

A 21st Century Green Revolution for Coffee

Keynote for Sintercafe

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We are on the eve of a radical transformation of how the world does business. And yes, that means a transformation of the global financial system, but it also means the transformation of manufacturing processes and engineering and architecture and entertainment and mining and forestry and transportation and agriculture—and all the many spheres of human endeavor.

The need for radical redesign is upon us because the ways and means of current human interaction are based on outmoded ideas and practices developed as part of the industrial revolution. We designed our activities for a non-interconnected world, for a resource infinite world, for a world where a few nation states ruled supreme, where the impacts of one nation had little effect on another unless they were at war. We also designed our activities to fuel the industrial engine we developed through a laser-like focus on building production and consumption capacity, without heed to cultural, social, environmental or economic issues.

As a result, we have a financial meltdown that is reaching every corner of the world, a climate change meltdown that is already creating extreme weather events and disruptions, extreme disparities between rich and poor, and a complete disassociation by both industry and consumers from the source of the products they consume.

You all know the litany of problems with the current model, so I won't dwell on the many examples, except to underscore that there is something very wrong with a world where 900 million people are chronically undernourished and 650 million are clinically obese.

You also all know that the industrial revolution and the development of a world economy and culture have brought about great positive change. Poverty has decreased, living standards have increased, the internet has increased transparency and accountability, people can travel the world over, different cultures can learn from each other—the progress made in the last 200 years is both impressive and inspiring.

So, when I talk about a radical redesign of how the world does business, I am not talking about a complete disavowal of all we have accomplished and learned together in the last several hundred years. Instead, I am talking about redesigning our approach, not our goals

Imagine, if you will, that business schools, rather than having a course on ethics or sustainability, have it embedded in all courses. The triple bottom line would be a standard part of assessing businesses. Imagine an engineering profession that

automatically designed things with an eye toward water, chemical and energy use as well as disposal. Today, that happens when an engineer is designing an environmentally friendly product, but it is not part of standard operating procedure. Imagine an architect, rather than designing a “green” line for a specific type of client, automatically built in reduced energy, rooms that were shaded in the summer and took in sun in the summer, sustainable materials, and so on. Imagine an entertainment industry, that instead of glorifying kids celebrating their 16th birthdays with a \$100,000 party, instead shadowed kids who were making a difference in their communities—and there are many!

And finally, imagine a 21st century green revolution for agriculture that, unlike its 20th century forerunner, does not depend on petrochemicals, deforestation, and enormous inputs of water to fuel its growth, but instead focuses on something that has largely disappeared from the world—extension—or training farmers in good practices.

Practices that conserve and protect water quality, conserve and protect soil quality, conserve and protect biodiversity; reduce chemical use and impact, improve working conditions, contribute to reforestation and avoiding deforestation, reduce and recycle waste, reduce poverty, connect buyers and consumers with the producers and improve quality, productivity and the long term economic viability of the supply chain.

So why am I making these points at the 22nd annual Sintercafé conference? Because here is the good news—we know this kind of transformation is possible and it is the coffee industry that is the farthest ahead in this process of redesign toward a new green revolution.

The Rainforest Alliance works in forestry, agriculture and tourism in more than 60 countries and has done so for more than 20 years; in fact, we opened our first international office here in Costa Rica back in 1989.

In agriculture, it is only in the coffee sector that you see a whole-scale process of transformation, including all actors in the chain. That does not mean that the problems have been solved or that we don't have a long way to go. We do. And I am going to talk about what our challenges are and how we can overcome them together.

But first, let us celebrate what has happened in coffee in the last 10 years. The industry, together with NGOs and governments, in a multi-stakeholder process, has developed a comprehensive standard for redesign of coffee production—4C.

Major brands such as Kraft, Tchibo, Nespresso, Starbucks, Caribou and others have made mainstream commitments to sourcing sustainable, third party certified coffee such as Rainforest Alliance, organic and Fair Trade.

Traders such as ECOM, Neumann, Volcafe, EFICO, Armanjero and others have made it their business to work with farmers to train them in these new practices.

NGOs such as CATIE and Technoserve are also training farmers.

National producer organizations such as, ICAFE, ANACAFE and the Colombian Coffee Federation have embraced new ways of doing business and worked with their members to help them make changes.

Financial institutions such as IFC and Root Capital have helped provide loans to farmers who want to invest in redesign of their practices. The leading regional business school, INCAE, now teaches sustainability and competitiveness as a core part of the curriculum.

Funders such as USAID, UNDP, UNEP, GTZ and the Global Environment Facility are investing in this vision.

Major retailers such as Walmart, Whole Foods, Sam's Club, McDonalds, Tesco, Marks and Spencer and others have made significant commitments to carrying sustainable coffee on their shelves. Coffee chains such as Costa, Starbucks, Caribou and Tchibo have made the commitment to sustainability.

A few governments have begun to provide incentives for sustainable production, such as El Salvador, which has reduced taxes on coffee producers who produce under a certification system.

And most importantly, and heroically, millions of farmers have invested their time and resources in changing how they do business, something which is time-consuming, potentially risky and requires investment.

Here is what a farmer must do in order to earn the Rainforest Alliance Certified seal.

He must plant a certain number and type of trees across his farm and along waterways. He must inventory wildlife and protect key habitat areas. He must test the quality of his water and seek to improve it. He must manage his farm's waste and its disposal. He must find alternatives, as much as possible, to agrichemicals and use protective equipment and lock up chemicals when not in use. He must pay his seasonal workers at least the minimum wage and benefits, build adequate housing and provide education, health care and potable water. The list goes on—into 200 different indicators, in fact.

By participating in the certification, the farmer is embracing an entirely new management system. One built on the values that the world needs, that his community needs, that his children need and even what the buyer needs.

And it is also what the farmer needs. For we have found that farmers who employ this radical new design, enjoy increased productivity and quality as well as a better quality of life. Consider the example of Colombia where the Colombian Coffee Federation has found that thousands of farmers embracing Rainforest Alliance Certified have seen their productivity increase by 20%--in other words, going from an average of 20 bags a hectare to 26 bags a hectare. The quality of their coffee has improved as well, and they have been able to command a premium higher than any other type of coffee, resulting in \$2.4

million in premium alone to coffee producers in Colombia last year. Kraft has been the biggest driver of this change in Colombia—buying a large amount of the coffee for their Yuban and Kenco brands. Caribou has also driven demand with their commitment to more than 60% of their sourcing from Rainforest Alliance Certified farms.

Or consider this example in Peru, where Lavazza and Volcafe partnered with the Rainforest Alliance and Yanesha Cooperative to create change in lives of coffee farmers and their families. The certification resulted in a reduced water consumption of 95%, 60,000 trees were planted for reforestation, net income went from \$236.00 per/ha to \$353.84 in one year, and the percentage of first grade coffee increased from 85% to 91.5%.

Here in Costa Rica, more than 2,000 coffee farms are Rainforest Alliance Certified. The owners of one of these, Cafetalera Tirrá, near the town of Palmares, have set aside 45% of their land as a forested reserve, for a natural water reserve, a school and a soccer field for workers and their families.

In many regions of the world, farm families use the coffee forest as a corner store, getting firewood building materials, ornamental and medicinal plants and so on.

And finally, an example from the banana sector to show you what happens when a large, multinational embraces a transformation of its management system—since it became Rainforest Alliance Certified, Chiquita has seen its costs drop by 12% and its productivity increase by 27%.

I don't need to tell you the impact of 25 million coffee producers adopting practices like these. In many countries coffee is grown in biodiverse, environmentally important regions by people generally living in poverty. And changing their lives and their environments will also create an incredible connection back to the consumer. Not too far in the future, consumers will be able to look at a Google type map and see the farm from which their food comes and learn about the people and the environment there.

In fact that is already happening on a small scale. EBay, for example, sees a business opportunity. They have started a World of Good Web site, which features products from the South certified by what they call trust providers—Rainforest Alliance and Fair Trade, among others. Companies promoting sustainably grown coffee are seeing a benefit to their bottom line—McDonald's has seen a sustained increase in sales of 20% by offering Kenco Rainforest Alliance Certified coffee, for example.

Coffee, as the second most traded commodity after oil, one drunk by billions of people in the world, can lead the way in reconnecting people to their food, as well as ensure it is produced sustainably – leading the way to the 21st century green revolution!

So how do we get there?

Now that we have given ourselves a pat on the back for all we've done so far, what do we have left to do?

I am sure it will not surprise you if I say, a lot, and we need to move quickly.

First, everyone in the coffee industry must embrace the need to bring trees back into the coffee system. As you all know, coffee originally was grown under the shade of the rainforest—it was only in the 1970s that we turned toward a widespread model of sun-grown coffee. Sun-grown coffee is contributing to soil erosion, biodiversity loss, watershed destruction, chemical leaching, and climate change.

Yes, it results in a few more beans a bush, but is that increase in productivity worth the resulting environmental problems?

As you know, 20 percent of global carbon emissions come from deforestation and 70% of that is caused by chopping down forest for agriculture.

Coffee farms can lead the way to a healthier agriculture by preserving their forests if they are currently in shade, planting a wide variety of native trees per hectare if they are sun plantations, and reforesting and setting aside conservation areas, if they are in savannah ecosystems where shade coffee would not be appropriate. And all coffee farms can plant trees along water ways, roads, steep slopes and habitat corridors.

By planting a wide diversity of trees, farmers provide quadruple value—water retention, improved soil fertility, wildlife habitat and carbon sequestration

Biologists at the Smithsonian Migratory Bird Center, for example found that shade coffee has considerably more birds (more than 150 species) than other agricultural systems and as many as in natural forest. They found 94 to 97 percent fewer bird species in sun coffee than on shaded farms.

As part of the redesign of production, we will see payment for ecosystem services, in the same way we are seeing the beginning of payments for carbon. Those farmers who invest in trees will be contributing to a microclimate as well as a better world and positioning themselves to be paid for their services. CATIE and ICAFE, here in Costa Rica, have begun to experiment with payments to coffee farmers and we look forward to learning from their example.

The coffee industry can help with this transformation by asking for shade grown coffee, and by providing funds for community tree nurseries. Investors and funders can also provide funds for trees and technical assistance and help to develop payments for ecosystem services related to healthy forests on coffee farms. Research and producer organizations can develop more knowledge and technical assistance around shade coffee ecosystems, as CATIE has done for years. NGOs can help by educating the consumer to demand shade-grown coffee and to understand what a difference a tree can make!

A diverse range of trees in the coffee landscape can no longer be a “would be nice to have”...rather a “must have.”

Another area that needs complete redesign at scale is the treatment of seasonal and temporary workers. In many countries, these workers are among the poorest of the poor and often are not paid what they are due, live in miserable conditions without adequate housing, latrines or health care. They may be exposed to poorly managed and applied chemicals. The farmers who hire them may not have adequate resources themselves to invest in improving their lot. Or in other cases, the estate owners have no pressure on them to more fairly distribute their earnings to help the workers.

The coffee community can change this by demanding proof of compliance with ILO conventions, providing adequate housing and wages, giving access to potable water and so on. As the 4C is beginning to do. Buyers and funders must also help the poorer farmers with the investments needed to build adequate housing and provide a price for the coffee that enables them to pay their workers adequately. An easy way to do this is to demand Rainforest Alliance Certified, as these steps are part of our program, but any approach that monitors and demands accountability around these issues—as well as helps the farmers to meet them—will be an important contribution.

Another area that needs immediate attention is water use and pollution. While climate change is a huge threat to mankind, we all know that water will be just as critical an issue; and in fact in some countries, war is already being waged over water.

We have seen that small changes in practice can reduce water use on a coffee from by 50-95%, in many cases without financial investment. We know that rudimentary water treatment facilities can dramatically improve the quality of water supplies. And we know that farmers in some areas have no idea whether their water is potable or not and what to do about it if it isn't and we know in some cases that can be fixed relatively easily. We also know that farmers dump their personal waste into waterways and that too can be relatively easily and inexpensively addressed. The Costa Rican coffee industry has stopped the *beneficios* – the wet mills – from dumping the residual waters from the milling process directly into streams. Twenty years ago, the organic matter from *beneficios* was the greatest source of water pollution in Costa Rica; now it is mostly cleaned up.

So here as well, we need training by producer organizations, traders, NGOs, and modest funding from financial institutions and funders.

There are many other examples of what needs to be done and while it all may seem rather overwhelming, we at the Rainforest Alliance know that not only is this completely doable, but it is empowering for the farmers and for the other actors in the chain.

When visiting Rainforest Alliance Certified farms in Colombia, a young farmer stood up in the group and told me that coffee farming has come to be seen as something old-fashioned and boring, something ones parents and grandparents did, but not something

for the younger generations. But, he said, as a result of the transformation he has wrought on his farm, he sees himself as “a protector of the world’s biodiversity, a provider of jobs and an innovative entrepreneur.” And, he added, he thought that kind of impact could bring his friends back to the farms. I hear his words echoed by many farmers in many countries as I travel around the world. Here in Costa Rica, the manager of AQUIARES, another Rainforest Alliance Certified farm, told us: “Perhaps the greatest profit has been the satisfaction of having helped change attitudes at AQUIARES. Workers and residents now realize the importance of sustainability.”

I also hear people from the companies who buy the coffee, who in the old days never would have traveled to origin, talk about how more meaningful their jobs have become as a result of their buying practices helping people to have better lives and protect their environment. In fact, in the US and Europe, many young job seekers are asking potential employers about their environmental practices and making choices based on that company’s engagement!

A global brand company told me recently about competing to recruit a young woman. She ultimately accepted their offer because they had a contract with a hybrid Prius taxi fleet that picked her up at the airport, rather than the typical gas guzzling limo. So she decided that they actually practiced what they preached!

There are some broad commitments and steps that can be taken by the coffee community and implemented, starting right now.

First, all players can invest in 4C—in bringing all 25 million farmers up to a basic level of sustainability.

Second, more coffee companies and retailers can follow the example of Kraft, Tchibo, Lavazza, Caribou, Costa Coffee, Nespresso and make a commitment to mainstreaming third-party certified sustainable coffee that requires shade as well as the full environmental, social and economic requirements—beyond the minimum level required by the 4C standard.

Third, funders and investors can partner with the research and academic communities, NGOs, the private sector and farmers to provide financial support for making the type of changes needed to radically redesign coffee production.

Fourth, governments can provide financial incentives and procurement policies that support the production and consumption of sustainable, shade-grown coffee.

Fifth, the industry can retool their communications to educate consumers about origin and the importance of forested coffee, water protection, labor conditions, etc., and prepare them to pay a price for coffee that reflects the actual costs of sustainable production.

And why should we do all this? It is a lot of work and will require investment and change to time-honored ways of doing business. For the most part, the coffee industry is doing just fine, so why do we need to invest in radical change?

Because we all care about the world we are leaving for the next generation.

Because we really can make a significant contribution to reducing carbon emissions, protecting water and providing better conditions for workers.

Because we personally want to be proud of what we have accomplished in our lives.

And because we will have a more stable, sustainable and higher quality coffee industry as a result.

President-elect Obama's campaign slogan was "Change we can believe in." His other slogan was "Yes, we can." And in case a few of you were off at a remote coffee farm and did not follow the election results, he won!

So together, let's say "Yes, we can" to "Change we believe in" and launch the 21st century green revolution in the coffee sector.

Thank you.