



International Coffee Organization  
Organización Internacional del Café  
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Organisation Internationale du Café

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**A pre-proposal for conducting cost benefit analysis of common sustainability standards serving the coffee sector**

## **Background**

1. This document summarises a new project which outlines activities for conducting benchmarking and preliminary “sustainability” cost-benefit analysis of the main sustainability standards systems implemented within the coffee sector.
2. It is hoped that the results of this project could provide some objective data on the economic implications to coffee farmers of participating in sustainable coffee initiatives.
3. This project proposal has been submitted by the International Institute for Sustainable Development of Canada (IISD).

## **Action**

The Board is requested to consider this project proposal and, if appropriate, to recommend it for approval by the Council for submission to an appropriate funding body.

# **A PRE-PROPOSAL FOR CONDUCTING COST BENEFIT ANALYSIS OF COMMON SUSTAINABILITY STANDARDS SERVING THE COFFEE SECTOR**

**BY:**

***IISD and Partners  
Under the Auspices of the  
Sustainable Coffee Partnership<sup>1</sup>***

## **1.0 Description**

This proposal outlines activities for conducting benchmarking and preliminary “sustainability” cost-benefit analysis of the main sustainability standards systems implemented within the coffee sector.

## **2.0 Objective**

- To provide a preliminary analysis of the costs and benefits of adopting diverse standards-based sustainability initiatives
- To provide producers, policy makers and other stakeholders with a better understanding of the opportunities and obstacles associated with specific sustainability systems and their related practices.
- To provide standards makers with a better understanding of the impacts of their respective systems

## **3.0 Rationale**

Over the course of the past two decades there has been an explosion of voluntary standards systems touching on specific aspects of sustainability within the coffee sector. Although markets for such systems have been small to date, increasing interest by roasters, traders and retailers has significantly contributed to the potential impacts and overall importance of such practices at the global level. Despite the growth in the range and form of sustainability systems being implemented, there is comparatively little information on the actual costs and benefits which such systems bring to producers. As producers and other players are increasingly faced with a choice of adoption of one of more standards, the lack of credible,

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<sup>1</sup> This project has been developed through multi-stakeholder input under the auspices of the Sustainable Coffee Partnership. Please visit [http://www.iisd.org/trade/commodities/sci\\_coffee\\_partnership.asp](http://www.iisd.org/trade/commodities/sci_coffee_partnership.asp) for more information.

objective information on the real costs and benefits associated with standards adoption and compliance is becoming an escalating handicap to strategic planning in the sector. An assessment of producer experience to date and expected market trends will be critical for determining if, when, where and how the implementation of such practices might be warranted. Similarly policy makers committed to promoting the preservation of public goods addressed by standards systems have an interest in gaining a deeper understanding of the formal costs associated with such public goods preservation as a tool for assessing their own strategic actions. Finally, a global cost benefit analysis research can also offer a critical tool for improving the impacts and efficiency of existing systems by providing existing systems with a map of strengths and weaknesses (from a cost/benefit perspective). It is expected that such information can provide a foundation for the generation of improved cost/benefit outcomes for producers over the long term by stimulating efficiencies and improvements across standards systems.

This proposal outlines a research program for conducting a preliminary cost/benefit analysis of the following four unique sustainability standards systems currently applied in the coffee sector: Organic, FairTrade, Rainforest, and Utz Kapeh<sup>2</sup>. The proposed first phase is based on a one year timeline and includes activities related to the adaptation the ICO/EC Tool to the “sustainability context” and the application of the adapted “Tool” to conditions in 9 coffee growing countries across the four main sustainability systems<sup>3</sup>. Although actual assessments will be based on cooperative efforts with interested stakeholders from the coffee supply chain, the program will maintain a clear independence with respect to the analysis of specific standards programs.

#### **4.0 Methodology**

The methodology will be based on 5 components. The project will be overseen and verified by an expert advisory committee designed to ensure objectivity and accuracy.

##### **1. Background Comparison and Analysis of Standards**

As preparation and background information for project partners and implicated stakeholders, the project will begin by commissioning a desk study of the different technical requirements and management systems of the main coffee certification systems including, inter alia:

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<sup>2</sup> Although the CCCCs system cannot be adequately tested using the Tool due to the fact that the CCCC is still under development, it is expected that the analysis of the identified systems will provide information directly relevant to assessment of the costs and impacts of the CCCCs process.

<sup>3</sup> This proposal outlines the first phase of research in a larger cost-benefit investigation program being managed by IISD under the auspices of the Sustainable Coffee Partnership. The larger analysis aims to follow cost/benefit analysis changes at the farm level over a period of three years. This phase will provide a temporal snapshot of cost/benefit based on standards application.

- Smithsonian Bird Friendly Standards
- Rainforest Alliance Standards
- Utz Kapeh Standards
- IFOAM Organic Standards
- Fair Trade Labelling Organizations International Standards
- Common Code for the Coffee Community Standards
- Eurepgap Coffee Standards
- Starbuck's Café Practices

The investigation will rely upon existing standards documents and interviews with relevant standards authorities. In addition to providing information on the technical requirements of the different standards, this background study will provide background on the history of the respective standards initiatives as well as the institutional structures and distribution of administrative costs across their day to day operations.

## **2. Adaptation of ICO/EC Tool**

In 2004 the European Commission and the International Coffee Organization produced a generic “Tool” for the measurement of cost of production for coffee growing regions. This Tool provides a comprehensive and quantitative analysis for determining the total and unit costs of coffee production across different growing regions. This project proposes to apply the aforementioned Tool in an effort to determine the relative costs of production between producers implicated in one of the four sustainability standards systems and those who are not so implicated. In order to obtain site specific information on key factors relevant to the respective sustainability systems, the Tool will be adapted for application in the field and sustainability context. Adaptation of the Tool will verified by an expert group including Tool developers, field researchers and representatives of the relevant standards bodies.

## **3. Benchmarking**

Benchmarking in each region is required as a control group for comparison. Comparable farm style and sizes to those being tested for standards implementation will be chosen. Data compilation will be made through a combination of state collected data and on-farm inspection/interviews. Benchmarking reports will be prepared for each country (i.e. 9 benchmarking reports). Proposed countries of study: Mexico, Colombia, Peru, Guatemala, Uganda, Ethiopia, Uganda, Indonesia, India.

#### **4. Impact Assessment/Cost Benefit Analysis**

Impact assessments will follow the same methodology as the benchmarking assessments. Assessments will be made on an average basis for farms of comparable stature to the benchmark case with adjustments for local difference where evident. The following systems will be tested in each country as possible<sup>4</sup>:

- Utz Kapeh
- Rainforest Alliance
- Organic
- Fair Trade

#### **5. Comparative Analysis**

The results of the research from the 9 country based case studies will be compared and analyzed with a view to identifying trends, opportunities and challenges across the individual systems as well as with respect to the ability of specific regions to adopt the specified standards.

### **5.0 Deliverables**

The project will provide the following concrete deliverables:

- A background comparative analysis of the history, technical requirements and management structures associated with all of the major sustainability standards active in the coffee sector. A set of practical, measurable sustainability indicators based on the guidance of an expert multi-stakeholder group suitable for application/adaptation on a global level.
- A short guide for conducting cost benefits assessments at the field level using the Tool.
- 9 impact analysis reports, 1 for each country containing: 1. benchmark case; and 2. analyses of costs of production under each system as available.
- 1 synthesis report comparing the results of the different studies.

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<sup>4</sup> *Some countries do not have farms participating in each of the systems.*

## 6.0 Budget Outline

Task		Total US
<b>Background Analysis</b>		<b>10,000</b>
<b>Expert Methodological Verification</b>	<b>Organization of advisory committee meeting, preparation of “adjusted” Tool</b>	<b>15,000</b>
<b>Benchmarking/Cost-Benefit Reports</b>	<b>9 @ \$12,000</b>	<b>108,000</b>
<b>Synthesis Report</b>		<b>12,000</b>
<b>Overhead and Contingency</b>	<b>@ 12%</b>	<b>17,000</b>
<b>Total</b>		<b>162,000</b>

## 7.0 Timeline

Task	Q1	Q2	Q3	Q4
<b>Formation of Expert Advisory Committee</b>				
<b>Preparation of background analysis</b>				
<b>Preparation of Adjusted Tool</b>				
<b>Benchmark CB analysis</b>				
<b>Standards CB analysis</b>				
<b>Compilation of Synthesis Report</b>				