

# Position paper

## The existence of multiple sustainability organizations



### Introduction

*A frequently raised issue within the field of agricultural certification is the existence of multiple sustainability initiatives and labels and the possibility that this results in inefficiencies, i.e. increased costs, for farmers and confusion for consumers<sup>i</sup> Based on these arguments, many people call for 'harmonisation', often in very general terms, i.e. without concrete suggestions how this should take place.*

*What is rarely discussed is that the existence of different programs and the emergence of new programs has also been a driver for programs to continually innovate and increase their effectiveness. In addition, we believe that no system can yet claim to have the ultimate answer to sustainable agriculture and trade, so that – from a societal point of view – the co-existence of a few credible systems can be seen as a form of risk management.*

*Therefore, in reality, there are both advantages and disadvantages to the existence of different programs. UTZ believes that taking this as a starting point can lead to a more balanced assessment of the options and therefore more realistic and practical solutions. In this paper, we explore the advantages and disadvantages of the existence of multiple systems and we discuss the main kinds of solutions to the latter. Based on this, we make recommendations for immediate next steps.*

### 1. Advantages of the existence of different systems

The advantages of the existence of different systems are fourfold. Two of these, innovation and cost reduction, are normal effects of competition. The third, which we will call societal risk management, is related to the subject of sustainability and the difficulty to know what the best system is in the long term. Finally, the existence of choice makes it easier for many companies to take the plunge and choose for sustainable sourcing.

#### 1.1 Innovation

Different organizations have different ways of working, different cultures, different governance structures. And although various systems strive in their own way towards sustainable agriculture and improvements for the farmer, their focus and 'theory of change' may differ. These things influence the ability to innovate and the focus of the innovation. As in any market, competitors learn from one another and try to stay ahead. The competitive pressure, as long as it does not lead to unethical or counterproductive behaviour, can lead to better solutions. We consider this "healthy

competition". Lack of this pressure, by contrast, can lead to inertia and complacency.

UTZ, as relative newcomer in the arena of sustainability standards<sup>ii</sup>, has introduced various innovations in sustainable coffee, tea and cocoa certification that have been well received by farmers and companies alike. Some of these innovations are now being adopted by other programs. Examples are:

- More focus on income improvement through better agricultural and post-harvest practices, resulting in sector-specific standards (2002);
- Use of ISO-65 accredited non-exclusive certification bodies (2002);
- No payments by producers to UTZ, only payments by buyers (2002);
- Development of certified origins by working backwards from (mainstream) demand (2002);
- The first online traceability platform linked to sustainability standards (2003);
- Transparent stepwise improvement model in the standards (2008).



## 1.2 Cost reduction

UTZ was established to bring sustainable products to the mainstream. Key success factors for this objective are strong system credibility and low system costs. Since the credibility is so central to the success of a sustainability program, cost reduction can never be sought through the lowering of the standards or the rigor of the certification procedures. However, UTZ actively seeks alternative ways to reduce the costs of certification. Ways to do this are, for example:

- Multiple certification bodies per country with local auditors;
- Customer-oriented processes with a balanced level of documentation and administration;
- Mass balance traceability (in the case of cocoa);
- No labelling fees.

Using such elements, UTZ keeps system costs low without compromising the rigor and effectiveness of the system. This provides an incentive to other programs to also reduce their system costs, thereby making sustainable products more affordable.

## 1.3 Societal risk management

Sustainability is a moving target. Insights change, societies change, markets change. In essence, it can only be claimed in hindsight. Many people and organizations try to measure 'sustainability', but this is by definition more an estimation based on the latest knowledge than a hard measurement. Therefore, what is the best solution today may not be the best solution tomorrow. Given this situation, it may be very wise for the global community to keep its options open to some extent and to nurture the existence of a few different approaches, as long as they adhere to basic principles of, for example, stakeholder engagement, transparency and governance<sup>iii</sup>.

## 1.4 Choice facilitates decisions

Just like NGOs differ, so do companies. Consequently, different companies can feel attracted to different systems. In addition, most companies do not like the absence of options. The dependence on one supplier for a particular

service is often seen as a business risk. Therefore, the existence of different systems, i.e. options, makes it easier for companies to engage with sustainable sourcing at all. Arguably, if there would be only one system, most companies would continue their conventional buying practices, either for a lack of fit or to avoid dependency.

## 2. Disadvantages of the existence of different systems

Disadvantages of having different systems are felt mainly at the two ends of the supply chain: the confusion and inefficiencies for farmers – and to a lesser extent, buyers – and the confusion of consumers.

### 2.1 Inefficiencies for farmers

Producers (or producer groups) that want to be certified to one standard are confronted with up to three kinds of costs<sup>iv</sup>:

- a. Compliance costs: all costs involved to meet the requirements of the certification standard (including any investments and lost income). For example, managing the implementation, costs to run farmer trainings, purchase of protective clothing, taking water edges out of production, etc.
- b. Audit costs: audit costs are paid to a certification agency to perform the inspection and issue the certificate;
- c. Membership costs: farmers or farmer organizations pay membership fees for some programs.

The compliance costs will normally be the highest of the three. They are most associated with certification in the first year(s) and later largely become normal part of the operating costs. Audit costs can also be substantial (often several thousand USD per audit). UTZ does not charge membership fees to producers or, in fact, receive any money directly from producers. Membership fees for producers in some other systems can be very high.



Now we can explore what happens in these three cost categories when a certified producer wants to gain an additional certification:

- a. Compliance costs: if the program has a similar rigor and covers a similar scope (e.g. social and environmental requirements), then the additional compliance costs will be limited. If the scope is different or clearly broadened, then these costs will be higher (for instance, adding UTZ to organic means that social requirements need to be met). The paradox here is that even though the standards may differ substantially in their structure and wording, their practical implementation may be very similar. This is especially true for organic: there are many organic standards (EU, Japan, US and more), but if a farm complies with the EU organic standard, it is presumably more or less ready for the others as well. In coffee, cocoa or tea, adding Fairtrade or Rainforest Alliance certification to UTZ, will not result in large additional compliance costs on social and environmental requirements. The same is generally true vice versa. So it is not in the basic compliance costs where the problem lies. Especially if we assume that the requirements are sensible in the first place and that the producer chooses to abide by them.

However, the compliance costs include the costs of managing the implementation of certification. And there is of course additional complexity for the organization to understand and work with different standards and certification procedures. These costs of complexity can be reduced by developing, preferably by certification programs jointly, training and implementation tools (see chapter 3).

- b. Audit costs: the cheapest solution here is if the auditor is approved and capable to check against different standards during the same visit. This is arguably where most of the pain is, because other sustainability initiatives do not

enable combined auditing. UTZ is a strong proponent of joint auditing and has been ready for it since its inception. UTZ works with around 30 non-exclusive third-party (ISO 65 accredited) Certification Bodies (CBs) for auditing and certification worldwide. Producers contract these CBs directly, without intervention by UTZ. We believe that it is not only more credible (and scalable) to outsource auditing, it also promotes cost-efficiency as it creates competition between CBs, for instance to create local audit capacity, thus reducing costs for farmers. If other sustainability initiatives operating in the same sectors would adopt this same system, audits could be combined and duplication of audits would become a thing of the past. Until then, combined auditing in coffee, cocoa and tea, is only possible for UTZ and organic (and in some cases Starbucks CAFE Practices or Cocoa Practices).

- c. Membership costs: If no membership fees are charged to the producer, as in the case of UTZ, there is no additional cost. Therefore, we call upon other programs to follow this example.

## 2.2 Confusion of consumers

### *The future of labelling?*

It is clear that the multitude of labels that can be found in supermarkets these days are beyond the understanding of the vast majority of consumers. Different labels are found on meat (animal welfare), coffee (responsible farming), tissue paper (environmentally friendly paper production), wood (responsible forestry), etc.<sup>v</sup>. Since the different labels and organizations behind them have very different areas of focus and expertise, it should not be expected that all these labels will merge into one in the foreseeable future.

However, many research studies have shown that the majority of consumers do not base their buying decisions on labels. If all else is equal (brand, place, price, quality), then more people may be inclined to choose the responsible





product, but implicitly many people expect their favourite brand or retailer to take care of these issues anyway. So, in fact, responsible sourcing increasingly becomes a so-called hygiene factor or license to operate. The ideal should be that consumers do not need to know all the different labels, but that consumers can walk into a shop and trust that everything they buy is produced responsibly.

That means that the current focus on prominent labels and market differentiation using claims of responsible production is temporary. Based on intensive discussions with both industry and civil society we expect that ten years from now, brands will again be leading and labels will be back-of-pack trustmarks for the minority of engaged consumers.

#### *Geographical division*

The fact that there are a handful of leading sustainability programs for coffee, cocoa and tea, doesn't automatically mean that all consumers are confronted with all programs. In fact, to a certain extent, the different programs have different geographical (and segment) strongholds. That means that consumers in a particular country will often be aware of only a subset of the globally operating programs.

In addition, labels are being used more frequently these days by retailers for their private label products. Consumers who are relatively loyal to a certain supermarket (chain), will therefore often be confronted with the label chosen by that retailer, regardless of what label the other supermarket chooses<sup>vi</sup>.

In summary, it is true that consumers are confronted with a multitude of labels across all product categories. However, given the limited overall attention of consumers for sustainability at the point-of-purchase and the fact that labels often have different geographical strongholds, UTZ believes that the confusion is arguably higher amongst the international community of researchers, companies, governments and NGOs than amongst the majority of consumers.

### 3. The solutions spectrum

Although solutions or actions to improve the situation can be taken by different players, most of these require the participation of the standards initiatives themselves. As mentioned in the introduction, many people call for 'harmonisation'. Let us explore what can be meant by this.

Full harmonisation of standards and certification procedures requires very close collaboration and integration of standards initiatives: a partial or complete merger. Just as with any two organizations active in the same field, there may be good reasons to do this, but there may be many barriers as well, both practical and strategic. UTZ is open to explore such collaboration on equal terms, but does not see this as the most promising solution to solve the issues at hand in the near future. In addition, looking at the advantages described above, it is less obvious that full harmonisation of programs would be beneficial.

Another solution that is often proposed is that of (full) mutual recognition. This essentially means that standards initiatives recognise each other's standards as equivalent to their own. As a consequence, for example, Fairtrade coffee could be sold as UTZ certified coffee and vice versa. UTZ believes that this is undesirable, because it discards the comparative strengths of each standard or system. We believe standards can be complementary and the producer can choose with which one(s) to engage (while understanding that market demand plays a significant role in this choice). Other forms of recognition, are unilateral recognition, for instance by the Ethical Tea Partnership of UTZ and Rainforest Alliance<sup>vii</sup>, and partial (mutual or unilateral) recognition, for instance in the case where two systems agree that the social component of their standard is equivalent. Of these, we see unilateral recognition as the most practical tool, if appropriate.

Rather than focusing on the general notion of 'harmonisation' or on mutual recognition, UTZ would like the discussion to shift towards the most critical disadvantages and see how these can be mitigated. This leads to 'alignment of



approaches' rather than 'harmonisation of standards'.

Since UTZ and similar programs aim to improve the situation for producers, UTZ believes that the first priority should be to solve the inefficiencies at farm level. Based on the assessment of the disadvantages above, the two critical inefficiencies at farm level are:

- The barriers to combined auditing and accompanying costs for farmers;
- The complexities of understanding and implementing multiple standards<sup>viii</sup>.

UTZ proposes that standards initiatives and their stakeholders take more practical action to solve these inefficiencies, as cost effective and achievable ways to mitigate the disadvantages of multiple systems.

## 4. Next steps

Proposed next steps to address the critical inefficiencies identified in chapter 3 are:

1. Enable combined auditing: all programs should switch to non-exclusive certification bodies, preferably based on similar approval or accreditation criteria, so that combined auditing becomes the norm. This is the most tangible inefficiency in the current situation and should therefore have the highest priority to address. Examples of programs that already use this approach are UTZ, organic, GlobalGAP, and in other sectors, the Forest

Stewardship Council (FSC) and the Marine Stewardship Council (MSC).

2. Reduce costs of complexity. Develop tools and materials to enable adherence to multiple standards. For instance, training guides and programs and internal checklists that incorporate or refer to the different standards. But also focused materials to help producers that are certified to one program, also get certified against another program.

In addition, the more implementation trainers, consultants and extension agents are familiar with the different systems, the less confusion there will be. This means that training-of-trainers for the different systems should be open to all and that relationships between standards initiatives and training and extension service providers should be non-exclusive.

3. Standards initiatives could collaborate on common challenges, like the need for climate neutral technologies, impact measurement, etc., or such issues could be taken up by neutral stakeholders with the involvement and support of the standards initiatives.
4. To reduce consumer confusion, companies could communicate differently, putting less emphasis on the label and more on their broader sustainability story, including (certified) sustainable sourcing, but also environmentally and socially friendly manufacturing, packaging, etc.

## 5. Closing remarks

As shown, UTZ believes that the existence of multiple systems has both advantages and disadvantages. In various ways, the current main sustainability initiatives complement each other. It is important to note that the certified market is still much smaller than the conventional market. Therefore, UTZ considers the non-sustainable - and as a proxy, uncertified trade - as its main competition and prefers not to compete with other sustainability labels, but rather respect and highlight their complementarity in moving towards sustainable agriculture and trade around the world. In other words, we believe that there is enough room for each of these initiatives to co-exist and together work towards tackling the unsustainable market.



The co-existence of various labels can be seen as a form of risk management and stimulates the necessary competition to enhance innovation and cost-effectiveness. We consider this healthy competition. Too fierce competition between the different labels, in which negative statements about one another are made within the press for instance, we see as unhealthy and damaging to the certification and sustainability movement.

To reinforce its commitment to be one of the leaders in its line of business as well as optimize efforts towards collaboration, UTZ decided to become a member of the ISEAL Alliance, which resulted in its full membership in January 2010. ISEAL is the global association for social and environmental standards which also works with companies, non-profit organizations and governments to support their use of voluntary standards. The membership is in alignment with its strategic objective to foster collaboration with other sustainability initiatives in order to achieve integration of initiatives, professionalization, efficiency and trust.

---

<sup>i</sup> Although the latter point is relevant to labelling in general, the focus of this paper is on the existence of different programs for the same product(s).

<sup>ii</sup> The first UTZ coffee came on the market in 2002.

<sup>iii</sup> For instance, as developed by the ISEAL Alliance Codes of Good Practice, [www.isealliance.org](http://www.isealliance.org).

<sup>iv</sup> An external funder, either a donor agency or trade partner, may help to cover these costs, but that is not relevant here.

<sup>v</sup> To provide clarity and improve their positioning, some supermarket chains have launched their own umbrella label for 'responsible products'. This is helpful for consumers, although the underlying criteria may be quite subjective.

<sup>vi</sup> Of course, there may still be A-brand products in the same supermarket with a different label.

<sup>vii</sup> The Ethical Tea Partnership (ETP) views compliance against UTZ CERTIFIED and Rainforest Alliance as being at least equivalent to meeting ETP requirements. Therefore, ETP no longer audits tea producers if they are certified against these standards.

<sup>viii</sup> Steps are being taken to address this point for the cocoa sector in West Africa. The three major voluntary standards initiatives in cocoa, including UTZ, together with many other partners, are currently engaged in a project to create common training materials for West African cocoa farmers. The project is called Certification Capacity Enhancement (CCE) and is managed by GTZ. A successful outcome of this project will hopefully pave the way for further collaboration in this area.

