to use as they strive towards greater ethics and morals. In the theory of CSR the corporation is seen as a social actor with moral responsibilities (Tulder and Zwart, 2006). Both society and environment is regarded as stakeholders when a company has taken on CSR and therefore needs to be treated responsibly. CSR can roughly be divided into two major groups: corporate philanthropy and the business case for CSR. The first concerns charity as a means to do good and the latter concerns the win-win situations that occur by “doing good while doing good” (Vogel, 2005). Labourers benefit from stringent codes of conduct on labourer rights and the company benefits as they appear more attractive to concerned consumers, a typical win-win situation.

## **Chapter 2. Theoretical Framework**

### **2.1 Coffee – Background to the Theoretical Framework**

#### **2.1.1 What is Coffee? Coffee in the Biological Sphere**

Coffee is of the family *rubia'ceae* and has the group name of *Co'ffea*. There are several different kinds of coffee plants but almost all of the world's coffee production and consumption is of *Co'ffea Arabica* (about 60% of the market) and *Co'ffea Robusta* (about 40%). Other kinds are *Liberica* and *Excelsa* coffee with less than 1% each of the total market (Koooperation Utan Gränsar, 2004, p. 11). The coffee tree, which normally grows to 6-10 metres in height, is often pruned in plantations. Traditionally the coffee plant is pruned to somewhere between 3-5 metres and is kept under a protective shade cover, blocking out about 60-90%. Sun-grown coffee is kept even shorter at a height of about 2-3 metres and has no shading at all (Lacher et al., 1999, p. 156). This tree, or bush, does not produce any beans, but fruits. Inside the fruit there are usually two seeds, these seeds are what we usually call coffee beans. The Arabica coffee, which in texts usually is referred to only as coffee, is found wild in the region of Kaffa in Ethiopia. Although originating in Africa, Latin America now stands for most of the world's production (Nationalencyklopedin). About 44% of total crop land in Latin America consists of coffee plantations (Lacher et al., 1999, p. 156).

#### **2.1.2 What is Coffee? Coffee in the Cultural Sphere.**

Coffee would have to be considered as a product of luxury. We buy it and drink it because we can and want to, not because we need to. Although coffee consumption in Sweden can be said to fill a need when it comes to socialising, it could be replaced if only we wanted to. For us it is a consumption of a stimulant and of luxury.

As coffee was first introduced to Sweden, as well as in the rest of Europe, it was a beverage purely for the upper classes of society, the coffee itself was expensive as well as all the utensils needed for both preparation and consumption, such as pans and cups. Coffee was something which had to be bought and thus differed from the tradition of self-sufficiency. Thus coffee became a symbol of luxury and money as well as the modern society in Sweden. In the 19<sup>th</sup> century however coffee drinking spread, at least in Sweden, to workers and peasants as well. One of the first books published on the topic of

coffee said “from having been an item of abundance it has become a goods of necessity [...], indispensable for all classes of society.”<sup>8</sup> At that time about 7413 tonnes<sup>9</sup> of coffee was imported (Huss, 1865).

The coffee houses that came to be became important institutions for discussions of politics and business. Coffee houses which were largely “men only” were later replaced by confectioners and cafés, a transformation which also allowed women to meet in a different manner outside their homes. At least in Sweden today, coffee drinking is considered to be the norm. Whether it is in the workplace or another more private social setting, if coffee is offered you are supposed to drink it. As an adult it is often taken for granted that you drink coffee, other options, such as tea, are sometimes not even available. Not to have a cup of coffee, especially when offered is often considered weird and anti-social. This togetherness and inclusion in the social setting is given as the main reason for people to start drinking coffee. As coffee is the social norm many people who do not drink coffee themselves still have a coffee machine at home to, at the least, be able to offer coffee to guests. Interesting to notice here is that for young people coffee is almost exclusively a social drink whereas in adulthood the drink itself becomes more important. Perhaps that is due to an increased addiction to the coffee. However, the coffee itself is often seen as secondary to the togetherness of drinking even though it might be consumed on its own because of cravings (Sigfridson, 2005). Coffee can be considered to be one of the “pillars of social intercourse” (Sigfridsson, 2005, p. 263). By this it is meant that coffee is often the initiator to social activity and conversation, sometimes it might even be a prerequisite. People not drinking coffee can sometimes feel excluded from this “togetherness” although they in fact still are a part of the group. The exclusion is thus not as much a physical thing; rather the non-drinkers feel as an outsider and experience it as a problem (Sigfridsson, 2005).

A small story to illustrate the importance of coffee drinking in Swedish society comes from the fall conference of the Swedish Society for Nature Conservation held in Stockholm on the 15<sup>th</sup> Dec 2006. After delays in the program, it is concluded that

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<sup>8</sup> Swedish: “Ifrån att vara en öfverflödsartikel har det blifvit en nödvändighetsvara [...], oundgänglig för alla samhällsklasser.”

<sup>9</sup> In the original text it says 17,443,237 skålpund. With one skålpund being approximately 425g, the estimate is 7413 tonnes.

everything will not fit the schedule as planned, but it was decided that the most important thing is that the coffee break comes as planned and “the rest of the problems will be dealt with later” (Axelsson, 15<sup>th</sup> Dec 2006).

### **2.1.3 The Production of Coffee; Environmental Issues**

Coffee can be produced in many different ways, each of them with different impacts on the environment, the producers and the quality of the coffee itself. How sustainable the coffee production is depends on what combination of different methods in the production chain is applied. How it is grown, if it is beneath shade trees, if it is ecologically produced or not, how the bean is dried and separated from its shell and also how the farmer is getting paid are all affecting the sustainability of coffee production.

Traditionally coffee has been planted beneath a canopy of higher growing trees giving shade, like the banana plants. This is well suited for coffee plants who originate from the forests of East Africa. This practise of agro-forestry also serves an environmental purpose as it, among other things, provides an important habitat for migratory birds (Kooperation Utan Gränser, 2004; Rice, 2003; and Lacher et al., 1999). More specifically a structurally and floristically diverse shade tree canopy provides a habitat for “a high diversity of associated flora and fauna” (Perfecto et al., 2005, p, 436). It has been shown that the diversity among migratory birds in a coffee plantation drops with 94-97% when a coffee plantation is converted from the use of shade-giving trees to sun-grown coffee. Other positive effects from the vegetative cover of shade-grown coffee is that it allows for the replenishment of nutrients in the soil, it protects the soil from erosion and impedes the runoff of agro chemicals as well as conserving water resources. The shading trees can also produce timber or food for the farmer’s own needs or an extra income from selling them (Ponte, 2004, p. 25-26). A shading cover also allows the coffee berries to ripen more slowly which gives them a nice flavour and thus a higher quality. Although the qualities of the beans are lessened with the technification, the process to convert shade grown coffee to sun grown still occurs. This is profitable because the demand for cheaper low quality beans is high since roasting companies around the world have developed techniques to mask the more bitter taste. Thus roasting companies can still produce a nice flavoured coffee from low quality beans (Kooperation Utan Gränser, 2004).

Since the 1970s an increasing number of farmers have started to plant the coffee bushes more closely together and without the shading trees. This trend could have a negative impact on the biodiversity of the coffee growing regions. One of the countries where this trend has been the most prominent is Colombia where more than 60% of the coffee producing area has been converted from shade-grown to sun-grown coffee (Perfecto and Rice, 1996). With the conversion to sun-grown coffee the lifespan of a plantation is shortened. A traditional shade-grown coffee plantation has an average lifespan of more than 30 years while a sun-grown coffee plantation has a maximum lifespan of some 12 to 15 years (Lacher et al., 1999, p. 156). The depletion of the soil that occurs from this intense way of cultivation is reported to lead to a production cycle of 5-7 years. After this period of time it is more profitable for a plantation to clear another piece of land rather than continuing in the same spot (Ponte, 2004., p. 25-26).

The Arabica coffee is primarily grown on slopes in tropical mid-elevation areas around the altitude of 500-2000 metres (Perfecto and Rice, 1996). These areas are often characterised by a high richness in species as well as endemism. They are also areas where deforestation in many places has been severe. The extreme is the country of El Salvador where traditional agro-forestry coffee plantations are estimated to represent about 80% of the remaining forested areas (Perfecto et al., 2005, p. 436). Not only forests are threatened by the spreading of monoculture coffee plantations. The Cerradon in Brazil is a vast savannah landscape, high in endemic species, which are now becoming covered with increasing numbers of these plantations, impoverishing its biodiversity. The intense farming in the Cerradon is also lowering the groundwater of the area (Wingborg, 2006).

The event which started the technification, or modernisation some may say, of coffee plantations was when plantations in Brazil in 1970 were hit hard by fungal diseases like the coffee leaf rust (*Hemileia vastatrix*). Modernising was seen as the way to combat these diseases (Perfecto and Rice, 1996). Another reason for moving away from shade-grown coffee is the ability to produce and harvest more at a lower price, even though this more intense way of producing coffee disrupts the natural ecosystem in a severe way (Koopman Utan Gränsler, 2004). It has however been shown that a shade cover of around 50% can be kept without any significant short-term decrease in yield

(Soto-Pinto et al., 2000, p. 68). Another study shows that yield is maximised with a shade cover of 35-65% (Perfecto et al., 2005, p. 439).

One thing that really can cut costs with a monoculture plantation is harvesting. In some places, especially in Brazil, machines are being used for harvesting instead of the traditional way of handpicking. This reduces costs but also have a negative impact on quality as unripe as well as rotten berries are harvested too (Kooperation Utan Gränsers, 2004). Although contradicting information about the economical benefits of sun-grown coffee, it does not change the fact that there is and has been a transition in coffee production moving towards more intense and environmentally damaging methods.

The demand for more artificial fertilisers and pesticides becomes much higher in a monoculture sun-grown coffee plantation than for the polyculture shade-grown. Calculated per hectare the use of pesticides and insecticides in coffee production is ranked as number three in the world. Only in the production of cotton and tobacco are more biocides used. Many of the chemical substances used in coffee production are highly toxic and persistent in the environment, and many of them are because of those properties forbidden for use in Europe and the US (Kooperation Utan Gränsers, 2004, p. 8-12). Used in areas stricken with poverty, protective clothes are not always an option for farmers or farm workers especially on the small to medium sized farms. Protective clothing may be too expensive and a lack of education leads to a situation where the need for it is not realised. Reports on acute poisonings as well as chronic effects are given by union representatives and working environment inspectors. One problem here is the lack of research on the effects of pesticides (Wingborg, 2006). Clearly some research has been undertaken but many times not enough to refrain from usage when the precautionary principle<sup>10</sup> is not applied. Here follows a list and description of some of the hazardous chemicals used in coffee plantations:

- Paraquat is an herbicide. A minimal intake of it can lead to acute poisoning. The loss of nails and respiratory problems are very common among workers who frequently use the substance. Other common effects are diarrhoea, dizziness, nosebleed, stomach aches and skin damage (Swedish Society for Nature

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<sup>10</sup> From the Rio declaration, 1992. The principle means that lack of knowledge is not a valid reason for postponing or refusing cost effective counter measures.

- Conservation, a, 2006-10-16). The substance was recently forbidden within the European Union (Swedish government, 2007-07-29).
- 2,4,-D<sup>11</sup> is also a herbicide, it can cause irritation of the eyes, skin and respiratory organs, nausea and problems with muscle coordination. In the long term it can also cause kidney damage and cancer. 2,4-D was banned in Sweden in 1990 (Swedish Society for Nature Conservation, b, 2006-10-16).
  - Disulfoton is an insecticide and an ingredient in one of the most commonly used pesticides in Brazil. It is acute-toxic and classified in the highest toxic level, 1a, by the World Health Organization (WHO)<sup>12</sup>. It kills fish when polluting rivers and in humans it works as a nerve toxin and causes things like twitching, headaches, cramps and unconsciousness (Swedish Society for Nature Conservation, b, 2006-10-16).
  - Methylparathion is like Disulfoton also classified as 1a by the WHO. It is also a nervetoxin and causes similar damage as Disulphoton (Swedish Society for Nature Conservation, b, 2006-10-16).
  - Mirex is an insecticide used in Central America, it is highly toxic and a relative to DDT. It is forbidden in the entire European Union (Swedish Society for Nature Conservation, b, 2006-10-16), and registered as one of the dirty dozen<sup>13</sup> in the Stockholm Convention on Persistent Organic Pollutants (UNIDO, 2006-10-16). It is a PBT<sup>14</sup> chemical and can among other things cause harm to the intestinal-, nervous- and reproductive systems, and cancer (Greenpeace Australia, 2006-10-16). It is not classified by the WHO as it by them is called obsolete (World Health Organization, 2002).

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<sup>11</sup> In Sweden this was one of the ingredients of *Hormoslyr*. A much debated herbicide in the 1970's. In the US it was also one of the ingredients of *Agent Orange*, sprayed over large parts of Vietnam during the war.

<sup>12</sup> WHO-World Health Organization. They have made a list of hazardous chemicals, 1a is the highest level also named "*extremely hazardous*". 1b is "*highly hazardous*". Class II is named "*moderately hazardous*", and includes substances such as 2,4-D, Paraquat and DDT. For more information see the IPCS "The WHO recommended classification of pesticides by hazard". (<http://whqlibdoc.who.int/hq/2002/a76526.pdf>).

<sup>13</sup> The Dirty Dozen is a list of twelve of the most toxic persistent organic pollutants. The Stockholm Convention on Persistent Organic Pollutants aims to protect human health and the environment from these chemicals. (Stockholm Convention on Persistent Organic Pollutants, 2001)

<sup>14</sup> Persistent, Bioaccumulative and Toxic.

It is only the seed in the coffee cherries which are used. The skin and the pulp are removed and as waste it is often dumped. This “coffee waste” can cause eutrophication and hypoxia in waterways. In ecological coffee farming the skins and the pulp is placed in a compost to later be brought back to fertilise the soil (Swedish Society for Nature Conservation, c, 2006-10-17).

There are two different methods of separating the coffee beans from the cherries, the wet method and the dry. Sorting, separating and fermentation in large tanks with the wet method consume a lot of water. These “peeling-factories” are thus situated near rivers. The waste water from this process is heavily polluted and can be seen as one of the most severe environmental problems in the coffee producing countries. The washed coffee commands a higher price on the market, because of more homogenous beans, but it is not enough to cover neither the environmental effects nor the workload (Kooperation Utan Gränser, 2004).

The dry method is also often referred to as the natural method. Here the cherries are first sorted and cleaned from dirt and soil, usually by winnowing using a huge sieve. After this the cherries are laid out in the sun to dry, for up to 4 weeks (International Coffee Organization, a, 2006-10-11).

#### **2.1.4 The Production of Coffee: Social Issues**

Although the technification of coffee farming continues, coffee is still one of the few globally traded commodities which are still mainly produced on small farms instead of large scale plantations. Farms smaller than ten hectares produce about 70% of the world’s coffee. Furthermore a majority of this is grown on the really small scale family farms of between one and five hectares (Oxfam, 2002, p. 6-7). Including farmers, pickers, processors, industry workers and their families the livelihood of approximately 100 million people is in some way dependant on the crops of coffee (Rice, 2003, p.230).

Between 1962 and 1989 the worlds coffee market was regulated by the International Coffee Agreement (ICA). It was signed by most producing and consuming countries was quite successful in keeping the coffee prices steady. With this regime export quotas were given to the different producer countries. A target price was set and when the price on coffee increased too much, so did the export quotas. If the coffee prices decreased then quotas were reduced (Ponte, 2004). The governments of the signatory

countries, both export and import, agreed each year on the set quota for each producing country (Kooperation Utan Gränser, 2004). During this time the coffee market was stable, and no actor was favoured, thus the income from the coffee market was fairly distributed by both producer and consuming countries<sup>15</sup> (Ponte, 2004).

#### **2.1.4.1 Breakdown of the ICA**

The ICA was managed by the ICO (International Coffee Organisation) and its member countries. Disagreements between the member countries eventually led to the abolishment of the quota system (Oxfam, 2002). The main reason for this breakdown was that the US had already left ICO in protest<sup>16</sup>, as they claimed the quota system was preventing free-trade<sup>17</sup> (Kooperation Utan Gränser, 2005). After the breakdown the market became more buyer driven, reducing the farmer's ability to influence their own situation (Ponte, 2004). Although the ICA may still exist, because a large actor like the US left the agreement means that it has lost all its power to regulate the coffee market (Oxfam, 2002).

Another cause to this coffee crisis is overproduction. The overproduction itself however have many causes, one is the breakdown of the ICA. Another cause, which was enabled after the ICA breakdown, is the rapid expansion of coffee production in countries like Vietnam and Brazil. The technification of the coffee plantations is also one of the causes for the overproduction of coffee (Perfecto et al., 2005). After a drop in prices around the time when the ICA broke down the global coffee prices recovered for a while, due to severe frost in Brazil ruining large crops (Oxfam, 2002). In 1997 coffee prices again began on a steep decline, and by the end of 2001 coffee prices hit a 30-year low. If we take inflation into account the actual price of coffee was only 25% of what it used to be in 1960<sup>18</sup>. Research in the Dak Lak province of Viet Nam suggested that the amount of money coffee farmers were receiving covered about 60% of the production

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<sup>15</sup> A consumer country does not produce any coffee themselves although they might produce the finished product i.e. roasting and grinding.

<sup>16</sup> In late 2004 the US announced that they intended to rejoin the ICO. Some claiming this to be an effect of the increased drug cultivation and illegal immigration to the US, identified as a direct consequence of the coffee crisis. (Kooperation Utan Gränser, 2005, p.6) In February of 2005 they re-entered the ICO, but it is still uncertain how this might affect the future of the ICA. (International Coffee Organisation, b, 2006-10-11)

<sup>17</sup> "Free-trade" should be considered in brackets as it isn't free for everyone.

<sup>18</sup> 1960 wasn't even a "peak" year in coffee prices but can be seen as quite ordinary or even low. (Oxfam 2002 and Kooperation Utan Gränser, 2004)

costs in the beginning of 2002 (Oxfam, 2002, p. 9). Between 2001 and 2004 the world market price, set by the market in New York<sup>19</sup>, for coffee has been at levels between \$41 and \$64 per bag<sup>20</sup>. Depending on where in the world the coffee has been produced, individual farmers are sometimes paid even lower prices. As low as \$15 a bag has been reported. This is to be compared to the estimated production cost of \$70 per bag (Kooperation Utan Gränser, 2005, p. 11). Although coffee prices dropped to their lowest in 100 years, the reduction in the price for consumers has only dropped by 25%. The share reaching the farmer of the price paid by consumers can be as little as 6% (Kooperation Utan Gränser, 2004, pp. 6 and 17).

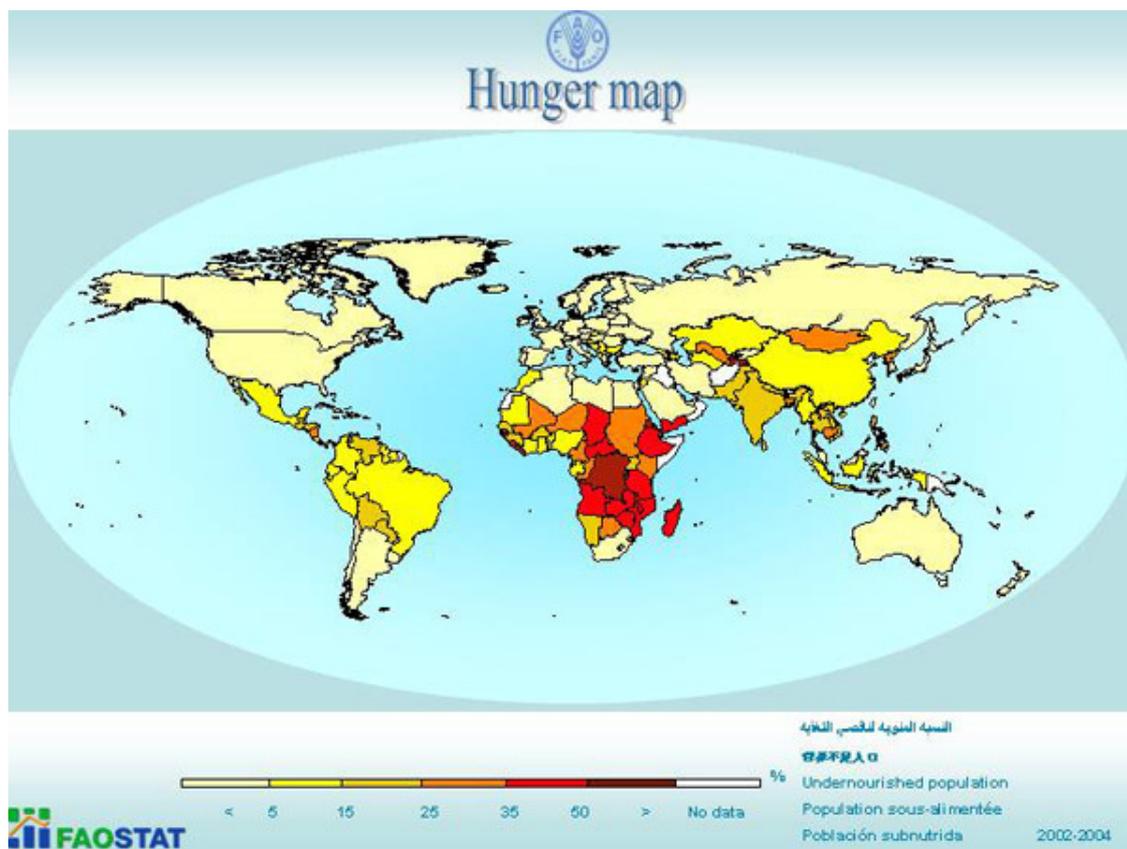
#### **2.1.4.2 Effects of Low Coffee Prices**

Being a coffee producing smallholder, options may be few when the income drops below production costs. The EU and USAID said in early 2002 that farmers in Ethiopia were selling their assets and cutting down on food. One thing that often will be affected before the crisis for a family becomes so bad that there is a lack of food supplies is the education of the children. With the reduced or lack of income from coffee, farmers cannot provide enough to pay the fees and keep his children in school (Oxfam, 2002). According to the United Nations World Food Programme, one in eight children were starving in the coffee districts of Nicaragua in early 2003, as a direct result from the low coffee prices (Kooperation Utan Gränser, 2004, p. 9). In Nicaragua 245,000 workers are reported to have lost their jobs and 30,000 families of small scale farmers are suffering from chronic hunger. Even banks in the coffee producing areas of the world have gone out of business as there are many to take loans but none to pay them back (Rice, 2003).

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<sup>19</sup> The New York market controls the price on Arabica whereas the London market controls the price on Robusta.

<sup>20</sup> One bag containing 60kg.



This is the hunger map produced by Food and Agriculture Organization of the United Nations. (FAO, 2007-01-10) This map of hunger correlates well with where we find coffee producing countries. Although colours may appear in other places as well, all of the coffee producing nations are found within the brightly coloured areas. This is not suggesting that the coffee crisis is the sole reason for hunger in these areas, but that it is the poorest people of the world being hit even harder.

When coffee prices sank, it was tempting for many farmers to get loans just to get by until prices rose again. As prices still have not increased to liveable levels many farmers are stuck in what is usually referred to as the “debt trap” or “guilt trap”. The national coffee institute in Honduras made an estimation that more than half of the country’s coffee producers were in debt (Kooperation Utan Gränser, 2005). Because of this situation, cases of forced labour are reported every year. What is called “debt peonage” happens when a worker is put into debt and then forced to work just to pay it off. The employer charges unreasonable fees for things such as housing or protective clothes. The result is that the worker is unable to pay off the debt and becomes trapped in a kind of slavery. This occurs in several countries although perhaps most commonly in

Brazil. It is condemned both by ILO<sup>21</sup> as well as Brazilian law (Wingborg, 2006), but low coffee prices makes it possible and profitable. This kind of debt peonage is not solely an occurrence of the coffee sector but also exists in the production of cacao (Saetre, 2004), another commodity produced by the poor for the luxury consumption of the rich.

Many farmers have difficulties changing their coffee plantations into other crops. Coffee is what they know and many times trade barriers in the north often effectively prevent entry onto the market for other commodities. One thing that has attracted many poor coffee farmers, especially in south and middle America is the growing of coca, which is the raw material for cocaine. When facing devastatingly low coffee prices the attraction of coca is obvious, as it is easier to grow and harvest as well as obtaining a much higher price (Rice, 2003 and Kooperation Utan Gränsen, 2004). In the African coffee producing countries it is khat, another drug, which attracts many smallholders instead (Kooperation Utan Gränsen, 2004). When farmers are not getting paid enough it also affects other workers. In efforts to reduce costs in production normal agricultural practices such as weeding and pruning are left out. These strategies are estimated to have cost about 170,000 people their jobs in Central America alone (Rice, 2003, p. 230). Another aspect affecting entire communities in coffee producing regions is that as coffee prices fall so do prices other crops. In areas where large parts of the population are dependant on coffee production people cannot afford to buy other crops on local markets, thus extending the low price coffee crisis to other parts of the coffee producing community (Oxfam, 2002).

The coffee crisis does not only affect the smallholders, in some cases even the economies of entire countries suffer. These countries affected are some of the poorest countries in the world whose economies heavily depend on the export income from coffee. For example Honduras, Ethiopia and Burundi rely on coffee for 24%, 54% and 79% respectively of their total export income (Oxfam, 2002, p. 8). These countries are on the hunger map found in the colours of orange (around 20% of the population are hungry), bright red (35-50%) and Burundi with the darkest shade of red (more than 50%)<sup>22</sup> (FAO, 2007-01-10). The coffee producing countries in the South had a total

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<sup>21</sup> The United Nations International Labour Organization.

<sup>22</sup> See the hunger map above.

export income of around US\$10-12 billion each year by the end of the 1980s. By 2004 export income from coffee production in the South was reduced by half. What makes this not only a big tragedy but also a big injustice is that during this same period of time the retail value in the consuming countries was tripled, an increase from US\$30 billion to a staggering US\$80 billion (Wingborg, 2006, p. 56-57).

Environmentally the low price coffee crisis also have negative impacts. To reduce cost of production, an increase in technification tends to take place as it is cheaper, in the short run, to produce coffee this way. The biodiversity important shade-cover is threatened also at small scale farms perhaps not intending to technify. Shade trees are simply cut down to be sold off as lumber or fuel-wood when income from coffee falters. The damage to biodiversity could be devastating as many studies show clear correlation between impacts on local flora and fauna and the amount of technification. In Guatemala and Nicaragua much land previously used for coffee production has been cleared for pastures. Pastures are one of the most environmentally devastating ways of land use in the tropics (Rice, 2003).

#### **2.1.4.3 No Way Out**

One might ask why coffee farmers do not stop growing coffee and start producing something else instead, but the truth is that there is no easy way out. Coffee farmers are often trapped in their poverty by different circumstances. Costs of turning from coffee production into growing other crops are often substantial. As this coffee crisis has been going on for a long time, farmers have no funds to do this. As many of them already are trapped in debt they are not allowed any loans and thus have no means to change crops. This economical problem occurs both in the actual cost of changing crops as well as the lack of funds to live of until their plantation bears fruit again. They may also simply lack the knowledge that would be needed to grow another crop. Another problem is the trade barriers that exist in the North. The protectionist policies of the EU and US are effectively preventing these farmers from accessing the market. The countries of the North are heavily subsidizing their agricultural production as well as putting tariffs on import from developing nations. To only sell produce on local markets is not enough to replace the lost income from coffee (Oxfam, 2002, and Kooperation Utan Gränser, 2004).

### **2.1.5 Consumption and Trade – The Coffee-drinking Scandinavians.**

As a nation, the US is the largest coffee consumers in the world. However, it is a large country. If we compare it to an area of a similar size, Western Europe is the largest consumers of coffee with 34% of the market. Comparing the amount of coffee consumed per person and year the list of the top consuming countries is completely Scandinavian as Finland, Sweden, Norway and Denmark make out the top four. This suggests that what happens on the coffee market in the Scandinavian countries may have a potentially big impact, even though the countries are quite small. During 2003 on average the Swedes consumed more than 9 kilos per person, this amounts to about 150 litres a year and an average of 4.5 cups a day. About 60 percent of the Swedish population are drinking coffee and most of it, about two thirds, is consumed in their homes (Kooperation Utan Gränser, 2004, s.19). The amount of ethically and/or environmentally labelled coffee sold has unfortunately been quite low, in 2005 only 4% was certified organic and even less was Fairtrade (Löfberg, 20<sup>th</sup> Nov 2006). Being such large consumers of “unethical” coffee even lowers the total score of Sweden in the Commitment to Development Index. This index is produced by the Center for Global Development, based in Washington, by combining information about things such as development aid, environmental, trade and immigration politics (DN Ekonomi, Aug 31<sup>st</sup> 2005).

Coffee, after oil, is the commodity that involves the most money which makes it the most valuable food item traded, hence making it another kind of black gold. The most widely spread brand and the most consumed coffee in the world is Nestlé’s instant coffee. 3,900 cups of it are drunk every second (Oxfam, 2002).

### **2.1.6 Summary**

In the beginning of this chapter it was stated that there could be different levels of sustainability in coffee production depending on how the different steps of the production chain would look like. With the information gathered we can now see which kind of coffee would be the most sustainable produced one. An organically produced coffee grown under a diverse canopy of shade trees, harvested by hand and sun-dried would not only give the least negative environmental impacts but probably also give a higher quality of the coffee. When it comes to social sustainability farmers and workers

needs to be paid a fair price in order to sustain their family, and to have a safe working environment.

As has been shown in this chapter, there are large problems in the coffee sector with both environmental and social issues. Thus there is a need for companies trading with coffee (i.e. roasters etc.), and also consumers, to think about ethical issues before buying or consuming coffee. If not, the coffee sector will continue to be a largely unsustainable sector of production. Knowing what damaging effects unsustainable coffee production have on both people and nature poses a question to the consumer whether they are acceptable or not. The coffee sector is only one of the areas where poverty and environmental degradation go hand in hand. As coffee prices remains too low, technification of the coffee plantations continues.

## **2.2 The Theory of CSR**

### **2.2.1 The History of CSR**

The concept of CSR dates back more than a century, some ideas even to the beginning of capitalism itself (Tulder and Zwart, 2006). It was however during an increase of interest in the aspect of corporations as an “ethical citizen,” in the 1960s and 70s, especially in the US, that many of the now existing strategies were developed. These include, among others, voluntary codes of conduct, rankings of corporate ethical behaviour and social audits. One important thing which started during this time was the use of corporations as a new arena for politics (Vogel, 2005). The “geographic centre of gravity” of CSR has since then shifted from the US to Europe and especially Great Britain (Vogel, 2005, p. 7).

The interest and importance of CSR has grown as concerns have grown about the influence that corporations have over both individual people’s lives as well as national governments. Large corporations have the financial power to influence politics in the way which favours them. Events which give rise to concerns like this are for example many of the actions that US President George W. Bush took within his first three months of presidency. Many decisions were made against the protection of the

environment and people's health, but rather in favour of the industries which have donated the most money to the election campaign<sup>23</sup> (Fisher and Lovell, 2003).

### **2.2.2 Practices of CSR/What is CSR?**

Corporate Social Responsibility refers to a mix of various meanings and concepts (Tulder and Zwart, 2006). Other terms such as "corporate citizenship," "corporate philanthropy" and "eco-efficiency" fit into the umbrella term CSR. It ultimately means that a corporation attempts to combine good profits with an ethical implementation, or "doing good by doing good," as it is often explained. CSR done right thus provides a win-win situation as the environment or society benefits from ethically responsible corporate practises and the company benefits from the good reputation they get among consumers (Vogel, 2005).

Some important factors for large corporations to "act responsibly" are the fear of radicalism among workers or union action, religious convictions and the use of responsibility initiatives for promotion and marketing (Tulder and Zwart, 2006). Consumer pressure, as well as pressure from employees and investors, are named as the main driving forces of the business case for CSR (Vogel, 2005). DeSimone and Popoff (2000) mention public concern for sustainable development as a reason for companies to consider CSR, or eco-efficiency which they specifically speak of. In fact it is the only reason they mention for considering CSR. Connected with this public concern is the harm to the company that may arise from bad environmental reputation in the shape of damaged sales and recruitment of employees.

In theory, CSR and the market for virtue would work perfectly and effectively "if most individuals' decisions about what and where to buy, and where to work and to invest, were informed by how responsibly firms acted" (Vogel, 2005, p. 46).

Four key impacts/values are identified to come from a company's efforts in CSR: satisfied customers, an appealing return to investors, respect of the physical and social environment and proud and motivated employees (DeSimone and Popoff, 2000, p. 10-12). DeSimone and Popoff also suggest that economic development, in the spirit of

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<sup>23</sup> This is not presented as evidence that president Bush passed bills in favour of these companies because he received money but serves as an example on why these concerns arise. See Fisher and Lovell (2003) page 298 for a more extensive list on this matter.

eco-efficiency<sup>24</sup>, is the best way to face the challenge of sustainable development (DeSimone and Popoff, 2000).

### **2.2.3 CSR Today: Potential and Possibilities**

Since the early 1990s, there has been a considerable growth in the importance of CSR and its “popularity” is no longer confined to the US. Many international organisations and institutions are now actively promoting CSR, such as the European Union, the United Nations, OECD<sup>25</sup> and the World Bank (Vogel, 2005). The world of globalisation in which we live today has given more importance to CSR. As multinational and global companies may be difficult to control by national laws, CSR becomes a means for a more humane capitalism (Vogel, 2005). Globalisation and the global capitalism practised by many multinational corporations today is everything but humane. Natural resources and cheap labour in developing countries are being used and abused in the name of free-trade without giving much back to those who provide it. Free-trade and globalisation brings economic prosperity to people and countries who dictate its terms, these being the western developed world, often at the expense of others. The North American Free Trade Agreement (NAFTA) for example even gives legal powers to corporations against national governments. This means that if a multinational corporation desires to exploit, the NAFTA can override a government’s desire to protect environment or human health if government decisions could pose a threat to company investments. What usually is called democracy is by NAFTA considered corporate oppression by government intervention (Klein, 2003). A positive effect from globalisation in CSR is that it can increase the power of consumer organisations. With brands being global, the abilities for NGOs and the public to pressure companies into being responsible increases. New technologies, foremost the internet, has enabled these active citizens to become effective in organising worldwide pressure for companies to change policies (Vogel, 2005).

Advocates of CSR believe that done right, philanthropy can change the culture of the company itself. This would lead to employees feeling a greater sense of

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<sup>24</sup> Eco-efficiency is a form of CSR which aims to reduce usage of for example energy and raw materials in production. Thus producing more with less.

<sup>25</sup> The Organization for Economic Cooperation and Development.

fulfilment in their workplace; hence the company could easier retain better people who also would be more productive. Thus, good corporate citizenship is good for business. Encouraging workers to take part in either company run or employee initiated charities creates a win-win situation (Economist, the, 2004).

A vast majority of all contemporary writings on the topic of CSR makes the link between responsibility and profitability. The win-win situations can be expressed in many ways. Corporate responsibility can help increase sales and growth of money spent on cause-related marketing has been immense. In 1983 American Express initiated one of the first cause-related marketing campaigns as they announced that part of the amount consumers charged to their credit card would go to the restoration of the Statue of Liberty. The campaign was a success as the use of American Express cards increased by almost a third and money was raised to the Statue of Liberty. In 1990 the number spent on this kind of marketing was US \$125 million, in 2002 it had increased to \$828 million and by 2004 the numbers were up to \$991 million (Vogel, 2005, 19-21).

As mentioned earlier the driving force for companies to take on CSR is pressure from consumers, workers and investors. Despite the lack of proof that irresponsibility is bad for sales, the potential for harm to the company's reputation is still large enough for many corporations to give in to public pressure for responsibility (Vogel, 2005). Van Tulder and van der Zwart (2006) speak of the reputation mechanism, by which companies who do wrong immediately can be corrected. The build-up of reputation can take a very long time but it can disappear in an instant by actions from critical NGOs and consumers. And as "it is regularly found that corporate reputation is strongly correlated with performance [...]" (Tulder and Zwart, 2006, p. 203), we can tell that NGOs and consumers have the ability to punish a company they think behave badly through the reputation mechanism. Thus many corporations believe that prevention is better than cure. However, a company's reputation does not solely depend on their social and environmental responsibilities. It can be said to be compiled by six different pillars: emotional appeal, products and services, financial performance, vision and leadership, work environment and CSR (Tulder and Zwart, 2006).

Although business executives as well as other promoters of CSR seem to agree that CSR is a case of win-win situations it is not proven to always be the case.

Academic research is far from conclusive on the question whether spending money on environment or society actually increases company profits. The many findings and examples of environmentally and socially concerned companies increasing profits have failed to prove that it is CSR which is responsible for the increase in profits. Companies interested in CSR may also be the ones with good management; it may well be the case that businesses with high profits are the ones who have the ability to devote more time and money on environment and sustainability (Vogel, 2005).

The increase in demand for goods and services today, originating from economic and population growth calls for a greater eco-efficiency (DeSimone and Popoff, 2000, p.6). If we look to our ecological footprint it becomes very clear that we have an extensive overconsumption in the western developed world. The ecological footprint is a tool that enables researchers (and others) to estimate the consumption of resources and assimilation of waste of a single human being or a group of people. It encompasses an estimation of all the land and water, local areas as well as global, needed to sustain a person or a population. This estimation is expressed as hectares per capita. It is a flexible tool which allows for comparisons between people in different, for example, economies or social settings (Wackernagel and Rees, 1996).<sup>26</sup> At a population of 6 billion people the Earth's carrying capacity, for long term sustainability, is estimated to be able to provide a 1.8-1.9ha<sup>27</sup> sized footprint per person. If we estimate that the global population will reach 9.5 billion, which is a low estimation of what the future might hold, the share per capita would be no more than 1ha (Chambers et al, 2000, p. 66). Presently the average global footprint is 2.5. The average footprint of a Swede is 7.2<sup>28</sup> (Gregow, 2000, p.6), and that puts Sweden well in the top ten among consumers. On top of the not so flattering list is the USA with the national average of 9.6ha per capita (Chambers et al., 2000, pp. 120-121). We are in fact living over our resources, especially in the so-called North, Western or industrialised part of the world. If everyone were to live according to our standard we would need about four to five planets to sustain us. It can

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<sup>26</sup> It is important to note that the ecological footprint is an estimation and does not give an exact picture of human impacts on the global environment. It is however a simple tool to use and it gives a fairly good estimate of resource use or abuse.

<sup>27</sup> When we preserve 12 % of productive land for protecting biodiversity.

<sup>28</sup> Chambers et al (2000) have found the footprint of Sweden to be just above 6. It is uncertain what this difference depends on. However, it is still an unsustainable sized footprint.

simply be described as “spending more money than we make,” like Wackernagel did in a documentary; it is possible for a while but eventually it leads towards bankruptcy (Planeten, 2006).

#### **2.2.4 The Role and Importance of NGOs in CSR**

Many NGOs have realised that they have an ability to influence companies to act more sustainable by monitoring, reporting and rating corporation’s sustainability work. These activities of monitoring and pressuring corporations are now taking up a large portion of their resources (Vogel, 2005). Urging for increased corporate social responsibility is a way for NGOs and civil society to achieve and promote higher environmental and social standards in the business sector than what government regulation demands. The inertia of political systems and the great political influence of business as well as the swifter market have led to many NGOs now having turned their lobbying activities towards company boards and executives rather than government. For companies on the other hand, voluntarily taking responsibility for environment and social issues might decrease the chance of new government regulation which might be more difficult and costly for the company to adapt to (Vogel, 2005).

NGOs have a very important role as watchdogs in CSR. As organisations they have more power and resources than the individual consumer and as such they have the ability to audit companies and to report their findings to concerned consumers. The existence of NGOs reduces the need for the knowledge of the consumer if only the consumer has trust in an NGO who audits corporations. Some NGOs such as the Fairtrade Labelling Organization and the Swedish Society for Nature Conservation have developed their own certifications where they audit and label companies, or their products (Fairtrade Labelling Organization, 2007-09-10, and Swedish Society for Nature Conservation, g, 2007-09-10).

#### **2.2.5 UN and CSR**

At the World Economic Forum in 1999 Kofi Annan, the then general secretary of the UN, presented the idea of a global compact. It was officially launched two years later as an effort to try to fill the governance void in the global economy. The UN Global Compact identifies certain core principles of corporate behaviour and encourage

businesses world-wide to incorporate them into everyday practise of their global business operations. These core principles concern things such as human rights, environmental protection and corruption. The signing parties to the compact make a public commitment to comply with the Global Compact, which is a code of conduct. The compact however does not have any kind of certification scheme but the signatories are required to publish company progress according to the principles of the compact either in a CSR report or in their annual financial report. These reports are then available for access through the UN web-portal, which allows for NGOs and others to follow up on company progress (Vogel, 2005).

Critique against the compact comes from some NGOs who see the compact as a way for trans-national corporations to avoid consumer pressure which otherwise could have forced them into more rigorous action on global accountability (Vogel, 2005).

### **2.2.6 Criticism of CSR**

There is a risk that companies can be credited for initiating CSR when doing something they were already planning as a part of everyday business activities. Other companies however may have true ethical and environmental concerns as a reason for initiating CSR (Vogel, 2005).

One of the difficulties with CSR is knowing to what extent, if any, good comes from it. One common example is the case of child labour. In their quest to prevent it, companies have many times undermined the welfare of these children and their families. Sometimes it might be better for children in poverty to work than the other options that would be available to them as they otherwise might, for example, end up in a much more vulnerable position on the streets (Vogel, 2005 and Michelletti, 2003).

Strong concerns have been expressed that there is too much talk surrounding CSR. Procurement policies and codes of conduct use grand words on how their companies take responsibility for their actions and want to promote sustainability. These words may sound nice in the ears of the consumers but there is often very little action to actually fulfil those grand words. CSR critic Milton Moskowitz claims that looking back on the history of CSR he "...can see that it has consisted of 95% rhetoric and 5% action" (Vogel, 2005, p. 12).

NGOs have traditionally been positive towards CSR as it has been a way for them to influence corporations to comply with their requests. Recently however, there has been a switch and some NGOs are turning against it. Many NGOs took CSR to their hearts as they deemed government action to be too weak and inadequate. CSR was their way of influencing companies to speed up the process in environmental and social issues. But now it is CSR which is deemed too weak and calls go out to governments to resume their duties (Economist, the, 2004). What was seen as a chance for NGOs exercising consumer pressure is now increasingly being seen as a way for corporations to continue with bad practises, hiding it behind a thin veil of CSR. One of these NGOs is Christian Aid UK, who in 2004 released the report, *Behind the Mask: The real face of corporate social responsibility*, with the intention of unmasking CSR. It states that: “In simple terms, companies make loud, public commitments to principles of ethical behaviour. [...] The problem is that companies frequently use such initiatives to defend operations or ways of working which come in for public criticism” (Christian Aid, 2004, p.1-2). They do acknowledge that good things are being done in the name of CSR and some of them come from a genuine wish to do good, but claim that too many companies show for the opposite. They give examples from Shell, British American Tobacco and Coca-cola as companies where corporate action disagrees with CSR policies.<sup>29</sup> The promises of CSR are simply not held many times. Although many companies, or at least some, have good intentions, Christian Aid claims that: “[...], binding international standards of corporate behaviour must be established to guarantee that the rights of people and the environment in developing countries are properly protected” (Christian Aid, 2004, p. 3).

CSR is also used as an excuse by businesses to stop attempts to develop international mandatory regulations for business activities and there are many examples of where this has happened. The reason given from the “business side” is that CSR proves that corporations already are committed to ethically responsible behaviour and that any mandatory regulation would remove company’s goodwill. At the Earth Summit in Rio de Janeiro in 1992, mandatory regulations favoured by the UN were rejected in favour of a voluntary “self-regulation” put forward by the World Business Council for Sustainable Development, which is a coalition of companies (Christian Aid, 2004).

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<sup>29</sup> See the Christian Aid report “Behind the mask” for some well researched examples on this matter.

During the 1980s the International Organization of Consumer Unions was working very hard together with other NGOs as well as the UN Commission on Transnational Corporations to establish international codes of conduct for these corporations. This attempt was ultimately abandoned after intensive lobbying from the international business community as well as the US government at the UN General Assembly (Hilton, 2007).

CSR has one major flaw according to Christian Aid: it is voluntary. As it is also corporate-led it gives no guarantees that responsibility will be taken. The actual desire to do the public good is not a primary factor. Rather, the main priority of CSR is the company's reputation (Christian Aid, 2004). This has also been discussed previously in this chapter. Even the OECD is critical towards the effectiveness and actual benefits from voluntary action. They conclude that there are very few occasions where voluntary actions have given environmental improvements "significantly different" from what would have come even without it (OECD, 2003). Another flaw of CSR is the same as its strength: it is largely consumer driven. Consumer and media campaigns can force a company to be responsible but there is a limit to consumer activism. The limit is the knowledge of the consumers, and much of the information about company practices comes from the company itself (Christian Aid, 2004). As Örjan Bartholdsson, head of office at Swedwatch<sup>30</sup> put it: "CSR today is a lot of discourse and really lacking in independent control. We have to find methods of auditing" (Bartholdsson, 15<sup>th</sup> Dec 2006). The corporations targeted would also mostly be the ones with a public image, living on their brand name, leaving many corporations unwatched. (Christian Aid, 2004) Another problem is that the consumer can be manipulated as they are dependent on the information which is provided by the corporation (Micheletti, 13<sup>th</sup> Dec 2006). There is also a weakness in consumers as many times they are more or less ready to consume delivered and "pre-packaged" values. It is not until consumers actively co-create the value, with the opportunity to include social and environmental factors, that they really exert their consumer power on the market to achieve a greater sustainability (Kadirov and Varey, 2005).

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<sup>30</sup> Organisation dedicated to watching and reporting on the actions of Swedish companies in developing countries.

## **2.2.7 CSR in the Coffee Sector**

### **2.2.7.1 Nestlé**

Entering the Nestlé corporation web site makes it clear that this is a company that speaks loudly about their corporate responsibilities. A search on the website for “responsibility” gave 473 matching documents/pages and a search for “policy” gave 465 (Nestlé, a, 2007-01-16). A seemingly endless row of web pages and reports touches upon the subject such as the 68 page report on “the Nestlé concept of Corporate Social Responsibility” (Nestlé, b, 2007-01-16), the 60 page “Nestlé commitment to Africa” (Nestlé, c, 2007-01-16), or the 51 page “The Nestlé Sustainability Review”. The environmental policy is “only” nine pages long but is on the other hand complemented with a number of policies and guidelines such as the 27 page purchasing policy. These are just a sample of the collection to be found on the corporation’s homepage. To do an extensive search and documentation of all of these would be a thesis of its own. What follows is therefore a small sample from documents and web pages which seemed to be the most important to the coffee sector, or web pages providing some sort of summary of CSR in the Nestlé Corporation.

Nestlé says they are buying coffee directly from the producer countries as a way to increase control of how it has been produced and as well as increasing the quality of the beans which in turn will provide a price above world market price. However, further reading shows that only 14% of the coffee Nestlé buys is traded directly with producer countries. Nestlé also expects their suppliers and business partners to follow relevant documents such as the UN Global Compact and the ILO conventions (Nestlé, d, 2007-01-16). However the fact that they are buying approximately 86% of their coffee from the international coffee market makes it impossible for Nestlé to follow up on or control how the coffee has been produced, if for example child or forced labour has been used. This lack of traceability makes it very difficult to effectively work with ethical issues of responsibilities, however grand the ethical policy may be (Wingborg, 2006).

They also write that “To us CSR means that the company takes an overriding social responsibility for all its activities in all areas, which is morally defensible and don’t use or is negative for the parties affected by them” (Nestlé, b, 2007-01-16). Again, not buying the bulk of their coffee directly from the producer countries does not comply

with their ambitions to act responsibly. This quote can serve as an example of where the rhetoric and action of CSR does not comply with each other.

Nestlé have undertaken a couple of Sustainable Agriculture Initiatives in Vietnam and Nicaragua. Here they take part in providing information and training to farmers on things such as crop diversification, accounting, administration, technical “know-how” and what is called Good Agricultural Practises (Nestlé, e, 2007-01-16). However, compared to the amount of information on other parts of the corporate responsibilities of Nestlé, the information on these projects is not very extensive.

The Nestlé environmental policy looks very good and extensive at a first glance and could possibly mean many good things for the environment. But many formulations are open for interpretation and could possibly mean nothing. Formulations like “Nestlé endeavours to apply...”, “whenever possible...” and “...are encouraged to...” make large parts of the policy very weak (Nestlé, f, 2007-01-16). It should be noted however that formulations like these are quite common in environmental policies and are not exclusive to Nestlé. No policies more specifically related to their trade with coffee were to be found<sup>31</sup>.

All levels of the Nestlé organisation are also certified according to their own management system, the Nestlé Environmental Management System (NEMS). It was created in 1995 and resulted in a “common, coherent and mandatory framework for environmental management” for the Nestlé organisation. It was updated in 2004 to be in line with the ISO 14001 system (Nestlé, g, 2007-01-16). No reason is found as to why they use a system of their own instead of ISO 14001.

On the Swedish coffee shelves the Nestlé brands Nescafé and Zoégas can be found. Nescafé which is the world’s largest brand of coffee does not have any ecologically produced alternative. Zoégas, which originally was a Swedish company founded in 1886 but has been a part of the Nestlé concern since 1986, claims to still have much individual freedom towards Nestlé. They have one ecological alternative and from very recently also a fair-trade option (Nestlé, h, 2007-01-16).

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<sup>31</sup> A small remark should be made here that the sheer amount of documents and web pages may hide this somewhere else. Although no hints were to be found on where they may be.

### 2.2.7.2 Kraft Foods

Kraft does not have the same amount of information about responsibilities as Nesté does but not far from it. They speak of their vision which is to “help people around the world eat and live better”. They also identify six key values:

*Innovation* – Satisfying real-life needs with unique ideas.

*Quality* – Fulfilling a promise to deliver the best.

*Safety* – Ensuring high standards in everything we make.

*Respect* – Caring for people, communities and the environment.

*Integrity* – Doing the right thing.

*Openness* – Listening to the ideas of others and encouraging an open dialogue.

These six values make up their “standard of conduct” and communicate what can be expected from Kraft (Kraft Foods, a, 2007-01-15). They also write that “We understand that responsibility is as essential to our long-term success as the brand names that millions of our consumers around the world know and enjoy each day” (Kraft Foods, b, 2007-01-15). This sentence can be interpreted as Kraft acknowledges the threat of bad reputation to their brand. They even encourage people to write them to let them know what they think, both good and bad judgement. This might be a way for them to pick up on any consumer critique before it becomes “public” and could possibly do harm to their reputation.

On the Kraft Foods webpage entitled “Coffee – From the farm to the cup” they neglect to actually tell how the coffee gets from farm to cup as there is no mention of whether they buy directly from farmers or through the New York market. It only states that their supply chain is complex. Further the same page states that “the farmers that grow these coffees must be able to achieve an acceptable financial return in a way that meets environmental needs and social expectations [...]” (Kraft Foods, c, 2007-01-15). However what can be told from the page they have no way of guaranteeing this as the organisation they cooperate with for certification for some of their coffee, the Rainforest Alliance, does not guarantee a higher financial return to the certified farmers. People on Rainforest Alliance certified farms can still live in absolute poverty (Bartholdsson, 15<sup>th</sup> Dec 2006).

### 2.2.7.3 Common Code for the Coffee Community

The Common Code for the Coffee Community, 4C, is a joint project between different stakeholders on the coffee market to achieve a greater sustainability, responsibility overall in the coffee sector. Farmers, producers, NGOs, roasters, and even governments and individuals take part in this joint effort (Common Code for the Coffee Community Association, a, 2007-05-28).

The 4C project was initiated in 2002 by the German Federal Ministry for Economic Cooperation and Development. As a joint public-private project it was implemented by the Deutsche Gesellschaft für Technische Zusammenarbeit and the German Coffee Association. In 2002 more financiers joined and the German Coffee Association was replaced by its European counterpart, the European Coffee Federation. The development process of the code has included many respectable organisations such as the International Labour Organization, the World Bank and the International Coffee Organization which is affiliated to the UN. In December 2006 the 4C Association was founded, it is now open for more members to join and memberships in the organisation has dramatically increased since then (Common Code for the Coffee Community Association, b, 2007-06-04).

The code itself promotes a sustainability which is based on the UN Millennium Development Goals<sup>32</sup> and includes environmental, economic and social dimension of Sustainable Development. The main ideas in the code are:

- “Coffee production can only be sustainable if it allows for **decent working and living conditions for farmers and their families as well as employees**. This includes **respect for human rights and labour standards** as well as achieving a decent standard of living.
- **Protecting the environment** such as primary forest and conserving natural resources such as water, soil, biodiversity and energy are core elements of sustainable coffee production and post-harvest processing.

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<sup>32</sup> The Millennium Development goals are: eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability and develop a global partnership for development. ([www.un.org/millenniumgoals/goals.html](http://www.un.org/millenniumgoals/goals.html), 2007-08-15)

- **Economic viability is the basis for social and environmental sustainability.** It includes reasonable earnings for all in the coffee chain, free access to markets and sustainable livelihoods.”

(General Assembly of the Common Code for the Coffee Community Association, 2004)

The main objective of this code is not to produce a certified coffee such as the fairtrade labelled coffee for a niche market, but rather a greater sustainability in the mainstream coffee market (General Assembly of the Common Code for the Coffee Community, 2004). To be allowed to join the 4C Code corporations must comply with things such as transparency and to exclude the, according to the code, unacceptable practises, cited here:

- “• Worst forms of child labor.
- Bonded and forced labor.
- Trafficking of persons.
- Prohibiting membership of or representation by a trade union.
- Forced eviction without adequate compensation.
- Failure to provide adequate housing where required by workers.
- Failure to provide potable water to all workers.
- Cutting of primary forest or destruction of other forms of natural resources that are designated by national and/or international legislation (protected areas).
- Use of pesticides banned under the Stockholm convention on Persistent Organic Pollutants, POPs, and listed in the Rotterdam Convention on Prior Informed Consent.
- Immoral transactions in business relations according to international covenants, national law and practices (May be included in rules of participation later on – still under discussion.).”

(Common Code for the Coffee Community Association, b., 2004, pp. 12-13)

How a company that does not buy most of their coffee directly from the producer can guarantee that these unacceptable practices are excluded remains an issue unless all parts of the coffee chain are included in and are members of the code. As of now the code is not quite there yet but it aspires to be in the future. The code mentions

traceability as an issue of main importance as today, in the main coffee market, a container is the smallest fraction of coffee which can be traced (Ibid., 2004).

### **2.2.8 Summary**

The incorporation of CSR in corporate practises may greatly decrease the damage done to the environment. However they do not provide any guarantee for a sustainable development. A reduction in the use of raw materials without decreasing the quality of the product would be classified as an act of CSR, or more specifically eco-efficiency, but the production might still be damaging to the environment. As an example: it would be eco-efficient to be able to harvest more energy from less coal at a power plant, the mining of the coal and emissions from it however would still be very damaging to the environment.

The high interest in CSR has led to a market where new environmental and social standards are emerging quicker than the consumer can think. A lot of beautiful words have led to many companies and brands appearing as the “best” choice when it concerns corporate responsibility. Considering the criticism of much talk and little action, it is now virtually impossible for a concerned consumer to know which choice to make.

It seems that the reason why many NGOs and consumer pressure groups have taken CSR into their hearts is also the reason why others question its efficiency. As many companies today are more or less living off their brand name, they become vulnerable to bad reputation and damage done by consumer activists to their brand name. This also gives the reasons to believe what Christian Aid questioned and found that companies are happy as long as their brand has a decent reputation. When activist cries die out, so do the company’s active work with CSR.<sup>33</sup> When this is the way CSR works, it gives NGOs, consumer pressure groups and active political consumers an immense and virtually impossible task, to control and question all aspects of all activities of all companies, at all times. Reputation to brand name as one of the major reasons for companies to become involved in CSR also gives rise to concerns about companies who do business in other ways than with a strong brand name. They would simply lack external incentives for CSR completely.

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<sup>33</sup> Of course this does not apply to all companies as many have a truly genuine wish to do the morally correct thing in social and environmental issues.

As CSR is promoted as a way for corporations to do good business while doing good, it raises some questions. Would it be plausible for corporations to work actively with issues of sustainability if it did not also include good business? Considering the ecological footprint and its size today it seems plausible to believe that voluntary actions alone will not be sufficient to reduce use of resources to a sustainable level. At some point the cost of increasing sustainability within a company would probably exceed profits, thus becoming an economic burden instead of good business. As sustainability demands drastic changes to western behaviour, can we trust the future to CSR or do we also need government legislation to ensure at least an acceptable minimum?

Both Kraft Foods International and Nestlé have joined the 4C code of conduct. However from what can be told from both their web pages and the report from Swedwatch (Swedwatch, 2005), neither one of them have no control of where exactly their coffee comes from. Thus they cannot have any control of how their coffee is produced, i.e. if labourer rights conventions are followed or if the environment is damaged. This lack of control effectively removes the ability for these corporations to even follow their own policies. Traceability of the coffee is of the uttermost importance for even the possibility of sustainability in the coffee sector. The 4C code of conduct could provide this opportunity for the coffee industry, if enough parties join the code.

Instead of letting their actions speak for themselves both of these large coffee roasting companies, and especially Nestlé, have spent many dollars on producing “independent” investigations and reports to speak the word of CSR. At least in Nestlé's case the large amount of “talking CSR” might be due to the fact that they have been subjected to a lot of consumer actions in the past. But it also gives rise to the concern that they, figuratively, talk the talk but do not walk the walk. One should remember that Nestlé produce the most commonly drunk coffee in the world: the Nescafé instant coffee. A couple of actions of corporate philanthropy in Vietnam and Nicaragua means little compared to what effects it would have if the company took the needed steps to ensure sustainability in their general procurements.

## **2.3 The Power of Consumers**

### **2.3.1 History of Political Consumerism**

The idea of people having some kind of political power in the capacity of consumers is not new. One early event of consumer activism was against the estate owner which later “gave” his name to a certain kind of consumer activism, boycott (Micheletti, 2003). There are many different names used for apparently the same thing. A consumer adding other values than personal happiness such as the well being of workers, practises of the company, environment or justice as examples can be called many things. Some researchers prefer the phrase political consumer such as Micheletti (2003) or critical consumer such as Sassatelli (2006). Another name encountered is ethical consumer (Harrison et al, 2005). It is difficult to find a clear distinction between them as they overlap and essentially mean the same thing, depending on how a word like “political,” “critical” or “ethical” is defined. The important thing is that independently of which name is used the ethical/critical/political consumer are aware of and use their power as a consumer to reach a higher goal.

A “wave” of consumer activism spread after the World Trade Organisation meeting in Seattle in 1999. The event has joint together several discourses from a number of social and political movements on consumerism, and thus these large protests against the organisation which took place at that time have strengthened the narrative of ethical consumption. The common words being spread is that “to shop is to vote” and that this might be the only way of affecting the global market and the way it acts (Sassatelli, 2006, p.219-220).

### **2.3.2 What Defines the Ethical Consumerist**

Political consumerism represents the actions of people that make choices among producers and products with the goal of changing either institutional or market practices which they find questionable. These choices, which they make, are based on their attitudes and values surrounding issues such as justice and fairness, concerns of well-being or business/government practice (Micheletti, 2003). Consumption in modern times, with the exception of some events, has traditionally been seen as a strictly private matter. This now spreading form of political or critical consumerism questions that by

encouraging the consideration of public consequences from shopping (Sassatelli, 2006). The political consumer buys or refuses to buy products for various political, ethical or social reasons. When labelling schemes are available they are often followed to pick certain goods over others (Micheletti, 2003). Labelling schemes also make it easier and faster to shop politically (Micheletti, 13<sup>th</sup> Dec 2006). Thus, ethical and critical consumerism combines the spheres of everyday lifestyle and political participation (Sassatelli, 2006). Many consumers acknowledge their power as consumers and a study from Sweden in 2002 shows that more people believe that they have a greater political influence as consumers than by putting their vote in the ballot box (DN Ekonomi, Dec 10<sup>th</sup> 2002). According to Micheletti, Sweden is topping the list, above both the rest of Europe and the US, on the amount of the population taking part in either boycott or buycott action (Micheletti, 13<sup>th</sup> Dec 2006).

Being a political consumer is often a matter of self-restraint. To be able to shop ethically, options of what and how much to buy are reduced. Other factors but price, looks and taste, which might be in favour of buying, are considered and sometimes the political conscience of the so-called ethical consumer calls for a “no buy” (Micheletti, 2003). When other values but the private good are the goal of consumption, ethical consumerism rules out the simple “value-for-money” logic as presented by both neo-classical economies and free-market ideologies in the price/quality mechanisms (Sassatelli, 2006). One thing to keep in mind when discussing political consumerism is that consumer choices are not always an act of deliberate political choices. Sometimes the choice of a consumer can be interpreted as political although that was never the intention of the consumer (Sassatelli, 2006).

People who are political consumers are also in general more politically active in other ways than on average. You could say that they do more of everything when it comes to political participation. The political consumers are also more concerned about political issues such as environment and climate, and less concerned about issues such as employment. They are what can be called “postmaterialistic” (Micheletti, 13<sup>th</sup> Dec 2006). The typical political consumer is middle-aged, has a high level of education, a good income and lives in a larger city rather than the countryside. However no clear relation can be seen between right-wing or left-wing political affiliation. That it is the

middle-aged group and not young people who represent the typical political consumer is unexpected to some. It may however be the result of young people “forcing” their parents to shop ethically (Micheletti, 13<sup>th</sup> Dec 2006).

### **2.3.3 Potential of Consumerist Action**

There are many examples of successful collective consumerist actions, but they can sometimes be difficult to find. Boycotts are obvious when they are successful and there is usually much information available like when or why it took place and the result which came from it. As mentioned in Chapter 2.2, many corporations have claimed that the fear of damage to their brand is important for making responsible changes; it is more difficult to connect these actions directly to consumer pressure and public opinions since no direct action against that particular corporation might yet have been undertaken.

There are however several examples that clearly show the capacity of consumerist actions against large corporations. One of the most famous is the Nike campaigns that lasted for years. In the late 1990s the Nike Corporation took a hard beating from consumer activists. Besides the brand being boycotted in general, protests were arranged at Nike shops, sometimes quite militant. The Nike advertising campaigns were also attacked with words like “just don’t do it, do it just” and their logo, the swoosh, was repeatedly called “the swooshtika” in resemblance to the Nazi swastika. Information on their use of sweatshops and child labour upset enough people to make a huge dent in Nike profits as they sank by 70% in 1998 compared to 1995 (Klein, 2001, pp. 406-418). A famous episode of the Nike campaigns, highlighted in the media, was the e-mail exchange which was initiated as a student placed an order a pair of personalised shoes with the word sweatshop written on them (Micheletti, 2003). The activism against Nike did not only affect the company itself but also its employees. Eventually employees grew tired of constantly being questioned for their bad morals as employees of Nike and pressure on the company to change policies also started to come from within (Vogel, 2005). As a response to the campaigns against their products they are now paying NGOs to monitor their operations and to ensure that suppliers in developing countries are complying with their codes of conduct (Fisher and Lovell, 2006).

In 1980 the Coca-Cola Company in Guatemala was forced by boycotts to dismiss its management after they had called in paramilitary forces against labourers (Wingborg, 2006).

Boycotts however can be tricky as they are usually very short-lived if not well organised. However, most concerned consumers appear more prone to avoid products they find irresponsible or “bad” than to actively pick products which are deemed responsible (Vogel, 2005). This kind of long-term, individual and unorganised kind of boycott may still persuade companies to change policies to end up on the “no boycott side” of the market in order to increase profits. Although in these cases it would be difficult or even impossible to pinpoint the boycotting as the reason for change.

Globalisation and free trade is, as stated earlier, two reasons why CSR is becoming more popular and influential. As a major reason for companies to take on CSR simply can be the fear of consumerist action, globalisation and free trade also gives consumers the ability to influence the market in a way that was not possible before. Globalisation however can also be claimed to have decreased, or even removed, the protecting influence of national or local governments. In our globalised world, consumers are the ones that are supposed to have both the power and duty to protect and secure the environment as well as fair economic distribution (Sassatelli, 2006). Globalisation makes a good argument for a statement that there is a greater need for political consumerism and consumerist action today. According to David Vogel (in Micheletti, 13<sup>th</sup> Dec 2006) “trans-national corporations are like private states”. As there are no global political institutions that effectively control these corporations’, problems occur with the conventional model of political participation (Micheletti, 13<sup>th</sup> Dec 2006).

According to Micheletti, political consumers have an effective “reputational power” because buyer-driven logo companies have “reputational risks”. Child labour has been “banned,” public procurement policies are being changed, codes of conduct are being forced and “watchdogging”<sup>34</sup> steadily but slowly leads to changes. Consumer pressure is essential to the existence of CSR. “Companies wouldn’t do [CSR] unless consumers exerted pressure, why would they?” (Micheletti, 13<sup>th</sup> Dec 2006). Although

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<sup>34</sup> Watchdogging is a phrase often used for citizens or NGOs controlling and reporting on the actions of corporations and/or governments.

CSR initiatives may come from employees it would not be sufficient to give CSR its current position.

With the new consumer politics being applied in Sweden<sup>35</sup>, the Swedish government has acknowledged the potential of political consumers. Their major aim with the new politic is to give the public sufficient knowledge to make healthy, ethical and environmentally sound choices for themselves as well as people in other parts of the world affected by their consumption (Persson, 2006). One of the goals with this transformation of Swedish law and politics is to create aware and skilled consumers who are being sparing of their own as well as common resources (Prop. 2005/06:105).

To illustrate some of the potentials of consumerist actions we can use the largest environmental organisation in Sweden which in recent decades has become more and more involved with consumer information and activism. Just over a decade ago the Swedish Society for Nature Conservation (SSNC)<sup>36</sup> wanted to increase the proportion of ecologically produced coffee on the market. At that point there was only one small brand, often difficult to find, that was certified. Every year in the beginning of October since 1990, the SSNC has had a campaign week called the “environmental-friendly-week” and in 1995 the topic was coffee. The week’s actions such as press releases and contact with people in the streets or at the supermarkets created a lot of consumer pressure for availability of organic coffee. A meeting was also arranged in connection to the week including representatives of the coffee businesses and farmers in the South. Maria Palm, contact person for the “shop environmentally friendly” section of SSNC says that this meeting was probably a big help in persuading the business to start selling organic coffee (Palm, 11<sup>th</sup> Jan 2007). One year after the campaign there were ten different brands on the market providing organically produced coffee, showing a very rapid response from the industry after a successful act of consumer activism. Yet ten years later the amount of organically certified coffee was no more than 4.5% of the total sales and in 2006 coffee was yet again the topic of the environmental-friendly-week. The aim this time was to increase sales of organic coffee to 10%. The SSNC often talk about organic food as a way to reduce individual environmental impacts and it is often positive to connect that to

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<sup>35</sup> Proposition 2005/06:105 which entered into force January 1st 2007.

<sup>36</sup> Swedish name: Svenska Naturskyddsföreningen (SNF), or only Naturskyddsföreningen to which they are currently in the process of changing the name to.

a “symbol commodity”. Coffee is one of the most sprayed crops in the world and provides a good example of a “symbol commodity”. As questions about coffee have continued to come to SSNC from concerned consumers, during the years there was yet another sign that coffee would be suited for another round (Palm, 11<sup>th</sup> Jan 2007). Recent numbers from Ljöfbergs Lila show that sales of organically produced coffee have increased by almost 600% between 2005 and the half-year mark of 2007. Ljöfbergs Lila AB believe this to be an effect of the general trend in the Swedish society where environmental issues are constantly in the spotlight, and that many cafés and restaurants have switched coffee (Söderberg, 27<sup>th</sup> Jun 2007). Of course the SSNC campaign helped put the spotlight directly upon coffee.

### **2.3.4 Certifications and Labelling Schemes**

There are numerous labelling schemes for certifying coffee. The purpose of most labelling schemes is to help the consumer to make informed choices when shopping. Instead of finding out all the facts by themselves consumers can simply find the label which says that someone else has already looked at, and approved, the product. The task for the consumer is then to know what the label stands for, which could be widely varying from label to label. Criticism exists in that some companies label some of their products merely for marketing reasons to put themselves forward as an ethically concerned company (Golding and Peattie, 2005), while others may actively seek out the strongest labels for their products out of a general concern for producers.

Enquist and Sebhatu (2006) argue that the certification and labelling of agricultural products may encourage smallholder farmers in accessing the markets in developing countries, as well as overcoming some of the major trade barriers preventing farmers in developing countries to reach the world market. They also argue that the stakeholder value chain, in the case of organic cooperative production, creates not a win-win situation but a win-win-win-win-win-win-situation between customers, the multinational corporation, NGOs, society, smallholder farmers and labourers.

Here follows an explanation of four of the most common labellings; generally consumers trust labelling schemes which they believe to be independent of the company and the product itself. This trust is very important as otherwise the label lacks consumer appeal. Still, some corporations try to label their own products as environmental friendly without

the independent party to certify it and this calls for the consumer to be alert and to know who actually stands behind the label (Lindén, 2004).

#### 2.3.4.1 Organic Certifications

To have their farm and crops certified as organic gives both a higher income as well as a more reliable income to the farmers. It also creates a different kind of purchasing and price setting, one that is more stable and transparent. Organic production also creates more jobs for labourers as it is more labour intensive than conventional production and farmers can afford to employ, thus extending the economical benefits even beyond the farmer (Enquist and Sebhatu, 2006). A more traditional production will also cost less to produce than the sun grown technified coffee. To produce 1kg technified coffee was in 1996 estimated to around \$1.24, while only \$0.84 for the traditional shade-grown. This difference does not include the environmental costs of the technified coffee but is due to the high input costs of things such as costs of chemicals etc. This gives organic coffee the advantage of much higher net revenues than technified coffee although the amount of cherries produced per unit of area is less (Perfecto and Rice, 1996).

Most countries have their own label for organic production. In the European Union no products are allowed to be marketed as organic unless they fulfil the European standards for organic production. This means that even if you do not want to have a label on your product you still need to fulfil the requirements and have them controlled by an authorised organisation to even be allowed to call your product organic. This is of a great help to consumers who, even if products are imported and have a different organic-label than what they are used to see, they can still trust the product to fulfil the European standard. The basic qualifications for organic production of crops are that no chemical pesticides and artificial fertilisers are used (Swedish Board of Agriculture, 2007-08-16).



The European Union label for organic production.      KRAB is a Swedish label for organic production.

### 2.3.4.2 Fairtrade

The Fairtrade label can be found on many different types of commodities besides coffee such as tea, sugar, cacao, rice, herbs, fruit, cotton, clothes and more. Fairtrade differs from the conventional way of doing business as it recognises the rights of the producer. In conventional business the consumers and investors interests are dominant, or consumer satisfaction and profit, but the fairtrade “movement” challenges that by recognising the producer as a key stakeholder (Golding and Peattie, 2005). As there are different labelling organisations involved in fairtrade the label can look different depending on the certifying organisation. Recently many small organisations have joined together in the Fairtrade Labelling Organization (FLO) creating one single label for the participating organisations. The most widely recognised organisations working with Fair trade is the FLO-I, IFAT, NEWS and EFTA<sup>37</sup> (Golding and Peattie, 2005). They all work together in an umbrella organisation called FINE<sup>38</sup> and have all agreed on the same definitions of Fairtrade (EFTA, 2007-01-10).



*These are the labels of FLO (left) with the national/regional name at the bottom, in Sweden Rättvisemärkt, and IFAT (right).<sup>39</sup>*

A Fairtrade label is the strongest label with the toughest criteria when it comes to such things as labour rights and a fair payment. In coffee production it is the only label which guarantees a liveable pay to the coffee-farmers. No other label, even though they may provide higher revenues than conventional coffee, guarantees that the paid price is sufficiently high to sustain the coffee-farmer and his or her family (Kooperation Utan Gränser, 2005).

<sup>37</sup> Fairtrade Labelling Organization International (FLO-I), International Federation of Alternative Trade (IFAT), Network of European World Shops (NEWS), and European Fair Trade Association (EFTA)

<sup>38</sup> FINE is the acronym of the acronyms; FLO, IFAT, NEWS and EFTA.

<sup>39</sup> For more different labels of Fair Trade goods look at the EFTA homepage, [www.european-fair-trade-association.org/](http://www.european-fair-trade-association.org/).

### 2.3.4.3 Utz Kapeh/UTZ CERTIFIED

The Utz Kapeh certification program recently changed its name to UTZ CERTIFIED. For a period of one year the two certifications will coexist to give current users time to switch logos (UTZ CERTIFIED, a, 2007-09-25).

The UTZ CERTIFIED Code of Conduct contains many points of different importance. There are 71 control points of major importance, 98 minor and 34 recommendations. To obtain the certificate all of the major points must be complied with and 95% of the minor ones<sup>40</sup>. The recommendations are in fact just recommendations and are not taken into account in the certification. In general, most of the points in the code concern documentation, that every action taken on the farm and along the production chain should be properly documented. This leads to the issue of traceability which is one of the major points in the UTZ Certification which means that the coffee can be traced back to an individual farm, unlike the coffee sold through the New York market. Notable in the Code is that all the points on soil protection are minor or recommendations which mean that soil protection through for example shade cover may not be an obligation (UTZ CERTIFIED, 2006). An UTZ certified producer shall comply with the local laws concerning pesticide residues in the country they are trading with. The certification organisation provides information to the producers on this matter (UTZ CERTIFIED, b, 2007-09-25). When consulting the code however this turns out to be a recommendation. Pesticides which are forbidden in the EU, US and Japan are not allowed for use in a UTZ certified plantation. The part of the code concerning pesticides contains many points and many of them are major, most concern which laws to be followed, how to apply and handle the products and how to store them. There are also a few recommendations; one of them is that the producer should use the pesticides with the least chemical toxicity possible for people and environment. On worker's rights there are a number of major points such as freedom of association, no discrimination, no child labour and working hours. Most of these are based on the ILO conventions. When it comes to payment the requirement is that workers are paid to nationally legal or sector standards. The points on environmental protection are mostly recommendations and some are minor. There is only

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<sup>40</sup> Of the ones that are applicable to the specific certificate holder.

one which is major and that is no further deforestation of primary and secondary forests is allowed<sup>41</sup> (UTZ CERTIFIED, 2006).



The new label of UTZ CERTIFIED.



The old label of Utz Kapeh, which may still be seen in stores.

#### 2.3.4.4 Rainforest Alliance

The Rainforest Alliance certification belongs to the Sustainable Agriculture Network which is a coalition of NGOs. The certification standard is made up of 10 different principles: social and environmental management systems; ecosystem conservation; wildlife protection; water conservation; fair treatment and good working conditions for employees; occupational health and safety; community relations; integrated crop management; soil management and conservation and integrated waste management. Each of these principles is made up of several different criteria. There are a large number of criteria to comply with but only 14 out of 90 are “critical criterion,” meaning that they must be complied with. Including them, 50% of the criteria of each principle must be complied with in order to obtain the certification. Some restrictions on chemicals are critical criteria such as they are not allowed to be used if they are banned in the US or EU, or if they are listed in the Stockholm Convention on Persistent Organic Pollutants, the Rotterdam agreement on Prior Informed Consent or the Dirty Dozen. Another example of a critical criterion is that the natural ecosystems should be protected and restored and that shade trees should be established and maintained. But the 50% limit lets farmers “escape” actions like wastewater analysis, working hour limitation and/or healthcare for workers handling agrochemicals (Sustainable Agriculture Network, a, 2005).

Some of the crops which are grown on Rainforest Alliance certified farms have additional criteria and one of these is coffee. Coffee has additional criteria on how

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<sup>41</sup> Primary forest is previously mainly untouched, secondary forest has re-grown after logging or significant alteration by humans.

the shade trees should be grown and maintained and how minors are only allowed to take part in work where coffee traditionally has been grown by families. Neither however is a critical criterion (Sustainable Agriculture Network, b, 2005).

It should be noted that not everyone finds this certification to be a good “guide” for consumers to follow. The Swedish Society for Nature Conservation (SSNC) recently filed a complaint towards Kraft Foods Nordic to the Consumer Ombudsman<sup>42</sup>. They wanted to stop Kraft Foods from marketing their Rainforest Alliance certified coffee as sustainable. Reasons given for this are such things like the Rainforest Alliance certification still allows even the most toxic pesticides to be used. The statutory minimum wage which is guaranteed still is not enough to live off. The SSNC says that according to the ministry related to working environment in Brazil, damage from chemical pesticides is one of the biggest health problems. Calling a certification sustainable when it still allows this to continue is unacceptable to the SSNC (Swedish Society for Nature conservation, d., 2006-11-30). In a similar manner they also filed a complaint against Chiquita, also for their marketing including Rainforest Alliance. Their marketing, which included a green tree-frog enjoying life in a banana plantation, was seen as misleading towards consumers as the tree-frog is very sensitive towards pesticides and would not survive in a Rainforest Alliance certified banana plantation which could still be sprayed (Swedish Society for Nature Conservation, e., 2007-01-12). Kraft Foods still claims, in an article in a large Swedish newspaper, that Rainforest Alliance is just as good as fairtrade but, Örjan Bartholdsson, the head of office at Swedwatch disagrees and says “I have visited Rainforest Alliance certified farms. The workers were living in absolute poverty” (Dagens Nyheter, web edition, 1<sup>st</sup> Nov 2005).



The label of Rainforest Alliance.

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<sup>42</sup> The complaint was filed in October of 2006, following the SSNC environmental-friendly-week.

### **2.3.5 Summary**

In this chapter it has been shown that consumers have a big influence and power over company practices. When consumers decide to use their power they can achieve big changes in corporate policy. CSR would probably not even exist without pressure from consumers.

In order to be a political consumer, knowledge is important. One must know which company to target, or to positively buy from, to be able to use the consumer power. But gaining that knowledge is both difficult and time consuming. If a company claims they work actively with CSR the individual consumer usually does not have enough means to control it themselves. It is the companies who give out the information and this information can be misleading as corporations would be biased towards making themselves look good. This is where NGOs must come to the assistance of the consumer by watchdogging and auditing.

The importance of consumers to push companies into voluntary action puts a lot of faith and responsibilities on the individual. In one sense it seems clear that each and everyone is responsible for their actions and their consequences, but on the other hand it demands that we all put our personal short term gains aside for the greater good. It raises the question on how much we believe in ourselves and each other. We will have to define ourselves and what it means to be human: are we self-indulgent lazy beings always seeking the easy way out? Or are we the helpful caring and ethical being always working for the greater good? Perhaps it is most likely that we end up somewhere in between these two, but is the in-between good enough for sustainable development?

In the growing “jungle” of different labelling systems of coffee, as a consumer trying to buy the most sustainable option an organic certification label and the fairtrade label would be the easiest way to make that choice. However, although other labels such as Rainforest Alliance and UTZ CERTIFIED do not have the same high standards as Fairtrade and organic certifications they are easier for the producer to reach. This means that although they do not go as far they can, producers can still achieve more sustainability rather than no certification at all. Of the four labelling and certification

systems considered here the Rainforest Alliance is the weakest of them all as only 50% of the criteria must be complied with. This opens for producers refuse environmental and social improvements in many aspects. The greatest strength of UTZ would be the traceability as it gives companies the ability to actually check if their policies are complied with. However neither Rainforest Alliance nor UTZ have banned all dangerous pesticides; with their criteria many of the most dangerous pesticides are banned but some remain. There is no labelling scheme which includes ways of drying. For that detailed information one would have to contact producers themselves.

## **Chapter 3. Impirical framework: Ljöfbergs Lila AB**

### **3.1 Brief History and Introduction of the Company**

Ljöfbergs Lila AB is a coffee roasting company local to Karlstad, that was founded in 1906 by the three brothers Josef, John and Anders Ljöfberg. They started as an import company of colonial goods, such as spices, tea and coffee. Soon however they expanded to import cars from Citroen as well as roasting their coffee. In 1927 the company was divided among the three brothers and the “coffee-part” of the company became AB Anders Ljöfberg. Today, that is the only part existing. At the beginning of coffee commerce brand names were virtually inexistent; it was not until the 1920s the brand name Ljöfbergs appeared. At the time of the dividing of the company Ljöfbergs had about eleven different blends on the market, each with a different coloured bag. The most popular blend, Ljöfbergs Lyxblandning<sup>43</sup>, had a purple<sup>44</sup> colour on its bag. Among people the blend was generally known as Ljöfbergs Lila, originating the current brand and company name (Ljöfbergs Lila AB, 2006-11-29). Because of their strong connection with the colour purple, they later became the first company in Sweden to patent a colour (Ljöfberg, 20<sup>th</sup> Nov 2006).

Ljöfbergs Lila is the second largest coffee producer in Sweden with 17% of the market share in stores for home use and 27% of the market in restaurants. Comparing market shares in organic coffee the market share of Ljöfberg’s is greater. In 2005 6.5% of their total coffee sales are certified, compared to only about 4% of the total Swedish consumption. In the same year only 2% of their coffee sales were certified as fairtrade, a good number compared to the total Swedish market where only 1% was fairtrade. Exports are confined to the nations surrounding Sweden and the Baltic Sea (Ljöfberg, 20<sup>th</sup> Nov 2006).

### **3.2 Working with CSR**

Visitors to the company’s website are greeted with a banner, covering about a third of the page, urging the view to “eradicate poverty on your coffee break”. The same banner is often seen in connection to Ljöfbergs Lila commercials. Next to it is

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<sup>43</sup> English: luxury blend.

<sup>44</sup> Purple means Lila in Swedish.

another banner, announcing the company's cooperation with the Swedish Society for Nature Conservation (Löfbergs Lila AB, 2006-11-29).



Example of the marketing of fair-trade coffee, “eradicate poverty with your avec”.

Marketing director Kathrine Löfberg (fourth generation within the company) says that these values and ethics are something that has always been with the company since the beginning. It might not always have been written down in documents such as environmental or ethical policies but they have always been there “within the foundations of the company” (Löfberg, Nov 20<sup>th</sup> 2006). “Old values” do not necessarily mean “old thinking,” a corporation’s ability to change and follow trends would be a vital ingredient for both profitability and environmental work. As Löfberg put it: “It is important not to get stuck in the old way of thinking but to use the value as a good foundation to rest upon” (Löfberg, Nov 20<sup>th</sup> 2006).

Although the basic values and ethics may have grown with the company since the beginning, it was not until the late 1980s that Löfbergs Lila started to work actively with environmental issues as consumers started questioning the use of aluminium bags for packaging (Löfberg, Nov 20<sup>th</sup> 2006). The 1980s in Sweden was a time when environmental consciousness really awoke on a much wider scale than before. As seals were dying in their thousands in the Baltic Sea and a national referendum on nuclear power took place, environmental issues rose on the political agenda and also in the minds of the public (Swedish Society for Nature Conservation, f., 2007-01-12). That aluminium bags were questioned during this period is not surprising, as the trend in society pointed towards a greater environmental consciousness. The call from consumers to abandon the environmentally harmful bags was heard by Löfbergs Lila who saw a business opportunity as well as a chance to do better environmentally. In uttermost secret

they started to develop new packaging and in 1993 one of their lines was transformed to try out the consumer's interest and trust in the new packaging. The response from consumers was quick and within two years all Ljöfbergs Lila coffee was packaged in the new environmentally friendlier packages. Their secrecy in the process gave them a competitive advantage towards other brands on the market as it took them a while to follow (Ljöfberg, 20<sup>th</sup> Nov 2006, and AB Anders Ljöfberg, a).

Ljöfbergs Lila is unusual, in times of multinational and global corporations, as it is a family-owned business. According to the marketing director this is a big advantage compared to other companies when it comes to working with environmental or social issues. "It is very positive to have a long-term thinking when it comes to sustainability. We don't have to be able to see a result from our measures tomorrow or even the next quarter. If we see good effects at a distance, we are still able to make that decision" (Ljöfberg, 20<sup>th</sup> Nov 2006). Free from the pressure of the stock exchange and stock owners demanding profits now, they can take actions with more long-term goals.

After the SSNC had their campaign week on coffee in 1995 Ljöfbergs Lila was one of the companies launching their own organic coffee (AB Anders Ljöfberg, a). But their work did not end there and in 2001 they introduced a fair-trade labelled coffee: the first company in Sweden on the mainstream markets<sup>45</sup>. They have continued to develop their assortment of both ecological and fair-trade coffees and now have the largest range of certified coffees in the Swedish market. Besides working together with the labelling organisations (see Chapter 3.2.2) they are also creating campaigns in shops to attract attention to and push forward their certified coffees (Ljöfberg, 20<sup>th</sup> Nov 2006).

Although the ethical way of thinking already existed in the company K. Ljöfberg also points out the importance of consumer activity. It was consumer concern which preceded the development of the environmental friendly bags as well as their first ecological coffee. Since then Ljöfbergs Lila has taken on a more active role in trying to increase the amount of ethical coffee bought by consumers but they cannot do it without the demand from consumers. As they would wish to only produce and sell ethically certified coffee they cannot as the demand from consumers aren't big enough for that. They are still a business who needs to sell coffee to survive (Ljöfberg, 20<sup>th</sup> Nov 2006).

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<sup>45</sup> Before this, only small brands in niche shops were available as a fair-trade option.

Currently Löfbergs Lila does not have any certified environmental management program such as the ISO 14001 certification. The reason for this is too much paperwork. To be certified with ISO 14001 demands much documentation and it is a common complaint from certified companies (Zackrisson et al, 1999). “It takes too much energy from the work (i.e. environmental and social) that we are doing [...] in the end, paperwork doesn’t bring anything to the coffee farmers” (Löfberg, 20<sup>th</sup> Nov 2006). The “hands on” environmental and social work seems to be important at Löfbergs Lila. Their cooperation with NGOs and their project with International Coffee Partners are examples of that.

One effort that they are taking part in is the Common Code for the Coffee Community. This initiative for the mainstream market means that Löfbergs Lila have a kind of environmental management system, constructed for the coffee sector (General Assembly of the Common Codes for the Coffee Community Association, a., 2007, and b., 2004). However Löfberg says they believe that the process is too slow. Hence they will continue to work with actively with these issues ahead of the 4C (Löfberg, 20<sup>th</sup> Nov 2006).

Their policies for quality, environment, ethics and working environment are all very simple and fit on two sheets of paper altogether. It may seem that they are not putting as much attention to these questions but the simplicity of the policies makes them easy to follow. Most of the issues in these policies are what can be expected to be found in these kinds of documents but some are interesting to notice. The first thing is that the weaker words like “should” are not used; they use the word “shall” which gives more weight to the policies. In one place a weakening formulation can be found and that is where the ethical policy speaks of fair terms for employees and workers in producing countries. There the phrase “within reasonable frames of the activities” is used which opens interpretations of what is reasonable. Another interesting phrase to notice is that “the ethical and the rational perspectives shall be seen as mutually supportive”. This should be interpreted that the company sees ethical behaviour as the rational. The ethical policy also states that the company actively shall offer consumers ecological and fairtrade products. Finally, in the quality policy we find a strong link to consumer power; it states that the company shall “be perceptive of the needs and expectations of the customers and

preferably keep one step ahead of them”<sup>46</sup>. The policy however is not available on the company website which impairs the consumer’s ability to find out what the company stands for (AB Anders Löfberg, b). One important thing which allows them to follow up on their policy and to make sure that workers in producing countries are treated according to it, is that they buy about 80-85% directly from the producing countries (Löfberg, 20<sup>th</sup> Nov 2006).

### **3.2.1 International Coffee Partners (ICP)**

The ICP is an organisation founded in 2001 by Löfbergs Lila and four other European coffee companies: Luigi Lavazza S.P.A (Italy); Gustav Paulig Ltd (Finland); Tchibo BmbH (Germany) and Neumann Gruppe GmbH (Germany). Since then two additional companies have been added to the list of partners: Kjeldsberg Kaffebrenneri AS (Normay) and Peter Larsens Kaffe A/S (Denmark). Peter Larsens also now belongs to AB Anders Löfberg. The aim of this organisation is to promote high quality coffee production in developing countries by creating the prerequisites and opportunities for sustainable development (International Coffee Partners, 2006-12-13).

The ICP is a non-profit organisation, this means that it is not a way for these coffee companies to make money. Also a promise to sell their coffee to these companies is not a prerequisite for farmers to take part. The budget for the organisation is 10 million Swedish kronor (Löfberg, 20<sup>th</sup> Nov 2006), a small number perhaps but as a completely voluntary action without any direct financial interest it shows a commitment to sustainable coffee production. As Kathrine Löfberg put it herself: “It is not up to us to carry out development aid projects, that is not our job, we know coffee” (Löfberg, 20<sup>th</sup> Nov 2006).

The projects are carried out in periods over three years and the overriding aim is that as a project is finished, the participating farmers should be self-sufficient. Since the start of the ICP two projects have been started each year. Four projects are now finished and four are still active (Löfberg, 20<sup>th</sup> Nov 2006).

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<sup>46</sup> All the quotes from this section are translated from Swedish by me.

### 3.2.2 Working Together with Other Organisations

There are two labelling schemes that Löfbergs Lila has decided to work with to label their coffee. It is KRAV<sup>47</sup>, the Swedish labelling organisation for organic production, and Rättvisemärkt, the Swedish Fairtrade organisation. As more and more labelling schemes are appearing on the market a choice must be made about which one or ones to use. “We have chosen these two labels [...] because they stretch the furthest and have the toughest rules when it comes to environmental issues and the Fairtrade label which is the only one to guarantee the farmer a minimum price” (Löfberg, 20<sup>th</sup> Nov 2006). The fairtrade premium to the farmers can also give an extra inspiration or a “mental boost” to the company as it is possible to see concrete positive effects in the farming communities in producer countries. Löfbergs Lila are also working together with these organisations when it comes to spreading information to customers and consumers about the social and environmental issues and what the labels stand for (Löfberg, 20<sup>th</sup> Nov 2006). Some of their sales personnel have also been educated by Fairtrade to become Fairtrade ambassadors<sup>48</sup> (AB Anders Löfberg, a).

During SSNCs’ last “coffee campaign” the organisation worked with Löfbergs Lila. The cooperation mostly consisted of providing free sample bags of fair trade and organic coffee (Löfberg, 20<sup>th</sup> Nov 2006). Maria Palm of the SSNC explains the reasons why the NGO chose to cooperate with Löfbergs Lila: during the environmental-friendly-week there is a lot of direct contact between active members of SSNC and people on the streets and in supermarkets, wherever the campaign is taking place. The SSNC have noticed that it is easier to make contact if they have something besides words to offer. They wanted sample bags of coffee to hand out in order to make contact as well as allowing people to go home and try the coffee without having to buy a whole package. SSNC started looking for the company which sold the most organic coffee and had the biggest variety of organic articles. As Palm says: “If you want espresso coffee you are not going to buy fine-ground coffee just because it’s organic”. In that survey Löfbergs Lila

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<sup>47</sup> KRAV is accredited by IFOAM (International Federation of Organic Agriculture movements) and authorised to be the inspectors and certifiers of organic production in Sweden, by the Swedish National Board of Agriculture and The Swedish National Food Administration.

<sup>48</sup> A Fairtrade ambassador is a voluntary worker for fair-trade. They are educated by the education and qualified to give lectures and arrange other events surrounding fair-trade ([www.rattvisemarkt.se](http://www.rattvisemarkt.se), 2007-08-20).

came out on top of the list and although the amount of coffee sold and the number of items was what was decisive, they were happy that it turned out to be Löfbergs Lila as a Swedish family-owned company would probably be easier to work with. Also, the fact that Löfbergs is selling percentage-wise more organic than their competitors shows for a more active commitment (Palm, 11<sup>th</sup> Jan 2007).

From this cooperation with NGOs a win-win situation occurs (Löfberg, 20<sup>th</sup> Nov 2006) as the NGOs in question get more opportunities to be seen and heard, perhaps gaining more support and members. Löfbergs Lila on the other hand are able to be heard and seen as a “caring company” gaining more trust among consumers and marketing advantages when associated with reliable organisations.

### **3.2.3 Changing Times and Changing Sales**

Löfbergs Lila’s effort to promote their Fairtrade coffee seems to have paid off. Although still a smaller part of total sales, sales of labelled<sup>49</sup> coffee are increasing. Löfberg believes that it is due to trends in society and increasing focus on the issues of fair-trade that total sales of all Fairtrade labelled goods in Sweden is increasing (Löfberg, 20<sup>th</sup> Nov 2006). In 2006 sales in Sweden increased by about 63% and most of this increase was in bananas and coffee (Rättvisemärkt, a., and b., 2007-08-21). Löfbergs Lila’s own sales of Fairtrade coffee increased by 150% only in the first 6 months of 2006, most of which was consumption outside the home, such as cafés. A 150% increase may seem like a lot of coffee but sales were not very high to begin with, Fairtrade coffee only represented 2% of Löfbergs Lilas total sales. They do however have a large share of the Fairtrade coffee market in Sweden as Fairtrade represents only 1% of total coffee sales. All of Löfbergs Lila’s Fairtrade coffee is also organically produced and thus has a double label (Löfberg, 20<sup>th</sup> Nov 2006).

Recently new figures were released which shows even more increase in sustainable coffee. Ecologically produced coffee in 2006 represented 7.7% of the total coffee sales of Löfbergs Lila. As the numbers for the first six months of 2007 was ready the number had increased to 10.7% of the total. This is a larger increase than the numbers for the whole Swedish market where the increase, during the same period, was from 4.7%

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<sup>49</sup> Labelled here meaning ecologically, Fairtrade or both together.

to 6.2%. Similar increases have also taken place in their market of fairtrade coffee. In 2006 the amount of Fairtrade coffee was 3.2% of Ljöfbergs Lila's total sales and at the half year mark of 2007 the number was up to 6.6%. Ljöfbergs Lila still believes that the general trend in society and the continuous media attention on environmental and social issues of this kind of issues, is responsible for the increases. Many large coffee buyers have switched to labelled coffee such as government bodies, national and local, as well as one of the largest hotel chains in Sweden. This not only increases sales of labelled coffee but also inspires others to switch coffee as well (Norén, 29<sup>th</sup> Jan 2008).

### **3.3 Summary**

Considering all the criticism about CSR and voluntary action that has come up Ljöfbergs Lila may look like a "sunshine story" as they seem to be one of the companies who not only "talk" CSR but also "do." In the coffee industry in Sweden they have repeatedly been at the forefront of working with environmental and social issues. They were the first to introduce aluminium-free packaging and the first of the big "mainstream" brands to introduce a fair-trade labelled coffee in Sweden. Their active work to promote the labelled coffees have paid off which can be seen by their sales numbers.

Ljöfbergs Lila AB is working with CSR in both the tradition of corporate philanthropy, through the ICP, and the business case for it. Their active work as well as their open attitude towards NGOs have resulted in NGO cooperation and through that "free" advertising. Without any specific numbers to show for it, supporting a campaign such as the SSNC campaign to promote sustainable coffee must have created much positive advertising and goodwill towards the company. Perhaps this is one of the reasons why their sustainable fairtrade coffee seems to increase more than the Swedish market in total.

One interesting thing to note is that Kathrine Ljöfberg specifically said that "it is not their job to do development aid," as that kind of corporate philanthropy is obvious in parts of their actions. The projects undertaken in the ICP may concern coffee and coffee quality but as there are no demands on anything in return to the ICP or the involved companies from the farmers concerned, they cannot really be called anything else than development aid.

Unlike many other companies dealing with a production sector closely related to severe environmental and social problems, Löfbergs Lila AB has not been the target for any larger boycott campaigns or consumer activism. This might be explained by the fact that they seem to always have been at the forefront of the coffee business interactions with CSR. The answer might be as simple as they have continuously kept one step ahead of the consumer activists. However, many of these actions have clearly been sparked by consumer concern but as the company has responded quickly there has not been an incentive left for concerned consumers to initiate a more severe campaign. It is important however to notice that even though Löfbergs Lila is a company which claims to have the tradition of corporate responsibility from the beginning, many of their “sustainable” actions still have needed after a push from consumers to be initiated.

The sale numbers of the Fairtrade coffee of Löfbergs Lila compared to the general number for Sweden suggests that it may be the company’s responsible profile and marketing of their Fairtrade coffee specifically that has resulted in a more than average increase in sales.

## **Chapter 4. Conclusions and Discussion**

It is clear that the coffee sector currently is a very unsustainable agricultural sector. Hazardous chemicals are used to produce something which, in consuming countries, only can be called an item of luxury. These chemicals are of the kind not only damaging to animals and environment but also humans, especially those who work in the plantations. As the coffee beans are protected by both the shell and the pulp pesticides is not really something that consumers have to worry about, this might perhaps be one reasons why coffee production is one of the areas where the most hazardous chemicals still are being used. The ongoing technification of coffee plantations going on is increasing the use of these chemicals. The deforestation which also follows the development of mono-cultural plantations is a serious threat to biodiversity in these areas as for example the diversity only in birds drop by 94-97%. Soil erosion and loss of nutrients is yet another serious problem.

Social effects also come from these environmental issues, from the degradation of the environment in general but perhaps foremost from the hazardous pesticides. That pesticides are classified as the biggest problem in the work environment in Brazil, which is still largely a developing country, gives an idea of how severe the problem is. The economical unsustainability creates even more social problems. Farmers and their families are reported to starve in many places and they cannot afford to send their children to school. Farmers being paid less than what they need to sustain themselves are creating social problems not only for the farmers and their families themselves but also for the surrounding community. Who is to buy from the local store when farmers cannot provide for themselves? This economical and social crisis has even forced banks into bankruptcy.

It may seem strange that the Swedish government is now placing the trust and responsibility for Sustainable Development on a consumer movement of political consumers that largely formed because governments were seen as too weak. However, it has been shown in the past that a relatively small number of the world's population can have an impact on corporations, by political consumption, so that they alter the way corporations act. Corporations are becoming more responsible and entering the realm of CSR to comply with consumer pressure. Considering this, in theory, it might be possible

for the Swedish “knowledge strategies” to have quite a big effect on the damaging impacts of consumption. This of course would be connected with a lot of “ifs” and question marks. First of all a large enough part of the consumer population must become politically aware when shopping. Second, corporations must be acting and not only talking CSR. Third, the corporation must change the entire business and not only create a niche market to satisfy the political consumers. When this happens it will automatically cause all consumers who consume goods or services from this company to consume more sustainable whether they planned to or not. As time goes by what was first an active choice of political consumption, made by few, may spread to become the norm. Now it is important to realise that in order for consumption to be sustainable only consuming more environmental friendly or socially responsible goods might not be enough. Looking at mass-consumption today through the glasses of Sustainable Development and Ecological footprints we are far from being on track. To reach a sustainable level of consumption the amount of consumption would have to be reduced, not only by half but to approximately one quarter of the consumption of today. In this sense even consuming sustainably produced goods might be an unsustainable act.

In practice we know that things do not always work like we want them to. Corporations talk CSR but do nothing and consumers claim to be considerate of the ethical or unethical behaviour of corporations but many times still choose what to buy based on other factors such as price or function of the product. Perhaps much of this gap between attitudes and behaviour is due to lack of knowledge. To know about the practises of all the corporations that we in some way deal with almost each day would be an impossible task. Considering the enormous amount of information needed and the ability to process this information correctly the knowledge base for the perfect ethical consumer seems more and more like a master’s degree in ethical shopping, can we really demand this from the average consumer? Labelling schemes can be of a great help to the consumer and greatly decrease the demand for the individual’s knowledge but we should keep in mind that they are not flawless. It would be difficult for the average consumer to know which among the increasing row of certifications are best concerning sustainable development. Certifications are marketed as indicators of sustainability but often fail to achieve that even though they may be better than unlabelled goods.

The experiences from Löffbergs Lila shows us that it is possible (and vital) with consumer pressure to create more sustainability in the corporate world. Not only in multinational brand oriented corporations, as most theory speak of, but also in the more local family owned companies. As they claimed at Löffbergs Lila they would gladly produce fairtrade and ecological coffee alone, but that would mean the end of their business as the demand from consumers is not big enough. Since corporations live on their profits their probability to take on CSR would increase as they see a demand for this from the consumers.

Perhaps it would take a combination of both consumer activism and a genuine commitment to ethical issues, both environmental and social, from within the company in order for CSR to work as it is meant to and like its advocates are claiming it to be. Löffbergs Lila is a company where these two have coincided. The concerns for ethical issues is a tradition within the company, still sometimes a push from consumers has been needed to move into action such as with environmentally friendly bags and organic coffee. They are however also a company who not only talk CSR but do CSR, they “walk the talk” as Enquist and Sebhatu (2006) would put it.

As Kathrine Löffberg (20 Nov 2006) was asked the question if she would not consider only selling Fairtrade coffee she answered that she would but that if Löffbergs Lila AB did, they would be out of business as they need consumers to buy their products. This statement sums up and concludes almost everything which has been touched upon in this thesis. Consumers need to be involved in the process of CSR and that a company can not, or will not, become responsible or increase their level of responsibility if it does not also mean they will do good business.<sup>50</sup> Companies such as Löffbergs Lila can try to inform their customers to make a sustainable choice but if that choice is not made the win-win situation disappears as well as CSR.

The concerns surrounding the effectiveness of CSR gives rise to new questions. As it is obvious that the need for reduction in consumption of natural resources is massive and the fact that CSR needs a win-win situation to be effective: what happens if the cost for increased responsibility starts decreasing profits? As of now there is a win-

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<sup>50</sup> Note here that of course there are always exceptions. Some companies might still go on and improve their behaviour towards society and environment even if it meant lowering their profits. But these companies would be very few and are therefore not included in the general discussion.

win situation in CSR but will that last to the extent that sustainability, as explained in *Our common future*, is reached?

However when there is action in CSR it is an effective tool for improving social and environmental conditions. It cannot be denied that many improvements have sprung from voluntary action. Although for CSR to be an efficient tool from the consumer's point of view it is obvious that there is a great need of auditing, to control that companies actually do what they say they do.

In the aspect of democracy, CSR also seems to be of importance. As companies go global and get increased power over governments, democracy and the voice of the citizens are diminished. Political consumers might be a way of reintroducing democracy into the trade system. As consumers turn their voice directly towards corporations they may regain some of the political power which they and their governments have lost.

While writing this thesis the consumption of ecological and fair-traded coffee has undergone tremendous change. The blooming environmental debate in the media has truly affected consumers. From the tiny number of about 6 percent in 2005, Löfbergs Lila sales of eco-coffee have risen to almost 11 percent for the first 6 months of 2007. Fairtrade labelled coffee have seen an even bigger growth from 1.6 percent in 2005 to 6.6. As these increases are larger the general coffee sector in Sweden it seems very likely that it is the company's active promotion of labelled coffee which gives them this advancement in the labelled coffee market. The positive effects that this increase would have on the affected farmers and workers in the developing world are not hard to imagine. The problem is that it is only, or mainly, the farmers who have had the opportunity to become Fairtrade certified producers who are affected by this. Most of the world's coffee production is still produced under very harsh conditions. The demand from the market, the consumers, has now sparked the initiative Common Code for the Coffee Community which could have a decisive role for the future of the entire coffee sector. If it is successful in including all parts of the commodity chain it will improve sustainability in coffee trade. It will also make it easier for critical consumers, and consumer organisations, to identify which company is behaving better or worse than

others as coffee will be traceable. But the 4C code is still voluntary and consumers would have to make sure that the company producing their coffee is complying with the code.

CSR should not be neglected because it obviously has a role to play in sustainable development, nor should it be praised as the ultimate solution. CSR and political consumerism is certainly helping sustainability on the way but it is no guarantee that it will lead all the way. Government regulation is needed to ensure at least acceptable minimum standards of environment and social welfare in both producing and consuming countries. If, or when, this acceptable minimum of sustainability is set by law, CSR could still be a way for companies to “do good by doing good” and benefit from the win-win situations, but sustainability would also be ensured.

However, knowing what we now know as consumers, can we in good conscience buy any coffee except one where we know that farmers have been properly paid and workers are protected from the hazardous chemicals used such as pesticides?

More research is needed to examine the possibilities of CSR to be the path to sustainability. Great considerations have risen about the ability of CSR to reach sustainability, but we need to find a way that works. The current situation does not work which is clearly evident in the coffee industry. Ways to solve the coffee crisis must be found. Not only because of global sustainability but because of the deeply unethical situation consumer countries have created for the producers.

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