

Building Value at the Top and the Bottom of the Global Supply Chain: MNC-NGO PARTNERSHIPS

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Standards that address social and environmental practices are increasingly common today. With the expansion of global supply chains, multinational companies (MNCs) source products from developing countries, as production, processing, distribution, and consumption spread across borders.¹ Simultaneously, and especially since the 1990s, non-governmental organizations (NGOs) have organized activities and been part of social movements and market campaigns that aim to influence business practices on issues such as human rights, labor standards, environmental sustainability, and poverty reduction.² NGO pressure for sustainable practices has particularly targeted companies leading global supply chains in diverse industries, including mining, forestry, agribusiness, electronics, garment, and footwear, among others. Such actions have led to the creation of new standards, codes of conduct, and certification programs that represent norms and practices that define expectations for more socially and environmentally sustainable production processes.³

The new standards that go beyond the traditional quality and technical certifications have coincided with the rise of partnerships between companies and NGOs. The wide range of corporate codes of conduct, standards, certification, eco-labeling, social reporting, and Fair Trade products are tied to an increasing number of associations, collaborations, or alliances composed of MNCs and NGOs.⁴ Some have named this phenomenon “the NGO-Industrial Complex.”⁵ As companies move from outright resistance or minimal compliance to actually changing their business practices, the number of partnerships with

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NGOs has multiplied in recent years.⁶ Researchers have analyzed the NGO strategies to pressure business, how firms react to such influence, and the motivations behind collaborations.⁷ As well, current studies focus on certification credibility, based on the degree of independence of the assessor, and the effectiveness of monitoring systems.⁸ The process of implementing these new norms in developing countries has been less studied.

Paradoxically, some existing research demonstrates that these well-intended social and environmental norms, or *sustainability standards*, can represent significant barriers to entry for poorer producers, such as small-scale farms and enterprises in developing economies.⁹ Given the widespread poverty in these countries, this segment has a large presence and a substantial economic role, but often operates under arrangements that constrain these producers' ability to survive and compete. Scholars of international business often refer to this important group as the "bottom of the pyramid" (BOP).¹⁰ As supply chains spread globally, and MNCs source from developing countries, foreign companies interact closely with the local small-scale producers. The new norms may require considerable changes and investments beyond their reach. Acting as additional barriers, sustainability standards can lead to the concentration of production by large local companies, excluding poorer producers from global supply chains, as they are unable to upgrade to meet the new norms.¹¹

The challenges for implementing these types of standards in developing countries, particularly at the level of poorer producers and small suppliers, have not been sufficiently researched. Virtually all the discussion about codes of conduct and sustainability standards focuses on the MNC performance related to their adoption at the corporate level, voluntary enforcement, and auditing processes.¹² Similarly, the dialogue on new business models in which private companies devise strategies that alleviate poverty in developing economies by targeting the "bottom of the pyramid," has not addressed how sustainability standards might fit into such strategies.¹³ This is largely because the BOP segment is treated as potential multinational customers, rather than existing producers.¹⁴ Moreover, while MNC-NGO partnerships play a role in the BOP approach to building effective business strategies in developing economies, how they work successfully to bring in BOP producers has not been fully explored. There is a need to fill the gap in our understanding of how the implementation of social and environmental standards in supply chains can foster the inclusion of those at the bottom of the pyramid.

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How can the new sustainability standards intertwined with MNC-NGO alliances successfully include the poorer small-scale producers rather than exclude them? A direct examination of MNC-NGO partnerships in global supply chains that include poorer suppliers could enhance our understanding of the conditions that lead to upgrading of social and environmental standards in

developing economies. To investigate these questions, this study uses the example of the specialty coffee chain, where small-scale producers have an important presence. Specifically, we analyze the Starbucks and Conservation International (CI) alliance to examine its evolution through various phases, from standard creation to implementation, and discover what conditions facilitate the inclusion of suppliers at the bottom of the pyramid.

The argument presented here has three parts. First, a central dynamic of MNC-NGO partnerships is the creation of standards and agreements concerning supply chain practices that differ significantly from existing norms in developing countries. Joint actions to elaborate and implement these norms sustain the partnership over time. Secondly, when MNC-NGO partnerships pursue an *active assistance approach* to upgrading the practices of BOP producers, the implementation of sustainability standards facilitates the inclusion of small-scale producers. An active assistance approach means that partnerships provide support during the adoption of new sustainability practices while simultaneously improving the ability of BOP producers to participate in global supply chains. Furthermore, MNC-NGO partnerships that follow an active assistance approach at the BOP level mitigate the resulting barriers to entry by directly helping small producers to meet the standards, and these partnerships also create supporting conditions for small producers' development. Thirdly, an active assistance approach combines participation of small-scale producers during the process of defining the sustainability standards, as well as financial and technical support from companies and NGOs during the implementation phase. When standard creation involves the BOP and when the partnership offers supporting conditions for their adoption, sustainable production practices can bring benefits and competitive advantage to low-income groups and to MNCs involved in the value chain.

Linking Sustainability Standards, Partnerships, and the Bottom of the Pyramid Producers

Two separate research literatures share a common reference to partnerships and a concern for strategies that address business impact in developing economies: one on social and environmental standards, and the other, on private companies and poverty alleviation. The role of social movements and NGOs in lobbying for the development of company standards and codes of conduct has been an important factor in the rise of certification systems.¹⁵ The interactions between NGOs and business usually fall into two stages. In the first stage, the NGO pressures the multinational, often via its customers and market campaigns, to develop an "ethical sourcing code" for their supply chain practices. This is a growing trend in industries that have "credence" quality standards focusing on production conditions, such as garment, footwear, food-processing, forest products, and mining, among others.¹⁶

In the second stage, the company and NGO establish a partnership or alliance, characterized by arrangements between two or more independent organizations to work together on a joint project.¹⁷ Some define these as cross-sector

social partnerships as they involve for-profit and non-profit organizations that join in projects to address issues such as poverty, disease, and the environment.¹⁸ Researchers find the main motivation for such partnerships is the external legitimacy that a company seeks in the face of pressure to become socially responsible.¹⁹ The current literature also emphasizes the independent role of NGOs in compliance monitoring of the company's performance.²⁰ The presence of an independent external organization, or third party certification, is seen as the most-credible mechanism for changing corporate practice.

Often, little attention is given to the equally important dynamics of actually implementing these standards in developing economies, particularly from the perspective of small producers, who as suppliers must change their practices to comply with the higher social and environmental sustainability norms. Understanding this aspect is important, as current studies reveal the implications of the new standards, which can threaten exclusion of the small-scale producers and create further marginalization of the poor in developing countries.

Stringent quality, social and environmental norms can unintentionally reduce access of small businesses and poorer producers from high-standard supply chains while the rents in the chain are extracted by multinationals and developing country elites.²¹ For example, in Pakistan's soccer ball industry the new norm by global brands to remove child labor brought about loss of income and exclusion of the poorest, particularly women.²² Other studies show that small farmers in Africa and Latin America are often excluded from export supply chains due to new norms, and the products are increasingly grown on large industrial estate farms.²³ Similarly, the experience with the certification system of the Forest Stewardship Council (FSC) showed that the largest firms and richer countries earned certificates faster and easily, while smaller-scale enterprises and poorer communities in developing countries lacked support infrastructure and faced higher costs of certification, annual auditing, and improvements.²⁴ There is a parallel literature indicating the challenges when developing country firms attempt to shift their existing practices and adopt international quality standards that differ significantly from their traditional local ones.²⁵

At the same time, there is evidence that low-income producers can derive important benefits and competitive advantage by engaging in upgrading processes tied to new standards. Research indicates that environmental degradation threatens the livelihoods of small-scale producers and is linked to poverty.²⁶ Depletion of forests, farmlands, watersheds, biodiversity, and soil erosion undermine productive conditions and economic survival. There is indication that small-scale producers can successfully adopt certification systems that address social and environmental conditions, improving their productive capacities.²⁷ The issue then is not whether they benefit, but what conditions facilitate inclusion of poorer producers in supply chains that pursue sustainable production.

The challenges presented by the new standards have particular relevance for those in management research and practice concerned with business impact on poverty alleviation in developing economies. Growing research in the field of international business strategy focuses on how multinationals can target the

poorest (BOP) in developing economies.²⁸ This perspective focuses on those that make less than \$2 a day, or the poor majority that characterizes the reality of low-income countries. In this view, targeting the BOP can lead to poverty reduction through the development of new markets and innovative business models, underscoring the role of the BOP as potential customers of MNCs. This multinational-centered research perspective emphasizes how MNC strategies can be more effective in commercial activities with the poor, particularly by selling products to them. This research line has not yet explored how an engagement with multinationals might benefit and enhance the conditions for the poor as producers, not merely customers.²⁹

The BOP business strategy also gives importance to multinationals joining with NGOs and community groups as partners. However, the BOP literature does not explain how companies will work with non-traditional partners to alleviate poverty. Further, it emphasizes that multinationals should partner with NGOs and other local organizations in business development,³⁰ but there is no elaboration of the processes that link BOP business strategies to the mechanisms underlying the collaboration and poverty alleviation efforts. More research is needed that examines how MNC-NGO alliances work and the mechanisms explaining when and how they work to benefit the poor.³¹

This study focuses on the creation and implementation of global supply chain standards from the perspective of developing country producers' conditions. How does the MNC-NGO partnership facilitate the inclusion of poorer producers in global supply chains? What conditions contribute to BOP inclusion in interactions with multinationals where there is increasing pressure to upgrade social and environmental standards? What approaches to designing and implementing standards for business operations in developing economies work both for local producers and communities as well as for reaching sustainability goals within supply chains?

Case Approach: The Starbucks and Conservation International Partnership

The partnership between Conservation International (CI) and the Starbucks Coffee Company is a particularly good empirical case because it was deliberately built around defining and executing sustainability standards in the supply chain, centered on activities in developing countries, and targeted small-scale producers. As this partnership has been functioning for at least ten years, it allows an analysis of the relationship between two organizations (one multinational and one non-governmental) and the dynamics of developing joint activities to set and implement standards in low-income contexts. Using a qualitative research strategy, we drew upon several sources of data to develop the case.³² First, we collected archival material on the partnership activities: including Starbucks and CI reports, memos, web pages, and project evaluation studies from international organizations. Secondly, we used written documentation on the development, procedures and implementation of the certification system used

by Starbucks as well as on the standards for coffee production developed by CI and other NGOs to understand their content and evolution. Third, the data is the result of an extensive review of the considerable research (published and unpublished) on the coffee value chain, which contains information on production, trade, private organizations, industry actors, NGO activity, and the conditions of small-scale producers. As the specialty coffee chain initiatives and programs are well documented, they provide rich data for constructing this case study. Fourth, these were supplemented with interviews involving three types of informants: small-scale producers in Central America, an independent third-party certifying organization operating in Central America that provides services to producers, and a key informant who was directly involved in the partnership activities. To validate the accuracy of the story presented, the manuscript was sent to an expert participant in the events discussed, but in a position independent from both Starbucks and CI.

The Starbucks-CI case has several advantages for exploring the questions of this study. First, the partnership is tied to a global supply chain where small-scale producers constitute an important sector, particularly in the Mexico and Central American region. An estimated 85 percent of Central America's coffee farmers are micro and small-scale producers.³³ Similarly, very small farms constitute 92 percent of all Mexican coffee farms.³⁴ The coffee industry production-consumption pattern connects advanced country firms and consumers with developing country producers.³⁵ Starbucks is part of the global coffee supply chain, which includes small farms, large growers, processors, roasters, and retailers.³⁶ Coffee farms range in size from very small farms (under 1 hectare) to cooperatives to large plantations. Whereas large plantations often process and export their own beans, the smaller producers typically sell their *green beans* to processors or agents, who in turn sell to exporters. These exporters sell to importers or roasters in the country of consumption. Generally, the roasting stage occurs closer to the point of consumption; Starbucks, a specialty roaster and retailer, roasts all of its own coffee and sells it in retail stores and to food service accounts. It buys its green (unroasted) coffee, amounting to about 2 percent of the global coffee supply from exporters, farmers, cooperatives, and sometimes from other importers.³⁷ Starbucks controls all of its roasting process and the green bean purchasing, so it controls most of the upstream activity of the supply chain.

The second advantage is that the Starbucks-CI partnership is representative of a typical sustainability standards alliance.³⁸ Starbucks and several NGOs have joined since 1998 in activities aimed at creating a sustainable supply chain. Our study includes the origins and evolution of Starbucks-Conservation International partnership, from its pilot phase in Chiapas, Mexico to the development and implementation of Starbucks' own code of conduct for coffee purchasing in Mexico, Nicaragua, and Costa Rica. Their near-decade-long relationship allows for a longitudinal study of the interactions and changes involved in the process of setting and achieving standards, and of the roles of the various actors in this process.

Conservation International is an international NGO founded in 1987 with the mission statement to “conserve the Earth’s living natural heritage, our global biodiversity, and to demonstrate that human societies are able to live harmoniously with nature.” CI is a “social purpose” NGO that aims at societal change by advancing and promoting environmental standards.³⁹ CI engages in both advocacy campaigns as well as in operations giving direct assistance to communities located in areas of importance for biodiversity. CI is one of the big three global conservation NGOs, along with the World Wildlife Fund and The Nature Conservancy. One of CI’s main strategies to advance its mandate is to engage in business partnerships to foster production practices that meet conservation principles. CI operates in more than 40 countries, mostly with national staff of the host country.⁴⁰ CI has established partnerships with several multinational companies to create solutions to global environmental problems in which industry plays a defining role. For example, besides Starbucks, CI has partnered with other companies in diverse fields, including McDonald’s, Shell, Rio Tinto, Wal-Mart, CEMEX, and Aveda.⁴¹

A Partnership for Ensuring Product Supply and Advancing Conservation

The adoption of social and environmental standards in Starbucks’ specialty coffee chain were a result of CI’s initiative as well as the company’s response to its social and economic context. The need for a sustainable supply chain in the coffee trade has been at the center of NGO mobilizing. Starbucks first adopted a “sustainable supply chain management” strategy in 1995.⁴² For the most part, this was a characteristic “reactive-turned-proactive” strategy, where pressures from NGO activists lead the company to go from resistance and mere compliance to strategic actions.⁴³ The first notable example of NGO activism against Starbucks’ supply chain policies came in 1994, when the Chicago-based, U.S./Guatemalan Labor Education Project (US/GLEP) launched a leaflet campaign at Starbucks’ retail outlets. Despite the small size of the NGO and scale of the campaign, Starbucks responded in 1995 with a commitment to establish a supplier code of conduct, designed to regulate the wages, benefits, housing, and health and sanitation standards of its suppliers.⁴⁴ Starbucks scheduled meetings with various cause-oriented groups, including CARE and ANACAFE (the Guatemalan coffee producers’ association) and, in 1995, the *Starbucks’ Commitment to Do Our Part* (a framework for the supplier code of conduct) was published, outlining short-term commitments to improve the quality of life of their producers.⁴⁵ In subsequent years, Starbucks faced additional NGO pressure, led by Global Exchange, to begin purchasing “Fair Trade” coffee.⁴⁶ As protestors appeared in 1999 and 2000 at the Starbucks annual meetings, picketed local stores, and threatened mass demonstrations, the company signed a licensing agreement with TransFair to buy Fair Trade coffee for use in its retail outlets.

NGO pressure on Starbucks occurred simultaneously with a major coffee production crisis, due to a dramatic fall in world coffee prices during 1998-2002. This crisis increased both the threat of forest loss and the risk of unpredictable coffee supply from the desired highland regions to support the growing specialty market, as it led to social, economic, and environmental problems for coffee-producing regions.⁴⁷ Exploitative conditions for the poorest and most-isolated farmers and environmentally damaging production methods often characterize supply chains in developing countries. This was certainly the case for poor coffee farmers struggling with “farm-gate” coffee prices that were below the cost of production.⁴⁸ Small-scale farmers in Latin America, who live in relatively isolated higher-altitude areas, experienced increasing poverty because of the drop in coffee prices. The coffee crisis pushed many small farmers into two different survival strategies. Tens of thousands left the coffee growing regions of Mexico and Central America, migrating to urban areas and north to the USA.⁴⁹ Others started switching to alternative agricultural activities that required more-intensive land use and clearing of forest land.⁵⁰

The precarious economic situation of BOP suppliers can also affect the procurement strategies of multinationals competing in the specialty coffee market. Specialty global retailers, such as Starbucks, rely on consistent high-altitude coffee sources, typically found in areas rich in biodiversity and often in the hands of small producers. A key reason behind the adoption of a sustainability strategy was the goal of securing a long-term stable supply of quality coffee in the context of the volatile global coffee market. As the demand for high-quality coffee was increasing with the growth of the specialty coffee market in North America, a decrease in high-quality supply created a challenge for the specialty industry. In this case, ensuring stable supply of product trumps issues of corporate reputation.

While this context fostered the relationship between CI and Starbucks, it was Conservation International’s initiative that sparked the partnership. CI recruited Starbucks to participate in the Conservation Coffee Project (CCP) in southern Mexico that aimed to spread conservation practices among small-scale producers by promoting a shift to shade-grown coffee cultivation.⁵¹ CI had identified a link between their main goal (ecological conservation) and the cultivation of coffee, which is grown in many of the “conservation hotspots” that CI was attempting to protect.⁵² Research has cataloged shade-coffee plantations as extraordinarily biodiverse in terms of original forests, plant and insect species, and as vital sanctuary for many birds. Farmers living on the edge of the conservation biospheres were hurt by the dramatic decline in coffee prices, which exacerbated bad environmental practices including: cutting more trees, introducing livestock, polluting water sources, and resettling inside the biosphere reserves as farmers tried desperately to earn a living.⁵³ Shade-grown coffee cultivation was the next best thing to a conservation forest and could potentially provide farmers around the protected zone with a viable way of life that would support rather than conflict with the conservation efforts underway in the reserve.⁵⁴

In 1996-1997, CI's Conservation Coffee Project began in Chiapas, Mexico.⁵⁵ It was CI's first venture into sustainable coffee production. The project aimed to define and promote a set of coffee management practices to conserve biodiversity in the area adjacent to the El Triunfo Biosphere Reserve in Chiapas, by demonstrating that farmers could gain social and economic benefits by shifting to shade-grown coffee cultivation.⁵⁶ The pilot project started with six cooperatives in the buffer zone and initial funding from the Ford Foundation and the U.S. Agency for International Development (USAID).⁵⁷ CI had identified in an earlier program the link between conservation and the long-term livelihoods of the people living in "conservation hotspots." In that program, CI promoted cultivation of Brazil nuts in a conservation buffer zone in the Bahuaja Sonene National Park in Peru, and it partnered with the company Aveda to create added value for Brazil nuts.⁵⁸ One of the challenges encountered included creating incentives for farmers to switch to sustainable production methods, and developing a stable, reliable market demand for the available supply. CI applied what it had learned in Peru to their new coffee initiative in Chiapas.

CI approached Starbucks in 1997, attempting to secure a market for coffee supply grown using the best conservation practices. It hoped to create a market-based incentive system to improve the environmental and social impacts of sustainable coffee farming, processing, and trading. If Starbucks, as a large buyer, would purchase their coffee supply from the Conservation Coffee Project, resulting in increased earnings for farmers, they would gain a stable long-term supply of high-quality coffee while promoting the conservation of biodiversity.⁵⁹ CI eventually created Conservation Coffee Project partnerships with other major coffee companies including Green Mountain Coffee Roasters and Frontier Organic Coffee, in addition to Starbucks.⁶⁰

In 1998, CI and Starbucks signed a Memorandum of Understanding (see Table 1). The initial partnership's purpose was to collaborate on the Conservation Coffee Project in Chiapas, Mexico. While CI worked to convince local producers to adopt new production practices, Starbucks would agree to buy the CCP coffee product. In the initial stage, Starbucks provided a \$150,000 grant but did not formally commit to purchase coffee. By 1999, Starbucks had established a new retail coffee brand, Organic Shade Grown Mexico for the product from CI's Conservation Project. In 2000, a second memorandum was signed between Starbucks and CI, renewing and expanding their partnership. In addition to the project in Chiapas, the two partners would collaborate to expand new source locations and to develop a permanent product line of Starbucks sustainable coffee. In addition, the partners would work to develop standards and coffee-sourcing guidelines and seek to engage other leaders in the coffee business to articulate industry-wide practices.⁶¹ The partnership continued to expand both in scope and scale and, in 2004, Starbucks and CI announced yet another renewal of the alliance for three more years. In October 2003, Starbucks made a \$2.5 million direct loan to CI for the newly launched Verde Ventures Fund to provide loans to small producers.⁶²

TABLE I. Timeline for Starbucks-Conservation International Partnership

Year	Event
1994	US/GLEP leafleting campaign against Starbucks.
1995	Starbucks becomes first specialty coffee to adopt a supplier code of conduct by publishing the <i>Framework for a Code of Conduct</i> .
1996	Conservation International (CI) launches Conservation Coffee pilot project in the buffer zone of El Triunfo Biosphere Reserve, in Chiapas, Mexico. Pilot phase. Funded by Ford Foundation and others; USAID Matching Grants Program.
1997	Conservation International approaches Starbucks to become a buyer of Conservation Coffee.
1998	Signing of the First <i>Memorandum of Understanding</i> between Conservation International and Starbucks regarding the Chiapas project. USD 150,000 grant from Starbucks but with no obligation to purchase coffee.
1999	"Organic Shade Grown Mexico" becomes the brand for Starbucks sales of CI's Conservation Coffee Project.
2000	Global Exchange criticizes Starbucks for not purchasing "Fair-Trade" coffee. Signing of Second <i>Memorandum</i> that extends partnership for 3 more years; USD 600,000 over three years from Starbucks. Starbucks establishes partnerships with other NGOs such as Oxfam and CEPCO in Oaxaca, Mexico.
2001	Revised version and publication of <i>Conservation Principles for Coffee</i> Preferred Supplier Purchasing Program begins. First version of the <i>Starbucks Green Coffee Purchasing Guidelines</i> developed in partnership with Conservation International.
2002	Preferred Supplier Program pilot phase (1st full growing season).
2003	Preferred Supplier Program pilot phase (2nd full growing season). Signing of Third <i>Memorandum</i> ; formal renewal of the partnership. Conservation Colombia Project launched with Colombian Coffee Federation, Colombian Agricultural Ministry, and Corporacion Valle de Cauca. Other Conservation Coffees brands developed: "Decaf Shade Grown Mexico" and "Starbucks Peru."
2004	Costa Rica Agronomy Company (aka Farmer Support Center) opens. Preferred Supplier Program Stakeholder Feedback Session (Starbucks). Phase II of Preferred Supplier Program/C.A.F.E. Practices is launched. Conservation Coffee Alliance between Starbucks, USAID and CI; <i>Memorandum</i> signed, with 3 year financial commitments from USAID and Starbucks; USD 1.2 million and USD 1.5 million respectively. CI's Conservation Coffee projects in Mexico, Costa Rica and Panama. Starbucks becomes a member with Conservation International in the U.N. Global Compact.
2005	Administration of C.A.F.E. Program moves to the Agronomy Centre in Costa Rica (aka as Farmer Support Center).
2006	Plans to open Farmer Support Centre in Asia, apply C.A.F.E. in Asia. Africa: work with African Wildlife Fund (AWF) to apply C.A.F.E. in Africa.

Creating New Standards by Working out Agreements Experimentally

A central focus of the Starbucks-CI partnership was the creation of a new model of sustainable coffee production by setting new norms aligned with biodiversity conservation. Starbucks had no experience in setting environmental standards. It had previously purchased Fair Trade coffee, but did not participate in the process of creating the Fair Trade certification. For its part, CI had developed such standards for other products grown in ecological conservation hotspots. CI's standard-setting efforts were part of a broader movement among a group of international NGOs, such as the Rainforest Alliance and World Wildlife Fund, which had been working to develop standards for sustainable agriculture and certification systems to stop tropical deforestation and improve ecological sustainability.

A key aspect of the CI project in Chiapas, Mexico, was the plan to develop a set of best practices for coffee production suitable for this location.⁶³ This goal was tied to the development of *Conservation Principles for Coffee Production*, published in 2001 by a group of NGOs including Conservation International, the Rainforest Alliance, and the Smithsonian Migratory Bird Center, with input and endorsement from Starbucks. The *Principles* outline general norms and practices that farms and processing facilities must meet to safeguard the environment in coffee-growing regions: conservation of wildlife, soil, water, energy and ecosystems, waterway protection, and ecological management of pests, disease, and waste. As well, awareness of the poverty among the small-scale coffee producers and the goal to improve their livelihoods contributed to the notion of a sustainable supply chain where current and future economic, social, and environmental needs are met for participants at all levels of the chain. The *Principles* are norms intended for guiding the development of specific local environmental standards and codes of conduct in private firms in the coffee industry and for guiding public policy.⁶⁴

Importantly, CI used the partnership to engage the company as well as local organizations during the elaboration of these norms. While different reasons motivated Starbucks and CI to address social and environmental dimensions of coffee production, the Chiapas project represented a concrete activity to work towards a common agreement. As an activist NGO, CI was trying to induce change in the coffee industry's operations, and it faced the challenge of convincing a private company to modify its supply practices. Starbucks became the first company to follow the *Conservation Principles*.⁶⁵

To develop these norms, CI also collaborated and built partnerships with local Mexican organizations—including local universities such as El Colegio de la Frontera Sur (ECOSUR) and Universidad Autonoma de Chiapas (UNACH), the government agency Commission for Natural Protected Areas (CONANP), and the Bank of Mexico (BANAMEX)⁶⁶—to define and refine the practices specifically for the Chiapas context.⁶⁷ CI wanted to bring together the farmers, government institutions, and local organizations to participate in the definition and

promotion of the best environmental management practices. This also helped CI gain local information on the kinds of problems that the shift to shade-grown coffee entailed. As well, by bringing private and public organizations to work together in providing supporting market and financial services, it could create conditions to enable farmers to upgrade.⁶⁸

The process of certifying and marketing coffee as a sustainable product is related to an evolution commonly defined as “sustainable quality” or “specialty” coffee, which has value-added depending on how it is produced and traded.⁶⁹ It builds on an earlier version that placed a greater emphasis on the coffee bean variety (i.e., Arabica), its geographical origin, and the quality of the roasting process.⁷⁰ Movements to raise awareness and promote “sustainable coffee” raised the bar as to what is considered to be “good coffee.” For many, the *value* of coffee comes from the social and environmental conditions under which the bean is grown and traded through the supply chain.⁷¹ Efforts to put this concept into practice include the rise of certifications such as Fair Trade, Organic, and Shade Grown coffees, which are officially administered by NGOs, farmer associations, and for-profit organizations, and are also becoming embedded in global corporate purchasing practices.

Based on the Chiapas project, Starbucks used the *Conservation Principles for Coffee Production* to develop its own company-wide coffee purchasing code. In November 2001, Starbucks began the pilot phase of its Preferred Supplier Program (PSP) in collaboration with CI’s Center for Environmental Leadership in Business (CELB). The criteria in the PSP derived directly from the *Conservation Principles* and developed through the interaction between CI, other environmental NGOs, and local Mexican producers and organizations.⁷² Its objective was “to enlist our current suppliers and others as partners in developing truly sustainable sources for the world’s best coffees.”⁷³ Those suppliers that achieved a 60 percent performance rating were given preferential contracts and purchasing priority.⁷⁴ The company integrated into its long-term coffee procurement strategy the notion of sustainability as “an economically viable model that addresses the social and environmental needs of the participants in the coffee supply chain from producer to consumer.”⁷⁵

The two-year PSP pilot phase ended in 2003. In February of 2004, Starbucks held a Stakeholder Feedback Session in Seattle to hear reactions and criticisms of the PSP guidelines and the next steps. Attendees included multiple stakeholders and advocates in the sustainable coffee world (academics, international NGOs, and a representative of one Mexican producer cooperative). Also invited were critics of Starbucks and experts in other kinds of sustainable coffee certifications. Workshops addressed the economic, environmental, and social issues related to Starbucks’ Preferred Supplier Program. Interestingly, the standards were criticized for being under-developed in the social categories while being quite rigorous in the environmental areas.⁷⁶ This is no doubt a reflection of the environmental emphasis and expertise of CI.

Importantly, some of the standards were judged inappropriate for small-scale family-run farms and cooperatives; for example, the rules about labor

organization and wages were not easily applicable to family members. Small-scale farmers traditionally integrate unpaid family labor. Often, young family members do what are considered “family chores” and differ from hired external labor. This raised the challenge, for instance, of how to create incentives for educating the young. There were requests for using flexible criteria that could accommodate different types of growers. Also, since small farms do not sell to Starbucks directly, but rather through a consolidating vendor, the standards needed to be adaptable to different supply chain configurations (such as vendors, plantations, and cooperatives). Finally, stakeholders were concerned that the incentives for upgrading to the standards were not enough to offset the cost of compliance, and that the standards might in fact hurt or exclude smallholders.⁷⁷ In particular, there is more labor input required to maintain new production, harvest, and post-harvest techniques, as well certification costs.

Some of the concerns raised at the 2003 and 2004 stakeholder feedback sessions were addressed when Starbucks’ Preferred Supplier Program evolved in 2004 into the Coffee and Farmer Equity Practices (C.A.F.E.). The C.A.F.E. standards included four categories of evaluation that constitute scoreable points: Product Quality, Economic Accountability, Social Responsibility, and Environmental Leadership (coffee growing and coffee processing).⁷⁸ It is intended for producers who are already suppliers to Starbucks. For example, under “Economic Accountability,” suppliers are expected to demonstrate transparency as to the equity and financial viability of their supply network (i.e., to ensure that farmers are receiving an equitable share of the income). Participants (be they cooperatives, processors, or exporters) must be able to provide paperwork to trace the coffee and the price paid to each producer back to the farm.⁷⁹ “Social Responsibility” outlines requirements for hiring, employment, and working conditions. The “Environmental Leadership” category outlines standards for water, soil, and energy use, as well as biodiversity conservation and waste management for each respective stage of growing and processing.

In the case of small producers, the Starbucks C.A.F.E. standards required flexibility and technical assistance to overcome the limits of the earlier Starbucks PSP, which had attempted large-scale coverage (many regions as well as cross-border) but had only focused on requesting supplier certification. This was in contrast to the approach that CI had followed in Chiapas where the project that targeted small-scale farmers included technical assistance to help them implement the standards. The PSP experience revealed that technical and financial assistance was an essential component to support the wider adoption of C.A.F.E. standards among small-scale suppliers.

Therefore, when the Starbucks’ Preferred Supplier Program evolved into the Coffee and Farmer Equity Practices (C.A.F.E.) phase, it incorporated two major developments. First, it introduced an external organization, Scientific Certification Systems (SCS) as the coordinator of the verification process. Their work involves the validation of the various auditors (primarily local government agencies, farmer organizations, and NGOs). Second, it developed a smallholder supplement, designed to adapt the standards to the specific circumstances of

small-scale farmers and their respective supply chains. In 2006, Starbucks purchased 155 million pounds of C.A.F.E.-certified coffee (representing 53 percent of its total green coffee purchases); more than double the C.A.F.E. purchases in the previous years.⁸⁰

Starbucks' adoption of sustainable practices for their entire supply chain resulted largely from their long-term relationship with CI's Conservation Coffee projects. As important, the C.A.F.E. practices set the bar for other regions, as both partners started new Conservation Coffee sites in Colombia, Peru, and Costa Rica.⁸¹ As well, they influenced other companies in the coffee industry and similar supply chain engagement initiatives developed between CI and McDonald's and Office Depot. While CI had experience working directly with small producers and facilitated direct contact with them, Starbucks' historically did not know exactly where their coffee was coming from.⁸² A Starbucks spokesperson stated: "We're good at opening four stores a day, but that is different from ensuring transparency in coffee farms in the Latin American highlands. We needed help to do that."⁸³ Through the partnership, Starbucks began to learn about its own supply chain, particularly the conditions of small-scale farmers at the bottom of the pyramid that constitute the majority of its suppliers.

Achieving Standards by Actively Assisting the Upgrading of BOP Producers

Adopting sustainability standards (such as Conservation Coffee and C.A.F.E.) entails many challenges for the rural poor in the coffee growing regions of Mexico and Central America. First, due to extremely low coffee prices, as well as lack of financial services and access to affordable credit, poorer farmers can rarely afford to make investments in upgrading (i.e., purchasing equipment, shifting production methods to organic farming, hiring more workers, or paying higher wages).⁸⁴ In general, large estates have better access to finance and infrastructure and are more likely to find the resources to meet increasing demands than smallholders and cooperatives. Moreover, BOP farmers generally lack the technical assistance and extension services, which the conversion to sustainable agriculture requires to improve product quality and production efficiency.⁸⁵ Furthermore, geographic isolation is a major factor limiting small-scale farmer's access to markets. Often there are only a few choices, and these might not give the farmers optimal price for their coffee. The farmers living in geographically isolated areas also tend to suffer from lack of rural infrastructure such as good roads.⁸⁶

In addition, small-scale farmers face an information gap when making decisions about whether or not to strive for certification.⁸⁷ They lack production cost information and reliable market price data. They often cannot afford the cost of certification or re-certification, given a bad year or two. This is exacerbated by the notorious lack of transparency in the coffee value chain; intermediaries cut farmers off from contact with roasters. Farmers do not know where their coffee goes, or what price is paid for it further up the chain. They send it

off in bags to the processor, and although they can be penalized for low quality, they are not rewarded for high-quality product. The benefits of switching to certified sustainable production (namely, a price premium, access to a differentiated market, and possibly better buyer relations) are offset by the costs (switching production methods, more inputs, possible reductions in yields, and the initial and ongoing price of certification).⁸⁸ These costs, combined with lack of knowledge of sustainable markets, can represent a significant barrier to entry for smallholders.

Moreover, whereas some plantations can process and market their coffee directly to specialty buyers, small-scale farmers often sell to a cooperative or an intermediary, given their small volumes. As these intermediaries only consolidate small lots and do not process, there is often a huge gap between the cooperatives' marketing capacity and the demands of the global coffee buyer. Finally, small-scale farmers who are not members of a cooperative are often shut out of the lucrative certified markets because of their inability to provide the large and predictable volumes that global buyers require. Thus, those at the bottom of the pyramid who are not organized into cooperatives or other kinds of networks find themselves cut off from these upgrading possibilities.

Looking at the CI-Starbucks partnership experience in Chiapas reveals that a major focus of their efforts addressed the above challenges that BOP producers confront in the complex adoption and implementation of sustainability standards. From the beginning, activities aimed at assisting producers have been at the center of the CI-Starbucks partnership's various phases. The main innovations of the Chiapas project included: a focus on small producer upgrading; generating support from private and public organizations to facilitate such upgrading; and facilitating the emergence of local financial and technical assistance services that could assist the implementation of the new norms relying on local providers.

The Chiapas project offered technical assistance for growing and quality improvement techniques, and organizational assistance to cooperatives to help them market their coffee more effectively and efficiently. CI provided technical assistance for farmers to adopt the agroforestry conservation best practice, and it acted as a broker between the co-ops and buyers in order to secure a market for the coffee and provide the all-important economic incentive to farmers. Starbucks had a role in technical assistance for quality control in the Conservation Coffee Project while CI's team visited every farm and monitored progress.⁸⁹ Creating local services by offering training courses to local technicians and producers on quality control, organic farming methods, tree planting, pulping, and business management was another activity conducted through the partnership. CI also operated a training center and nursery to provide coffee plants and organic fertilizer, which it sold at reduced prices. CI along with local Mexican organizations provided farmers with technical assistance to improve agricultural techniques, thereby increasing crop yields and reducing reliance on fertilizers and pesticides. In later phases, Starbucks directly supported the provision of technical assistance to farmers both for quality and environmental upgrades.

In order to help small producers meet the new C.A.F.E. standards, in January 2004, Starbucks opened the Costa Rica Agronomy Company (aka Farmer Support Center), who are experts in soil management and field-crop production, and established Scientific Certification Systems as the administrator of the verification process.⁹⁰ Starbucks employees, through the Center, administer the C.A.F.E. Program and work directly with farmers in Mexico and Central America, providing services to them. The Center's purpose is to "help build long-term and strategic relationships with those who share our commitment to the sustainable production of high-quality coffee."⁹¹ Although the Center is clearly a key sourcing strategy for Starbucks' supply needs, it also has a strong mandate to work on sustainability issues with farmers and local governments and oversee social programs. As such, the Center administers the entire C.A.F.E. program and is a resource for technical assistance to farmers.⁹² The establishment of the Farmer Support Center represents yet another example of an active assistance approach in the process of achieving sustainability in the coffee supply chain.

As important, providing financial assistance through affordable credit to farmers has been central for upgrading. The Mexican government, international donors and Starbucks provide financial support and backing to several micro-credit organizations, including EcoLogic Finance (now called Root Capital) and Verde Ventures. These non-profit financial organizations provide small loans to farmers to supplement their income between coffee harvests. In addition to providing income stability, these loans are often used by the farmers to purchase capital equipment or make other investments in the farm to improve quality and comply with environmental standards. Quality upgrades lead to better coffee prices from Starbucks, and environmental upgrades can lead to certification price premiums or advantages under the C.A.F.E. program. Supporting affordable credit programs is a key part of the implementation of Starbucks' sustainability goals in general and C.A.F.E. practices in particular. Cooperatives that commit to purchasing agreements with final buyers such as Starbucks and Green Mountain Coffee Roasters, have access to Verde Ventures and Root Capital funds for the coming production cycle or to make longer-term investments in capital equipment and sustainable farming techniques.⁹³

The achievements of the Chiapas project can be expressed in many ways. For CI, success was mainly measured by the extent to which farmers adopted conservation practices, as well as the effect that the change in farming practices had on the local ecosystem. In addition, it was able to build norms for the coffee industry that were adopted by large multinational buyers. For Starbucks, the project was successful in developing a new product and securing raw material supply from desired highland regions. More importantly, Starbucks and CI learned how to develop and implement sustainable cultivation practices and work with BOP farmers, which is critical to expanding the standards to Starbucks' entire coffee supply chain. For the small farmers, success included an increase in their income as well as an improvement in their natural assets as a result of improved farming practices. A socio-economic study indicates the adoption of Conservation Coffee standards had beneficial impact on the livelihoods of

small-scale producers.⁹⁴ Compared to groups of non-participants in the Conservation Coffee Project, the participants benefited from higher productivity, profitability, and price received for coffee. For example, those adopting sustainability standards earned 20 percent more per hectare; nine out of ten families were able to make improvements to their homes; 72 percent reported being able to consume meat more than once every 10 days, compared to only 50 percent for non-participants.⁹⁵ Other studies indicate similar positive results when farmers adopt sustainability standards such as Fair Trade, as they improve access to financial and technical resources and diversification of local economic opportunities.⁹⁶

Six Lessons from the Starbucks-CI Partnership Case

Based on this case, we offer the following lessons to managers engaged in fostering new sustainability standards in supply chains in developing countries.

Lesson 1: Social and environmental standard setting and implementation in global supply chains requires more focus on processes, not just outcomes.

While the move towards corporate social and environmental responsibility has emphasized certification compliance and independent auditing, the processes for defining and implementing new sustainability standards are crucial aspects that need special attention. One of the challenges is developing an agreement that will move companies and suppliers to actually adopt the standards. Critics note that standard setting often does not include the different groups most affected by the proposed norms. As important, another challenge is how to create the support infrastructure that will enable suppliers, particularly in poor developing countries, to make the required changes to upgrade their social and environmental practices.

As supply chains in diverse industries as garment, footwear, agri-food, and forest products adopt sustainable practices to differentiate their products and address demands for traceability, the Starbucks and Conservation International case indicates that much can be gained from defining standards based on grounded experiments in developing countries to discover what works in practice given the starting conditions of the suppliers that require upgrading. Supply chain standards are defined through an interaction between global goals and knowledge with better information on the local reality. The standards are then built upwards. This is different from standard making that is imposed from the top, or that focuses on immediate outcomes based on advanced country conditions. Using field tests to develop standards allows for modification based on local information, and for a design that is adapted to local circumstances.

Focusing on process, companies in agriculture and manufacturing activities can direct their attention to how new sustainability standards affect different types of business organizations engaged in various points along the value chain, and especially they can identify those located in developing countries where small firms and smallholders have an important presence.

Lesson 2: Engage in partnerships with NGOs and local public and private organizations to design standards and define implementation strategies that address the specific conditions and challenges that developing country small-scale suppliers (small farmers, enterprises) face.

The standard-setting process must have involvement of BOP suppliers and local communities in the dialogue to generate the standards. When a multinational company adopts a code, it is the suppliers that assume the costs of the changes. Supply chain standards for sustainable production should evolve from a discussion that includes not only international NGOs and multinationals, but also local producers and organizations (government and non-governmental). The issue of who participates in creating standards is central; the process has to ensure access, representation, and involvement of those at the bottom of the pyramid who are often at the center of the targeted activities.

The CI-Starbucks experience suggests that developing norms in conjunction with locals generates relevant information on the kinds of problems that must be addressed to successfully shift to the desired environmental and social practices. Starbucks' supply chain standards were deemed inadequate for the specific conditions of small-scale producers, and therefore the company adapted them to make them appropriate for the smallholders' reality.

There is growing awareness that small-scale enterprises face specific challenges and have a large presence in manufacturing supply chains in garment, footwear, furniture, and toys. New supply chain labor codes have often been enforced in large factories in the formal sector, which then outsource to smaller suppliers, typically poorer ones operating under marginal working conditions. Termination of supplier contracts and enforcement of codes for large factories contribute little to bring social and environmental improvements for the kinds of conditions found in these smaller informal shops. Manufacturing supply chains can gain by approaching standard setting and implementation in a way that appropriately addresses the specific conditions of bottom of the pyramid suppliers. More partnerships with local governments and NGOs could help to develop effective sustainability initiatives in this segment to achieve positive social impacts while reinforcing the company's competitiveness.

Global standards must have flexibility in their design to include the wide variety of conditions and starting points of local developing country producers. Companies can draw on the International Social and Environmental Accreditation and Labeling (ISEAL) Alliance, which has developed a Code of Good Practice that sets out procedures constituting best practice for setting social and environmental standards, including an approach that ensures participation of all affected parties. International standard-setting organizations are also developing norms that address the reality of small producers in developing economies. In response to concerns of negative social impacts, the United Nations Food and Agriculture Organization (FAO) in conjunction with the World Trade Organization (WTO) is engaged in ongoing discussions on how the *Codex Alimentarius* (the global norm of reference for consumer protection and safety of industrial and

agricultural products) can better address the reality of small firms and smallholders.

Lesson 3: Provide incentives for upgrading to persuade developing country suppliers to adopt new standards and to upgrade socially and environmentally.

Upgrading requires that suppliers change their existing production practices. They must invest time and resources to acquire new skills and to improve infrastructure. These are often not readily available. In developing countries, government programs, if any exist, may not reach small producers. Needed investments are often beyond their reach. In other cases, when suppliers have complied with new standards, they do not find markets for their products. Uncertainty regarding the benefits of upgrading can become a problem.

The CI-Starbucks experience demonstrates that upgrading has to have value for small farmers to engage in the adoption of new standards. The conventional way of providing a price-premium is one strategy to reward those meeting the norm. However, the CI-Starbucks experience highlights that assured market from large buyers is even more valued by suppliers. Commitment to purchasing and longer-term contracts reduces uncertainty for suppliers and increases the value attached to upgrading.

Ideally, a private company creates a premium market segment for a sustainable product that in turn creates incentives so the suppliers can make a living while assuming the risks and costs associated with the required changes. Longer-term contracts have been successfully used in a wide variety of agri-food chains (dairy, cocoa, tea) to give smallholders security to engage in the needed investments for upgrading.

Lesson 4: Provide active assistance from companies, NGOs, and government to suppliers from developing countries to create supporting conditions for making the necessary changes and investments. Support includes both financial and technical resources.

NGOs and companies have mostly focused on monitoring compliance to social and environmental standards, and a typical response is to cease relations with those suppliers that do not meet the new requirements. This approach has the unintended consequence of excluding from the supply chain the small-scale and poorer suppliers unable to pay for necessary investments in new techniques, skills, and infrastructure to quickly meet the certification requirements. Larger firms have better infrastructure and access to financing and are therefore more likely to meet the stringent standards.

The CI-Starbucks case demonstrates that active assistance for suppliers accompanies the efforts to implement and achieve the adoption of the sustainability standards, particularly in the initial stages. An important aspect of the partnership was the joint action to assist producers upgrading by addressing the multiple challenges to meet them: financial limitations, scarcity of new information, limited technical, managerial and administrative capabilities, and labor

requirements. These activities are very different from lobbying for and monitoring compliance with standards, which have typically been the target of actions aimed at increasing corporate social responsibility.

Partnerships between companies, NGOs, and governments can focus on improving the ability of developing country suppliers to meet sustainable production standards. These partnerships should provide financial resources (in the form of affordable credit) and technical support (to enable BOP producers to make the necessary adjustments to meet them). The NGO provides its skills in building local networks with the farmers, cooperatives, and other local organizations and in training for extension service providers, as well as expertise on biodiversity conservation. The MNC provides financial (affordable credit) and technical assistance. The government can design policy and programs for complementary investments and for developing local capacity in the provision of key services that may be unavailable in the developing country.

Lesson 5: Sustainability standards can benefit developing countries when they facilitate the inclusion of small-scale producers through active assistance to support the upgrading process, as well as through the participation of local organizations and local suppliers in the standard-setting stage.

The Starbucks-CI experience indicates that developing country producers can potentially benefit from standards that seek social and environmental improvements, but this is dependent on how they are developed and implemented through a locally grounded process, based on concrete field experiments and on an incremental upgrading approach.

A crucial condition for BOP producers' inclusion in agricultural and manufacturing global supply networks, instead of exclusion, is to focus more attention on building partnerships to actively support the implementation of standards in ways that enable those suppliers at the bottom of the pyramid to improve social and environmental practices based on their starting point and local conditions. This requires that NGOs go beyond lobbying for codes and monitoring company compliance, and that companies go beyond simple adoption and enforcement of codes of conduct in the supply chain and move towards the active implementation approach by directly assisting and investing in the upgrading of BOP producers. It also requires involvement of local organizations and government agencies to create domestic capacity and complementary public policies.

Such active assistance in the context of value chain activities can bring socio-economic improvements among poorer groups, expanding local development opportunities while increasing competitive advantage to businesses at the top and the bottom of the global chain.

Lesson 6: Increasing business impact on poverty alleviation in developing countries requires viewing the bottom of the pyramid as producers.

Creating supporting conditions for the inclusion of those at the bottom of the pyramid in global supply chains offers another example of how companies can help alleviate poverty in developing countries. One strategy to do this is to build the capabilities of the poorer producers to meet the new quality and sustainability norms so they improve their competitiveness as suppliers. When companies identify the presence of small-scale producers in their supply chain, they have an opportunity to produce positive social impact in a market world that increasingly demands traceability, sustainability, and safety. By orienting resources and actions aimed at fostering upgrading and inclusion of BOP farmers and firms, partnerships and standards can act as conduits for social and economic development while ensuring key supply sources.

Conclusion

While the case discussed here focuses on the specialty coffee chain, the lessons apply to similar agro-industrial chains (milk, tea, cocoa, horticulture), as well as to manufacturing (garment, footwear, furniture, toys), and to current efforts to upgrade other types of standards in developing countries, especially consumer safety. Companies in diverse industries face increasing demand for supply chain transparency, traceability, and corporate responsibility. Their success will depend on how they interact with suppliers from developing countries, including the poorer and smaller ones. Numerous companies operating in the developing world have seen their reputations tarnished and their competitiveness reduced when they implemented CSR or sustainability codes with a short-term outcome approach that overlooked their supply chain linkages with BOP suppliers. Studies indicate that certification programs in diverse industries such as forestry, garment, footwear, and experiences with certified Fair Trade are addressing the challenge of designing and implementing systems that improve the ability of small-scale and impoverished producers to upgrade.⁹⁷

In contrast to earlier work that focused on NGO lobbying, the adoption of corporate codes of conduct, and compliance monitoring, this study highlights the process of defining and implementing sustainability standards among developing country suppliers at the bottom of the pyramid. The analysis identifies the conditions that facilitate inclusion of small-scale suppliers in global supply chains in the face of new global social and environmental norms. When MNC-NGO partnerships proactively support these suppliers so that they are able to adopt and participate in their elaboration, the standards are localized and therefore succeed at sparking and achieving social and environmental upgrading.

Equally important, upgrading small-scale and impoverished enterprises can be a central aspect of international business strategies that aim to link business activity with poverty alleviation goals. Our approach advances ideas in the business strategy literature related to the bottom of the pyramid as well as to corporate social responsibility. First, a BOP business strategy needs to target

poorer groups in developing countries who interact with multinationals in their role as producers, not as customers. Bringing together sustainability standards with support to upgrade small-scale suppliers provides a concrete way to combine business activity and poverty reduction in developing economies. Secondly, companies can pursue opportunities that exist in their value chain to benefit society and their business. The *strategic CSR approach* has proposed the idea that the most-effective way to promote corporate social responsibility is to identify social issues that are intricately connected with a company's operations, rather than addressing social issues generically.⁹⁸ The *active assistance approach* presented in this article specifically advances one way to pursue *strategic CSR* in value chains that have linkages with small-scale suppliers in developing countries. Multinational companies can make meaningful social impact and strengthen their competitiveness by taking actions that support the ability of developing country suppliers at the bottom of their value chain to improve their competitive, social and environmental performance. Active assistance to poorer producers from developing economies advances sustainability goals in global supply chains while fostering positive social impacts that reduce poverty in the developing world.

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49. Douglas L. Murray, Laura T. Reynolds, and Peter L. Taylor, "The Future of Fair Trade Coffee: Dilemmas Facing Latin America's Small-Scale Producers," *Development in Practice*, 16/2 (2006): 179.
50. Jessa Lewis and David Runsten, "Coffee, Migration and Environment in Southern Mexico: Preliminary Observations from a Study of 15 Communities in Oaxaca and Chiapas," paper presented at Latin American Studies Association, Montreal, 2007; Jaffee, op. cit.
51. Edward Millard, "Sustainable Coffee: Increasing Income of Small-Scale Coffee Farmers in Mexico through Upgrading and Improved Transparency in the Value Chain," USAID, 2005; Winnifred Zettelmeyer and Allan Maddison, "Agroforestry-Based Enterprise Development as a Biodiversity Conservation Intervention in Mexico and Ghana: USAID/PVC Matching Grant Program Final Evaluation Report," USAID, 2004.
52. Of the 25 biodiversity hotspots worldwide, 19 are major coffee growing regions. Zettelmeyer and Maddison, op. cit.; Linton, op. cit.
53. Millard, op. cit.
54. Shaded coffee plantations provide critical habitat for plants and animals (i.e., birds, beneficial insects) and reduce soil erosion (among other benefits for biodiversity) and therefore are singled out by environmental NGOs.
55. Millard, op. cit.; Zettelmeyer and Maddison, op. cit.
56. Millard, op. cit.
57. These 6 cooperatives represented over 1,000 small-scale coffee farmers: CESMACH, ICEAAC, Comon Yap Nop Tic, ORPAE, OCAAC, and FTV. Zettelmeyer and Maddison, op. cit., p. 14.
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