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Trading Fairness:

Certification and Company Sustainability Programmes Compared

Tea, coffee and cocoa: What companies are now committed to and how transparency on company programmes and third-party certification standards differ.

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Introduction

The landscape of certification has changed dramatically since Fairtrade Netherland's Max Havelaar coffee label launched in 1988. Then the fair-trade movement was relatively niche and its aim ostensibly simple: pay coffee farmers based on what it costs them to produce the coffee, not based on the booms and busts of the international market.

While the question of fair prices for producers persists, in the last three decades certification standards have expanded to include broader labour conditions and environmental criteria.

Today, dozens of fair trade certifications with global reach have emerged, spanning multiple commodities from wine and bananas to sugar, cocoa and tea. According to Lumina research, around a quarter of the bestselling chocolate, coffee and tea products globally now make a third-party certification claim.[1]

Many major food and drink companies and industry groups have also launched their own sustainability standards, commonly referred to as company programmes.

Around 7% of the bestselling chocolate countlines and tablets sold online globally communicate a company programme on-pack or in the product description of brand websites, according to Lumina analysis[1].

Mars was the leading mover to mainstream cocoa certification when, in 2009, it committed to buying 100% certified cocoa by 2020, prompting Ferrero, Hershey and others to follow suit. But in September 2018 Mars said it would pause its certification pledge (50% third-party certified in 2016) to move to what it called a "new and stronger" approach: sourcing all cocoa volumes through its own Cocoa for Generations programme by 2025.

Other companies such as Nestlé (Nestlé Cocoa Plan, Nescafé Plan, Nespresso AAA Sustainable Quality Program) and Mondelēz International (Cocoa Life) have also introduced their own company programmes.

With this proliferation of company programmes and evolving certification standards, it can be difficult to pin down exactly what sustainability means.

This whitepaper seeks to shed some light. Focusing on tea, coffee and cocoa, the whitepaper examines what companies are now committed to and how transparency on company programmes and third-party certification standards differ.

Lumina Intelligence also explores how these sustainable claims are communicated to end consumers in the burgeoning e-commerce market.

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[1] Lumina Intelligence research of 2,815 bestselling chocolate countlines, chocolate tablets, ground coffee, black tea bags and green tea bags across leading online retailers in 20 countries in Q4 2018.

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Industry commitments

Certified sourcing remains the biggest focus of food & drink industry sustainability pledges.
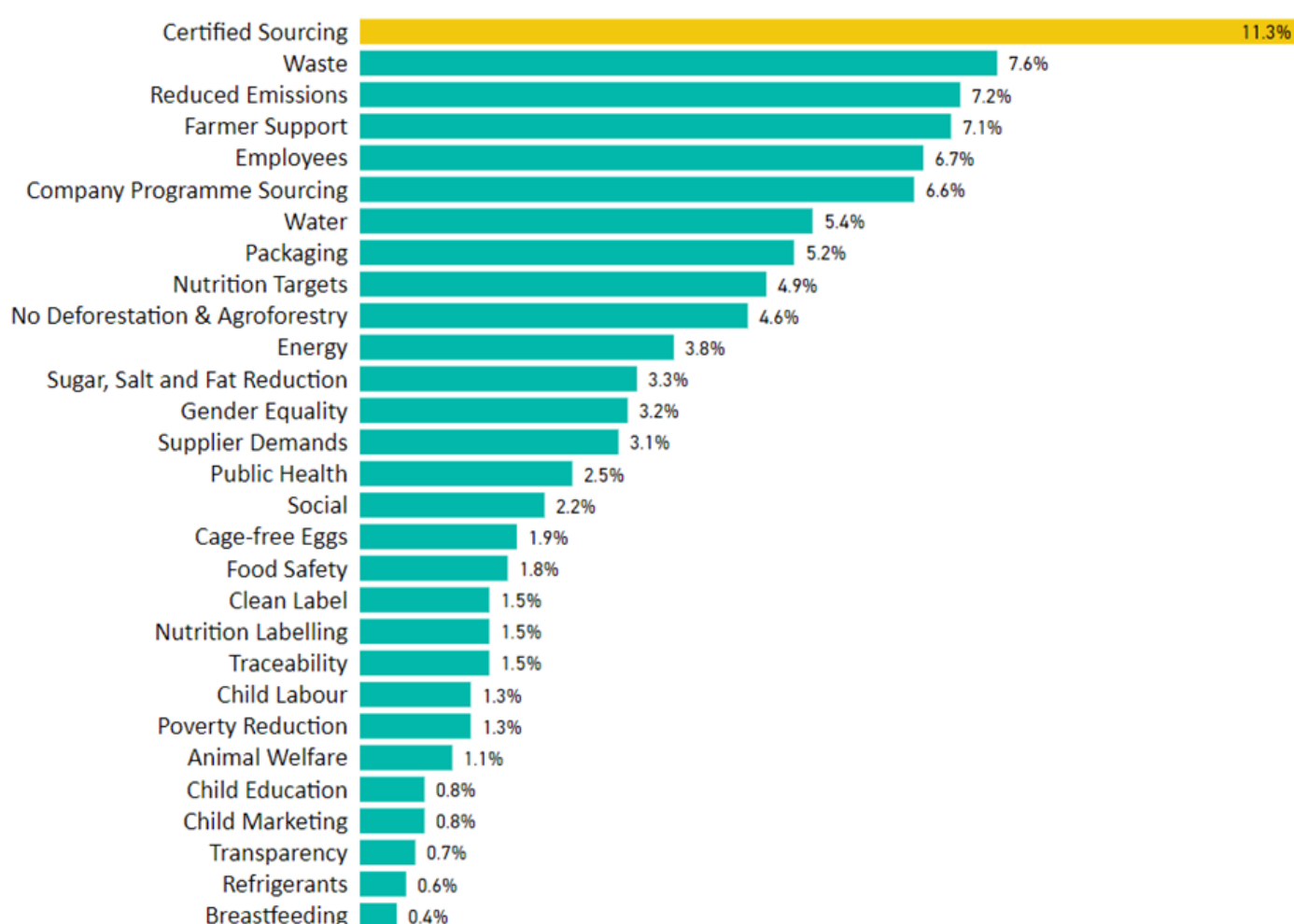
Lumina Intelligence analysed over 900 commitments made by 34 of the biggest players in food and drink through the latest available corporate social responsibility (CSR) reports and media releases in Q4 2018.
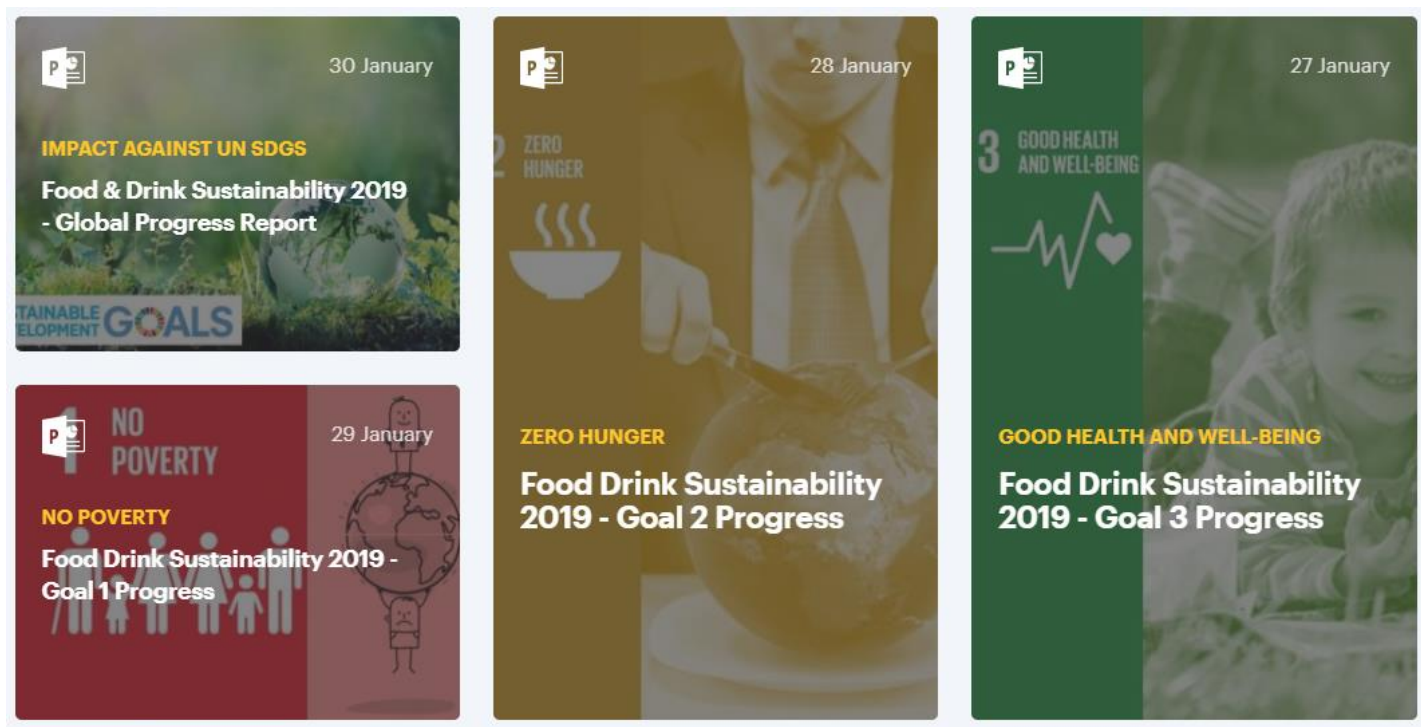
Each of the commitments were categorised according to one of 29 issues – for example waste, nutrition targets or emissions – in order to identify industry priority areas.

The results reveal certified sourcing is a central preoccupation for manufacturers, suppliers and retailers in food and drink today.

Table 1 shows certified sourcing was the subject of far more commitments than any other area, including waste, emissions, employee-based pledges, farmer support and even own-programme sourcing.

Table 1: Food & drink industry commitments by issue

| Issue	%
Certified Sourcing	11.3%
Waste	7.6%
Reduced Emissions	7.2%
Farmer Support	7.1%
Employees	6.7%
Company Programme Sourcing	6.6%
Water	5.4%
Packaging	5.2%
Nutrition Targets	4.9%
No Deforestation & Agroforestry	4.6%
Energy	3.8%
Sugar, Salt and Fat Reduction	3.3%
Gender Equality	3.2%
Supplier Demands	3.1%
Public Health	2.5%
Social	2.2%
Cage-free Eggs	1.9%
Food Safety	1.8%
Clean Label	1.5%
Nutrition Labelling	1.5%
Traceability	1.5%
Child Labour	1.3%
Poverty Reduction	1.3%
Animal Welfare	1.1%
Child Education	0.8%
Child Marketing	0.8%
Transparency	0.7%
Refrigerants	0.6%
Breastfeeding	0.4%

Impact against the UN Goals: Lumina Intelligence's 'Food & Drink Sustainability 2019 - Global Progress Report' captures how the food & drink industry is responding to some of the most pressing issues facing the planet. The service also features concise overviews of industry progress against each UN Sustainable Development Goal, such as No Poverty and Zero Hunger and suggests how to strengthen pledges and initiatives to achieve greater impact.

Table 2 shows the balance of types of sourcing commitments by either third-party certification or company programme pledges. The chart clearly shows certified sourcing pledges (86%) are at present far more common than company programme commitments.

Table 2: Food & drink industry commitments on certified sourcing vs. company programme sourcing (all commodities)
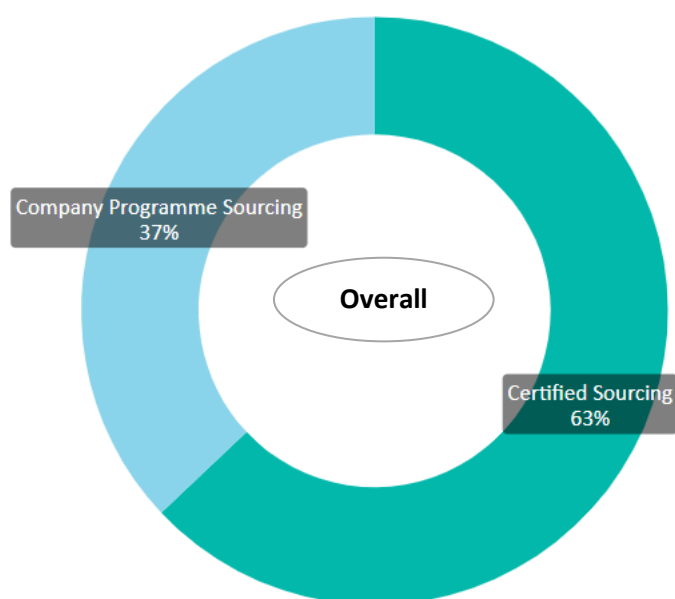
As shown by table 3, commitment to third-party certified sourcing is particularly common among food service companies and retailers. However, manufacturers and suppliers are split between third-party and company programme sourcing policies.

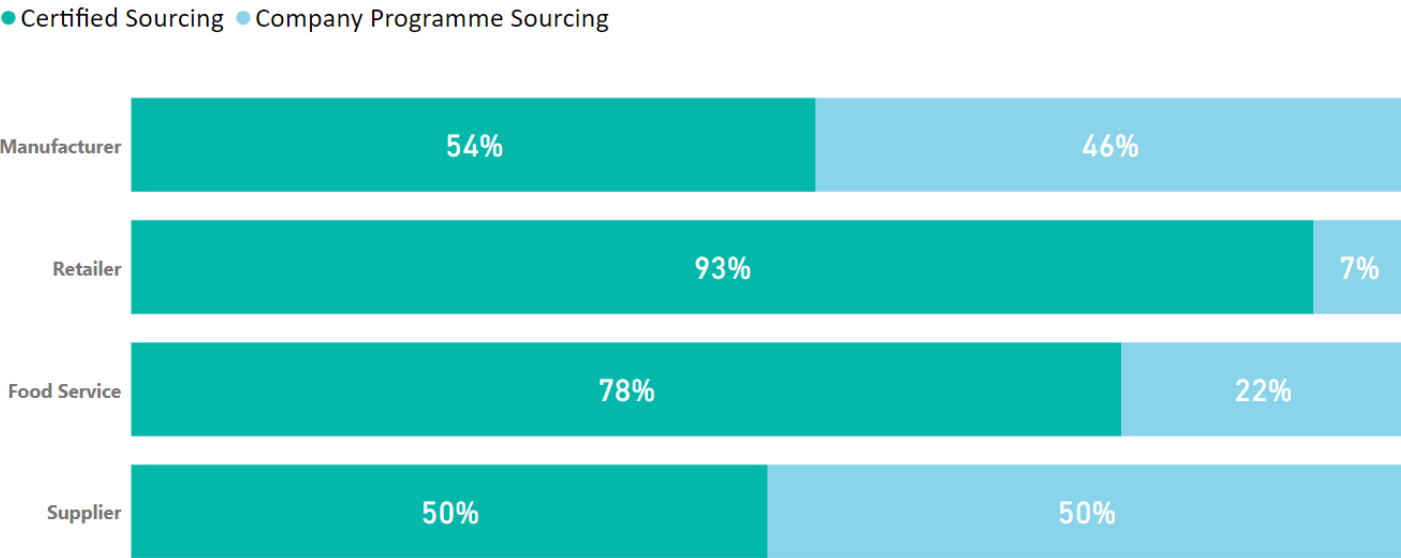*Table 3: Food & drink industry commitments on certified sourcing and own-programme sourcing by company type*

● Certified Sourcing ● Company Programme Sourcing

	Certified Sourcing	Company Programme Sourcing
Manufacturer	54%	46%
Retailer	93%	7%
Food Service	78%	22%
Supplier	50%	50%

Table 4: Average deadline for certified sourcing and own-programme sourcing commitments

● Certified Sourcing ● Company Programme Sourcing
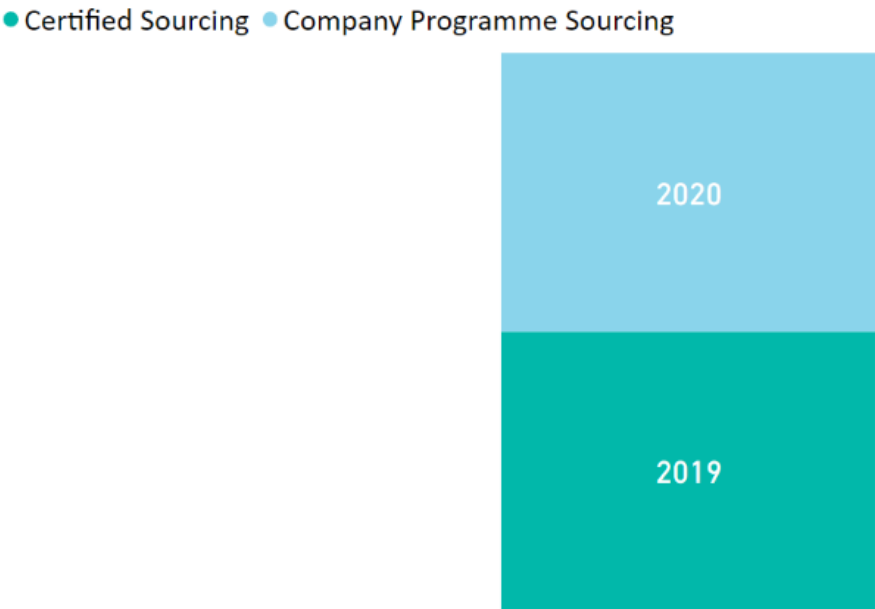
2020
2019

The average deadline for certified sourcing commitments is 2019, while most company programmes have targets set for 2020. Other commitments stretch as far into the future as 2025 and 2030.

Who is promising what?

Certified sourcing pledges

Industry commitments to certified sourcing are typically pledges to source a percentage or a tonnage volume of cocoa, coffee or tea to one or more certification standards by a set deadline.

For example, Unilever is committed to source Fairtrade and Rainforest Alliance certified cocoa for its Ben & Jerry's and Magnum brands by 2020. (See table 5)

Table 5: Example of a commitment to third-party certification

Third-party certification				
Company	**Commitment**	**Commitment details**	**Deadlines already met / progress**	**Future deadlines**
Unilever (manufacturer)	100% certified cocoa	Unilever says it buys around 1% of the global production of cocoa, mainly sourced from Côte d'Ivoire and Ghana, used mainly in ice cream brands Magnum, Walls and Ben & Jerry's.	Ben & Jerry's worked with suppliers to achieve Fairtrade certification for all its cocoa by 2014, and by 2017 98% of the cocoa Unilever uses for Magnum came from Rainforest Alliance- certified farms. The company said it is on track for its 2020 target of 100% sustainable cocoa, increasing from 64% in 2016 to 70% in 2017.	2020

Certification standards are available online. Anyone can see for example, that for a small producer organization to be Fairtrade certified it must comply with the Fairtrade Standard and provide for instance, pest management training to members by year three.

Third-party certification organisations also publish annual impact evaluations, often in collaboration with research intuitions. See for example Rainforest Alliance Impacts Report 2018.

But research tracked in the Lumina Sustainability Studies Timeline – a database providing short summaries of the latest scientific and NGO reports in the last five years – is divided on certification's effectiveness in sustainable development.

For example, a study by Journal of Rural Studies found that Fairtrade and UTZ's efforts to promote gender equality in Ugandan coffee production had been successful, with most assets in certified households being jointly owned by the male head and his female spouse (rather than predominantly owned by the male head alone, as is the case in non-certified households). On the other hand, another study by the University of Sheffield concludes that ethical certifications fail to combat forced labour on farms in cocoa and tea, with some of the worst incidents of forced labour discovered on certified farms.

Company programme pledges

Industry company programme pledges follow a similar pattern to certification pledges by committing to source to an agreed standard by a deadline.

Lindt for example aims for its cocoa supply to be fully traceable and Lindt & Sprüngli Farming Program verified by 2020.

Table 6: Example of company commitments to sourcing company programme verified cocoa, coffee and tea.

Company programmes				
Company	**Commitment**	**Commitment details**	**Deadlines already met / progress**	**Future deadlines**
Lindt (Manufacturer)	Ensure supply chain for cocoa beans is fully traceable and (Lindt & Sprüngli Farming Program) verified by 2020	Lindt is not purchasing certified cocoa from bodies such as UTZ and Fairtrade, but instead relying on its own Lindt & Sprüngli Farming Program. The company's mass balance is "not an option" as it wishes to know the source of its cocoa beans. The company has invested around $14m in its cocoa program from 2008 to 2016, excluding its own staff costs.	Lindt & Sprüngli farming programmes in Ghana, Madagascar, Papua New Guinea, Ecuador covered 60, 448 cocoa farmers in 2017, making 79% of the company's cocoa beans in 2017 traceable and externally verified. Lindt appointed The Forest Trust (TFT) as a third-party evaluator of its program in 2015 and became a TFT member in 2016. It says TFT visits and evaluates each of the Lindt & Sprüngli Farming Programs at least once a year	2020

Company programme standards are often also available online and some companies also publish impact assessments by third-parties.

For example, The Forest Trust publishes an [annual audit](#) of The Lindt & Sprüngli Farming Program, which outlines the standard and assesses progress.

Lumina Intelligence found it is easier to trace information about the supply chains of some companies more than others.

Annual assessments conducted by the external monitor Fair Labor Association (FLA) of Olam and Nestlé's traceable cocoa supply in Côte d'Ivoire are published online. While these assessments only look at a sample of plantations, they do offer valuable insights into the life of workers supplying these major companies.

The 2017[2] FLA assessment of some of Olam's traceable suppliers highlights both serious shortcomings and efforts made.

For example, FLA witnessed children working on farms as well as a foreign worker visibly below the minimum employment age. Farmers interviewed also admitted paying two comparable workers different wages based on their origins. The foreign worker was paid 150,000 FCFA per year while the other was paid 250,000 FCFA.

But the report also outlines how Olam intends to respond with corrective action, such as engaging cooperatives and Olam's internal staff members to emphasize the importance of equal pay for equal work and plans to disseminate this principle in producer sensitization sessions.

Company programmes are not always so transparent and very few companies publish unedited third-party assessments by auditors on an annual basis.

Hershey's former sustainability programme 'Learn to Grow' had no dedicated annual third-party assessments published online, beyond sporadic press releases declaring the reach of the programme had increased.

In April 2018, the company said it would invest $500m in a new sustainability initiative named Cocoa For Good up to 2030, but does not indicate how it will report impact progress against its indicators, which include increased access to nutritious foods and economically empower women in cocoa communities.

In cocoa, the World Cocoa Foundation reports the sum impact of company programmes part of sustainability platform CocoaAction. But data is not presented on a company-by-company basis.

Company programmes have been subject to less scrutiny by researchers compared to ample studies available on certification standards.

However, one study by the University of Münster, University of Bremen and INCAE Business School suggested Nespresso AAA and Starbucks C.A.F.E. practices, ranked lower than other standards such as UTZ, Rainforest Alliance and Fairtrade based on 96 measures in the areas of: (I) environmental sustainability (II), social sustainability, (III) economic sustainability and (IV) compliance enforcement.

Cocoa Barometer's 2018 report authored by Friedel Huetz-Adams and Antonie Fountain said of company programmes: "Though it can be a good thing that companies choose to take ownership of their sustainability efforts, rather than outsourcing responsibility to a standard body, there are also concerns around this, specifically about transparency and reliability of reporting, making farmers – who are already struggling with a severe power asymmetry in the relationship to their purchasers – even more dependent on the large cocoa companies."

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[2] Fair Labor Association (FLA) 2017 assessment of Olam's cocoa supply in Côte d'Ivoire

Third-party certification: Fairtrade, Rainforest Alliance and UTZ

Recent industry commitments suggest a shift from third-party certification to company programmes, but Lumina's analysis of volume information suggests the tonnage reach of third-party certification remains dominant.

Cocoa

Rainforest Alliance – which merged with UTZ in January 2018 – is the most dominant ethical standard within cocoa by tons produced.

There were 1,500,000 metric tonnes (MT) of UTZ certified cocoa produced according to its conditions in 2017 and 457,082 MT certified under Rainforest Alliance. Fairtrade did not yet have figures for 2017 at the time of writing this report, but cited production of 291,917 MT in 2016.

Coffee

In coffee, 'entry level' 4C (the Common Code for the Coffee Community) is dominant according to reported production. Available data for 2016 shows 2,764,002 MT were produced according to its code. However, less than a fifth of this amount was sold as 4C coffee.

Tea

Within tea, Rainforest Alliance quoted the highest certified tonnage for 2017 at 1,170,395 MT. Again, Fairtrade's 2017 figures were not yet available but it quotes 253,870 MT for 2016, already higher than the 120,000 MT certified by UTZ in 2017.

Table 7: Examples of third-party and company-own cocoa programmes (data from latest annual reports)

Standard	Tonnes produced	Reach	Hectares	Countries	Tonnes sold as certified
Third-party certification					
UTZ	1,500,000 MT certified (2017)	744,778 (2017)	2,706,596 (2017)	Cameroon, Dominican Republic, Ecuador, Ghana, Indonesia, Côte d'Ivoire, Nicaragua, Nigeria, Peru, Tanzania, Brazil, DR of Congo, Colombia, Fiji, Honduras, Liberia, Mexico, Panama, Sierra Leone, Togo, Uganda, Vietnam	1,166,649 MT (2017 sold to the first buyer)
Company Programme					
Nestlé Cocoa Plan	Purchased in 2017: 186,358 MT Target for 2018: 175,000 MT Target for 2020: 230,000 MT	Undisclosed	Undisclosed	Côte d'Ivoire, Ghana, Ecuador, Venezuela, Mexico and Indonesia, with focus on Côte d'Ivoire and Ghana.	Undisclosed

The volume data suggests it's easier to achieve scale with third-party certification.

Third-party certification has potential to reach more farmers to a single standard rather than individual companies reaching smaller number of farmers to different standards under company programmes.

Labelling and online trends

Certification and company programme claims are now reaching consumers beyond product packaging through a myriad of channels online.

Lumina has analysed online product data for more than 2,800 brand variants in chocolate, coffee and tea (black and green) across 20 countries worldwide. We analysed the bestselling products in the leading supermarkets and online stores in each market (five stores per country) to grasp how sustainability is being communicated.

We tracked the products communicating certification standards such as Fairtrade, UTZ and Rainforest Alliance in on-pack labels and online product descriptions, as well as brands communicating company-own programmes such as the Nestlé Cocoa Plan and Mondelēz's Cocoa Life.

The results reveal that despite a proliferation of sustainability standards, the majority of products are not linked to any third-party or company sustainability programme, or are not communicating this on pack or online.

Of the 776 products that did communicate a certification or a company programme, the majority (87%) were third-party certified.

Table 8: Chocolate, coffee and tea products communicating certification or a company sustainability programme on-pack or on the manufacturer's website across 20 countries (Lumina Q4 2018)

72% Products **not** communicating certification or a company programme	**28%** Products communicating certification or a company programme
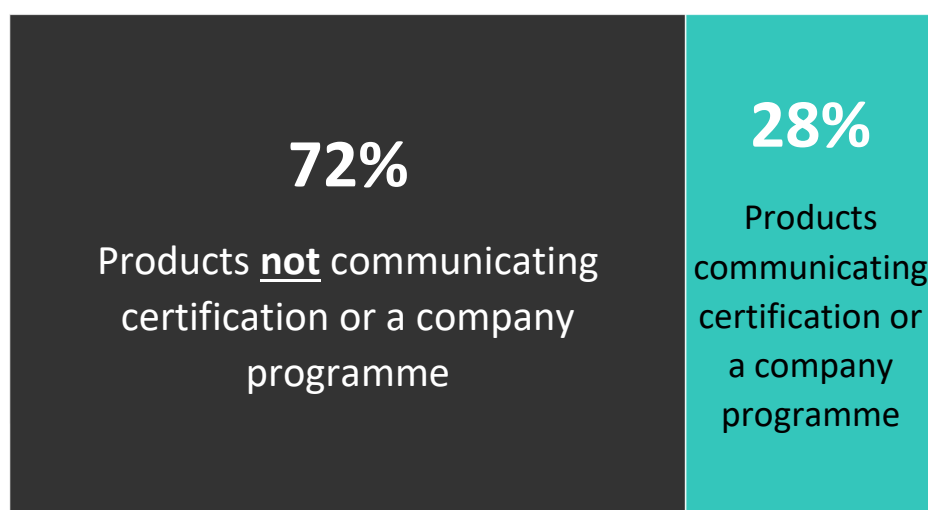
Twenty-three products communicated a certification standard and a company sustainability programme. These were primarily Nestlé products communicating the Nestlé Cocoa Plan and UTZ certification.

While Fairtrade has lost out on market share to UTZ in recent years, as reflected in the production volumes, Fairtrade certification was still referenced over twice as much as UTZ. Rainforest Alliance claims were also more common in marketing than UTZ claims.

Future analysis of how certification is marketed to shoppers is likely to become increasingly complex as the relationship between companies, third-party certification bodies and auditors evolves.

Mondelēz, which ultimately aims to source most of its cocoa through its Cocoa Life programme, previously certified its chocolate brand Cadbury through Fairtrade. However, July 2017 marked the launch of a new kind of relationship between the company and the Fairtrade Foundation.

Fairtrade's global certifier will now "verify" cocoa bought and payments made as well as "offering verification services". Mondelēz has begun to use the Cocoa Life logo front-of-pack but there will also be a 'Partnering with Fairtrade Foundation' logo on the back of Cadbury's products, [3] despite the fact that the product is not certified by Fairtrade.

Table 9: Percentage of bestselling chocolate, coffee and tea brands online making sustainable claims (third-party certification or company sustainability programme), excludes organic certifications (Lumina Q4 2018)

● Product is certified or under company sustainability programme ● No sustainable claims

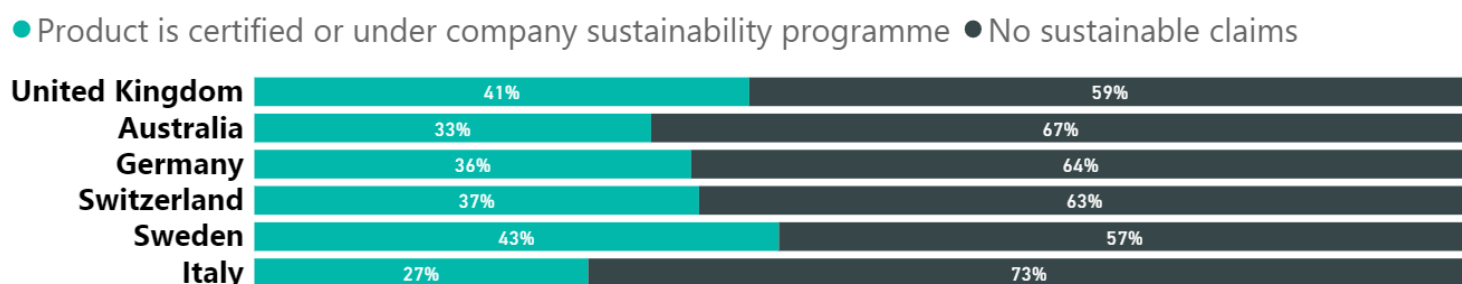|	Certified / under programme	No sustainable claims
United Kingdom	41%	59%
Australia	33%	67%
Germany	36%	64%
Switzerland	37%	63%
Sweden	43%	57%
Italy	27%	73%

Table 9 shows sustainability claims (either third-party certification or company programme) vary by country. Claims are most prominent in Sweden and the UK and less prevalent in emerging markets such as India.

Zooming in on the products that do make sustainability claims, Lumina research shows that different certification schemes are dominant in different countries. However, Fairtrade has the most stable and dominant presence across all countries.

In some countries, the majority of claims made are for one standard alone. Other nations have a wider mix of claims, such as the UK (see Table 10)

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[3] Fairtrade and Cocoa Life: Annual partnership statement

Table 10: Ethical communications on chocolate countlines, chocolate tablets, coffee and green and black tea in the UK (Lumina Q4 2018)

● Not Certified or Under Company Programme ● Fairtrade Certified ● Rainforest Alliance Certified ● Cocoa Life ● Nestlé Cocoa Plan ● UTZ Certified ● Fair for Life Certified

3%

16%

18%

59%

United Kingdom
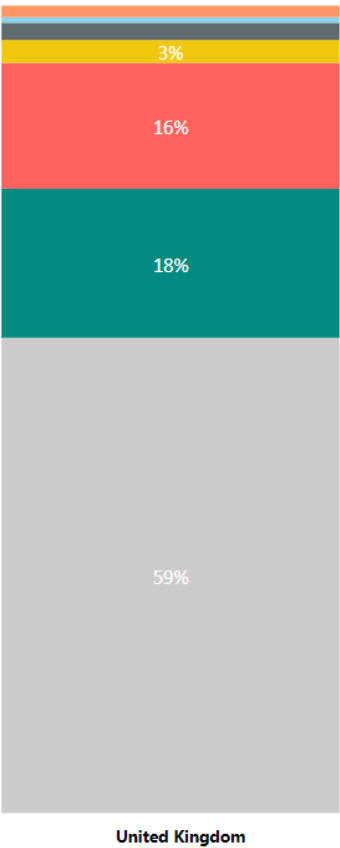
Lumina found greater online consumer engagement with third-party certified products. These products received over five times more online reviews than products certified under company programmes, although the average star ratings were lower.

All products

★★★★⯪ 4.5

1.24K
Average Number Of Reviews

Certified (excluding Organic)
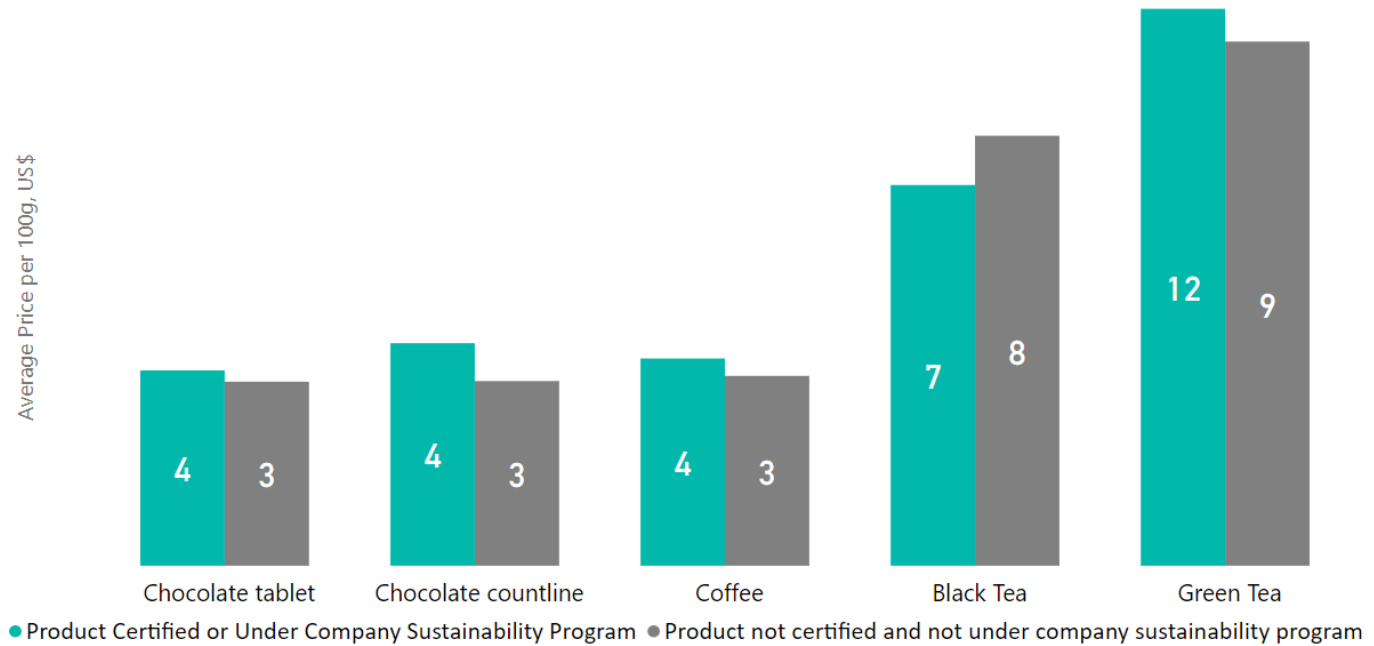
★★★★⯪ 4.4

704.83
Average Number Of Reviews

Company Sustainability Programme

★★★★⯪ 4.7

129.81
Average Number Of Reviews

Perhaps unsurprisingly, the average price per 100 g of chocolate tablets and countline, coffee and green tea is higher for certified products (third-party and company) compared to uncertified products. However, Lumina research found uncertified black tea is actually on average more expensive than certified black tea at $8 US dollars per 100 g compared to $7.

Average Price per 100g, US$

	Chocolate tablet	Chocolate countline	Coffee	Black Tea	Green Tea
Product Certified or Under Company Sustainability Program	4	4	4	7	12
Product not certified and not under company sustainability program	3	3	3	8	9

Recommendations

From its humble beginnings in the 1980s, the fair trade movement has developed into a vast network of company-own programmes and third-party certifications with varying standards, impact verification and transparency.

To ensure the claims are credible and contribute to sustainable development, Lumina Sustainability recommends industry, governments and non-profits:

- Evidence the impact of third-party certification and company programmes against the 2030 agenda of the UN Sustainability Development Goals with key performance indicators (KPIs) based on the targets of each UN goal.
- Improve transparency of company programmes with annual reports published by an independent third-party auditor with full control over the study sample and report editing.
- Utilise the online environment and e-tail to help consumers understand the array of sustainable claims.

Lumina Intelligence's full report 'Up to standard: Third-party certification and company programmes compared' provides additional detail on individual third-party certification standards (Fairtrade, Rainforest Alliance, 4C) and company programmes (Nestlé Cocoa Plan, Cocoa Life, C.A.F.E. Practices and more) in cocoa coffee and tea.

The full report builds upon the whitepaper to:

- **Impact -** Gauge how well aligned each certification and company programme is to the UN's 2030 Sustainability Development Goals.
- **Product data** – Compare how individual certifications and company programmes affect price and online engagement (star rankings, reviews and social media scores) across 20 countries worldwide based on research of almost 3,000 bestselling chocolate, coffee and tea brands.
- **Effectiveness** – Provide in-depth analysis of the latest available scientific studies and NGO reports on the effectiveness of third-party certification and company programmes.
- **Commitments** – Assess individual cocoa, coffee and tea sourcing commitments (third-party certified vs. company programme) across 34 major manufacturers, suppliers and retailers including Tesco, Twinings, Starbucks, McDonalds, Nestlé and more.
- **Regulation and standards:** Compare the environmental and social standards of major certification programmes to company programmes and review regulatory efforts to define sustainable cocoa, coffee and tea.

Date of publication: Summer 2019

About the providers of this paper

Lumina Intelligence Sustainability provides insights on the sustainable sourcing of cocoa, tea and coffee – three commodities facing similar social and environmental concerns.

Our subscription service helps companies, suppliers, NGOs, governments and academics strengthen programmes, target research efforts and gauge demand for ethical products among online consumers.

Sustainability Impact: Measure and compare company programmes against the UN Sustainable Development Goals.

Marketing & Labelling: Compare how companies and retailers label and promote ethical cocoa, coffee and tea products.

Science & Technology: Easy to use timeline and summaries of the latest science to inform company sustainability programmes.

Commitments: Simple tools to follow sustainability commitments by company and subject area.
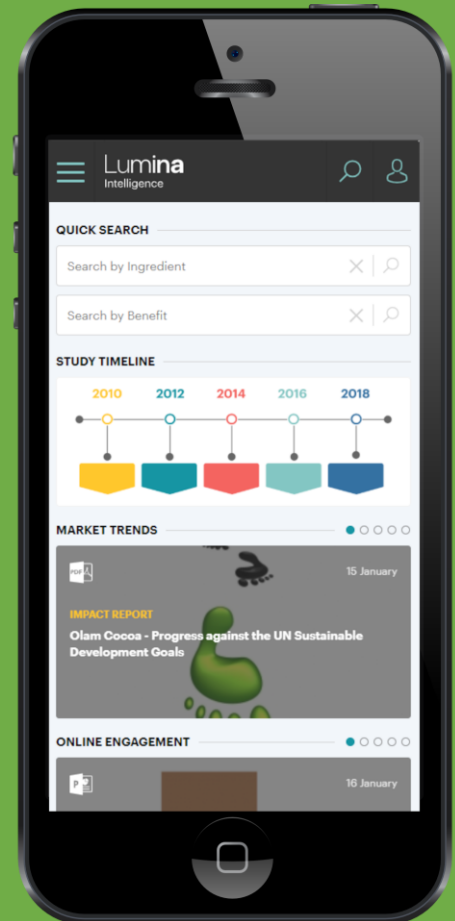
Typical questions that Lumina Intelligence Sustainability answers are:

- ✓ How well-aligned is the food and drink industry to the UN Sustainable Development Goals?
- ✓ Are company sustainability programs achieving impact in reaching zero poverty, zero hunger and zero deforestation?
- ✓ What are the trends in sustainable chocolate, coffee and tea in the growing e-commerce market?
- ✓ What are the latest scientific developments to aid cocoa, coffee and tea sustainability?

Request a demo today

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