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Increasing Equity through B Corp Certification in the Coffee Commodity Supply Chain

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Running head: Increasing Equity through B Corp Certification in the Coffee Commodity Supply Chain

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April 2017

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Table of Contents

Capstone Section	Page
I. Abstract	4
II. Acknowledgements	5
III. Introduction	6
IV. Methodology	8
V. Literature Review	9
a. Coffee production and the global supply chain	9
b. Coffee’s supply chain in the Nicaraguan context	12
c. Certification Schemes in the coffee industry: working toward equity	15
d. Certified B Corp: Using business as a “Force for Good”	18
VI. Research results and analysis	21
a. Fair Trade and B Corps’ strengths and weakness in the coffee industry	21
b. A collective mindset: how coffee cooperatives fir the B Corp movement	23
c. Prioritizing the B Corp movement before certifications	24
VII. The Last Sip: Conclusion	25

I. Abstract

The coffee industry is a cornerstone of Nicaragua's economy. Coffee production shapes communities and is a major factor in the development of the country. Coffee cooperatives in Nicaragua are often Fairtrade and Organic certified, yet their farmers continue to struggle to secure stable livelihoods. In this inquiry, I sought to understand whether becoming a Certified B Corp and interacting with the B Corp network could improve farmer livelihoods for production cooperatives. B Corp Certification seeks to redefine success in business with the unifying goal of creating a more inclusive economy. B Corps, for-profit businesses which have passed the rigorous B Impact Assessment, are certified by the nonprofit B Lab. B Corp certification may increase access to the market through the B Corp network and may thereby increase farmers' incomes. B Corp Certification may also be a means to redistribute value in the commodity's supply chain. Most importantly, the B Corp movement could promote sustainable change in the coffee value chain by joining like-minded companies in the global north and south. I argue that B Corp certification within the coffee industry could help to redistribute value in the supply chain by working within the B Corp network and will ultimately improve the livelihoods of farmers.

II. Acknowledgments

I would like to thank my Mom, Dad, and Halley for being my never failing champions. Thank you for empowering me to be a dreamer and teaching me to be a curious adventurer. Your love and hard work is an example to me everyday. I am so proud to be your daughter and sister. To Adam, what an amazing journey SIT has been with you. Thank you for your love and support.

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To the coffee farmers in Nicaragua and the B Corp community I was able to spend time with, I appreciate your time and passion. Nora Burkey and Travis Hellstrom, thank you for helping me to shape this capstone. Your guidance was essential in framing this research.

III. Introduction

Roberto walked effortlessly through the mud and drooping tree vines as he led me to the coffee plants so I could better understand the production process from cherry to cup. The howler monkeys were faint in the distance swinging through the massive trees, the air was thick with tropical humidity and made the daily walk of the coffee pickers seem like a never ending hike as we trotted slowly up the smaller of the two volcanoes on Isla de Ometepe. With sweat on my face, I laughed to myself. What on earth was I doing here?

I was there to learn about coffee, sustainable development of the coffee lands, and the political and economic realities of the commodity industry that kept regions of Nicaragua in devastating poverty. Roberto cracked open a coffee cherry to show me the pulp inside and the damage caused by the latest insect infestation. With a somber look, he explained that the recent coffee rust, a crop disease, and insects had taken the entire plot of coffee. The issues with production, as he noted, were due to limitations in inputs such as starter plants, changes in regulation, consumer taste, and the climate, which was forcing the coffee plants to a higher elevation, meaning new varieties of plants and increases in infrastructure. The issues in this coffee cooperative were not solely ecological; being a small operation it is difficult to sell their coffee past the local market, which limits income.

The sought after bean is the second most traded commodity after oil and is historically rooted in colonialism and social injustices (Ponte, 2002; Fridell, 2007). Creating resilient communities is a common theme in the discourse surrounding the coffee lands (Bacon, 2005; Daviron and Ponte, 2005; Jaffee, 2007). While the specialty coffee industry thrives, farmers in the global south are trying to survive as they are faced with challenges in the market, extreme poverty, and unstable political environments (Bacon, 2005; Jaffee, 2007). Initiatives to help coffee communities become more resilient range from development projects to certification schemes (e.g. Organic, Fairtrade). These well-meaning initiatives do make a difference but the coffee lands still struggle with community development and economic stability. Roberto's cooperatives are part of something different. They are part of a roasting company that is a Certified B Corporation, a major distinction as they are the only Certified B Corp in Nicaragua, and thus the reason I traveled across the small country, took a \$2 ferry that would have made Gilligan nervous to the simple island with twin volcanos, and why I was there in the rainforest with Roberto: they were a special kind of coffee producer and roaster. B Corp is a voluntary certification which seeks to redefine success in business to include more than just returns for stakeholders (Honeyman, 2014). As noted before, the coffee industry is peppered with certifications and development projects but is still not as equitable as would be ideal. B Corp Certification is relatively new with the first certified company in 2007 and is a holistic certification which focuses on employees, suppliers, the community, and the environment (Honeyman, 2014).

The vast majority of coffee is consumed in the global north while production is situated in the global south. The United States alone consumes 1/3 of the coffee produced in the world, making it the largest food import (Jaffee, 2007). The mountainous terrain and tropical climate of Nicaragua are perfect conditions for growing coffee. In Nicaragua, there are around 31,000 coffee farms, and 94% of these operations are considered smallholder family farms with less than 25 acres or 10 hectares (Bacon et. al, 2008). Coffee commodity sales are one of Nicaragua's "primary sources of foreign exchange and provides the economic backbone for thousands of rural communities" (Bacon et. al., 2008, p. 263). Smallholder farmers in the global south produce the majority of unprocessed coffee, many of which belong to some sort of production cooperative to export their crops to the global north. Roasting takes place in the consuming countries, the global north, and adds value to the coffee. This is typical of commodities produced in today's trade system which is "based on the disconnection between poor workers and small producers in the south and wealthy consumers in the north" (Restakis, 2010, p. 166). The value of the products is shifted away from those producing the primary product and is situated in monopolies like transnational corporations that control markets due to their size and power (Restakis, 2010). Coffee is the perfect example of the inequity in commodity supply chains as 6 companies including Nestle and Philip Morris control 50% of the global market for roasted and instant coffees (Daviron and Ponte, 2005, p. 95; Restakis, 2010, p.167). The capitalist system is based on privatization, competition in the market, and commodification of labor which create social inequities and power relations, alienate consumers from producers and "perpetuates modern poverty" (Restakis, 2010, p.168).

Certification schemes are an attempt to change the power laden realities like unfair trade and poverty in the coffee commodity market (Jaffee, 2007). Certification schemes for the coffee industry include Fairtrade, Organic, Rain Forest Alliance, Bird Friendly, and Utz Kapeh. Fairtrade was the original of these labeling initiatives for coffee. Fairtrade certification has what Jaffee describes, a fundamental paradox (2007). Fair Trade¹, while it strives to relieve the social injustices of the market and counter "unjust terms of trade" works within the commodity market and is a "hybrid of a social movement and an alternative market structure" (Jaffee, 2007, p.1). The original and more fundamental Fair Trade supporters want to use an alternative market and reject the capitalist system to create the change they wish to see in commodity markets. On the other side, more recent supporters recognize the corporate dominance in the coffee market and feel Fair Trade must work within this system to create larger ripples with the "powerful mainstream market players" (Jaffee, 2007, p. 17) This debate has divided those in the Fair Trade movement and has become the major critique; it brings light to the question of whether Fair Trade is really creating change when it works within the beast of capitalism (Jaffee, 2007).

In addition to dividing the movement, certification schemes create a barrier to entry and perpetuate an "agricultural treadmill" for smallholder farmers who are faced with the need for

¹ The term "Fairtrade" is used by Fairtrade International when discussing the certification specifically. The term "Fair Trade" is used when discussing the movement as a whole.

land and resource inputs specific to regulations to barely get ahead. This hinders the development of the coffee lands and equity in the supply chain, which fair trade intends to do (Guthman, 2004; Jaffee 2007). The “agricultural treadmill” is especially harmful to smallholder farms in the global south as the disintegrated supply chain of coffee keeps them in poverty with low economy of scale. The disintegrated supply chain is categorized by smallholder farmers wouse middlemen to sell their product. While agricultural cooperatives do challenge this flow, even cooperatives will need middlemen to sell, and this chain keeps farmers indebted to landowners and disconnected from the global market, often selling at an economic loss (Jaffee,2007). As Daviron and Ponte discuss, the “peasantization” of the coffee industry keeps producers in the global south in poverty (2005). The imbalance presented here in the supply chain keeps the global north in a position of power. Fairtrade certification and the Fair Trade movement set out to address these issues but divisions in ideologies split the movement and continue to hinder its growth.

B Corp certification is a more holistic certification and considers each part of a business, including its supply and value chains (Why B Corps Matter, 2017). The B Corp movement is unified with one goal to make business a “force for good” (Ibid.). My research asked how increasing the B Corp movement in the coffee industry could improve the livelihoods of farmers by connecting them with the B Corp network and creating systemic change to the commodity chain by working toward a more inclusive economy.

IV. Methodology

In this research, I seek to understand the potential benefits of B Corp Certification to the coffee industry. B Corp certification may increase access to the market through the B Corp network and may thereby increase farmers’ incomes. B Corp Certification may also be a means to redistribute value in the commodity’s supply chain. This inquiry is exploratory in nature.

Data collection for this inquiry was comprised of semi-structured interviews and content analysis. Five interviews were conducted in Nicaragua with coffee farmers and coffee cooperative leaders. Five interviews were conducted in the United States with professionals in the B Corp and coffee industries. One interview was conducted with a founder of Sistema B, the Latin American branch of B Lab. I also conducted an interview with the Founder of the Chain Collaborative, a nonprofit development organization in the coffee lands. An analysis of various content such as current development initiatives in the coffee lands and B Impact Assessments for Certified B Corps supports this primary research. I chose these people to interview to gather perspectives from the global north and south. Having in-depth conversations with farmers and cooperative leaders as well as visiting coffee farms deepened my understanding of the multifaceted issues that complicate growth in the industry and hinder community development. To expand my knowledge of the B Corp community I spoke with leaders in the movement as well as companies in the United States who are certified B Corps and strive for sustainable sourcing. Limitations to this study include my lack of ability to speak Spanish, which required me to use a translator while in Nicaragua. Another limitation is the lack of academic research for B Corp Certification; though a growing body, it is not as robust as the literature

about Fair Trade. Lastly, my time in Nicaragua was short and interacting with cooperatives requires a level of trust. If given the opportunity to spend more time with the cooperatives the breadth of this reach could have been deeper.

The methodology for this inquiry was based on action research principles as I attempted to not only augment the social science literature surrounding certification schemes in the coffee industry but also identify immediate, practical concerns and solutions for those involved in the inquiry (Gilmore, Krantz, & Ramirez, 1986 as cited in Hesse-Biber and Leavy, 2011, p.50). Through this inquiry, I am seeking to study the systems ingrained in the international coffee commodity value chain as well as discuss action steps with those involved on how to further the B Corp movement. To gather multiple points of views and inspire thought and potentially action, I sought to involve people throughout the value chain, which included farmers at the bottom of the chain, cooperative leaders, as well as those toward the top of the value chain like coffee roasters (McIntyre, 2008). I drew on literature to which I was exposed in the SIT courses Theory and Practice of Sustainable Development and Social Entrepreneurship. Specifically, I drew on concepts from political ecology and the critical literature on the coffee industry and certification schemes. I turn next to a discussion of political ecology, which I use as a framework to discuss local and global relations of power shaping coffee producers' livelihoods, certification efforts and corporate profits.

V. Literature Review

A. Coffee production and the global supply chain

The literature for this inquiry was analyzed through a political ecology framework. Political ecology is a "critical field of research predicated on the assumption that any tug on the strands of the global web of human-environmental linkages reverberates throughout the system as a whole" (Robbins, 2011, pg.13). A political ecology framework was chosen for this inquiry because of the power laden nature of the global coffee commodity chain. It is not possible to understand human interaction, such as growing and selling coffee in the global south to the global north, without consideration of how power is situated within the interaction (Lecture, Rachel Slocum, Spring 2016). Political ecology considers the relations of power between the economy, political situation, and nature (Robbins, 2011). For the coffee industry, some of the power relations to consider include global capitalism, commodification of goods and services, class, gender, and political situations. The "production-consumption pattern" between the global north and south, being that the global south produces 90% of the world's coffee, but the global north consumes the vast majority of coffee and sets the regulations in the coffee industry exemplifies the need for using a political ecology framework to discuss coffee (Ponte, 2002). In the following section I will discuss the production process of coffee. The growing and selling process is important to understanding the dilemma of using coffee as a tool for development in the global south as the crop itself takes up to three years to develop into a sellable bean and depends on short term, sporadic labor (Tucker, 2011).

To situate the conversation on the coffee supply chain, it is necessary to understand the

process of producing coffee from cherry to the finished product. The production of coffee is labor intensive and time consuming, often taking three years before the coffee plant will produce a substantial harvest to sell (Interviewee, 2016). Coffee trees are planted and maintained for 1-2 years before producing cherries, cherries then take an average of 8-11 months, depending on the variety of coffee, before they are ready to be harvested (Davrión and Ponte, 2005). Picking cherries is a challenge in itself as cherries will ripen on the coffee bush throughout the season, meaning the plots of coffee cannot be picked at one time (Tucker, 2011). There are two varieties of coffee, Robusta and Arabica. Robusta is more resilient to climate and pests but offers a lower price at market. Arabica is grown at higher elevation and brings a better price in the market as many of the Arabica beans are specialty grades. Nicaraguan smallholder farmers mainly produce Arabica coffee because of the elevation of the country (Dobrzensky, 2013). Another difference in these varieties is how the coffee is picked. Robusta and lower quality beans are often picked all at once with ripe and unripened cherries mixed together while specialty coffee is hand-picked as the beans ripen, producing a more refined flavor (Tucker, 2011). A coffee cherry is slightly smaller than a grape with a layer of pulp to protect the bean. Coffee cherries are ripe when they are bright red and are in season from late October to mid-spring, depending on the region. After picking the cherry, it is processed in a wet or dry mill. Arabica beans are usually wet processed, while Robusta beans are often dry processed. In wet processing, the coffee bean is removed from the cherry, fermented to remove the outer pulp, washed, and dried (Davrión and Ponte, 2005, p. 52). During dry processing, farmers let cherries dry until the coffee bean and pulp inside dries and separates from the outer layer of the cherry; the cherries are then taken to be hauled (Davrión and Ponte, 2005, p. 52). Both methods result in green (unprocessed) coffee which is then ready to be exported. Once received in consuming countries, the coffee beans are inspected for quality, distributed, and lastly roasted for consumption. This is a very simplified explanation of the coffee supply chain but serves as a basis to discuss the broader commodity chain in which coffee is situated.

The Global Commodity Chain (GCC), analysis framework developed by G. Gereffi and his colleagues, provides a broader look at the different dimensions of the coffee chain (Ponte, 2002). The GCC is important to understand the flow of the coffee commodity from farm to finished product. As a commodity crop, coffee has a broken supply chain which situates value in the finished product. Ponte argues the coffee supply chain is of great importance to understanding the political economy of development in the global south and the coffee lands because the “production-consumption pattern” of coffee flows from south to north but regulation is situated in the north (Ponte, 2002). Gereffi categorizes commodities in two distinctions: the buyer-driven and the consumer-driven supply chains (1995). In consumer-driven supply chains, transnational corporations have central control of the end product. An example of a consumer-driven product is a computer; although materials and labor are sourced in various locations, the company has control of the supply chain and end product (Gereffi, 1995). The supply chain that is most applicable to the coffee market is the buyer-driven supply chain. Control in a buyer-driven supply chain is in trade companies and retailers that decentralize the movement of the commodity. It is also known as a vertical disintegrated supply chain (Gereffi, 1995; Ponte, 2004). GCCs are broken down into the following four

dimensions: the input-output structure, the geographical coverage of the product, governance, and “the framework through which national and international conditions and policies shape the globalization process at each stage” (Gereffi, 1995). As previously stated, coffee’s input-output structure relies on peasant farmers in the global south to supply unprocessed coffee beans for consumption in the global north. The inputs of actual production, such as fertilizers, plant seeds, production facilities, and specifications for export, are more deeply rooted in a mix of neoliberal social sector governance, varying state interventions, and the perils of selling on a free market (Guthman, 2007; Ponte, 2002). The geographical coverage of the coffee commodity covers most of Latin America and parts of the African continent. Today’s global capitalist market is based on the disconnect between producers in the global south and consumers in the global north. This is especially true in commodity markets like coffee (Restakis, 2010).

This disconnect between producers and consumers is commodity fetishism, a Marxist concept, which means “that people, rather than directly engaging with one another over the production and distribution of goods, engage the market as atomized agents deprived of information on how goods are produced, use their own individual needs as the sole criterion for determining market choices” (Fridell, 2007, p. 83). Commodity fetishism is a characteristic of capitalism, where land and labor are commodified (Lecture, Rachel Slocum, Spring 2016). I would argue putting a face to coffee has been a goal of Fair Trade. The story of coffee’s face is up for debate; the selling of poverty and devastation of poor farmers in the global south to some can seem contradictory to the goal to empower farmers (Personal communication, Nora Burkey).

The coffee industry struggles with a paradox throughout the supply chain. This paradox is the desire to create a more equitable supply chain coupled with the fact that coffee is a commodified crop which is based on a disintegrated supply chain model and poverty in the lowest parts of the supply chain (Ponte, 2002). Although most of the world’s coffee is grown by smallholder farmers, there is a dependence on cheap, temporary labor on plantations which have scale to export large amounts of coffee, meaning they control large portions of the market. These plantation systems are a reminder of past colonial and current neoliberal policies imposed by the global north. The cycle of temporary labor, unequal access to markets, and the phasing out of the plantation systems creates a paradox for developing the coffee lands (Tucker, 2011). In Nicaragua, like many other coffee growing regions, to a varying degree “coffee production depends on the perpetuation of an impoverished rural underclass that depends on coffee production to subsist” (Tucker, 2011, p. 95). Thus leaving the question of whether trade is a way to develop a country if commodity producers are stuck on the “agricultural treadmill” (Guthman, 2004; Ponte, 2004). As this research was based in Nicaragua, it is necessary to understand the coffee industry in this context. In the following section I will provide a brief history of Nicaragua and discuss the political ecology of the coffee growing region.

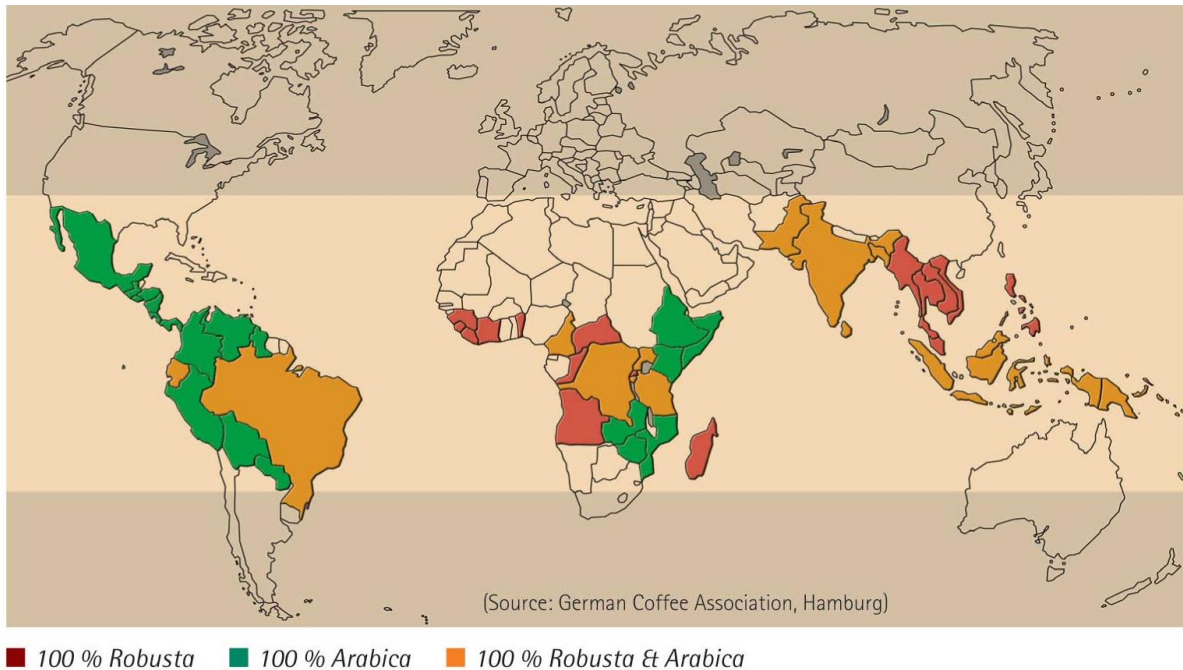


Image 1 shows the “Coffee Belt” the areas of the globe that grow coffee. This map shows the regions where the two varieties of coffee, Robusta and Arabica are grown. Retrieved from “The Coffee Belt” (2017).

B. Coffee’s Supply Chain in the Nicaraguan Context

Coffee’s supply chain has a long history of injustices beginning with slave labor and plantation systems in Latin American and African countries (Davrion and Ponte, 2005). As the supply chain evolved through both national and international changes in political and economic structure, smallholder farmers began producing the majority of coffee crops to sell to middlemen, often the mill owners, which pushed them further away from the end of the supply chain and kept the smallholder farmers indebted to landowners and disconnected from the global market, often selling at an economic loss (Jaffee, 2007). Though the idea of selling their coffee on the global market may seem to be an opportunity to increase sales, farmers in the global south are still in extreme poverty due to the unpredictable prices, remote locations of farms, and small yields which must be combined with more coffee to export. Therefore, “the ‘peasantization’ of coffee cultivation was accompanied by a vertical disintegration of the value chain” (Davrion and Ponte, 2005, pg. 66). Vertical disintegration is the process of breaking down the supply chain into smaller, less organized parts. This is a critical piece of the ‘peasantization’ of the coffee supply chain because smallholder farmers are distributed with low economy of scale and must use an exporter or “coyote” middle men to sell their product on the international market instead of being a unified body selling as one large unit. This is the opposite of vertical integration in a supply chain where a company may own each step in the supply chain from raw materials to finished products. The vertical disintegrated value chain allows exporters,

importers, and roasters in the global north to purchase coffee from numerous farmers in the global south. While this does present some opportunity for farmers on the market, as Davrion and Ponte point out, this type of value chain keeps small holder farmers in poverty as they lose the stability of a constant buyer and are forced to sell to anyone who will buy their crop on the free and open market (2005). This imbalance keeps coffee producers in poverty and those in the global north empowered to buy coffee on the open market.

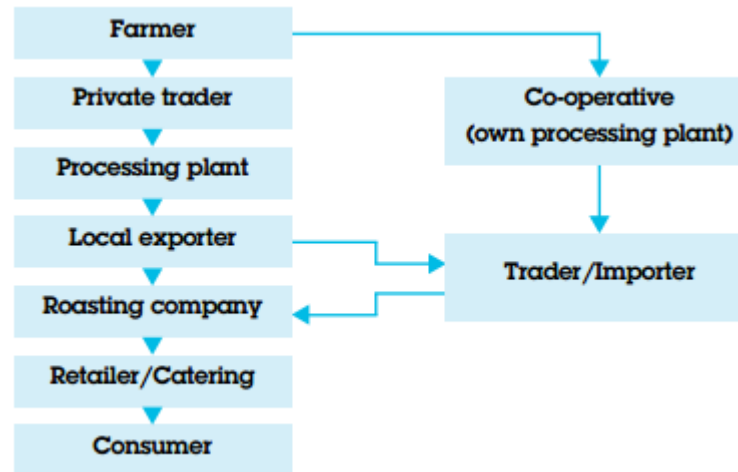


Image 2 shows a simplified coffee supply chain (Fairtrade and Coffee: Commodity Briefing, 2012).

The change from plantation systems to smallholder farmers in Nicaragua was due to the Agrarian Land Reform in the early in the 1980s which redistributed land and encouraged the formation of cooperatives (Interviewee, 2016). The 1980s were a transformative time in Nicaragua both politically and economically. After the 1979 Sandinista revolution to overthrow the Somoza dynasty, the Agrarian Land Reform was, in simplified terms, meant to redistribute land ownership. The Somoza group, as FitzGerald (1985) described the Somoza family, friends, business owners, and military officials, owned the vast majority of land, production facilities, and trade and export capabilities. “The monopolistic control not only excluded direct participation by foreign firms but also reduced the rest of the bourgeoisie to a subordinate position” (FitzGerald, 1985, p. 210). After the revolution, the Sandinista government sought to redistribute land and encouraged the formation of cooperatives to support the new land-owning smallholder farmers to increase exporting abilities. Though this initiative was rather successful in redistributing land in Nicaragua, most of the new small holder farmers had previously worked on large plantations and fincas (a large farm estate). They had limited knowledge of managing a farm, therefore most of the agricultural cooperatives established during the 1980s collapsed by the mid-1990s (Bacon et. al., 2008). Some cooperatives, those that worked with alternative trade organizations, international NGOs, and practiced democratic, bottom-up organizing, were more likely to be successful (Bacon et. al., 2008). The coffee industry is a cornerstone of Nicaragua’s economy in the global capitalist system. In the following section I broaden the picture of the coffee industry to discuss the coffee commodity market history and the major economic occurrences beginning with the 1960s.

The International Coffee Agreement (ICA), was an agreement between the world's major coffee producing and consuming nations. It began in 1962 and gave bargaining power to producing countries and stabilized prices in the global market (Daviron and Ponte, 2005; Tucker, 2011). The ICA was a major progression in creating equity in the supply chain and was successful in mitigating price volatility in the coffee market (Talbot, 1997). Signed by both producing and consuming countries, the ICA was active from 1962 to 1989 and sought to address “the ensuing relaxation of supply controls, and the cumulative weight of chronic overproduction on 'green' coffee prices in world export markets” (Daviron and Ponte, 2005; Goodman, 2008 as cited in Bacon, 2013). The ICA established regulations such as quotas for buying and selling coffee in the global marketplace, and by regulating the market prices stabilized because there was not a surplus of coffee. This international agreement worked because “producing countries implemented policies to constrain production, and consuming countries cooperated by rejecting coffee that exceeded producers’ quotas” (Tucker, 2011, p. 120). This regulation of the buying and selling of coffee created a more stable price and provided a nearly guaranteed market for farmers, ultimately increasing their livelihoods (Talbot, 2004). In 1989, the effort to renegotiate a fifth signing of the ICA failed because of changes in consumer tastes moving from robusta to arabica coffee beans, over-quota market flooding by non-member nations, and the loss of support from the United States (Tucker, 2011). The United States was a major player in the ICA. As Cold War tensions began to relax, the U.S. saw less value in being directly involved with producing countries’ economies as an anti-communist effort and pulled support from the ICA, ultimately leading to the end of the agreement and the privatization of state agencies (Bacon, 2005; Tucker, 2011). The flooded markets caused the coffee commodity prices to plummet. As the ICA ended in 1989, so did the control producing countries had established in the value chain. Stock control changed from public agencies to private trading companies, shifting the power in the value chain back to global north roasters and traders (Daviron and Ponte, 2005, p. 88; Talbot, 2004).

The Coffee Crisis followed the instability in the market. Bacon illustrates the struggle of the global south in the value chain and rejects the idea of “suggesting coffee farmers submit themselves to the ‘creative destruction’ of markets and look for another export crop” but rather questions the “issue of power within the value chain” (2013, p. 102). In the late 1990s and early 2000s, the coffee industry saw the price of coffee drop lower than any recorded price (Bacon, 2013). With the end of the ICA and removal of production quotas and buying guarantees, markets were flooded with coffee. The Coffee Crisis, as it became known, saw prices plummet from US\$1.20/lb to US\$ 0.45/lb (Bacon, 2005). Nicaragua’s smallholder farmers were devastated by the sharply declining prices. The rapid decrease in prices translated into crop abandonment, hunger, loss of land and credit, migration to cities, and a decrease in children attending school to work in farms (Bacon et. al., 2008, Bacon, 2005). During the Coffee Crisis, many farmers turned to cattle ranching to sustain their livelihoods. This resulted in farmers clear cutting their forest area they had used for shade grown coffee in order to raise cattle, which in turn devastated their coffee growing land for years to come (Interview, 2016).

Economist Karl Polanyi warned against market economies where price is the sole driver of the

market, situating his argument against free market economies without concern for people and planet, which would be left behind in the “market society” (Jaffee, 2007). In the nineteenth century, Polanyi criticized the policy assumptions formed to ensure that the market could run independently, uninterrupted by state intervention (Jaffee, 2007). The neoliberal policies of the twentieth century proved Polanyi’s fears of price driven markets with the exploitation of land, natural resources, and human capital in the name of “free” and open commodity markets. In the following section I will discuss certification schemes, specifically Fairtrade, and their effects on the coffee industry.

C. Certification Schemes in the Coffee Industry: Working Toward Equity

The development of certification schemes was a response to the Coffee Crisis to protect the people and natural resources in producing countries and to create equity in the supply chain (Bacon et. al., 2008). Certifications are non-state, privately held regulatory systems which place value on producers and environmental concerns within the value chain of products. The rise of certification schemes in commodities, especially coffee, is due to the increase in global production chains and decreases in state regulation for environmental and social conditions (Raynolds, Murray, and Heller, 2007). There are five main certifications for coffee, each with its own specifications and missions. These include Organic, Fairtrade, Bird Friendly, Rainforest Alliance, and the newest certification, Utz Kapeh. The goal of certification schemes is to “shift the retention of value in the supply chain to mitigate neoliberalism’s ‘race to the bottom,’” bring consumer conscious awareness to the bottom of the commodity supply chain, and shift value back to producers (Guthman, 2007, pg. 456). The neoliberal race to the bottom, that is to commodify and make goods as cheaply as possible, is being reconsidered by certification schemes. There is a debate within the coffee industry regarding certifications that is important to note. Some certifications work to improve the quality of the product itself and protect the land on which it is grown and expect the market to trickle down increases in incomes based on the higher quality products which should have ripple effects into the communities; other certifications like Fairtrade wish to empower the farmer with more ethical trading opportunities and invest in human capital (Personal communication, Nora Burkey). This distinction is important to highlight not only the differences in the certifications but also the ideologies surrounding development of the coffee lands. The most well known certification is Fairtrade certification. This certification focuses on the smallholder farmers, workers’ rights, and seeks to create a more equitable trading environment. Coffee was the first commodity to be labeled Fairtrade (Jaffee, 2007; Tucker, 2011).

Fair Trade is not just a certification, Fair Trade is a “critique of historically rooted international trade inequalities and efforts to create more egalitarian commodity networks linking marginalized producers in the global South with progressive consumers in the global north” (Raynolds, 2009, p. 1). The Fair Trade movement is an attempt to adjust the “structural injustices” of commodity markets that have historically exploited people and the land (Jaffee, 2007). Coffee was the first commodity crop sold as Fairtrade and holds the identity of the movement (Tucker, 2011, p.137). While a small portion of coffee is fairly traded, coffee’s success in the Fair Trade movement is largely due to coffee’s success in the global commodity

market, with “more than \$70 billion worth of coffee traded yearly” and its significance in the lives of peasant farmers as the largest cash crop with 20 to 25 million families producing coffee on small holder farms (Jaffee, 2007, p. 14).

There are two major branches of the Fair Trade movement, Fairtrade International and Fair Trade USA. Fairtrade International (FLO) is the original “umbrella organization that coordinates Fairtrade standards across countries, helps brand Fairtrade products, and attempts to protect the purity of the movement” (Brown, 2013, p.11). FLO’s key goals, according to their Theory of Change are to make trade fair, empower small producers and workers, and foster sustainable livelihoods (Journeys of Change, Fairtrade International Theory of Change Report, 2009). FLO also offers other benefits such as a premium, money which is returned to the producing cooperatives to be spent as the cooperative sees fit - this could be a school scholarship or a water project in their community. As Jaffee notes, there is a contradiction in the Fair Trade movement. This contradiction is the debate between keeping Fair Trade a movement and an alternative marketplace to bring equity to the producers in the global south or having Fair Trade exist as niche market within capitalism (2007).

Fair Trade USA is a standalone certifying body for the United States. Fair Trade USA separated from FLO in 2011 to pursue the more market based initiatives and saw opportunity in certifying large plantations, which goes against the FLO model of certifying smallholder farmers in cooperatives (Murray and Reynolds, 2011). While both FLO and Fair Trade USA uphold the same goals in the Fair Trade movement, the move to supporting and certifying large plantations and transnational corporations is seen as an impurity to the movement and as undermining the goal of empowering producers at the bottom of the supply chain (Murray and Reynolds, 2011). The Fair Trade movement may be seen as a way to increase smallholder producers’ capacity in the global marketplace (Reynolds, et. al. 2004).

Fair Trade is best known for stabilizing market prices. For example when arabica bean prices fall in the market, the FLO Fairtrade minimum price which is \$1.40 cents per pound, is able to ensure smallholder farmers are able to cover the basic cost of production (Fairtrade and Coffee: Commodity Briefing, 2012). Non-Fair Trade associated farmers are not protected in this way from the market. This protection from market price decreases creates stability for farmers and rural communities (Fairtrade and Coffee: Commodity Briefing, 2012). Other benefits of FLO Fairtrade certification include an additional 30 cents per pound for organic coffee, 20 cents per pound Premium to be used in community development/betterment projects, pre-harvest finance options, cooperative bargaining power, and the use of ethical trade standards to reduce speculation driven risk (Fairtrade and Coffee: Commodity Briefing, 2012). Meeting the standards to becoming Fairtrade certified are expensive, but have proven to increase gross household income which translates into opportunity for technical advances, more children in school and fewer on farms, and positive ripple effects into their communities (Jaffee, 2007; Fairtrade and Coffee: Commodity Briefing, 2012). Fair Trade USA has similar benefits to those of FLO. Gender equality and democratically run cooperatives are major parts of the Fair Trade movement (Brown, 2013). One example of this is Fair Trade USA’s certification requirement to provide healthcare and job rights, including advancement opportunities (Fair Trade USA, 2017).

Jaffee notes that much of Fair Trade's power as a movement lies in showing there is a more ethical way to trade (2007).

Using certification schemes can be seen as a pushback to the neoliberal policies which created inequity in the supply chains through a "Polanyi double movement" to protect and relieve the land and people at the bottom of commodity chains from the liberalized markets (Bacon, 2010; Fridell, 2007; Guthman, 2007). "Commodities that embed ecological, social, and/or place-based values have been posed as an important form of resistance to neoliberalization" because they are inherently protective to the supply chain by protecting the land in a Polanyian sense, natural resources, and labor from the race to the bottom or the "ravages of the market" (Guthman, 2007, pg. 456). Coffee in the GCC has long needed a shift in the value chain to protect land and empower farmers out of the role of peasant producers. Guthman argues that certification schemes work in a "Polanyian" protectionist way, meaning "neoliberalism fetishizes the powers of the market to regulate human behavior and is also associated with the commoditization of everything" but certifications serve in a Polanyian way to protect social and ecological aspects of the market while still being a part of the greater economy (Guthman, 2007, 458). Polanyi's "double movement" to protect the earth and people from the liberalization of the market is seeing a second wind with certification schemes, the first attempt being the ICA (Bacon, 2010; Jaffee, 2007; Reynolds, 2000).

While Fair Trade has made strides to create alternatives to the mainstream commodity markets and empower smallholder farmers, the movement does have major pitfalls. Fairtrade certification does stabilize prices but does not bring the majority of certified smallholder farmers out of debt and in some cases does not cover production costs (Jaffee, 2007). Fairtrade certification schemes also create a barrier to entry and perpetuates the "agricultural treadmill" for small holder farmers. Smallholder farmers must keep up on certification regulations, including site visits, and are faced with the need for land and resource inputs specific to regulations to barely get ahead, which hinders the development of the coffee lands and the intended equity in the supply chain (Guthman, 2004; Jaffee 2007). Another barrier of entry of the Fair Trade marketplace is social capital needed by farmers and cooperatives to be connected in the Fair trade community (Terstappen et al. 2012).

A main criticism of certification schemes is their place within the larger market system -- whether they are fighting against the beast of capitalism from within this system or creating a new economic order (Jaffee, 2007). To some, certification schemes are considered a neoliberal governing tool; in place of regulation at the state level, certifications further remove the state and place regulation in the hands of NGO certifying bodies and the market (Guthman, 2007; Fridell, 2007). This concept of neoliberal governance is evident in the top-down standards and certification initiatives coming from the global north, which "do not adequately incorporate local knowledge, and are at times even inappropriate in local contexts" (Bacon, 2010; Terstappen et. al., 2012 p. 33). Lyon states this certification structure, which is removed from local contexts, could be disempowering to producers and that certifiers are often unfamiliar with the history, political situation, and culture, and have little to no knowledge of the local land and agricultural needs (2006, p. 7). This disconnect is deepened by differences in class and

race between the global south producers and global north certifiers (Lyon, 2006).

These certification schemes have come to dominate the framework of international and national exporting conditions by acting as neoliberal market regulators (Guthman, 2007). With the end of the ICA and the onset of the Coffee Crisis, certifications became the new governance in the coffee market and further removed the state from the commodity, putting responsibility on cooperatives to provide services for farmers and ultimately development projects. Reynolds, Murray, and Heller argue that “the rise of these initiatives has been fueled by the increasing globalization of production and the declining state regulation of environmental and social conditions especially in international arenas” (2007, p. 147).

Fairtrade benefits landowning farmers in the most direct way, although workers and the communities in which the farms are situated do receive benefits such as a stable wage or a premium for a community development project. In this sense Fair Trade could create a privileged space for landowners (Dolan, 2008 as cited in Terstappen et. al., 2012). This creates a barrier for women to participate as many women are not able to afford or are not legally allowed to buy land. There is a lack of data on women’s involvement with Fair Trade, including their undocumented labor and household duties, which translate into “low official participation.” In cooperative membership, for example, this is caused by historic gender roles and systemic inequalities (Terstappen et al., 2012, p. 34). Terstappen et al suggest promoting equity in land access could strengthen Fair Trade and extend the movement to groups that have been historically marginalized (2012).

To achieve the goals of certifications, shifts in power in the value chain and means of production and export must occur. Because of Nicaragua’s heavy reliance on coffee as a main export crop and its political history, the country has become an incubator for cooperative and certification initiatives with the goal to shift power in the value chain. This shift has not yet been accomplished with these initiatives as smallholder farmers lack stable livelihoods and experience extreme poverty.

D. Certified B Corporations: [Using Business as a “Force for Good”](#)

There are obvious challenges in coffee’s commodity supply chain. Though certification schemes and eco-labels bring attention to and seek to address these challenges, gaps are present in their movements and they lack effectiveness to create systemic change. Today, 98% of the value in coffee’s supply chain is still situated in transnational corporations, leaving 2% in the hands of coffee farmers (Moyee Coffee, 2017). Development initiatives in the coffee lands are undermined by this inequity even with the certification schemes attempting to shift value. What is needed is a movement to change the systemic issues that these certification schemes are based in.

This inquiry sought to consider if B Corp certification could be the movement to bridge development gaps and increase farmers livelihoods. In the following section I describe B Corp certification, the B Corp movement, and present examples of current Certified B Corps in the coffee industry which have developed interesting trade models to achieve equity in the supply

chain.

B Corp is a more holistic certification; it reaches beyond certifying a good product and certifies an entire business. Certified B Corps are changemakers in their industries, placing equal emphasis on all stakeholders involved in their businesses, not just the shareholders. The certification evaluates an entire business and helps to distinguish good companies from good marketing or “green washing”, a criticism of many certification schemes (Honeyman, 2014, pg. 12). The movement behind B Corp is to redefine success in business in a new sector of the economy which is focused on inclusion in supply chains, conscious consumerism, and accountability to employees, the community, and the environment; or more commonly known in the B Corp world as using business as a “force for good” (Certified B Corporations, 2017). Certified B Corps seek to distinguish their social missions in a sea of profit driven companies, by extending their values into their business operations; B Corp Certification is a transparent way to to be held accountable and steward goals of using business as a force for good (Honeyman, 2014).

The overarching belief of B Corps is that “capitalism needs to evolve from a twentieth-century model that heavily emphasizes short-term profits for shareholders to a twenty-first -century model that creates shared and enduring prosperity for all stakeholders” (Honeyman, 2014, p. 14). Twentieth century capitalism was and is formed to maximize shareholder value; the capitalist system does this well at the cost of people and the planet (Gilbert, 2010). The twenty first century model of capitalism, how B Corps wish to define it, is increasing value for all stakeholders, taking into account the entire supply chain, the planet, and everywhere the business touches (Gilbert, 2010). Jay Gilbert, Founder of B Lab, explains the changing times in the capitalist system, “We are at an inflection point in the evolution of capitalism, moving toward a stakeholder capitalism, where the new operating system of capitalism is going to be about creating social and shareholder value simultaneously” (2010). B Corps are building a collective voice to create systemic change against business as usual.

There are 2,064 Certified B Corps in 50 different countries which represent 130 industries (Certified B Corporations, 2017). B Corps are certified by the nonprofit B Lab, through the B Impact Assessment (BIA), included in the appendix. The BIA is a positive-impact based tool to measure and create a standard for companies of all types. The assessment is free to use and is based on a scoring system which measures companies on the following indicators: governance, workers, community, environment, and customers. A business must score 80 out of 200 points to become a Certified B Corp. These indicators and the BIA itself are created and reviewed bi-yearly with a Standards Advisory Council (Certified B Corporations, 2017). This council is comprised of independent, expert business consultants and academics. The current Council Members can be found on the B Lab website and adds to the transparency of the certification as the Council will list issues they are working through and the current status of the BIA review. Along with this expert driven evaluation matrix, there are international B Lab partner offices, such as Sistema B in Latin America, which provide more local context and support for international B Corps.

The Declaration of Interdependence is another key aspect of the B Corp movement and certification. The Declaration of Interdependence, listed in the appendix, is a clear, concise statement of the mission of the movement and is the underlying definition for the B Corp Community. B Corp certification helps consumers identify changemakers and those that align with their values. B Corp certification is holistic in ways that Fairtrade, Organic, and other coffee certifications cannot be because it looks at the entire business as a complete entity, not just workers or inputs. In an effort to consider the impacts of a B Corp's supply chain, B Lab has created a code of conduct for suppliers of B Corps. Though not a mandatory piece to be certified, the supplier code of conduct outlines best practices for B Corps. B Corps are using the power of business to solve social and environmental problems (Reiser, 2011).

B Corp holds the position that governments and nonprofits are insufficient for addressing society's challenges within a capitalist market system (Honeyman, 2014). B Corp believes this because of the influence of the capitalist system on our world, which has lessened the power of the state and has left the market and nonprofits to care for social issues (Gilbert, 2010). This is in line with many of the goals of Fair Trade but B Corp goes a step further to encourage new legal structures such as Benefit Corporation status. Before Benefit Corporation status, companies were forced to choose a common legal structure such as an S or C Corporation or become a nonprofit entity. Both structures limit what a socially focused business can do, as it is difficult to be both profit and mission driven (Reiser, 2011). The secondary goal of Benefit Corporation legal status is to open doors for dual mission (those companies which seek to follow their mission as well as make a profit) and triple bottom line (people, planet, and profit) companies.

B Corp is working to evolve capitalism, though it may seem to be a similar issue as that presented as a critique of Fair Trade. Both FairTrade and B Corps are based on consumer sovereignty, the concept that markets will respond to consumer buying power (Fridell, 2007). Consumers want socially responsible products, 68 million people in the United States say they align their purchases with products that appear socially or environmentally responsible, but often the missing link is the trust in certification labels (Babson and Clark, 2012, P. 4). B Lab is the only certification available to consider the whole business through an assessment tool like the BIA.

There are around 30 Certified B Corporations that are involved in the coffee industry. These companies range from coffee shops which carry Fairtrade and Organic coffee to roasting companies that have created new supply chain models. As part of the BIA, B Corps must consider their supply chains and "Significant Suppliers" (Certified B Corporations, 2017). Some of these Certified B Corps involved in coffee such as Grounds for Change, Amavida, and Higher Grounds Coffee Company. These companies focus on Fair Trade initiatives while buying coffee for their shops, or they will invest in development projects in the farmers they buy from (Certified B Corporations, 2017). Higher Grounds emphasizes the need for long term trading relationships and recognizes that Fairtrade minimum prices are still not providing basic needs for coffee farmers (Higher Grounds, 2017). Many of these B Corps focus on relationships with the farmers and communities by putting a face and name to their suppliers. This adds to the

overall inclusivity of the B Corp movement as B Corps reach into their supply chains as examples of using business to accomplish more than a profit.

Moyee Coffee and Caravela Coffee have taken this idea a step further by creating vertically integrated supply chains, where they have developed long term buying relationships with coffee cooperatives to provide stability throughout the year (Certified B Corporations, 2017). Moyee Coffee's business model is particularly interesting. Moyee created the concept of "Fair Chain" coffee; this model distributes the value in the supply chain by roasting their coffees in Ethiopia before being sold, resulting in farmers keeping 50% of the value of the coffee (Moyee Coffee, 2017). This is vastly different than the traditional value chain, in which unprocessed green coffee is usually sent from producing to consuming countries and thus the value lies in roasting. Around 98% of the value in the traditional value chain lies in transnational corporation's hands, whereas this model creates a production-consumption relationship that is more equal (Moyee Coffee, 2007). This trade relationship is different than Fairtrade. Fairtrade creates a minimum price for coffee on the commodity market which, as Jaffee discusses, is often not enough to meet the basic needs of farmers (2007). A Fair Chain model creates a more equitable value chain. This sort of direct relationship and value chain shifts are nearly identical to the coffee roasting business on the Isla de Ometepe, where this paper began.

In the next section I will discuss the findings from this research. Some similar themes were highlighted by participants. As noted above in the Methodologies section, participants ranged throughout the coffee supply chain and included people throughout the B Corp movement.

VI. Research Results and Analysis

By spending time with farmers in Nicaragua, I was able to get a small glimpse of the challenges of coffee production. Their pride and determination in their crop was inspiring but all too often the conversation ended with challenges of the market (presented above). When speaking with those involved in the coffee industry the conversations were often critical of the current development initiatives for the coffee lands. Conversations with the B Corp community were vastly different. Each conversation was filled with hope and often ended in a brainstorm session for "what's next". All of these conversations together provided some insights into whether B Corp Certification could improve the livelihoods of smallholder farmers by connecting them to the B Corp network and redistributing value in the coffee supply chains. Three major themes arose: the different utilities of the Fair Trade and B Corp movements; the fit of the coffee industry within the B Corp movement, and lastly the understanding that the B Corp movement as a whole should come before the certification to keep its authenticity.

A. Fair Trade and B Corps' Strengths and Weaknesses in the Coffee Industry

Fair Trade and B Corp were formed with different goals and were created to serve different audiences; therefore B Corp Certification may not translate well into certification for coffee cooperatives because of the BIA structure and the cooperatives' structure as a business. When

beginning this inquiry, I had the idea of the coffee cooperatives seeking B Corp Certification like they would any other quality or Fair Trade label. Through interviews with coffee farmers and those in the B Corp network, I learned the differences in certifications make Fair Trade and B Corp extremely unique in how certification standards are made, what they mean to farmers, and what each certification means on the market. When speaking with cooperatives, the leaders were interested in the B Corp movement but had a difficult time understanding the tangible aspects of the certification. For example, with a Fairtrade label, there are known associations with trading standards and workers rights. Because B Corp is a more holistic certification there was confusion about what aspect of the business would be certified. The idea of certifying every aspect of the cooperative was difficult to understand for some cooperatives. While Fair Trade has many critics, it is an established system. The label itself does have a certain level of awareness and the movement has been around for over 20 years. B Corps are relatively new but have not had the division and potential conflict of interest that Fair Trade has with the split of FLO and Fair Trade USA. Fair Trade was hyper focused on commodities and handicrafts in the beginning but has since expanded the types of good that can be certified. B Corp Certification is open to any type of business. After discussing Fair Trade with coffee farmers, most of them could identify direct benefits of Fair Trade but few discussed the movement. One cooperative stated the certifications were a necessary cost of doing business and exporters would not buy their coffee if it does not meet certain standards and certifications.

The legal business structure also poses a challenge to certifying the coffee cooperatives. While some coffee cooperatives are incorporated as for profit businesses, others are production cooperatives that are limited in what they can sell and do as a business entity. To become a Certified B Corp, the entity must be a for profit business. Unlike B Corp, Fair Trade protects the cooperatives, their structures, or people (Interviewee, 2017). This was a reason one participant rejected the idea of B Corps taking the place of Fair Trade. Fair Trade offers very niche services and protections for smallholder farmers that B Corp does not offer. B Lab and those in the B Corp community often work toward passing legislation to create the legal status "Benefit Corporation." This would be another legal entity a company could incorporate as. This legal status does protect B Corps so they are able to work toward a dual mission but does not offer the types of tailored services needed by coffee farmers. This type of legal status is not available in all states or countries. Another reason B Corp Certification might not be for the coffee cooperatives is the high level nature of the BIA (Interviewee, 2017). As many of my interviewees said, the BIA is not tailored for smallholder farming such as coffee but is a powerful tool for any business trying to measure their impact and stay true to their mission.

B Corp and Fair Trade share a similar struggle of the value of the label to the smallholder farmers. When speaking with cooperative leaders, they identified with the values of the B Corp certification but wanted to know if exporters and roasting companies would know B Corp enough to care. The return on investment is difficult to measure and would largely be situated in the awareness of B Corp with exporters and roasters.

The disconnect between being certified for the market or the movement is an interesting

question which arose while discussing B Corp certification with coffee farmers. To smallholder farmers the certification is a necessary cost of doing business. While I believe they care about the movement, the cost-benefit ratio for the certification must be in order. This is different from the other side of the supply chain, according to one participant. The global north buys the idea of the movement and the want to alleviate the poverty of the smallholder farmers (Interviewee, 2017). This sort of “romanticization” of the certifications from the global north trickles down to a market requirement for producers (Interviewee, 2017). This is an issue for any certification. Global south producers are overcoming certification barriers and standards set by certification schemes in the global north just to have their product in the store with a label (Interviewee, 2017). Certification schemes are centered in the bottom of the supply chain where the raw production occurs, there are no standards for those in between or at the top of the value chain (Interviewee, 2017). This is a problem; to have those that receive the least value for their crops to be certified while middlemen, exporters, and roasters do not have to be. This is similar to Guthman’s position on certifications being a form of neoliberal governance (2007). Can a coffee shop boast fair trade coffee and ethically sourced beans if it only includes one part of the supply chain? Coupling certifications may be the answer to this question. While B Corp may not fit the needs of the cooperative structure yet, what if cooperatives demanded certifications of those they sell to? One participant brought this question to my attention and the idea has resonated as a way to empower farmers. Though it may seem whimsical and possibly privileged for a farmer just trying to get by, it may be an option for some. B Corp as a movement could advocate for this type of structural change.

Fair Trade has created a space for the conversation of equity in the supply chain. The efforts of this movement should not be taken over by B Corp as the certifications are different in structure, services, and goals. There is a place for B Corp in the coffee industry, the question that arises now is how will the BIA be adapted for commodity chains and is the B Corp movement strong enough to take on what seems to be the heart of the beast of capitalism? The biggest difference between B Corps and the Fair Trade movement is that B Corps are creating and exemplifying a new way to do business (Interviewee, 2017). Fair Trade is an advocacy movement which is seeking different and conflicting aims: to bring social justice into commodity chains, promote fair entry to markets, and to overturn the capitalist system (Jaffee).

In the following section I will discuss the possibility of B Corps becoming more involved in the coffee supply chain and the response of participants to the idea.

B. A Collective Mindset: How Coffee Cooperatives fit the B Corp Movement

Coffee cooperatives, because of their collective nature, would be an ideal fit for the B Corp movement even if the certification is not the best fit at the present time. The coffee cooperative leaders I spent time with were excited about how their cooperatives were helping their communities. Because of B Corps’ commitment to the local community where a business operates, becoming involved in the movement might further empower cooperatives to spearhead projects and get connected to resources. Cooperatives often help facilitate town hall like meetings, hold elections, provide support for community development projects, and have a

collective mindset. This collective mindset, that is to better their communities as a whole, is an obvious link to the B Corp movement (Interviewee, 2017). Cabot Creamery, a B Corp and worker owned cooperative explained the connection of a cooperative mindset to the B Corp movement “In so many ways, we see our own cooperative values reflected in the spirit of the B Corp movement: a passion for collaboration and the power of collective voice” (Certified B Corporations, 2017). This sense of community was also discussed by those in B Corps. Co-Founder of Sistema B, Maria Emilia explains how the B Corp community may be beneficial to the coffee farmers by connecting them with like minded businesses; “The other thing that is very useful is the community - to consider what your company is doing compared to companies doing similar work. From there B Corps can start relationships for collaborative work. There are companies distributing and selling Organic and Fairtrade goods so this sector could open up.”

One participant supported the idea of tapping into the B Corp network as well. When asked how this connection could be successful with B Corps in the global north to those in the global south, the participant suggested a mentorship program to help new B Corps become engaged in the network and fully utilize the community aspect of being a B Corp.

The B Corp network is a notable attribute of the movement. The B Corp movement prides itself on being inclusive and bringing forgotten stakeholders to the table. Suzanne McDowell, Co-CEO of King Arthur Flour explains further: “The B Corp movement is very inclusive. There is an incredible network of engaged and motivated people within the B Corp community, and as a B Corp, King Arthur Flour is aligning ourselves with others that are trying to do business better. I strongly believe it’s about getting people to the table; once there, the momentum is remarkable”.

The collective mindset of coffee cooperatives is a perfect match to the B Corp movement; this fundamental similarity is evidence of the compatibility of B Corps in the coffee commodity chain. The goals of the B Corp Movement to create a more inclusive economy is in line with the needs of coffee farmers. Fair Trade has attempted to adjust the commodity chain but, as presented in the literature review, has not yet accomplished equity in commodity trading. A major critique of the Fair Trade movement is the division of the movement to be inside or outside the capitalist market (Jaffee, 2007). Movement unity is a strength of B Corps and many participants considered the movement to be more important than increasing the number of certifications. These findings are discussed in the next section.

C. Prioritizing the B Corp Movement before Certification

A major point of consensus between the B Corp community participants I spoke with was the necessity to put the B Corp movement before the certification. Current B Corps encourage their suppliers to take the BIA as a tool for management and overall business performance. One participant from King Arthur Flour reported about 50% of their suppliers have taken the BIA. Supporting suppliers to take the BIA is an important step for B Corps to better understand their supply chains. While discussing the coffee commodity chain with B Corp participants, the BIA was brought up as a way to measure what the coffee cooperatives are doing well and areas to improve. At the very least, this would start the conversation of the B Corp movement and

create a connection to the B Corp network for coffee farmers. Maria Emilia was especially supportive of the idea of advancing the B Corp movement before increasing the number of certifications. Maria Emilia emphasized the need for growing and strengthening the community and the power of bringing like-minded, passionate companies together.

“My dream is not to have a lot of certifications, my dream is that we have millions and millions of companies using the B Impact Assessment to improve their social position. You see you can have Organic or Fairtrade certification but you can be a terrible company for your employees, or be a terrible neighbor, or bad for the environment. Because you have an organic label doesn't mean you have overall environmental responsibility or consider biodiversity. The B Impact Assessment is the tool is to help you to improve the social and environmental impacts. The B Corp certifications itself is not yet a brand but the B Impact Assessment as a tool is very, very useful” -Maria Emilia, Co-Founder of Sistema B

This push to put the movement before the certification differs from other certification schemes and could be the factor which makes it more successful in the future.

VII. The Last Sip: Conclusion

The purpose of this inquiry was to consider whether the B Corp movement could help to redistribute value in the coffee commodity chain and improve the livelihoods of small holder farmers. This question stems from the inadequacies of current certification schemes to create a fair and equitable supply chain and the neoliberal barriers that certifications create for farmers. The political ecology framework that I employed allowed me to consider power and the interconnectedness of economics, politics, nature, and culture.

In speaking with participants from across the value chain, I was able to capture a glimpse of the daily lives of the coffee farmers. These conversations and the humble, hard working families I spent time with in Nicaragua will stay with me forever; their stories, hospitality, determination to improve their communities, and dirt floor homes are ever present in my mind as I write this capstone. The exploration of B Corps' extension into the coffee commodity chain is an extension of the humanity I see in the B Corp movement. It is a realization that smallholder farmers deserve better, and there is a better model out there. Their children deserve an education, and these communities should have a right to clean water and sound infrastructure. Capitalism commodified coffee and thus the smallholder farmers and the coffee lands. I believe these communities deserve better and that as fellow humans we can do more to protect commodity producers. In this conclusion I will explore opportunities for the B Corp movement to create systemic change and potentially shift the value in coffee's supply chain.

The option to leave the coffee commodity world to Fair Trade and the other certification schemes is evident. By moving into the sea of the other certifications, B Corp may lose its ability to be distinctly different than the others, and risks becoming just another certification for those at the bottom of the supply chain to consider.

Commodity supply chains could be an area for growth for the B Corp movement. As commodity chains and the commodification of land and labor is a major characteristic and pitfall of capitalism, it is an area of opportunity for the B Corp movement to align itself for systemic change. In this same way, direct trade with B Corps as seen in the Moyee Coffee example is a way current B Corps can create change in their individual supply chains to better fit the movement they support. By purposefully changing where the value is added to the coffee, in the roasting stage, companies can break the faceless commodity chain. The creation of direct trade relationships with B corps in the global north and coffee farmers in the global south is a potential solution for B Corp to be more involved in the coffee industry as the BIA adapts to commodity chains. The encouragement of direct trade relationships with B Corps will ultimately increase the value that is situated with smallholder farmers and will translate into a stable, increased income.

An opportunity also lies in coffee cooperatives becoming certified B Corps. Although there will be challenges with becoming certified, it is an important part of the movement. To accomplish this, coffee cooperatives must be willing to commit to the standards set by the BIA. This is an additional growth area for B Corp -to engage smallholder farmers and cooperative leaders in the BIA standards review to ensure the matrix is useful, culturally appropriate, and valuable to the cooperatives. B Corps in the global north would also need to do their part in choosing certified B Corp suppliers when possible. Becoming a Certified B Corp would have benefits for farmers to engage in more direct trade relationships, tap into the B Corp network, and ensure they are being the best business they can be for the stakeholders they represent.

B Corp is an opportunity to unify the goals of certification schemes. As noted before, current certification schemes, especially Fair Trade, are established and trusted with small holder farmers. I am not suggesting B Corp become an umbrella certification scheme but it may be possible for certifiers to consider partnerships as well as the synergies among different certifications and their missions. As a unified overarching movement, B Corp has an opportunity to facilitate this conversation and possibly create a more focused movement that embodies all stakeholders. This could improve the livelihoods of farmers by removing the seemingly endless array of certification requirements and moving toward systemic change in the commodity chain.

The most important part of this capstone research is the coffee farmers. While in Nicaragua, a handful of farmers took me in as their own. They took me into their fields, through the lush coffee bushes, and into their homes. I spoke with their children and ate at their table. They showed me compassion, they trusted me, and gave me their time. In plastic lawn chairs on dirt floors their poverty is as unmistakable as their determination to provide for their families. Their calloused hands greeted me and wished me well as I left. I came back to my world and their worlds did not change. As I finish this capstone, it is nearing the end of harvest season. If the crop was good, there will be food through the summer and if not, the “hunger months” will come. This research was meant to explore the possibility of changing the narrative of these farmers. While certifying the coffee cooperatives themselves may not be the most productive initiative, becoming more involved in the B Corp movement and network has the potential to

improve the livelihoods of the coffee farmers. B Corp is a unified, international movement that is growing. Coffee farmers may improve their livelihoods by tapping into the B Corp network and considering certification. Involving coffee farmers is an opportunity for B Corp to move into an overwhelming unjust commodity chain.

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Appendix 1: Interview Questions

Farmers/ Cooperative Leaders:

Basic information: What does the cooperative grow? How many farmers are involved?
What is the mission and goals of the cooperative?
What certifications do you have? Do they meet your needs?
How are you involved in the community?
Are the farmers aware of the certifications and their challenges/benefits?
Have you ever heard of B Corp? Is this a certification the cooperative would consider? What aspects of the B Corp Certification does the cooperative identify with?

B Corp Professionals:

Why did your company chose B Corp Certification?
How does the mission align with yours?
What direct and indirect benefits have you experienced?
What are the challenges?
How have you seen the movement grow?
Have you considered moving B Corp certification into your supply chain?
What does B Corp's goal to create an inclusive economy mean to you?
How can suppliers be more involved in B Corp through you?

Coffee Industry Professionals:

Can you please tell me about the political history of Nicaragua and coffee?
How does the coffee commodity chain work?
How have certification schemes sought to solve the issues in the supply chain? What has worked and failed?
What is your perspective on Fair Trade?
Could B Corp be an option for cooperatives? Or somewhere else in value chain?

Appendix 2: The Declaration of Interdependence



DECLARATION OF INTERDEPENDENCE

We envision a global economy that uses business as a force for good.

This economy is comprised of a new type of corporation – the B Corporation –
Which is purpose-driven and creates benefit for all stakeholders, not just shareholders.

As B Corporations and leaders of this emerging economy, we believe:

That we must be the change we seek in the world.

That all business ought to be conducted as if people and place mattered.

That, through their products, practices, and profits, businesses should aspire
to do no harm and benefit all.

To do so requires that we act with the understanding that we are each
dependent upon another and thus responsible for each other and
future generations.

Appendix 3: The B Impact Assessment for Agriculture/ Emerging Market

B Lab Demo Account Assessment (2016-04-29)

Version: Agriculture/Growers Track / 10-49 Employees / Emerging Market

Thu Feb 16 11:02:40 GMT 2017

Governance

Governance: Mission & Engagement

GV1.1 Select the description that best describes your business.

- Positive social/environmental impact is desirable but not a particular focus for our business.
- Social and environmental impact is frequently considered but it isn't a high priority.
- We consider social and environmental impact in some aspects of our business but infrequently.
- We consistently incorporate social and environmental impact into decision-making because we consider it important to the success and profitability of our business.
- We treat our social/environmental impact as a primary measure of success for our business and prioritize it even in cases where it may not drive profitability.

GV1.2 Please type or paste your mission statement here.

GV1.2a Does your company have a corporate mission statement, and does it include any of the following?

No written statement

A written corporate mission statement that does not include a social or environmental commitment

A general commitment to social and/or environmental responsibility and stewardship

A commitment to a specific positive social impact (e.g. poverty alleviation, sustainable economic development)

A commitment to a specific positive environmental impact (e.g. reducing waste to landfill with upcycled products)

A commitment to serve a target in-need beneficiary group (e.g. low income customers, smallholder farmers)

GV1.3 Does your company have any of the following internal engagement practices that focus on the social or environmental mission of your company?

No social or environmental mission

Company has a social or environmental mission, but there is no training of employees on that mission Only informal inclusion of the company's social and environmental goals in orientation, training or instruction, and/or performance evaluation

- All workers receive orientation, training, or instruction that explicitly covers the company's social and/or environmental mission and goals
- Managers' performance evaluation includes how the manager executed on the company's social or environmental mission and goals
- Non-managers' performance evaluation includes execution of company's social or environmental mission and goals

GV1.5 Are there key performance indicators (KPIs) or metrics that your company tracks at least annually to

determine if you are meeting your social or environmental objectives?

We don't track key social or environmental performance indicators

We measure KPIs/metrics or outputs that we have identified and defined in order to determine if we are achieving our social and environmental objectives

- We measure social and environmental outcomes over time (e.g. 3rd-party studies, customer or household surveys, progress out of poverty index, etc.)

GV1.8a In the last year, how did the company solicit specific feedback from its external stakeholders (excluding employees and investors) regarding the company's social and environmental performance?

No formal stakeholder engagement

Annual stakeholder meeting

Online stakeholder forum to provide/report social or environmental concerns or feedback

Meetings or other engagement mechanisms with local community members

Meetings or other engagement mechanisms with social or environmental advocacy groups

Community/environmental representation on an advisory board.

Third party or anonymous surveys about social/environmental performance Other (please describe)

Governance: Corporate Accountability

GV2.1a What is the company's highest level of corporate oversight?

- Owner/Manager only
- Non-Fiduciary Advisory Board
- Board of Directors or Equivalent

GV2.2a Which of the following apply to your company's Board of Directors or equivalent governing body?

Includes at least one independent member

Includes at least 50% independent members

Meets at least twice annually (2x per year)

Our company is a cooperative and elects its board from membership

None of the above

N/A - no Board of Directors or equivalent

GV2.3a Does your Board of Directors have written responsibility for the following issues?

Guiding corporate strategy, setting strategic goals and major plans of action

Approving annual budgets, overseeing major capital expenditures and general risk management

Overseeing executive compensation

Overseeing the company's social and environmental mission, with specific goals and targets (if no mission statement, do not select this option)

Other

None of the above

N/A - no Board of Directors or other governing body

Governance: Ethics

GV3.1a Does the company maintain any of the following financial controls?

None

Access to accounting software systems is limited to appropriate personnel only

Access to credit/ATM cards is limited to appropriate personnel only

Inventory management system with routine management oversight or third-party review

Segregation of Accounts Receivable (A/R) and Accounts Payable (A/P) duties (duties assigned to different employees)

Segregation of check writing and check signing privileges (duties assigned to different employees)

IT systems have different password protection systems that are changed periodically with different access levels according to the position of the staff member accessing the data

GV3.2 Does your company have one of the following policies regarding work conduct?

None

A written Code of Business Conduct that explicitly establishes behavioral expectations for the organization

A written Code of Business Conduct that explicitly establishes behavioral expectations for the organization and that includes a statement against bribery and corruption.

GV3.7 Does the company have a written whistleblower policy?

Yes No

Governance: Transparency

GV4.1 During the last fiscal year, with which financial reporting standards did your company comply?

IFRS (International Financial Reporting Standards, via the International Accounting Standards

Board)

- GAAP (Generally Accepted Accounting Principles, via independent U.S. standards body)
- Local accounting standard (via local independent standard setting body)
- Other (describe)
- None of the above
- N/A - Our company is pre-revenue

GV4.2a If your company's financial statements were audited or reviewed, what type of individual or entity conducted that review?

- None/ Neither Audited nor Reviewed
- Locally-accredited auditing firm or CPA/CFA
- Internationally-accredited auditing firm or CPA/CFA

GV4.3 Does your company maintain financial data from last fiscal year that can be accessed or viewed by the following?

- Shared with all managers
- Shared with all non-managers
- Shared publicly (e.g. posted on website)

None

GV4.5b Does the company publicly share information on its social and/or environmental performance? If so, how?

- No public reporting on social or environmental performance
- Specific quantifiable social and/or environmental indicators or outcomes are made public
- Company sets public targets and shares progress to those targets
- Information is shared/updated annually
- Information is presented in a formal report that allows comparison to previous time periods
- Information adheres to a comprehensive third party standard (ex. GRI or B Impact Assessment)
- A third party has validated the information shared

Impact reporting is integrated with financial reporting

GV4.6 Does your company maintain receipts of all crop sales/price/quantity that can be shared or accessed by the following?

- Shared with all managers
- Shared with all non-managers
- Shared with grower/members
- Shared publicly (posted on website)

None

N/A

GV4.7b Is there a publicly-known mechanism through which customers can provide product or service feedback, ask questions or file complaints?

Yes No NA

GV4.9 Is the product or service made or sold by your company covered by a warranty or a client protection policy for consumers?

Yes No NA

Governance: Governance Metrics

GV5.1 On what date did your last fiscal year end?

GV5.2 Reporting currency

Total Earned Revenue

From the last fiscal year

From the fiscal year before last

EBIT (Earnings Before Interest & Taxes)

From the last fiscal year

From the fiscal year before last

Net Income

From the last fiscal year

From the fiscal year before last

GV5.6 Payments to government in the last fiscal year.

Workers

Workers: Worker Metrics

WR1.1 Are the majority of your employees paid on a fixed salary or a daily/hourly wage? Fixed Salary Daily/Hourly Wage

Number of Total Full-Time Workers

Current Total Full-Time Workers

Total Full-Time Workers 12 months ago

Number of Total Part-Time Workers

Current Total Part-Time Workers

Total Part-Time Workers 12 months ago

Number of Total Temporary Workers

Current Total Temporary Workers

Total Temporary Workers 12 months ago

Workers: Compensation & Wages

WR2.1 Total Wages (including bonuses)

WR2.2 What is the company's lowest wage calculated on an hourly basis?

WR2.5b During the last fiscal year, did all full-time and part-time workers receive an increase to their salary/wages (excluding bonuses) that at least meets the inflation rate in your country?

Yes No

WR2.6 Subtracting for inflation increase, what was the average % increase in wage/salary paid to all full-time and part-time workers (excluding bonuses, commissions) in the last fiscal year?

0% 0.1-1.9% 2.0-4.9% 5%+

WR2.12a What multiple is the highest compensated individual paid (inclusive of bonus) as compared to the lowest paid full-time worker?

>20x 16-20x 11-15x 6-10x 1-5x

Workers: Benefits

WR3.1b Are any of the following benefits provided to employees to supplement government programs?

Disability coverage/ accident insurance

Life insurance

Financial services (credit or savings programs)

Private dental insurance

Private supplemental health insurance

Other (describe)

None of the above

WR3.3a What is the minimum paid secondary caregiver leave offered to full-time workers either through the company or the government?

- None Up to 2 weeks 2 to 5 weeks 6+ weeks

WR3.4a How many hours per week must a part-time employee work in order to qualify for the previously-selected benefits?

- No benefits beyond what is provided under national law
 30+ hours per week
 25-30 hours per week
 20-24 hours per week
 <20 hours per week
 N/A - No part-time workers

WR3.5d Which supplementary benefits are provided to a majority of full-time and part-time workers?

On-site store/shop for basic provisions and food stuff

On-site restaurant/prepared food for staff

On-site health facility/doctor/or medical staff can be called or easily accessed (for staff and immediate family)

Schools and day-care are provided for children of staff that reside on-site

Transportation or transit subsidy

Free or subsidized housing

Other (describe)

None

WR3.9 Which of the following benefits are offered to seasonal-only workers on your farm?

Disability coverage/ accident insurance
Life insurance
Financial services (credit or savings programs)
Private dental insurance
Private supplemental health insurance
Private pension/retirement plans or provident funds
Other (describe)
None
N/A

Workers: Training & Education

WR4.1 Which of the following is true of intern hiring practices?

There is a formalized policy/program outlining the objectives of internships or internship programs for participants

Company partners with education institutions to provide internship opportunities

Interns are paid a living wage

Interns receive formal performance reviews

Interns have a formal opportunity to provide feedback on experience

Interns have been hired on as full time permanent employees in the past two years

Intern tenures are restricted to not exceed 1 year if interns are not currently enrolled in school

None of the above apply to my intern programs N/A - Company does not employ interns

WR4.1a During the last 12 months, what was the average amount of training that a newly hired worker received?

No training

On-the-job training (1-day to 1 week)

On-the-job training (1 week to 1 month)

Apprenticeship/technical training (1 month+)

N/A - No new hires during the last 12 months

Workers: Worker Ownership

WR5.1 What % of all full-time employees (including founders and executives) own stocks, stock equivalents and stock options, or participate in an ESOP or other qualified ownership plans in the company?

- 0%
- 1-24%
- 25-49%
- 50-74%
- 75-99%
- 100% N/A

WR5.3 What % of the company is owned by non-executive, non-founder, full-time workers?

- 0%
- 1-24%
- 25-49%
- 50%+
- N/A

Workers: Management & Worker Communication

WR6.2 Please describe your formal, written evaluation process for providing feedback to all workers on their performance here.

WR6.4 Does the company do any of the following regarding worker satisfaction / engagement?

- Company conducts anonymous surveys at least biannually
- Company separates survey results by gender and/or by other underrepresented groups
- Company shares results with employees
- None of the above

WR6.5 What percent of your employees are 'Satisfied' or 'Engaged'?

- N/A
- <65%
- 65-80%
- 81-90%
- >90%

WR6.6 Which of the following is included in your company's termination policy?

- No required written notice prior to termination
- Written notice of worker performance only
- Written notice of worker performance and a stated probationary period
- N/A--no written termination policy

WR6.7 Has the company identified one of the following designated agents to mediate complaints / issues between workers or workers and management?

- Informally-designated worker who passes information to other workers
- Union representative
- Human Resources-designated representative
- Employee Representative mutually-designated by company management and employees
- 3rd party Ombudsman
- Other (describe)
- None of the above

Workers: Human Rights & Labor Policy

WR8.1 Does your company have a written employee handbook that workers have access to and includes the following information?

- No written employee handbook
- A non-discrimination statement
- An anti-harassment policy
- Statement on work hours
- Pay and performance issues
- Policies on benefits, training and leave
- Grievance resolution
- Disciplinary procedures and possible sanctions

Statement regarding workers' right to bargain collectively and freedom of association Prohibition of child labor and forced/compulsory labor

WR8.2 If you have a written non-discrimination policy, which of the following are covered in hiring and in the workplace?

- No written policy
- Gender
- Race
- Color
- Disability
- Political opinion
- Sexual orientation
- Age
- Religion
- HIV status

Workers: Occupational Health & Safety

WR9.1 Which of the following are true of your occupational health and safety policies?

There are written policies and practices to minimize on-the-job employee accidents and injuries

Injury/accident/lost /absentee days are measured and transparent

A worker health and safety committee helps monitor and advise on health and safety programs. None of the above

WR9.5a If your company uses any hazardous or dangerous materials on-site, check all that apply.

- All workers who are in contact with hazardous materials receive initial and on-going (2x per year) training for proper storage, handling, and disposal of materials
 - All workers who handle hazardous materials are required to wear protective gear, including clothing, eye and foot protection
- All workers are made aware of all health risks associated with handling hazardous materials

We monitor the health of all workers who work with hazardous materials and provide them with annual health check-ups

Other (describe)

None N/A

WR9.6a Does your company do any of the following with regard to equipment or machinery used by workers?

- All workers who use equipment receive initial and ongoing training on proper operation and emergency shut-off of the machinery
- All workers are required to wear appropriate protective gear, including clothing, eye and foot protection, when working with machinery
- The company regularly inspects whether correct protective gear and operation of machinery is being followed by workers

Machinery is checked at least once per year for necessary maintenance issues

Signs regarding hazards and proper use of equipment are posted on or near equipment in the local language Other (describe)

None

N/A

Community

Community: Job Creation

Number of net full-time and part-time jobs that have been added to your company's payroll. Enter 0 if none or if your company has no workers.

Last 12 months:

Prior 12 months:

CM2.2b What % of full-time and part-time jobs were newly created at your company during the last 12 months?

0% (Has not grown on a net basis) 1-14% 15-24% 25%+

CM2.3a What % of positions above entry level have been filled through internal promotion during the last 12

months?

0% 1-24% 25-49% 50%+

CM2.4 Number of full-time and part-time workers that departed/left the company during the last 12 months.

CM2.4a What % of full-time and part-time workers have left the company during the last 12 months?

>10% 5-10% 2.5-4.9% 0-2.4%

CM2.8 What % of temporary and seasonal workers during the last 12 months were previously-employed with the company during prior growing seasons?

- 0%
- 1-24%
- 25-49%
- 50-74%
- 75-99%
- 100%
- N/A

Community: Diversity & Inclusion

CM3.1 Number of total full-time and part-time female employees.

What % of the company is owned by:

Don't

0% 1-9% 10-24% 25-39% 40-49% 50%+ know

Women and/or individuals from

chronically-underemployed communities

Non-profit organization

What % of your workforce (both full-time and part-time) are women or from chronically underemployed communities?

0% 1-9% 10-24% 25-39% 40-49% 50%+ Don't know

Women

Chronically-underemployed

Optional unweighted metrics: Approximately what % of the company's ownership is held by the following groups?

Women

Individuals from chronically underemployed communities

CM3.10 What % of the members of your Board of Directors (or equivalent) are women or individuals from chronically underemployed communities?

- 0%
- 1-9%
- 10-24%
- 25-39%
- 40-49%
- 50%+
- N/A - No board of directors or equivalent Don't know

CM3.11 What % of your Significant Suppliers are majority owned by women or individuals from underrepresented populations?

- 0% 1-9% 10-19% 20-29% 30%+ Don't Know

Community: Civic Engagement & Giving

CM4.1b Does your company have the following charitable giving practices implemented in practice or written in policy?

Statement on the intended social or environmental impact of company's charitable contributions

Cash and in-kind donations (excluding political causes)

Volunteer and pro bono service

Formal donations commitment (e.g. 1% for the planet)

Matching individual workers' charitable donations

Allowing workers and/or customers to select charities to receive company's donations

Other

(please describe)

None of the

above

CM4.2 Does your company have membership or a civic partnership with any of the following types of organizations?

None

Business or Trade Associations

Chamber of Commerce

Governmental Institutions

Local academic institutions

Cooperatives

Other (describe)

CM4.2b Are full-time employees granted in writing any of the following options for volunteer service?

Non-paid time off

Paid time off

20 hours or more a year of paid time off

Workers offered incentives for volunteerism (office parties, competitions with prizes, etc.) Do not offer paid or unpaid time off

CM4.3 What % of employees took paid time off for volunteer service last year?

0% 1-24% 25-49% 50-74% >75% Don't know

CM4.4a Does your company monitor and record volunteer hours of company workers?

- We do not currently monitor and record our hours contributed
- Our company monitors and records hours contributed (no increase targets)
- Our company monitors hours contributed and has specific increase targets
- Our company monitors hours contributed and has met specific increase targets during the reporting period

CM4.4b Number of hours volunteered by full-time and part-time employees of the organization during the last fiscal year.

CM4.5b What was the % of per capita worker volunteer, community service, or pro bono time donated in the reporting period?

- 0%
- 0.1-0.5% of time
- 0.6-1% of time
- 1.1-2% of time
- >2% of time
- Don't know / not monitored

CM4.7 Total amount (in currency terms) donated to registered charities in the last fiscal year.

CM4.8b What was the equivalent % of revenue donated to charity during the last fiscal year?

- No donations last FY
- Less than 0.1% of revenues
- 0.1-0.4% of revenues
- 0.5-0.9% of revenues

- 1-1.9% of revenues
- 2%+ of revenues
- Don't know

CM4.9 Does your company provide technical assistance training or access to other community farmers (non-suppliers) on a pro-bono or subsidized basis?

- No
- Yes - We have not measured outcomes for these farmers
- Yes - And we have measured a quantifiable increase in productivity of these farmers

CM4.11 Has your company worked with policymakers and/or stakeholders (including competitors) to develop or advocate for increased adoption of social and environmental standards or voluntary practices in your industry in the past two years?

standards

Yes, company has worked with other industry players on a cooperative initiative

Yes, and efforts resulted in a specific institutional, industry or regulatory reform

Other (please describe)

None of the above

Yes, company has offered support in name and/or signed petitions

Yes, company has provided active staff time or financial support

Yes, company has directly introduced, testified, made recommendations or provided expertise to advance

Community: Local Involvement

CM5.3a What % of your company's expenses (excluding labor) was spent with independent suppliers local to the company's headquarters or relevant production facilities?

- <20%
- 20-39%
- 40-59%
- 60%+
- Don't know

CM5.6 Do a majority of your customers live locally to your company's headquarters or production facilities?

Yes No

Community: Suppliers, Distributors & Product

CM6.1 Please select the types of companies that represent your Significant Suppliers:

Product Manufacturers

Professional Service Firms (Consulting, Legal, Accounting)

Independent Contractors

Marketing/Advertising

Office Supplies

Benefits Providers

Technology

Raw materials

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CM6.2 Does your company screen and/or evaluate Significant Suppliers for social and environmental impact?

Yes No

CM6.4 What is the social and environmental screen that is used for a majority of your company's Significant Suppliers:

No formal screening process in place

Screened for negative practices or regulatory non-compliance (e.g. no child labor)

Screened for positive practices (e.g. environmentally-friendly manufacturing process; excellent labor practices, etc)

CM6.5 When monitoring and evaluating the on-going social and environmental performance of the majority of Significant Suppliers, which of the following apply?

No formal supplier monitoring and evaluation process

Significant Suppliers are evaluated based on company's own criteria

Significant Suppliers are evaluated based on specific social and environmental performance standards that are best-in-class for your industry (ISO, SA8000, etc)

Company visits a majority of Significant Suppliers on-site

CM6.6a What is the average tenure of your relationships with Significant Suppliers?

- Less than 12 months
- 13-36 months
- 37-60 months
- 61+ months
- Don't know

CM6.7 Is the payment of a fair wage to workers for a majority of Significant Suppliers verified or certified?

- Neither verified nor certified
- Verified by the company
- Certified as part of a product or production process certification or certified by another third-party
- Other (describe)

CM6.15 Do you source from small-scale farmers, or is your company a cooperative?

Yes No

CM6.16 Have you assisted the small-scale farmers or cooperative members that you source from in getting fair-trade or other internationally-recognized product certification?

Yes No NA

CM6.16 Which of the following describe your relationships with all your company's independent contractors?

Formal routine process for independent contractors to receive post-project/contract performance feedback
Formal routine process for independent contractors to communicate post-project or post-contract feedback to the company

- Independent contractors are verified to either work on a time-bound basis, or else split their time with work for other clients. Contractors not meeting either criteria have been offered employment.
- Independent contractors are paid a living wage (when calculated as hourly wage when living wage data is available)

We have independent contractors, but have not engaged in any of these practices

N/A - We haven't used independent contractors in the last year

CM6.17 During the last 12 months, did your company provide access to improved technology, training, or other assistance to the small-scale farmers or cooperative members that you source from?

Yes No NA

CM6.18 If you enter into advance purchase agreements, do you provide the following to the small-scale farmers or cooperative members that you source from?

Payment in advance (bridge loans) to small-scale farmers

Payment of higher price per product if market price climbs after contract is signed

Pricing arrangements that adhere to fair-trade prices

Guaranteed purchase volume

Other (describe)

No advance pricing

N/A

CM6.1 Does your company provide or enable any of the following short-term financing or letters of credit to the small-scale farmers or cooperative members that you source from?

- Below commercial lending rates
- At commercial lending rates
- Above commercial lending rates
- None - we do not provide short-term financing
- N/A

CM6.2 If you purchase product from farms or cooperative members, does your company utilize any of the following product collection mechanisms?

The product is weighed and checked for quality standards with the farmer/grower present

Quality standards - and pricing for different products that meet the different standards - are clearly defined in all purchase agreements with farmers

None

N/A

CM6.2 How do you collect a majority of the product from the farms or cooperative members you source from?

- Farmer brings product to our location
- Collect for a location greater than 5 miles (or 8 km) of most farms
- Collect for a location within 5 miles (or 8 km) of a majority of farms
- Collect and transport directly from the farm
- N/A

CM6.2 What is the average length of contract your company has with the farms you source from?

- No forward contracts signed
- Less than 6 months
- 6 to 12 months
- Greater than 12 months
- N/A (no crop purchase)

CM6.2 During the last fiscal year, what % of your Significant Suppliers (on currency basis) had internationally-recognized product certifications?

- 0% 1-24% 25-49% 50-74% 75%+ Don't know

CM6.25b During the last fiscal year, what % of products or crops grown (on currency basis) had an environmental certification?

0% 1-24% 25-75% 75-99% 100% Don't know

CM6.26b Do you comply with third-party traceability and labeling standards to ensure that the origination and supply chain of all products is tracked?

Yes No NA

Environment

Environment: Environment Introduction

EN1.1 Does your company control any land under cultivation?

Yes No

EN1.2 Is your company a cooperative or does it source produce from other growers?

Yes No

EN1.3 Does your company engage in some wholesaling activities that involve a physical plant for processing or packaging?

Yes No

Environment: Land, Office, Plant

EN2.3a Does your company have any of the following recycle/reduce/reuse programs?

Company recycles and reuses materials on premises, with clearly-marked bins for use

A written recycle/reduce/reuse policy that is posted at plant facilities with clearly-marked bins Other (describe)

None

EN2.4 What % of new equipment purchased (by total cost) during the last 24 months was energy efficient or otherwise environmentally-preferred?

- 0% (no equipment)
- <50% (some equipment)
- 50%+ (majority of equipment)
- 100% (all equipment)
- N/A - No new equipment purchased

EN2.6b Does your company have an environmental management system that includes any of the following?

No environmental management system

Policy statement documenting the company's commitment to the environment

Internal or external assessment undertaken of the environmental impact of your company's business activities

Stated objectives and targets exist for environmental aspects of your company operations

Programming designed, with allocated resources, to achieve these targets

Periodic compliance and auditing to evaluate impact of activities Other (describe)

EN2.7 Has your company gone through an environmental review or audit during the last 24 months?

- No
- Internal Review
- 3rd party-conducted review
- 3rd party-conducted audit
- Other (describe)

Environment: Inputs

EN3.1 During the last fiscal year, what % of your products sold had a product certification that assesses the environmental impacts of the product/production process for that product?

- 0%
- 1-24%
- 25-49%
- 50-74%
-
- 7
- 5
- %
- +
-
- N
- /
- A

EN3.4b What is the % of recycled, biodegradable, or environmentally-preferred/sustainable materials in the product?

- 0%
- 1-24%
- 25-49%
- 50-74%
- 75%+
- Don't know

EN3.8 From what sources does your company get its electricity?

- Diesel-generators
- Municipal power grid (sources unknown/not renewable)
- Municipal power grid (at least 10% of municipal power is generated from renewable sources such

as solar, wind or small-scale hydropower)

Bio-fuel or other clean/renewable based generators

Renewable energy sources (including on-site renewable) Other (describe)

EN3.9 During the last fiscal year, what % of energy used by your company came from low-impact renewable sources?

0% 1-9% 10-24% 25-49% 50%+

Environment: Outputs

EN4.2b During the last fiscal year, what % of non-reusable hazardous waste was disposed of responsibly, with a documented 3rd party?

- <90%
- 90-99%
- 100%
- N/A
- Don't know

EN4.3b If your company uses any hazardous materials on site, check all of the procedures that your company follows.

language(s) of work

All hazardous materials are kept in sealed containers in a locked storeroom located in a separate area from regular business activities

All containers with hazardous materials are labeled, with instructions for proper storage, use and disposal

None of these procedures

N/

Written procedures for safe storage, use and disposal of each hazardous material available in the national

Environment: Transportation, Distribution & Suppliers

EN5.1b Do any of your company's significant suppliers monitor and report on the following?

Use of renewable energy at their facilities

Water recycling on-site or use a close-loop or other water recovery system

Waste production

Proper disposal of hazardous materials and provide documentation of such disposal

Implementation of programs to reduce waste production or divert waste from landfills

Implementation of programs to reduce GHG emissions, ozone depletion, toxic air and toxic water emissions Other (please describe)

None of the above

EN5.2b During the last fiscal year, what % of your company's products (on currency basis) are procured from significant suppliers who monitor and report on any of the previously selected factors?

0% 1-19% 20-39% 40-50% >50%

EN5.3 Has your company implemented an environmentally-efficient shipping or distribution policy?

Yes No

What % of the following was spent with suppliers located within 200 miles (or 322 km) of where the end product was used during the last fiscal year?

0% 1-9% 10-19% 20-29% 30%+ Don't know

Cost of Goods Sold

(excluding labor)

Raw materials (in

currency terms) grown or harvested

EN5.4a Has your company adopted any of the following techniques for minimizing the transportation-related environmental impact of its distribution and supply chain?

Utilize clean or low-emission vehicles (including hybrid, LPG, and electric) to transport and distribute product

Utilize strategic planning software to minimize fuel usage and shipping footprint

Train drivers and handlers in fuel efficient techniques

Utilize freight/shipping methods with lower environmental impacts (i.e. - avoiding air shipment) Other (describe)

None

A portion of workers, contractors, subcontractors or day-workers are paid below minimum wage
Company does not have a signed contract of employment with each worker

Company employs workers under the age of 15 (or other minimum work age covered by the

International Labour Organization Convention No. 138) and/or company does not keep personnel records that include evidence of the date of birth of each

Overtime work for hourly workers is compulsory

Company does not provide payslips or equivalent to all workers to show how wages are

calculated and any deductions made

Company uses workers who are prisoners

Company prohibits workers from freely associating and bargaining collectively for the terms of

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Company prohibits workers from freely leaving the site during non-working hours or at the end of

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Company keeps workers' original Id Cards/Passports

Company exploitatively operates in conflict zones

Company employs individuals on zero-hour contracts

DQ2.2 If you selected "True" previously, please provide a detailed explanation of the company's engagement in these practices here.

- Taxes
- Animal welfare
- Bribery, fraud or corruption

DQ4.2 If you selected "Yes" previously, please provide a detailed explanation of the complaint/fine/sanction here.

Disclosure Questionnaire: Supplier Disclosure

Please indicate if any of the following statements are true regarding your company's significant suppliers.

Don't

True False Know

Significant Suppliers employ workers under the age of 15 (or other minimum work age

covered by the International Labour Organization Convention No. 138)

Significant suppliers use any workers who are prisoners

Significant Suppliers have had an operational or on-the-job fatality

Significant Suppliers' sites have experienced accidental discharges to air, land or water of

hazardous substances

Construction or operation of Significant Suppliers' facilities resulted in physical resettlement or

economic displacement involving 5,000 or more people near their facility

Construction or operation of Significant Suppliers involved large scale land acquisition

Construction or operation of Significant Suppliers involved large scale land conversion and/or

degradation

Construction or operation of Significant Suppliers involved the construction or refurbishment

of dams

Significant Suppliers have had material fines or sanctions in the last five years regarding the

issues indicated in DQ4.1

Significant Suppliers exploitatively operate in conflict zones

Disclosure Questionnaire: Other Disclosures

DQ6.1 Are there any other sensitive aspects of the business that are necessary to disclose?