



INTERNATIONAL COFFEE ORGANIZATION
ORGANIZACION INTERNACIONAL DEL CAFE
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ
ORGANISATION INTERNATIONALE DU CAFE

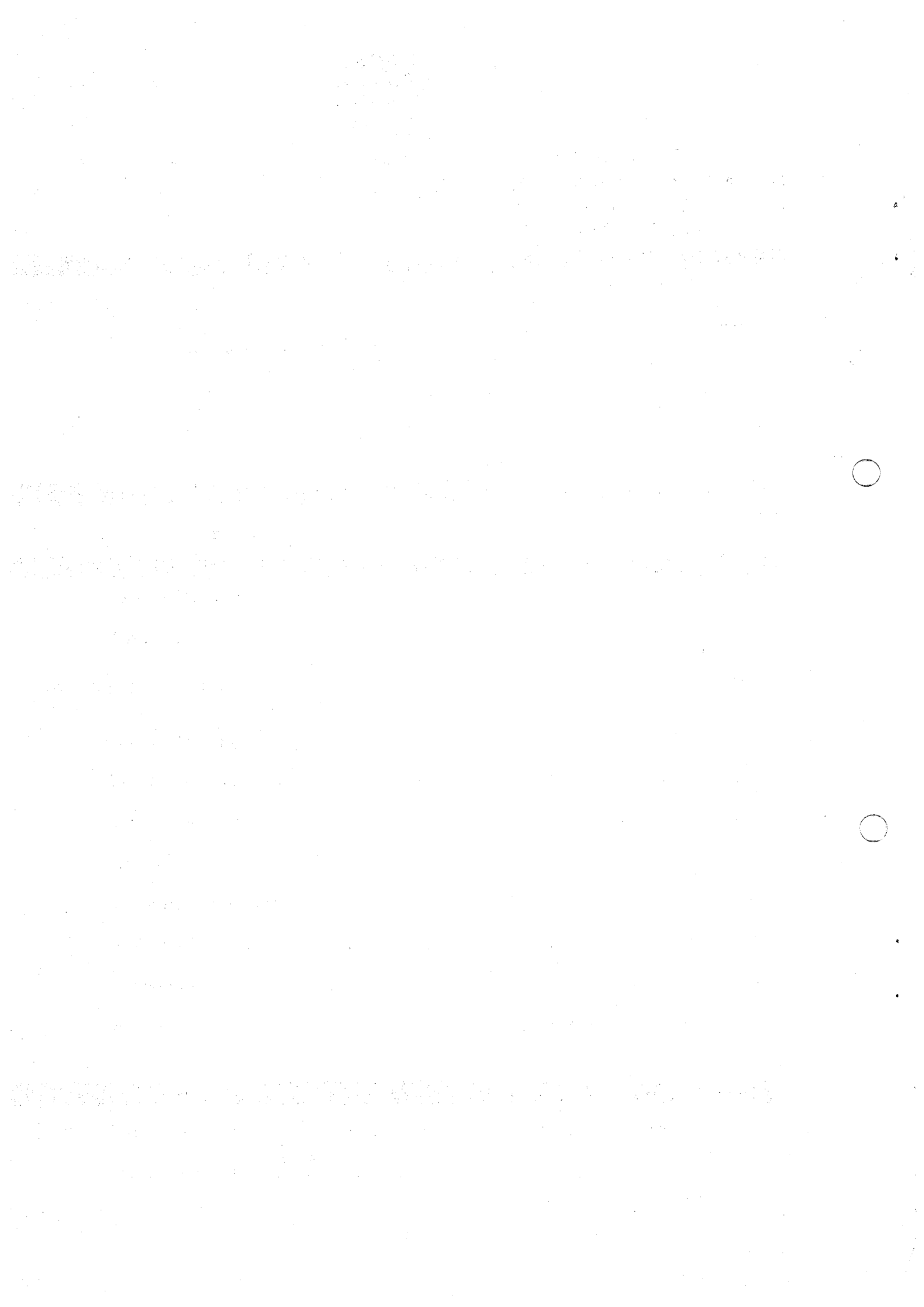
EB 3680/98 (E)

15 September 1998
Original: Spanish

Studies

SUSTAINABLE DEVELOPMENT AND COFFEE:
CONCEPTS AND INSTRUMENTS
OF ECONOMIC POLICY

Executive Board/
International Coffee Council
21 - 25 September 1998
London, England



**SUSTAINABLE DEVELOPMENT AND COFFEE:
Concepts and instruments of economic policy**

MAY 1998

The adjective "sustainable" is increasingly being 'blended' with coffee. Before an unaware consumer - whether gourmet or ecologically minded, or concerned about health, fairness or the free market or simply interested in trying new flavours-, is be surprised with a coffee labelled as "sustainable", and before a whole system of quality control and appellation can be put in place, it is worthwhile questioning and clarifying how the notion of "sustainable coffee" has come into being, and the possible implications of this trend which is causing people from all sorts of backgrounds to consider how to bring the concept of sustainability into the coffee trade, in an attempt to construct a better world.

INTRODUCTION

1. This paper originated from, and has been inspired by, the preparations for a seminar on "Sustainable Coffee" at the Convention on Specialty Coffees (Denver, Colorado) and for the sixth meeting of the Commission on Sustainable Development at the United Nations in New York, both of which took place in April 1998.
2. However, the fundamental factor giving rise to this paper is the observation that both in political circles and among coffee experts - without questioning the legitimacy of this adjective - nowadays the epithet "sustainable" is juxtaposed to this beverage: people talk about promoting and encouraging "sustainable coffee". And it is the concern underlying this discourse which suggests the need for a study within a framework of political economics to examine how far this term can be applied to the coffee chain. The aim of such a study would be to contribute to a discussion of these matters, both by the general public and by those who are in a position to influence policy making in the direction of a more equitable development.
3. So to achieve that, three sections will be presented. In the first one, a brief summary of the origins of the concept of sustainability from a historical and economic point of view will be outlined.

4. In the second section, the concept of sustainability within the field of agriculture, with reference to coffee production will be examined. Reference will also be made to economic policy within the agricultural, environmental and economic spheres.

5. In the third section, consideration will be devoted to how the cup of coffee sipped by a consumer, who is guided by the strategies of retailers and concerned with promoting what is generally called "sustainable development", could in some way shape a niche market within international trade. However, attention will also be drawn to certain pitfalls which must be avoided to ensure that consumers who are keen to support economic sustainability do not only help to bring about the opposite result, or fail to achieve a result of any kind, and become frustrated and cynical and lose faith in the possibility of achieving greater equity and sustainability.

I. The concept of sustainable development from an historical and economic perspective

6. This term, which is not universally accepted within the international community, could be replaced by "eco-development", "viable development" or even "lasting development". The dominant Anglo-Saxon influence has given us the expression "*sustainable development*" and translations have conformed to this vocabulary. The literature on the subject is extensive, polemical and often lacking in substance.

Notions of development and, within that, sustainable development

7. In the history of economic thought, the origin of the term "development" *as a process within which societies are structured* can be traced back to the beginning of this century. It was not until 1948, with the United Nations Universal Declaration of Human Rights, that the objectives of the concept of development were formulated and it was only in 1986 that it was established as a right, that is, the right to an adequate standard of life both in terms of health and welfare.

8. The term "development" must therefore be understood within the currents of thought expounded by various theoreticians in the second half of this century, who were concerned to put forward policies to overcome absolute poverty and provide for the bare minimum needs of societies undergoing a population explosion, and to make joint international action an ever more urgent priority.

9. The multiplicity and varied nature¹, not to mention the ambiguity and imprecision, of the term "sustainable" as understood by persons of different viewpoints and from different disciplines has not prevented the term from becoming ever more popular. In fact, inherent in the concept of sustainability is a growing awareness:

- i) of the capacity of the environment for *resilience*, that is, its limited capacity as a system to satisfy an unlimited or unbalanced demand for renewable and non-renewable natural resources and withstand the threat posed by the *population explosion*;
- ii) that the degree of *technological progress* and *socio-economic and political organization* determine the ability of our environment to respond adequately to the demand for resources not only from *contemporary societies* but also from *future generations*.

Principles underlying the notion of sustainability

10. Sustainable development cannot be defined within a static framework: it is a dynamic process which tends to embody principles and guidelines for action.

11. The four basic principles for the encouragement of sustainable development identified at the World Environment and Development Commission in 1987, set out in the book "Our Common Future", are to achieve:

- Inter-generational equity (ensuring an environment for future generations)

¹According to Pearce, Barbier and Markandya, there were more than 24 definitions in 1990.

- Intra-generational equity (ensuring more equity among present generations)
- Public participation (thinking at the global level and acting at the local level)
- The inclusion of ecological and environmental concepts as part of economic policies.

12. The static nature of this definition of development has undermined the validity of the concept and also its interpretation. But this breadth and vagueness has the advantage of allowing a certain flexibility: i) in the implementation of government programmes; ii) in the formulation of long-term and medium-term policies; and iii) in the practical application of these policies as projects in all areas related to the economy.

Criteria and indicators to measure degrees of sustainability

13. Sustainable development is being achieved through a wide range of innovative ideas and, in order to gauge the degree to which the four key principles (above mentioned) underlying a definition of sustainable development have been fulfilled, a number of indicators have been produced which allow the effectiveness of the applied policies to be assessed and quantified.

14. Some of these indicators were already part of the conceptual framework used by economists to measure the distribution of wealth and the creation of welfare in terms of access to food and drinking water, shelter, health, education, employment, peace...

15. Some other indicators are still under discussion; deliberation on their definition and applicability is not yet conclusive. Some indicators are still in the process of gestation: these embody i) *concepts related to ecology and the appropriate use of renewable and non-renewable natural resources*; they involve ii) *a guarantee that future generations will inherit a world which is in the same state, or at least in no worse a state than it is now*; and indicators with which to assess iii) *public participation*, such as, for example, the degree of participation of different ethnic groups, greater equity between the genders and measures to protect children and the elderly and overcome social exclusion.

16. Having defined the concept of development, and as part of that, the notion of sustainable development and the principles underlying it, and having established that there are criteria and indicators to measure degrees of sustainability, we will now turn to the concept of sustainable development in relation to coffee production.

II. Sustainability and coffee production

Sustainability: the six levels or dimensions for policymakers to consider

17. Any discussion of sustainable development and coffee production refers to incorporate all the various aspects included into the agricultural world to bring about development which is more equitable on the social, economic, ecological, political, spatial and cultural levels.

18. It should be stated from the outset that there is no single model to promote development in an integrated way within each of these six domains. Rather, it has been observed that different government programmes have had a greater or a lesser impact in terms of furthering equitable development or improving the distribution of wealth; and that policies whose primary objective may have been to concentrate on just one of these six levels may lead to imbalances in the others, and vice versa.

19. For example, policies to encourage the occupation of land (which would be classified as policies emphasizing territorial or spatial management – see CLOUD J., 1988), or crop renewal policies to counteract the harmful effects of pests on coffee plantations may have adverse consequences for the soil (erosion) caused by lack of knowledge of good agricultural practice, which in turn has a harmful effect on communities attempting to base their economies on coffee production. Another example might be new environmental regulations to prevent waste contamination of water or soil which, if not properly designed, could result in increased production costs for large numbers of farmers, and hence reduce their competitiveness in the world market. This leads us to consider sustainability by no more

than just a single angle: in the first example, from a social point of view, by resolving settlement and migration problems; and in the second example, from an environmental perspective, by encouraging a less destructive use of natural resources.

20. This shows clearly that when putting policies into effect, governments should have regard for all the various impacts and weigh up the consequences of each option open to them.

21. From this perspective, sustainability in coffee production requires that for each economic policy that we devise, we ask ourselves the question: what are the intended effects and how can we prevent a positive outcome on one of the six levels (for example, the economic domain) from being associated with a negative one on other levels (environmental, for example)?

22. In implementing development programmes, governments have a number of instruments at their command. These include economic, fiscal, financial, legal and regulatory measures, and must take into account (especially in relation to a product which, like coffee, is a major export and foreign exchange earner) macroeconomic and structural policies associated with a country's conjunctural position at a particular time. Sustainability in coffee production would therefore suggest a need for each individual instrument and policy to be assessed and monitored from the point of view of overall policy objectives, and for indicators to be used to measure progress towards fulfilment of the four main principles of i) greater intragenerational equity, ii) greater intergenerational equity, iii) increased public participation, and iv) an increased use of ecological and environmental criteria.

Sustainability: the principle of ecological integration

23. Sustainability in agricultural production also alludes to efforts to change behaviour patterns to ensure that renewable natural resources can be used without being depleted.

A presentation on coffee and the environment given in Ecuador in July 1997 (document ED- 1660/97(C)), gave a brief description of a package of measures which directly affect agricultural coffee production techniques and are now being applied in such a way as to minimize any negative environmental consequences. These measures are aimed at protecting soil, water and air quality and diversity of species. An ideological position strengthening the emphasis on environmental concerns has to do with promoting agricultural techniques related to agro-ecology, international pest control management strategies, the use of organic methods in coffee growing and encouraging – *wherever this is ecologically and socio-economically viable* –, coffee production in the shade.

24. In our view, it is vital to bear in mind that this environmentally based approach should not be adopted on an exclusive basis; rather, economic sustainability in agricultural production should also take account of aspects related to the other five levels and the four basic principles listed above.

Coffee processing, the food and agriculture industry and the distribution sector

25. Coffee is a product which is subjected to a series of processes and distributed to the consumer. Processing includes washing and drying, in the case of the so-called "washed coffees" (arabica or robusta); it also includes the processes of storage, packing, roasting and grinding.

26. As with agricultural production, the concept of sustainability can be applied to any efforts made to minimize environmental impact, and this is related to the choice of technological strategies. Some examples include:

- 1) the washing process: preventing water contamination and reducing the energy required for the process ("environmentally sound technologies") rather than using post-processing decontamination technologies.

- 2) packaging: new and increasingly strict regulations require that it should be possible to dispose packaging materials with a minimum environmental impact (for bags made of jute, or bags with double aluminium lining used for packing ground coffee).

27. Here the criteria of intra- and inter-generational equity would imply that those involved in processing coffee should have equal access, at an affordable price, to the least contaminating or harmful technologies.

28. Within the distribution process, the kinds of strategies that are used can have an incidence on the potential amount of public participation and hence on the relations between producers and processors and between processors and consumers, giving rise to a greater or lesser degree of equity, as far as trading relations and the redistribution of income are concerned.

29. The concentration of distributing companies into oligopolies may result in an intra-generational equity problem to the extent that such concentration places greater negotiating power in the hands of the large hypermarkets or multinational corporations compared with producers, processors or roasters who may not wish to conform to their specifications.

Convergence and divergence in agricultural, environmental and economic policy

30. Policies applied on economic grounds, such as policies to ensure a guaranteed price for the producer or to encourage exports, may have an adverse effect on sustainability by encouraging over-exploitation of natural resources (e.g. soil, water, etc.). This makes it necessary to ask whether policies favouring economic and social stability over sustainability of natural resources can sensibly be described as "sustainable".

31. Policies whose aim is to preserve the environment by legal or regulatory means may create non-tariff barriers (such regulations might include: maximum amounts of certain substances or pesticides contained in agricultural products, air emission standards, etc.), thus causing serious financial damage and, as a result, adverse consequences in the socio-economic domain. Here again, the term "sustainability" will only be seen as effective by those who favour environmental protection to the detriment of economic and social sustainability.

32. The answers to these questions will be determined by the degree of negative impact associated with a particular benefit and will thus be concerned with the limits to economic growth and the limits to environmental protection. Sustainable development, being a dynamic process, will have different degrees of sustainability as further improvements and refinements are made to sustainability on the six levels, bringing us closer to a second Pareto optimum.

33. Attempts to achieve convergence by implementing measures with a neutral impact on the other five domains are not always successful. This is because the programmes of ministries of health, the environment, agriculture or foreign trade will not give equal emphasis to the same objectives. Moreover, the role of the different agents, that is, producers, processors, distributors, retailers and consumers varies from one region to another.

34. This leads us to a discussion of the role played by the main agents - the distributors and the consumers -, leaving aside the effects of action by governments or para-statal institutions (such as organizations working to negotiate and guarantee prices and revenues for producers) in the search for more sustainable development.

III. The cup of coffee and the relative power of a concerned consumer wishing to encourage and promote what is generally called "sustainable development"

35. The discussion in the last section concerned instruments which could be used in the coffee chain, through government intervention, to help producers and processors adopt the principles underlying sustainable development.

36. But the consumer, too, could have a role to play: what power can a consumer bring to bear to encourage more sustainable development or greater equity? How and to what degree can a consumer influence the market and redirect market forces? How can a consumer, guided by the strategies of distributors and eager to encourage and develop what is generally known as "sustainable development", have an effect on international trade? To what extent are consumers able to do this?

37. Indeed, the consumer has a role to play, and not only through the option of paying a higher price for any coffee which is guaranteed to comply with certain regulations, but by resorting to a series of mechanisms which we will now describe. We will suggest four ways in which consumers can act in support of more sustainable development, and comment briefly on each one.

38. Consumers can:

- i) initiate movements to raise funds and organize projects to support coffee producers, processors, wholesalers and retailers;
- ii) pay taxes on coffee imports and exports;
- iii) through information, education and awareness-raising campaigns, they can encourage a more responsible type of behaviour in relation to the whole retail market;

iv) finally, consumers can bring their influence to bear by discriminating in favour of certain types of coffee, or certain countries or groups of producers whom they wish to support.

i) *Consumers can initiate movements to raise funds and organize projects to support coffee producers, processors, wholesalers and retailers*

39. Technical cooperation can be encouraged through various types of organization which can make appeals to Non Governmental Organizations (NGO's) working to support rural development or environmental protection, and there are groups which raise funds for children and many other humanitarian purposes. Support from the arts, the media and advertising can be of great assistance in motivating the public; campaigns of this sort are very close to marketing. We shall return briefly to this topic a few paragraphs further on when we come to discuss education and information.

ii) *Consumers can pay taxes on coffee imports and exports*

40. To ensure that money taken from consumers is actually received, it is very important that consumers should be satisfied that some of their taxes will have a redistributive effect and will bring real assistance to the target communities through the creation of projects and programmes whose results can be evaluated and monitored.

iii) *Through information, education and awareness-raising campaigns, consumers can encourage a more responsible type of behaviour in relation to the whole retail market*

41. Conventions such as those related to special types of coffee, marketing strategies, promotional campaigns, setting up "literary-café's"; all these strategies can be designed to encourage a more informed and responsible type of behaviour on the part of consumers. There is much scope here for research and innovation within different target populations.

iv) *Consumers can bring their influence to bear by discriminating in favour of certain types of coffee, or certain countries or groups of producers whom they wish to support*

42. The search for greater equity in terms of producers' remuneration can open up new markets and promote rural development in less favoured areas. This, combined with the adoption of criteria for the proper management of natural resources, can help to achieve something which comes close to the ideal of sustainable development.

43. Provided that consumers can be shown that they really are furthering the noble and altruistic aim of sustainable development, they can, firstly, discriminate in favour of certain coffee producing countries, thus bringing influence and economic pressure to bear on any producers failing to conform to criteria or observe laws or regulations in the environmental field. Secondly or concurrently, the consumer can pay a surcharge which really does help to distribute wealth so that it does not go into the hands of a few, for particular types of coffee identified as satisfying certain criteria designed to encourage more sustainable development; this surcharge would have to be within the range of prices which consumers were willing and able to pay, taking account of factors related to purchasing power (e.g. economic recession, elasticity of demand).

44. These two ways in which the consumer could act to influence a niche market are nonetheless dependent on the possibility of guaranteeing transparency with regard to the methods used in:

- agricultural production;
- processing;
- packaging;
- storage;
- roasting;
- grinding; and
- repackaging

and on how far it would be possible to assess whether action was being taken to minimize harm to the environment, and how far the principles of equity and participation were being followed on the other five levels. Consumers would also have to be satisfied that as many agents as possible were fully participating.

45. There may be a temptation to say that any coffee which did not conform to a series of very strict rules would not help to encourage a sustainable development. But as has been shown above, sustainability, depending on the angle on which it is focussed (i.e. economic, social, environmental or cultural) cannot be precisely defined because sustainable development, and hence a sustainable coffee chain, must be founded on harmonious development in all the six levels.

46. It might perhaps be more appropriate to talk about producing coffee which is 1) more socially sustainable, 2) more economically sustainable, 3) more environmentally sustainable, 4) more spatially sustainable, 5) more politically sustainable, or 6) more culturally sustainable, in order to specify the level being singled out for emphasis.

Potential pitfalls to avoid

47. Greater equity and public participation and increased inclusion of ecological criteria within economic policy may, paradoxically, achieve the opposite of sustainability. Proper information is required to ensure that consumers who are keen to support economic sustainability do not help to bring about a negative result or fail to achieve any particular result, and become frustrated and cynical and lose faith in the possibility of achieving greater equity and sustainability. This is because when 'well-meaning' consumers unthinkingly discriminate in one way or another they can create distortions, disadvantages or barriers for coffees which, although not certified as being produced by certain methods, may nevertheless be part of a second optimum which approximates to the optimum of sustainable development.

48. Comparative and indicative studies could show the extent to which different methods of coffee production and processing lead to increased levels of sustainability, compared with the same methods when applied to other export crops.

49. Transparency will be needed in defining the indicators to be used to achieve the positive effect of adopting certain methods throughout the whole coffee chain to be evaluated and quantified. Care will also need to be taken to avoid restrictions which certain agents will be unable to meet (such as over-rigorous environmental regulations) and to allow adequate time to adjust to new rules, as well as provide the wherewithal to comply with them.

50. Finally, an answer to the consumer wishing to contribute to building a better world and encourage more sustainable development would be this: drink coffee. By doing this, you help to generate an enormous number of jobs in the coffee industry and bring about considerable redistribution of wealth, provided that the various private and governmental agencies carry out their duties conscientiously and honestly.