UTZ Certified Response

“Effects of UTZ certification according to coffee farmers in Brazil”

by BSD Consulting and Ibi Été consultoria

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www.utzcertified.org
Background

The UTZ program in Brazil began in 2002 and today supplies about 40% of UTZ certified coffee worldwide, making Brazil the largest supplier of UTZ coffee. The program consists of more than 200 UTZ certificate holders, comprising 575 coffee farms, employing more than 25,000 workers. The certificate holders are mainly medium and large scale coffee producers (over 100 ha).

In 2014 UTZ commissioned BSD Consultoria and Ibi Été consultoria to carry out an external evaluation to assess the effects of the UTZ coffee program in Brazil from the point of view of the coffee producers and their workers. Data was collected in the first half of 2015, and focused on assessing the most important changes from the viewpoint of producers and third parties.

The evaluation was based on the UTZ theory of change, which holds that the implementation of good agricultural, social, environmental and farm management practices required by the UTZ Code of Conduct will lead to improved profitability, worker health and safety, human wellbeing, and environmental sustainability of the coffee farm.

Main Findings

Overall the study found that about 80% of the producers have been UTZ certified for 3 years or longer. The majority (93.3%) are satisfied with the UTZ program and would recommend it to their neighbours, and 86% have the intention of renewing their UTZ certification.

The top 3 reasons producers gave for becoming UTZ certified were:

- Improving farm management and production (74%);
- Receiving a better price (70%);
- Accessing new markets (39%).

The research found that the expectations around improving farm management are largely being met; however the effects in terms of improved market access and better prices fall short of producers’ expectations. A large proportion (63%) of producers reported improvements in working conditions as a benefit despite it not ranking highly as a motivation for certification.
The research also found that UTZ certification encouraged producers to comply with Brazilian environmental and labour legislation. Brazilian regulations are demanding but sometimes fall short in terms of enforcement, which is not surprising for a country as big as Brazil. The UTZ standard and its third party assurance system, consisting of yearly audits, act as strong incentive for producers to comply with the Brazilian laws and regulations as well. This positive effect of certification is acknowledged in the report by producers and government representatives.

**Better Farming Methods**

The report found that the main effect of UTZ certification in Brazil has been improvements in farm management and on-farm traceability. The researchers found that systematic keeping records of distinct production and processing places, stages and decisions, have resulted in efficiency gains and cost reductions.

The better farm management practices have enabled farmers to differentiate their coffee qualities, fetching better prices for batches with better quality. Training workers in coffee processing operations has contributed to an increase in quality awareness.

**Better Access to Markets**

More than 60% of the farmers say that UTZ has helped them to establish more reliable marketing channels, although 18% state it has had the opposite effect.

The research found however that an area of dissatisfaction with many producers was in regard to the lack of transparency with the UTZ Premium. The researchers found that certified producers seem to be poorly informed about the final price and the premium received by those that market the coffee on their behalf.

**Better Income**

60% of the farmers confirm that UTZ certification contributes to reducing costs, and 49% state that UTZ certification contributes to the profitability of their farm. A small number (25%) state that certification has actually added to their costs; the most significant costs according to farmers are those related to bringing the farms into compliance with Brazilian social and environmental regulations.
The research found that certification does not have direct or immediate effects on the remuneration level of workers (96% male), but does seem to have indirect positive effects, such as better registration and payment of overtime hours.

Workers on certified farms are paid at least the legal (minimum) wages. A positive effect of certification is that workers are contracted in accordance with the law, salaried in accordance with the function they perform, and entitled to the regular salary increases. Additionally, workers who are formally employed are entitled to health and social security benefits for themselves and their families. The research found that the trainings demanded by UTZ certification contribute to raising the skills of workers, to upgrade their functions, which also contributes to increased salaries.

**Better Care for Nature**

Correct waste disposal and a more conscious and efficient use of water, energy and fertilizers are the main environmental improvements UTZ certification has contributed, according to the producers.

Some of these better environmental practices also have a positive effect on the costs of production, in addition to their environmental benefits. Implementing the set aside areas demanded by Brazilian legislation, preserving or restoring riparian forests and protecting water springs are also noticeable improvements to which UTZ certification has contributed to.

Better Working Conditions

Out of 25,000 workers (permanent and seasonal) working on UTZ certified farms, a small sample of 57 permanent workers was interviewed for this evaluation. The seasonal workers could not be surveyed directly due to practical and financial reasons.

The skilled permanent workers, such as machine operators have all been trained as a result of certification requirements. Certification had clear effects on the use of protective equipment and following work safety procedures. This has reduced the number of accidents at the work place according to employers and workers alike.
The report found that UTZ certification also led to improvements in the facilities on the farms, such as canteens, lavatories, storage places, as well as sceptic tanks for the on farm living workers thus improving sanitary conditions.

Recommendations

The report highlights seven recommendations for UTZ Certified:

- Improve the transparency of the UTZ premium for producers.
- Develop key performance indicators that can be monitored by producers themselves. This will help them to monitor their costs and benefits, including those related to certification.
- Brazilian legislation is weak with regard to reducing CO2 emissions from agriculture, one of the causes of climate change. UTZ could do more to encourage and support producers to reduce their CO2 emissions.
- Raise the profile of UTZ certification in the Brazilian consumer market.
- Bring UTZ certification within reach of small-scale producers.
- Ensure consistency and quality of the third party audits.
- Take part in the international efforts to define and introduce a “living wage”.

UTZ’ response

We welcome this evaluation of our largest coffee origin and recognise the commitment and hard work of the certified coffee producers and their workers who have implemented the system changes required for certification.

It is encouraging that so many of the producers stated the desire to professionalize their farm management as a key reason for choosing UTZ certification, as this is a central component to our theory of change. It is also encouraging to note that most certificate holders are noticing the economic, social and environmental benefits from certification.

The improvements with regards to compliance with current laws are also relevant to note. They indicate that a voluntary standard such as UTZ, adopted by producers and supported by a good functioning assurance system, is contributing to what one may call a “culture of legal compliance”. In Brazil, where laws and regulations are often in place, but sometimes face issues around compliance, it is a positive signal that UTZ is contributing to a shift in mind set, where accountability is increasingly considered the “new normal” – hence through this UTZ is contributing to true sector transformation.

The report also highlights some areas for improvements, which we have addressed below.

Improve the transparency of the UTZ premium for producers.

We share the concerns of the producers with regard to the lack of premium transparency. A premium payment for certified coffee is a requisite of UTZ certification, but the amount of the premium has to be agreed between the certificate holders and their first buyers. UTZ Certified requires from individual and group certificate holders and their buyers (coffee traders, roasters and brands) to register the amount of UTZ premium paid in the online traceability system Good Inside Portal (GIP). In addition, group certificate holders are required to have a procedure and records in place for how the UTZ premium is used and distributed among members.
**Develop key performance indicators that can be monitored by producers themselves.**

We endorse the recommendation to develop key performance indicators that can be monitored by producers themselves. We believe that this will help producers to continue making improvements, in addition to keeping up with the certification requirements.

UTZ is currently developing this concept and defining the exact data and information needs of producers that can really support them in gaining better insight in their internal organization and performance of operations. The first pilot of IT tools that will enable this will be set up in 2016.

**Support producers to reduce their CO2 emissions**

Although the implementation of the current Code of Conduct already entails several practices that contribute directly to reducing greenhouse gas (GHG) emissions from coffee production (such as avoidance of imbalanced and excessive use of fertilizers), UTZ welcomes the recommendation to pay more attention to reducing emissions. It is hard to generalize and determine for producers how and where emissions should be reduced. Therefore UTZ has planned to facilitate connections between existing GHG emission calculation tools endorsed by the coffee sector, and the key performance indicators currently being developed by UTZ, as mentioned above. This data collection and decision support tool will support certified producers to monitor their own performance and determine the most relevant and feasible areas in their production system to further reduce emissions.

**Raise the profile of UTZ certification in the Brazilian consumer market.**

As most voluntary sustainability standards, UTZ Certified was initially developed with (and for) export oriented value chains. Positioning UTZ on the Brazilian coffee market makes sense, but we cannot assume the domestic market will respond in the same way to the value proposition of a sustainability standard as the export market(s). A differentiated approach is needed for each market, based on a sound understanding of the market and consumer preferences. UTZ is exploring strategies for the Brazilian market.

**Bring UTZ certification within reach of small-scale producers.**

UTZ endorses this recommendation. The composition of the membership of the UTZ program in Brazil is the result of voluntary adoption by medium and large scale producers. We are aware of the fact that smallholder coffee producers have not yet adopted the UTZ standard in significant numbers. Smaller producers can join the UTZ program via group certification, which enables them to share some of the costs of certification, such as setting up an internal management system. Training and technical assistance to implement sustainable farming practices can often be obtained from public extension agencies or private companies who invest in their supply chain or client base. But is understandable that certified producers expect that the market premium for UTZ certified coffee will cover at least their recurring certification costs. Larger producers can rely more on economies of scale to recover certification costs.

To bring certification more within reach of coffee smallholders UTZ has begun to collaborate with Certifica Minas Café (CMC), a local sustainability standard and program of the government of the state of Minas Gerais. As from 2014 CMC producers are recognized by UTZ as equivalent to first year of UTZ certification. This helps the CMC label to gain traction in the international market, and helps CMC certified producers to make further improvements towards full UTZ certification.

Another partnership that will bring UTZ closer to smaller coffee producers is with the Nucoffee program. Technical advisors of Nucoffee are currently training and supporting small and medium sized farmers to make the necessary improvements to become UTZ certified.
Ensure consistency and quality of the third party audits.

UTZ is pleased to learn from the evaluation that our current assurance system based on yearly third party audits is valued by the certificate holders as an incentive and support to comply with the UTZ code, and in doing so, also with the Brazilian environmental and labor legislation.

UTZ believes that producers should have a choice with regard certification bodies. Clear quality requirements and a healthy competition between auditing bodies enhances the quality of their service to producers. UTZ’ role is to train certification bodies and monitor their qualifications and performance. We systematically monitor the quality and consistency of audits, and conduct regular shadow audits and surprise audits. In addition, UTZ has a complaints mechanism in place that can be used at any time by stakeholders to file complaints.

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Take part in the international efforts to define and introduce a “living wage”.

UTZ is actively engaged with international efforts led by sustainability standards, governments and industry partners to implement a living wage for agricultural workers. At this moment, the methodology and parameters for calculating (rural) living wage benchmarks (per country) are being defined. In the second half of 2015 UTZ will be leading on research within Brazil to calculate the living wage for agricultural workers in the coffee regions according to the Anker method.

Concluding remark

We welcome the evaluation study and the insights it provides into a well-established and sizeable UTZ program. It is encouraging to see that the effects of the program are wide reaching including economic, environmental and social impact, and that many positive effects are attested by producers, workers, the market and government officials alike.

We will take the recommendations and use them to continue to develop the UTZ program to work towards our goal to see sustainable farming as the norm.