Progress in Development Studies 14, 1 (2014) pp. 77–90

Big retail and sustainable coffee: A new development studies research agenda

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Abstract: Over the past five years, global retail chains such as Walmart, McDonald's and Starbucks have accelerated their efforts to source and sell coffee 'sustainably'. Whereas ethical and environmental concerns were the intended drivers of fair trade and organic coffee uptake among the big coffee roasters, now multinational retailers are strategically embracing 'sustainable coffee' to build brand reputation and consumer trust as well as enhance quality and profitability. This new trend among mass retailers is transforming the social and environmental governance of coffee production and revealing several critical emerging areas of development studies research regarding the impact of big retail power.

Key words: sustainable coffee, certification, supply chains, retail, environmental governance, fair trade

I Introduction

There is a wealth of literature, data, reports and analyses on the social and environmental governance and impacts of coffee production. Numerous studies have examined the effects of fair trade and organic coffee certification on smallholder farmer livelihoods (for example, see Bacon, 2005; Dolan, 2010; Jaffee, 2007; Murray *et al*., 2003), while many others have explored the consequences of the mainstreaming of third-party sustainable coffee standards, particularly Fairtrade and organic certification

 10.1177/1464993413504354

labels (see Fisher, 2009; Fridell, 2008; Fridell *et al*., 2007; Jaffee, 2007; Jaffee and Howard, 2009; Raynolds *et al*., 2007; Smith, 2010). Much of this international development and supply chain literature has focused on multinational coffee roasters as they have been the dominant market player (Daviron and Ponte, 2005; Kolk, 2011; Ponte, 2002; Talbot, 1997, 2004).

In recent years a dramatic shift is occurring in global markets that is demanding a second look into many of these previously rigorously investigated areas. Big retail has become an increasingly powerful force in shaping where and how coffee is produced and consumed globally. What is even more surprising is that the global retail chains leading this trend (e.g., McDonald's and Walmart) are doing so by adopting 'sustainability' (under various definitions) as a crucial competitive vehicle.

Drawing on an extensive review of the international development and supply chain literature and an in-depth investigation of secondary material from corporate, NGO and governmental sources, this article analyzes how and why this is occurring and the implications for social and environmental governance of global coffee production and development studies research in this area.

1 The rise of retail power

Over the past three decades, the balance of power within the world coffee industry shifted from producers toward buyers. From the 1960s to the end of the 1980s export-import quotas under various International Coffee Agreements (ICAs) kept the price of coffee relatively high and stable. The quota system was not renewed in 1989. Subsequent liberalization of the market led to price volatility and income vulnerability of producers as a result of oversupply from new market entrants, a dismantling of producer-country marketing boards and greater instability in coffee production.

Large global roasters in particular, such as Nestlé, Kraft, Sara Lee and Smucker's (previously P&G), moved into the spaces opened by liberalization to increase their influence over production (Gereffi, 1994). Today, while roasters continue to dominate market share, more and more it is retailers such as Walmart, Costco, Starbucks, McDonald's and Dunkin' Donuts that are driving the market for higher grade specialty coffee – particularly coffee that meets voluntary sustainable production standards (including Fairtrade, Organic, Rainforest Alliance, Utz Certified and CAFÉ Practices).

2 Extending the literature

In 2002, Ponte acknowledged the rise of supermarkets in the sustainable coffee market, but predicted that sustainable 'conscious' coffees (i.e. organic and fair trade) would remain confined to niche markets (Ponte, 2002: 1117). However, it is clear in 2012 that sustainable coffee has entered mainstream markets. McDonald's, for example, is now the largest buyer and seller of 'sustainable' coffee in the United Kingdom. In Kolk's (2011) article on mainstreaming sustainable coffee, she describes the various dimensions of sustainable coffee and its uptake by manufacturing and roasting companies. She states the rising importance of retailers in markets for sustainable coffee, but notes that their rapid acceleration of commitments to sustainable coffees in the past few years is not evident in studies to date (for example, Daviron and Ponte, 2005; Fisher, 2009; Fridell, 2008; Fridell *et al*., 2007; Jaffee, 2007; Jaffee and Howard, 2009; Ponte, 2002; Raynolds *et al*., 2007; Smith, 2010; Talbot, 1997, 2004). This research addresses this gap, by investigating the motivations for why retailers in particular are increasingly sourcing and selling sustainable coffees.

Specifically, we analyse multinational retailer commitments to sustainability in the coffee sector to explore the reasons why uptake of sustainability by the world's leading retailers is accelerating over the last half-decade. Researchers have tended to argue that companies are adopting sustainability standards as a way to 'clean wash' their image and improve access to growing markets (Goodman, 2010; Raynolds *et al*., 2007). The explanation is still partly an extension of a process that began many decades ago as companies began to react to pressure from consumers and nongovernmental organizations (NGOs) and to the growth of ethical and eco-markets. Yet an increasingly significant reason, we argue, is the use of sustainability as a strategic tool by big retailers to achieve traditional business goals, such as profit, risk reduction, quality control and lower switching costs. To understand the development implications of this global market switch for local coffee producers, we suggest four avenues for future research.

II The evolution of certified coffee

1 Fair trade and organic standards

The first sustainable coffee certification systems – fair trade and organic – grew out of larger civil society movements aimed at addressing poverty and poor environmental and social conditions of farmers in producing countries. The fair-trade movement was started in the late 1940s by charities in North America and Europe. The Mennonite Central Committee, Church of the Brethren, and later Oxfam, Caritas, Twin Trading, and other organizations worked to generate markets in rich countries for products (mainly handicrafts at first) produced by impoverished and marginalized people in developing countries (Jaffee, 2007: 12).

Around the same time organic farming principles were becoming popular as an alternative to environmentally destructive industrial agriculture. In 1972, the International Federation of Organic Agriculture Movements (IFOAM) was established to unite the various organic movements (IFOAM, 2011). In the 1970s and 1980s, fair trade and organic coffees were sold in North America and Europe out of specialty shops like Ten Thousand Villages (an initiative of the Mennonites) and SERRV (started by the Church of the Brethren) and mail order businesses. The aim was to create an 'alternative trade' system to the mainstream market to challenge the capitalist world economy. Sales of coffee sold through alternative trade shops grew rapidly, but remained too small to make a significant difference to farmer livelihoods (Jaffee, 2007: 12–13).

Labelling of sustainable coffees was started as a way to introduce sustainable coffees to mainstream markets and allow them to compete with commercial coffees. In 1989, the Dutch development agency Solidaridad initiated the first fair trade coffee label, Max Havelaar, to try to increase the volume of fair-trade coffee sales – and thus its impact on farmers. Various organizations in Europe and North America followed suit, creating fair trade labels during the late 1980s and early 1990s. These labelling initiatives were united in 1997 under the Fairtrade Labelling Organizations International (FLO, now called Fairtrade International) to create one standardized worldwide Fairtrade certification system. The label assures consumers that coffee growers and traders meet social, environmental and economic standards of production and trade (Raynolds, 2002: 414).

In 1995, the IFOAM launched organic labelling standards for coffee, formalizing organic regulation of the environmental conditions of coffee production (Coffee Coalition, 2006). The Rainforest Alliance, an NGO formed with the aim of preventing rainforest destruction, also started to certify coffee farms in 1995 as a way to promote biodiversity conservation and social development (Giovannucci and Potts, 2008). A year later the Smithsonian Migratory Bird Center came out with its Bird Friendly label, marketing coffee grown according to organic standards and under a shade cover as a way to protect bird habitat in coffee-growing areas (Smithsonian Migratory Bird Center, 2011). Before 2000 these 'sustainable coffees' were still sold almost exclusively by what Raynolds (2009) calls 'mission-driven' enterprises: companies dedicated to sustainability and improving farmer conditions.

2 From niche to mainstream

Primarily in response to NGO pressure and consumer demand, mainstream coffee roasters and retailers began selling certified sustainable coffees in the early 2000s. NGOs and consumers were concerned that while coffee retail sales were booming in developed countries, coffee farmers were receiving the lowest prices in real terms in 100 years (Osorio, 2002). After liberalization of the global coffee market, coffee growers' share of the final retail price of coffee fell from 20 per cent in 1989–90 to below 10 per cent in the early 2000s (Mendoza and Bastiaensen, 2003: 37–38; Talbot, 1997: 65–67).

Starbucks was the first large coffee company to agree to start selling Fairtrade certified coffee (in April 2000), under pressure from an NGO campaign led by Global Exchange. In 2003, Global Exchange, Oxfam America, Co-op America, the Interfaith Fair Trade Initiative and the company's shareholders pushed Procter & Gamble to begin offering Fairtrade certified coffee through its Millstone division. That same year, the Coffee Coalition (a group of seven development organizations and two trade unions) pressured Sara Lee into selling Fairtrade coffee by mounting a consumer awareness campaign attacking the company's best-known coffee brand, Douwe Egberts.

As coffee certification grew in popularity, so did the specialty coffee market, and multinational roasting companies started to develop private initiatives to improve both their reputation and coffee quality. Roasting companies such as Kraft and Nestlé began to acknowledge that the various Fairtrade or ecologically friendly labelled brands had created 'major image problems for the traditional coffee industry as a whole' and that low prices were not only bad for farmers, but also bad for their business (Oxfam, 2002: 41–43). Multinational coffee company Ahold founded the Utz certification system in partnership with Guatemalan coffee growers in 1997 to encourage mainstream coffee companies to meet the agricultural-practice guidelines of the Euro-Retailer Produce Working Group (EuropGAP) as well as additional social standards. In 2002, the UtzKapeh Foundation was created to run Utz Certified as a third-party certification independent from Ahold.

In the same year, Kraft, Nestlé, and Sara Lee formed the 4C Association with producer groups and NGOs to develop a code of conduct to encourage sustainable practices in coffee production across mainstream industry. Companies themselves verify the 4C code of conduct through an internal monitoring system integrated into their business model, unlike labelling systems like Fairtrade and organic that use third-party certification of standards (4C Association, 2009).

Despite the growing number of initiatives led by NGOs and roasting companies, in 2004 big retailers only carried nominal stocks and a small selection of sustainable coffees. Total estimated volumes for all sustainably certified coffees (Organic, Fairtrade, Rainforest Alliance and Utz certified) remained small: no more than 30,000 tonnes each (Raynolds *et al*., 2007).

III The rise of big retail sustainability

1 Accelerating sustainable coffee retail commitments

The market dynamic has changed over the last half-decade, as mainstream retailers (including supermarkets, hypermarkets and restaurants) accelerate their uptake of sustainability in the coffee sector. Retail chains such as Walmart, Carrefour, Sainsbury, Tesco and Waitrose have dedicated increasing shelf space to certified coffee brands (for example, Cafedirect, AlterEco, Union Coffee Roasters), and more recently, have been converting their own coffee brands to certified coffee (Daviron and Vagneron, 2011: 101; Walmart, 2008).

In 2004 Marks & Spencer switched to selling Fairtrade certified coffee in its 198 in-store cafés; Tesco, meanwhile, launched its Fairtrade certified own-label coffee. In 2006, big-box retailer Costco introduced three Fairtrade coffee blends roasted by Starbucks to its stores under its own brand, Kirkland Signature. Walmart, the world's largest grocer and the world's biggest company with over $440 billion in revenue in FY2012, launched certified sustainable coffees in 2008 under its private-label brand, Sam's Choice. The initial Sam's Choice coffees included three Fairtrade certified blends, Rainforest Alliance certified whole bean and ground coffee, and US Department of Agriculture Organic certified coffee (Walmart, 2008). By 2009, Sainsbury's had converted its entire line of own-label roast and ground coffee to Fairtrade.

Over the last five years foodservice retailers have also been incorporating sustainable coffees into their offerings. McDonald's started selling 100 per cent Rainforest Alliance and Utz certified coffee in McCafés across Europe in 2007, and in its Australian and New Zealand locations in 2008 (McDonald's, 2011). Dunkin' Donuts began making all its espresso beverages with Fairtrade certified coffee in 2008 (Dunkin' Donuts, 2011). In 2009, Starbucks made all of its espresso-based coffees in the UK and Ireland with 100 per centFairtrade certified blends (Starbucks, 2009).

Companies like Starbucks have also been coming out with their own standards and monitoring systems for sustainable coffee. Since starting in 2004, Starbucks' Coffee and Farmer Equity (CAFÉ) Practices system has been one of the fastest growing coffee standards programme. CAFÉ Practices sets basic social, environmental and quality criteria, which Starbucks verifies. Already by 2006, Starbucks was buying about 155 million pounds of green coffee from CAFÉ Practice farms in six different countries (Giovannucci and Potts, 2008: 4). Table 1 summarizes how companies are verifying their sustainable coffee commitments.

Table 1 How retailers verify their commitments

Company	*Sustainable coffee certification or verification*
Walmart	Fairtrade certified Rainforest Alliance certified USDA Organic certified
Marks & Spencer	Fairtrade certified
Tesco	Fairtrade certified
Costco	Fairtrade certified
Sainsbury's	Fairtrade certified
McDonald's	Rainforest Alliance certified Utz certified
Dunkin' Donuts	Fairtrade certified
Starbucks	Fairtrade certified CAFÉ Practices verified

Sources: Dunkin' Donuts (2011); Fairtrade Foundation (2011); Jones (2006); McDonald's (2011); Starbucks (2009); Walmart (2008).

2 Increasing retail supply chain control

Over the last decade multinational retailers have been expanding in size and gaining unprecedented power over agents and suppliers within global value chains (Basker *et al*., 2012; Dauvergne and Lister, 2012, 2013; Gereffi *et al*., 2005; Haltiwanger *et al*., 2010; Hamilton, Petrovic and Senauer, 2011; Schmitz and Knorringa, 2000). Increasingly, the most powerful companies in the coffee sector are super/hypermarkets such as Sainsbury and Walmart, and foodservice retail chains such as Starbucks, McDonald's and Dunkin' Donuts. These companies generally source their coffee from multinational roasting corporations (and increasingly from producers), and only occasionally, as in the case of Starbucks, are themselves involved in roasting.

This creates considerable crossover in distribution channels. To illustrate, J.M. Smucker Co. (which took over Procter & Gamble's coffee business in 2008) has a licensing agreement to distribute Dunkin' Donuts coffee to supermarkets and hypermarkets in addition to its own Folgers, Kava and Millstone brands (Dunkin' Donuts, 2007). McDonald's, meanwhile, works with Kraft to obtain Rainforest Alliance certified coffee for its UK outlets, and with Sara Lee to obtain Utz Certified coffee for its locations in the Netherlands (Kolk, 2011: 4).

The highest level of concentration in the coffee supply chain is with the coffee roasters. The four largest roasters – Nestlé, Kraft, Sara Lee and Smucker's – purchased nearly 30 per cent of coffee produced globally in 2008 (calculated using data from International Coffee Organization, ICO, 2011; Tropical Commodity Coalition, 2009). Until recently, this concentration gave roasters a position of power relative to retailers in the coffee supply chain. The nature of the mainstream coffee market gave roasters further advantages: they had flexibility in blending coffees from various origins, and little competition from retailer own-brands (Oxfam, 2002: 26–27).

Power is now shifting, however, from roasters and manufacturers to big retailers. Higher profit margins for specialty coffees have increased competition from retailer private brands. And the increasing importance of geographical origins of coffee has decreased flexibility of blending. Retailers also depend less now on international traders and roasters as many are sourcing directly from local exporters in coffee-producing countries.

IV The business value of retailing sustainable coffee

Brand retailers are using their power in the coffee supply chain to leverage sustainability programmes as a strategic business tool. They are adopting sustainability initiatives to grow consumer demand for specialty coffees, and profiting from the higher price margins associated with specialty coffees. Retailers are also using sustainability programmes to rebrand their own coffee as a distinct quality item and better manage their reputation. At the same time, they are leveraging sustainability standards as a key business strategy to achieve quality control. By achieving production consistent with particular technical qualifications, retailers are also using sustainability programmes to reduce the costs of switching suppliers. As Gary Kotzen, a vice president of Costco's food department explains, having 'the relationship between the farmers, Starbucks and Costco is good business' (Jones, 2006: 31).

1 Expanding markets

Big retailers are using sustainability not only to meet consumer demand for sustainable coffee, but also to grow the sustainable coffee market. Between 2005 and 2009, the average annual growth rate of sales of the major sustainable coffee initiatives was significantly greater than the annual growth of conventional coffee sales (Potts and Sanctuary, 2010: 3). Figure 1 illustrates the rapid growth in sales of the major sustainable coffees. Sustainable coffee sales from 2004–09 grew by 433 per cent and in 2009 accounted for eight per cent of the volume of global green coffee exports (Potts *et al*., 2010: 66).

Consumers wanting to show solidarity with poor coffee growers spurred the early growth in demand for sustainable coffees. Now, however, it is retailers that are fuelling rapid market growth. By offering sustainable coffees, these retailers have introduced sustainable coffees into all market channels as well as driven the demand for sustainable coffees (Kolk, 2011: 4; Kolk, 2012: 9).

2 Growing profits

Retailers are leveraging sustainable coffee initiatives to increase profit margins. Studies show higher inequality in the distribution of value in certified sustainable coffee chains than in conventional coffee chains (Calo and Wise, 2005; Daviron and Ponte, 2005). The significant mark ups for Fairtrade and organic coffees versus conventional coffee in recent years do not necessarily translate into greater benefits for producers (Harford, 2006: 33);

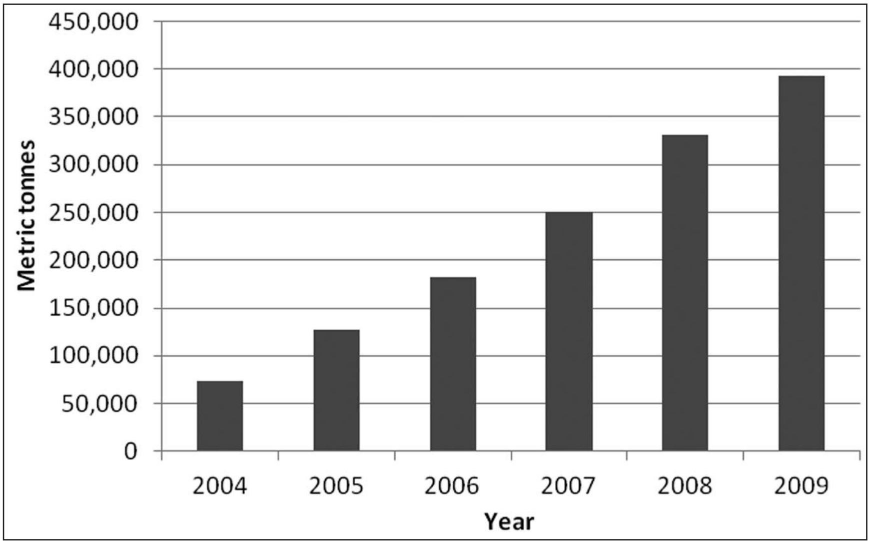

Figure 1 Global sustainable coffee sales (2004–09)

Source: Potts *et al*. (2010: 69).
Notes: This includes 4C Association, FLO, IFOAM, UTZ and Rainforest Alliance certified coffee and excludes private sector initiatives, such as Starbucks CAFÉ and Nespresso AAA Quality (approximately 2 per cent of the market).

instead, retailers work to ensure that they retain a large share of the mark up. Dunkin' Donuts does not disclose how much it marks up its coffee, but some industry analysts estimate that it could be as high as 95 per cent, the biggest profit margin of any of the company's products (Rodrick, 2005).

Retailers can increase their share of the mark up by bargaining for lower prices from their suppliers and manufacturers (Andersen and Poulfelt, 2006). Some Fairtrade suppliers have had buyers demand open-book accounting, which can help retailers to pressure suppliers to cut prices (Smith, 2010: 261). Or, retailers can skip the middlemen and source coffee directly. Walmart, for example, sources all six of its own-label certified sustainable coffee blends directly from the Brazilian roaster/exporter company Café BomDia (Walmart, 2008). This is allowing Walmart to undercut the prices of the brand name sustainable coffees already on its shelves (for example, Procter & Gamble's Millstone brand) and to control its supply from the ground up. Retailers can also increase the size of the mark up itself by using marketing terms such as eco-friendly and socially conscious to attach symbolic value to the product (Castaldo *et al*., 2009; Daviron and Vagneron, 2011).

V Linking sustainability to quality for business gains

1 Branding and marketing quality

Retailers are increasingly branding sustainable coffees as not only ethical, but also as a premium quality product. At the same time, they are able to 'improve their reputation through the "halo" effect that goes along with selling sustainable coffees' (Goodman, 2010: 110). Retailers are encouraging consumers to view sustainability and quality as intrinsically linked. On their website, Dunkin' Donuts explains that

> through Fair Trade, farmers and their families are earning a better income for their hard work, allowing them to hold onto their land,

> keep their children in school, and invest in the quality of their harvest, so they can continue to grow excellent quality beans for Dunkin' Donuts. (Dunkin' Donuts, 2011)

Similarly, the Rainforest Alliance website emphasizes the linkage between more responsible production and increased consumer benefit, that 'managing farms in ways that benefit workers and wildlife can actually improve the taste of the resulting brew' (Rainforest Alliance, 2009).

2 Managing quality through sustainability

More intensive coffee farming techniques have been an outcome of the increase in competition among suppliers and the drop in prices after the ICA quota system broke down. Farms have shifted from shade-grown handpicked coffee to densely planted full-sun plantations with mechanized strip picking, which can reduce coffee quality and degrade the environment. As the specialty coffee market segment grew, roasting companies became concerned about the poor conditions of production that made for poor coffee quality. In 2002, Nestlé explained to Oxfam that 'the present low price situation has a tremendously negative impact on the quality of the coffee produced, making it more difficult for Nestlé to find the quality we need for our product' (quoted in Oxfam, 2002: 28).

Today, big retailers and their roasters are turning toward sustainability tools as a way to manage coffee quality. Producers must comply not only with environmental and social standards, but must also meet quality requirements set out by coffee buyers in order to obtain good-tasting coffee (Goodman, 2010: 110). Several companies state this goal outright, as in the case of PT's Coffee Roasting Co.: 'We work with, and offer our support to, these skilled artisan farmers for the sole purpose of presenting our customers only the highest quality coffee' (PT's Coffee Roasting Co., 2011). On its Nespresso AAA Sustainable Quality Program website, Nestlé explains that

> the main focus of [the AAA Sustainable Quality] Program is to help farmers achieve the very highest quality of coffee that serves both to help Nespresso achieve its mission of delivering coffees of supreme quality, whilst at the same time helping to improve the standard of living for farmers and their families and conserving the natural environment. (Nestle, 2011)

Thus, the programme 'adds a quality dimension to the sustainability principles (economic, social and environmental)' (Nestle, 2011). While Starbucks' CAFE Practices Program scores farmers for their social and environmental practices, the only required criteria relate to product quality and economic accountability (Starbucks Coffee Company, 2007).

Walmart provides another example. The company does not have its own standards system for coffee. But it does make it clear to its coffee suppliers that it will buy its coffee elsewhere if they do not meet its quality expectations. Steve Broughton, vice president of Walmart, explains: 'they [suppliers] need to see that we're serious about directing our purchase decisions towards sustainable products, and that with the right quality, farming and business practices they will have a buying partner for their coffee' (quoted in Mui, 2006). In sum, through standards and direct sourcing, companies are using sustainability programmes as mechanisms for supplier management to ensure more consistent supplies of quality coffee. This also enhances the power of retailers to control and 'switch' suppliers, if necessary.

3 Quality consistency for greater supplier control

By employing sustainability to achieve greater consistency in quality coffee production, big retailers are ensuring access to a larger pool of interchangeable coffee suppliers and thus, reducing their costs to switch among them to achieve the best business deals. For example, as Raynolds (2004: 738) notes, the mainstreaming of certification standards has

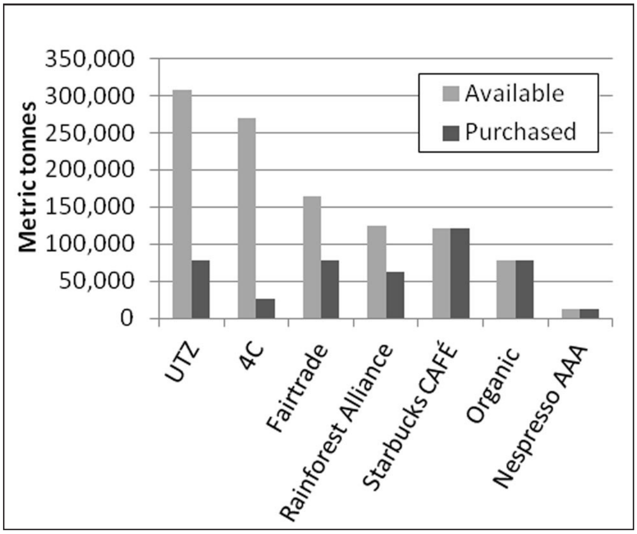

Figure 2 Volume of certified coffees available versus purchased (2008)

Source: Tropical Commodity Coalition (TCC) (2009: 8).

enabled companies to more easily shift among different suppliers that meet the same technical requirements. Retailers that integrate Fairtrade certified coffee into their own-brand coffee lines, such as Costco and Tesco, are able to switch between Fairtrade suppliers on the basis of price the same way they switch suppliers for their conventional products (Barrientos and Smith, 2007; Raynolds, 2009: 1088).

In part these companies are able to do this because the purchased quantities of sustainable coffees are far below the amounts producers are growing (Figure 2). For example, research conducted by Elder in 2009 on the field-level impacts of sustainable certification standards in Rwanda found that despite all its talk about Fairtrade certification, a large industry player (that purchases tens of thousands of metric tons of coffee each year) purchased only 18 metric tonnes of Fairtrade certified coffee from Rwandan producers that year – a small amount relative to the amount available (Elder, 2010).

Because purchased quantities of sustainable coffees are far below the amounts producers are growing, producers accept the risks of producing sustainable coffee without a guarantee of selling it as sustainable coffee (Smith, 2010: 261). Producers face the risk of coffee buyers, seeking to reduce costs, switching to suppliers in lower-cost locations (Smith, 2010: 261–62).

VI Conclusion

The development studies literature on the impacts of the global political economy of coffee on local producers has focused on supply chains and markets dominated by the traditional coffee roasters. Recent years, however, have seen the rise of big retailers as major players in these markets. Furthermore, the multinational retail companies are adopting sustainability as a means to gain market share. Unlike previous studies that argue that corporate uptake of sustainable coffees is a reaction to pressure from consumers and NGOs and to the growth of ethical and eco-markets, our research finds that retailers are accelerating their adoption of corporate sustainability as a tool to achieve traditional business goals, such as increased sales, profits, and market control. The rise of big retail and their adoption of sustainability as a strategic business tool are new and rising trends. The implications are thus unclear and under-investigated. In conclusion, we propose four critical areas for future development studies investigation on the impacts of big retail to better understand the significance of this global market shift.

1 Big retail impact on smallholder producer market participation

First, increased uptake of sustainable coffee by retailers is expanding the reach of sustainable coffee programmes, but questions remain as to whether this will translate into benefits for a greater number of producers. Retailers such as Walmart are encouraging more producers to grow coffee according to standards of sustainability by purchasing increased quantities of sustainable coffees, and in some cases are supporting producers directly to obtain certification (Smith, 2010: 260). On the one hand, there is considerable potential for the mainstreaming of certification to contribute to sustainability (Golding and Peattie, 2005). There is evidence of higher returns (Arnould *et al*., 2009; Bacon, 2005), better access to credit (Murray *et al*., 2003; Taylor, 2005), and stronger farmer organizations (Bacon *et al*., 2008; Calo and Wise, 2005; Jaffee, 2007; Milford, 2004; Raynolds, 2002; Ronchi, 2002) for producers involved in Fairtrade certified coffee production, and increased adoption of environmentally friendly coffee farming practices by Organic certified farmers (Blackman and Naranjo, 2012).

On the other hand, standards of sustainable production may exclude the poorest and most marginalized producers who are unable to meet the strict production requirements and increased costs passed down to them by buyers, thus worsening their situation (Blandon *et al*., 2009; Mutersbaugh *et al*., 2005; Taylor, 2005). And because retailers purchase quantities of sustainable coffees far below the amounts produced, farmers who are able to participate accept greater risks by producing sustainable coffee at higher production costs without a guarantee of being able to sell it as such for a premium (Smith, 2010: 261). Fairtrade certified farmers in some cases have lower incomes than expected because they are only able to sell a part of their certified coffee to the market under Fairtrade terms (Taylor *et al*., 2005), and there are instances where farmers with organic certification have lower net income than non-organic farmers (Lyngbaek *et al*., 2001). As private retail-led sustainability standards become de facto standards of production for smallholder farmers, it will be increasingly important to understand whether they benefit or exclude poor smallholder farmers.

2 Big retail impact on shaping sustainability standards

Second, the increased retail presence in global coffee markets heightens concerns about how the growing role of corporations will change the standards and certification systems themselves and what this will mean for farmers. There is some evidence that large commercial interests have deployed strategies to weaken and co-opt the relatively stringent standards of the Fairtrade and organic certification systems in order to maintain their pricing, trading and retailing practices (Jaffee and Howard, 2009). For example, in 2000 Starbucks was permitted to use the Fairtrade certified logo for only one per cent of its coffee purchases, when previously companies could only obtain certification if Fairtrade sales equalled at least five per cent of total sales (Jaffee & Howard, 2009: 393). Corporate sustainability programmes such as Starbucks CAFÉ Practices focus on enhancing product quality rather than on advancing the company's overall sustainability (Fridell, 2007; Murray and Raynolds, 2006). Retailers may switch between different sustainable coffee suppliers on the basis of quality, leading small farmers to invest in efforts to improve coffee quality rather than in developing social or community programmes (Taylor *et al*., 2005). Private sustainability standards programmes, however, may offer coffee farmers better prospects for upgrading production and management systems and achieving higher net returns than third-party certifications (Ruben and Zuniga, 2011: 107). In Rwanda, Elder's household survey in 2009 found that one of the buyers for a large multinational discount retailer paid higher than national average prices to coffee growers and reimbursed farmer cooperatives for cooperative-led development projects (Elder, 2010). In order to maximize farmer benefits and mitigate vulnerabilities from participating in markets with private standards, it is vital to understand the effects of retailer standards and how they compare to the effects of third-party certification standards.

3 The impact of direct retail sourcing on value distribution

Third, the development implications of shortened coffee supply chains, which give large corporate buyers greater leverage over the economic, social and environmental conditions of production, are unknown. Retailers are eliminating multinational trading and roasting companies from the supply chain as they start to source coffee directly from local roasters in coffee producing countries. As mentioned, Walmart buys its own-brand sustainable coffees directly from a roasting company in Brazil (Walmart, 2008). On the one hand, this trend may result in greater value remaining in the producing country. Recent studies suggest that retail sourcing of sustainable coffee may improve smallholder equity in value chains (Fontaine *et al*., 2008; Swinnen, 2007). By cutting the intermediaries, however, retailers may gain more direct control over producers and work to improve smallholder efficiency without concern for social and environmental consequences. The ability of farmers to challenge the dominant governing structures of the coffee supply chain would seem minimal based on research in the cut flower sector (Riisgaard, 2009). Retailers are using their growing power, for example, to squeeze suppliers in other sectors (for example, timber) in order to achieve rapid, low-cost, high-volume production (Dauvergne and Lister, 2011). This is something to examine in the coffee sector, as well as ways in which smallholder farmers might contribute to shaping the increasingly retail-controlled sustainability agenda.

4 The impact of big retail business on production and sustainability outcomes

Finally, it is crucial to investigate whether and how the traditional business imperatives of big retailers undermine any advances in outcomes that may be made by sustainability standards. For instance, while retailers may demand adherence to pro-labour standards, their business model based on low cost just-in-time ordering has exerted pressure towards casual or temporary labour (Riisgaard and Hammer, 2011) and at worst, forced labour (LeBaron, 2013). In Senegal, direct retail sourcing has shifted farming from a system of smallholder contracts to large-scale production on agricultural estates, turning independent small-scale farmers into wage labourers (Maertens and Swinnen, 2009). The impacts of changing the mechanism through which impoverished households 'benefit' from market participation (from product markets to labour markets) are unknown. An important area for future research then, is how big retail business models interact with sustainability standards to play out on the ground for farmers. One way to approach the issue would be to examine the details of corporate contracts with farmers to determine how specific contractual agreements may promote or prevent benefits from sustainability standards.

In summary, the accelerating rise of multinational retail power in driving sustainable coffee is creating both new opportunities as well as increasing challenges for coffee growers. Understanding these emerging prospects and potential threats, particularly with respect to critical issues such as smallholder inclusion, production standards, value distribution and on-the-ground sustainability outcomes, is a significant emerging area for future development studies research.

Acknowledgements

The authors are grateful to the Social Sciences and Humanities Research Council of Canada for funding.

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