

# UTZ IMPACT REPORT

## MARCH 2016

Combining insights from UTZ monitoring data  
with findings from impact studies



Better farming  
Better future



# TABLE OF CONTENTS

<b>2</b>	Contents
<b>3</b>	Executive Summary
<b>5</b>	Introduction
<b>7</b>	1. Background
<b>8</b>	2. Global trends and insights from our monitoring system
<b>8</b>	2.1 Reach and Scale
<b>15</b>	2.2 Recertification of certificate holders
<b>16</b>	2.3 Non-Conformity with the UTZ Code of Conduct
<b>18</b>	Case study: Coffee waste water treatment
<b>20</b>	3. In focus: trends and impact in main countries of production
<b>20</b>	3.1 Coffee in Brazil
<b>22</b>	3.2 Coffee in Colombia
<b>24</b>	3.3 Cocoa in Côte d'Ivoire
<b>26</b>	3.4 Cocoa in Ghana
<b>28</b>	Case study: Climate change adaptation in Vietnam
<b>30</b>	3.5 Rooibos in South Africa
<b>32</b>	3.6 Tea in India
<b>34</b>	3.7 Cocoa in Indonesia
<b>36</b>	4. Conclusions and learning
<b>36</b>	4.1 The UTZ program is attractive to farmers
<b>36</b>	4.2 UTZ facilitated investment in sustainable production
<b>37</b>	4.3 UTZ has a positive impact for farmers, communities and the environment
<b>38</b>	4.4 There is room for improvement

# EXECUTIVE SUMMARY

The 2016 impact report examines the performance and impact of UTZ. We have combined insights from our monitoring data with findings from new impact evaluation reports (2014-2015).

The report demonstrates that UTZ, in collaboration with its partners, has achieved positive improvements and found a good balance between a strict code and market uptake. The reach of the UTZ program in coffee, cocoa and tea has significantly grown. The number of UTZ certificate holders, farmers, and workers on the farm, as well as the arable land under UTZ certification have all increased in the last five years. In addition, we have seen an enormous increase in market uptake, resulting in continuously growing UTZ cocoa, coffee and tea sales. This increase in reach combined with a strong market uptake indicates that UTZ is attractive to farmers and industry.

The impact studies indicate that the UTZ code is meaningful as it is associated with economic, social and environmental benefits. Most impact studies find a positive relationship between interventions and (short-term) outcomes, consistent with our theory of change. For example, training leads to increased adoption of good agricultural practices, which in turn leads to increased productivity.

In general, certified farmers experience better economic conditions over time as a result of higher yields, lower production costs and occasionally higher prices. The environmental conditions and practices on certified farms tend to improve over time and are generally better than on uncertified farms. Working and living conditions on certified farms have often improved and are in some aspects better than on uncertified farms.

In addition, in some cases uncertified farmers are exposed to positive 'spill-over effects' of the certification program, such as training, provision of inputs as well as knowledge sharing by certified farmers. Together these results show that UTZ has a meaningful impact on a large scale.

However, the evaluation studies also show that the nature and size of the impact depend on the context of the specific country as well as on more structural factors. Examples are low levels of income, price and weather conditions, low levels of education, lack of infrastructure and affordable inputs or credit. Other challenges are related to linking supply and demand and the inclusiveness of our program. Some of the certified farmers can only sell a small portion of their volume as UTZ certified. In addition, we don't reach as many small coffee farms in Brazil, young people and women in the cocoa sector and less organized farmer groups as we would like to.

All of these findings will be fed back into our program to make it stronger for the future. What has become clear over recent years is that many of the challenges identified cannot be addressed by certification alone. That's why, over the coming years, we will be broadening our approach and working with governments, companies and civil society to tackle these issues and bring about lasting change for a growing number of farmers, producers, workers and their families.



# INTRODUCTION

UTZ's mission is to create a world where sustainable farming is the norm. Our certification program supports farmers to increase their productivity, the quality of their crops and their income, while also advocating for good agricultural practices that are better for both people and planet.

An important part of our work is monitoring and evaluation, to allow us to constantly assess and adapt our practices and code of conduct to ensure that we are making the biggest and best difference we can to the lives of farmers and the environment.

In this report we will combine insights from our monitoring data with findings from new impact evaluation reports (2014-2015) from Brazil and Colombia (coffee), Cote d'Ivoire, Ghana and Indonesia (cocoa), India (tea) and South Africa (rooibos) in order to assess our progress over the past five years.

UTZ is just one of many organizations striving to bring greater sustainability to agriculture, and the achievements outlined in this report are built on the participation and support of many partners. We are very grateful to all those we work with, including companies, farmers, NGOs, and the researchers who published the studies in this report.

## UTZ achievements

The research has illustrated a number of positive achievements over the period studied:

- The UTZ program has grown from 23 producing countries in 2009 to 37 in 2014.
- The number of UTZ certificate holders has grown from 345 in 2009 to 1,071 in 2014.
- The overall agricultural area covered by UTZ certification has increased from around 270,000 hectares in 2009 to more than two million in 2014.
- Between 2011 and 2014 UTZ certified coffee, cocoa and tea sales grew by 89%, 814% and 54% respectively.

Our impact studies suggest that certification has stimulated and facilitated investment in sustainable production. Certification increased transparency and accountability in the supply chain, contributing to increasing levels of investment by brands, manufacturers and traders in sustainable production on the ground.

## Wider effects of the UTZ program

Our research in Brazil shows that coffee farmers have seen better soil quality and restoration of natural habitats. In Colombia, the environmental sustainability index improved significantly as a result of the adoption of soil conservation practices, recycling and better agrochemical handling. Certificate holders in South Africa implemented more responsible crop protection practices in rooibos (by substituting products on the UTZ banned pesticide list).

Working and living conditions on certified farms tend to improve over time, and are in some respects better than on uncertified farms. In the cocoa sector, certification has raised awareness on child labor. In Côte d'Ivoire and Ghana, UTZ certified farmers were more aware of which activities are not permitted for children, and of the benefits of children going to school. In Côte d'Ivoire, the hours that children spent assisting their families on the farm were way below the maximum. In Ghana, almost all children (98%) of certified farmers went to school.

Most of the impact studies confirm the theory of change of the UTZ program. They find a positive relationship between the interventions and (short-term) outcomes, consistent with what we are hoping to achieve.

## Learning for the future

The impact assessments also highlighted areas where we need to concentrate our efforts over the coming years in order to make the most difference. Some are:

- We recognise that external factors such as price and weather conditions have a large influence on the impact of certification for farmers.
- We need to stimulate demand and better match supply and demand for all certificate holders. There is a substantial number of certificate holders still facing low sales, only able to sell a small part of their certified volume as UTZ.
- We need to increase the inclusiveness of our program. Currently our reach with regard to smaller coffee farms in Brazil, as well as young people and women in the

cocoa sector, is insufficient. In addition, we want to reach less organized farmers and strengthen their group management.

- Although in most cases cocoa productivity and income both increased after certification, levels remain low. Therefore, many smallholder farmers do not consider cocoa farming to be a viable livelihood.
- There is a gap between current and living wages in the tea and coffee programs in some countries.
- No matter how strict the requirements and control mechanisms, it is impossible for any system to provide a 100% guarantee that no child is working at any certified farm at any time throughout the year. To fully eradicate child labor, a powerful coalition of all relevant

stakeholders is needed. UTZ depends on these networks, including local communities and governments, to take an active role.

Overall, our combined monitoring and impact data suggests that so far UTZ has found a good balance between a strict code and market uptake. Impact data shows that the UTZ code is meaningful as it is associated with economic and environmental benefits. Monitoring data shows a strong market uptake, which indicates that UTZ is attractive to farmers and the industry. Together this means that UTZ has a meaningful impact on a large scale.



# 1. BACKGROUND

Through Monitoring & Evaluation (M&E), we can analyze whether our work effectively contributes to the overall mission and theory of change of UTZ.

Such analysis tests whether our strategies are successful in achieving our expected outcomes and desired impact, and, if not, how these strategies should be adjusted<sup>1</sup>. We collect data and assess our program on three levels: Level 1, program-wide monitoring; Level 2, outcome-based monitoring; and Level 3, impact evaluations.

This report is intended to provide all our stakeholders with a transparent account of our progress, and to share some important insights from our data. It helps to identify where progress has been made and where challenges remain. Findings from the impact studies are also being used within UTZ to help us continually improve how we work and to achieve better conditions for farmers around the world.

In this report we combine insights from our monitoring data with findings from new impact evaluation reports (2014-2015) from Brazil and Colombia (coffee), Cote d'Ivoire, Ghana and Indonesia (cocoa), India (tea) and South Africa (rooibos). The main questions we aim to answer are:

1. How attractive is the UTZ program to farmers?
2. Did the UTZ program facilitate sustainable production?
3. Do farmers experience a positive impact as a result of joining the UTZ program?
4. What are important learnings for the UTZ program?

**The report is divided into the following chapters:**

**Chapter 2:** Global trends and insights from our monitoring system.

**Chapter 2.1: Reach and scale:** showing the general trends of the reach and scale of our UTZ program.

**Chapter 2.2: Recertification of certificate holders:** how many new certificate holders have entered the program? How many certificate holders stay for multiple years, and how many have left the UTZ program?

**Chapter 2.3: Non-conformities detected and resolved:** which and how many instances of non-conformity have been detected and resolved as a result of the annual audit?

**Chapter 3: In focus:** trends and impact in our main production countries linked to impact evaluations conducted in 2014 and 2015.

**Chapter 4: Conclusions and learnings:** where did we make progress and what are the challenges ahead?

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<sup>1</sup> The UTZ M&E program has been developed in line with the Code of Good Practice for Impact Assessment developed by ISEAL.

## 2. GLOBAL TRENDS AND INSIGHTS FROM OUR MONITORING SYSTEM

The UTZ program reaches more farmers and workers than ever before, in more countries.

### 2.1 REACH AND SCALE

Assessing the reach of our program beyond simply measuring the volume of UTZ certified goods in the marketplace is important for monitoring our performance as an organization against our theory of change. Our long-term goal is to contribute to creating a world where sustainable farming is the norm. In order to achieve this, we need to reach as many farmers and workers as possible. At the same time, we need to make sure these farmers are incentivized and rewarded for implementing sustainable practices by increasing market demand and the share of UTZ certified products in the market. Secondly, in order to change the coffee, cocoa and tea sectors we need to be inclusive, meaning that we are equally open and attractive to all types of farmers: small or large, female or male, rich or poor, young or old. This means we have to monitor which type of farmers are participating in the UTZ program, and how this develops over time.

In this chapter we will discuss the reach and scale of our program from the following angles:

- Countries of production and area covered
- Certificate holders
- Farmers
- Workers
- Supply and demand
- Market uptake
- Premium

Overall, we have seen a growth in both the reach and scale of the UTZ program in the past five years: an increasing amount of countries, certificate holders, farmers and workers are now benefitting from UTZ certification.

### Countries of production and area

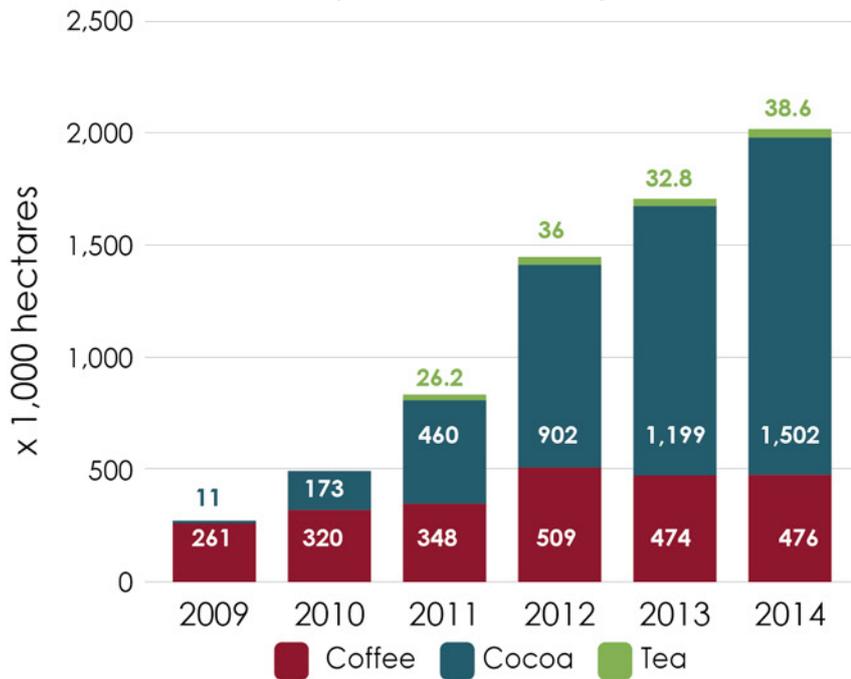
The UTZ program has grown from 23 countries of production in 2009 to 37 in 2014. Our coffee program accounts for the largest number of these countries: in 2014 there were 24 UTZ coffee producing countries, 17 UTZ cocoa producing countries and 10 UTZ tea producing countries<sup>2</sup>. The top 10 UTZ production countries (in terms of certificate holders) include the largest coffee and cocoa producing countries such as Brazil, Vietnam, Colombia, Côte d'Ivoire and Ghana.

The overall agricultural area covered by UTZ certification has increased rapidly, from around 270,000 hectares in 2009 to more than two million hectares in 2014 (representing 0.04% of the global agricultural area). In 2014, UTZ cocoa was grown on 1.5 million hectares, (15% of the global cocoa area). UTZ coffee covered 475,000 hectares (4.7% of the global coffee area) and UTZ tea was grown on more than 38,000 hectares, (1.1% of the global tea area).

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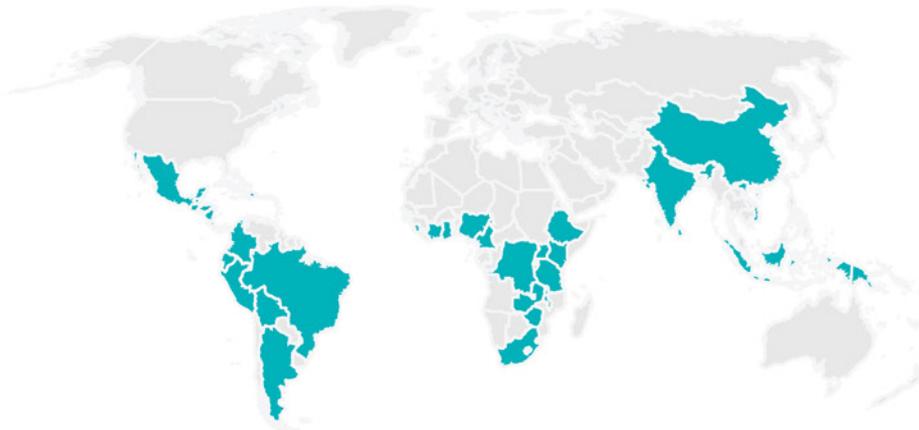
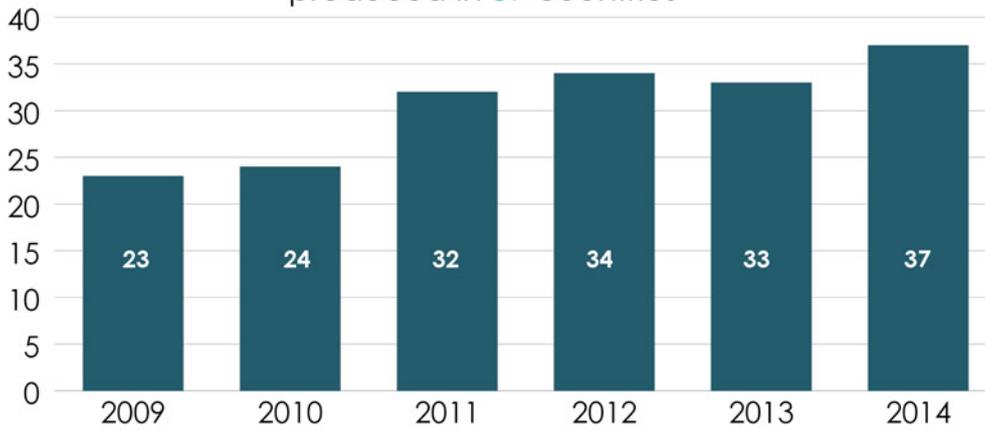
<sup>2</sup> Some UTZ producing countries produce multiple UTZ products. For example Indonesia produces UTZ coffee, cocoa and tea.

### Certified area per commodity (X 1,000 hectares)



### PRODUCING COUNTRIES

UTZ certified coffee, cocoa, tea & rooibos are produced in **37** countries



## Certificate holders

There has been an enormous increase in the number of UTZ certificate holders: from 345 in 2009 to more than three times that number, 1,071, in 2014. The accelerated growth of cocoa as a new UTZ program has contributed considerably to this, with the commitments of large chocolate brands and companies to source 100% sustainable cocoa by 2020 an important driving factor. While in 2009 almost all certificate holders were coffee producers, by 2014 coffee only accounted for 50%, with the overall growth in coffee certificate holders stabilizing from 2012 onwards. This is partly due to the fact that the UTZ coffee program has existed for a longer period. In addition, we have seen an increase in coffee companies' own sustainability programs, which has an impact on independent schemes such as our own.

The UTZ coffee program has mainly grown in terms of the number of estates between 2009 and 2012; in recent years (2013 and 2014) this growth has stabilized. Of the estimated 25 million coffee farmers worldwide, around 0.6% were UTZ certified in 2014. At the same time, the UTZ program covers an estimated 10% of global coffee production<sup>3</sup>.

The growth in the number of UTZ certified group members has mainly been caused by the growth of our cocoa program. Most members of the cocoa program are relatively small farmers, organized into groups and cooperatives. Therefore, the UTZ cocoa program consists of a small amount of farm estates, mostly from Latin America. Of the estimated five million cocoa farmers worldwide, 8% were UTZ certified in 2014.

In our tea program, which is relatively small, the amount of group members reduced after 2012, while the amount of farm estates has been fluctuating, and increased in the last year. The strong reduction in group members in 2013 was due to a number of large groups in Kenya leaving the program due to a lack of demand for their UTZ certified products.

## Workers

While our cocoa program reaches a larger amount of smaller farmers, our coffee and tea programs reach higher numbers of permanent and seasonal workers working on farm estates. However, after several years of growth in the number of workers active in the UTZ program, we saw a decrease in 2014. The tea program, although small in terms of volume, reaches a significant amount of workers.



A certificate holder can be any of the following:

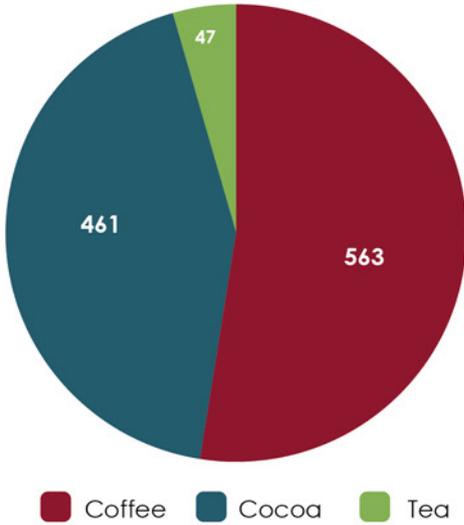
- A group of farmers (also called group members) – the size varies but they can usually be considered 'smallholders'
- An individual farm estate
- A multi-site farm estate (with multiple farm estates under one certificate)

## Farmers

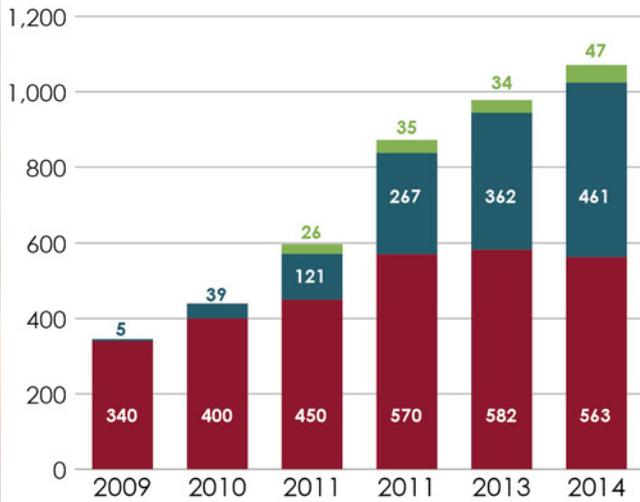
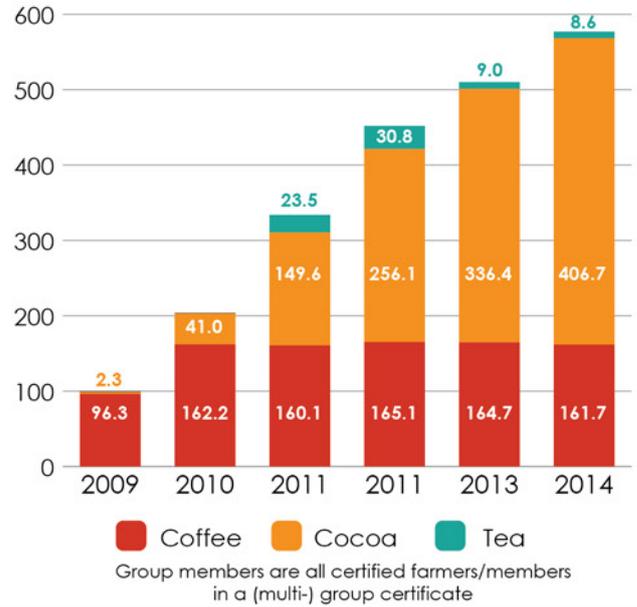
In line with the increase in certificate holders, the amount of UTZ farmers, both group members and farm estates, has also grown enormously. The number of group members has increased by almost 500,000, from 99,000 in 2009 to 577,000 in 2014. The number of farm estates grew from 475 in 2009 to 1,012 in 2014.

<sup>3</sup> ICO figures.

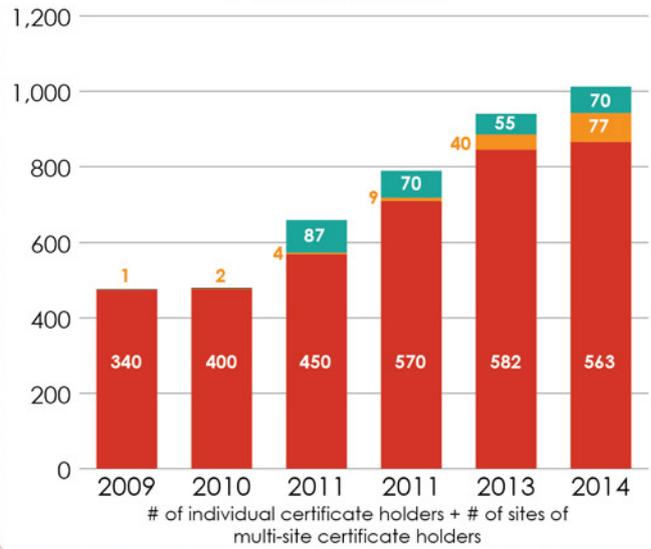
**1071**  
UTZ certificate holders  
in 2014



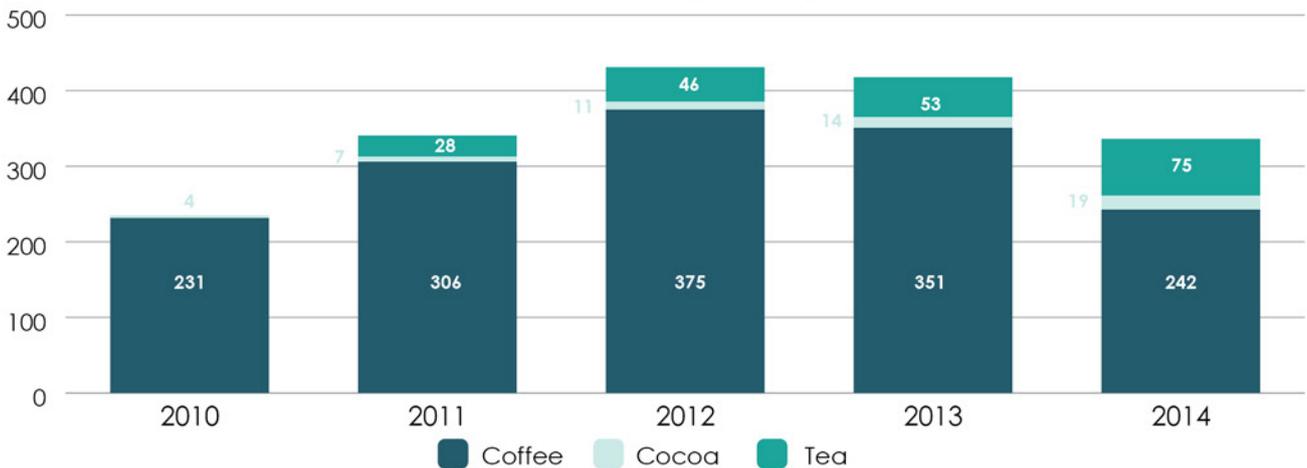
# Group members (x 1,000)



# Farm estates



# Workers (x 1,000)



## Supply and demand

UTZ farmers do not always sell their products as UTZ certified. There are several reasons for this: they might sell their products as conventional, because they need immediate cash (for example to pay for schooling for their children), or because they do not have direct access to the buyers of UTZ products. In order to see whether farmers are able to sell their UTZ certified products, we will look at what percentage of the UTZ certified production volume is being sold as UTZ.



Farmers invest a lot in making their farming businesses sustainable, and there are many direct economic, social and environmental benefits from being in the UTZ program. For example, a higher yield can lead to a better income. Yet to see the full benefits, and it is very important for farmers that they are able to sell their products as UTZ certified – as this means that they receive an additional premium for their goods on top of the market price. This premium can help cover the direct costs of certification (e.g. audit).

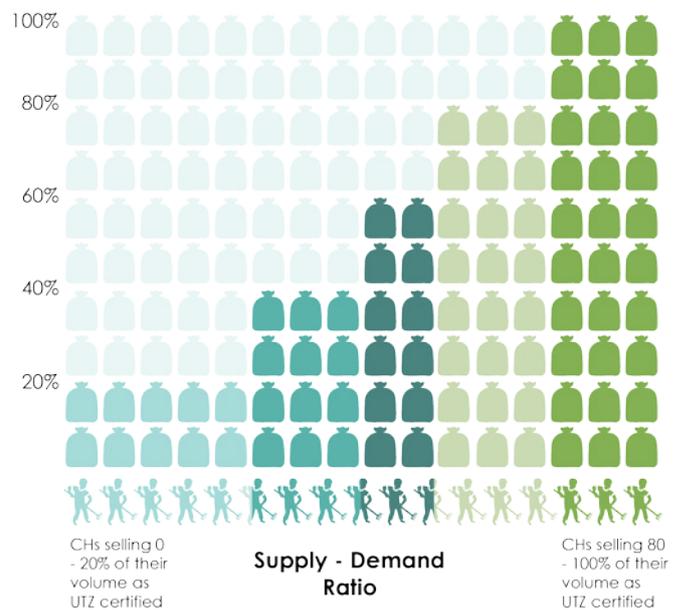
In the last few years, the growth in UTZ sales (from certificate holder to first buyer) has continued to increase in all commodities. Between 2011 and 2014 UTZ certified coffee, cocoa and tea sales grew by 89%, 814% and 54% respectively. In both our coffee and cocoa program, an increasing percentage of UTZ certified production volume was being sold as UTZ, while for tea it remained stable and relatively low. After 2011 the growth in UTZ coffee production has stabilized. One of the reasons for this is that (re-) certification of UTZ coffee certificate holders is increasingly dependent on pre-agreed sales. When certificate holders know they have buyers for their UTZ products, they are prepared to invest in getting (re-) certified. When future sales are uncertain, some certificate holders will quit the UTZ program.

Although the percentage of UTZ certified production volume being sold as UTZ was stable or even increased, our data shows that some farmers still face the challenge

of getting market access for their certified products. The percentage of certificate holders who sell less than 20% of their volume is high, and has slightly increased for all commodities. At the same time a significant amount of certificate holders sell almost all their volume as UTZ (especially in coffee).

There are several possible reasons for this difference in sales. Firstly, it is possible that certificate holders do not have the right connections to find buyers for their products. Secondly, there are various gradients and qualities (mainly in coffee and tea), which makes it more difficult to match supply and demand.

Thirdly, UTZ certified products can also be sold as conventional or as another certification label (in case of multi-certification). In the case of multi-certification, farmers still receive a premium. Finally, it can happen that certificate holders overestimate their certified volume and then produce less than expected. As UTZ we recognize the importance of linking supply and demand, in order to guarantee that farmers are rewarded by the market.

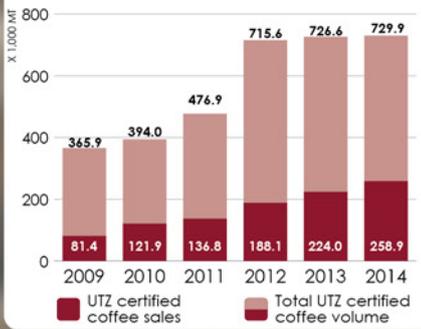


## Market uptake

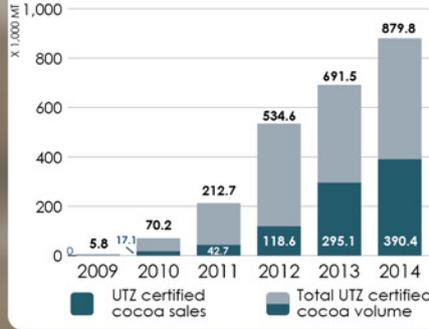
The market uptake of UTZ certified coffee, cocoa and tea is reflected in the increase in UTZ labeled products/stock keeping units (SKUs)<sup>4</sup> in the market. Over the past few years the amount of products that have appeared in the market bearing the UTZ certified name or logo has increased significantly. The number of coffee SKUs has doubled in three years, and cocoa in particular grew very quickly

<sup>4</sup> SKU = Stock Keeping Unit. Approved UTZ labeled products (SKUs) in specific year.

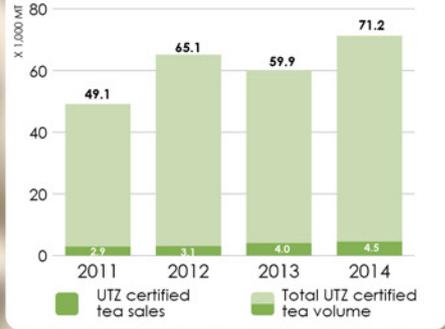
### UTZ certified **coffee** volume & sales (X 1,000 MT)



### UTZ certified **cocoa** volume & sales (X 1,000 MT)

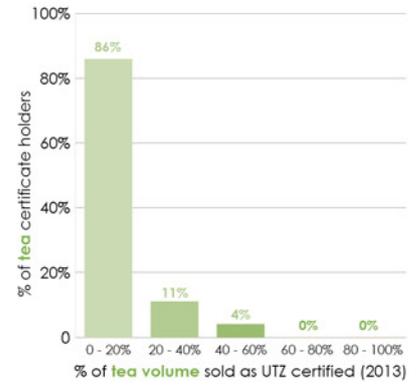
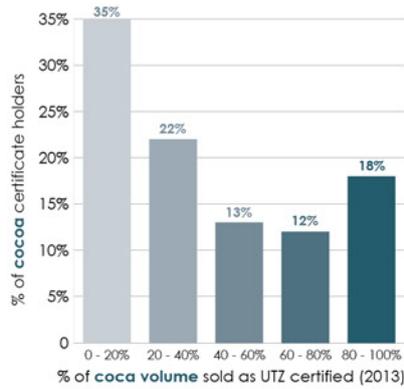
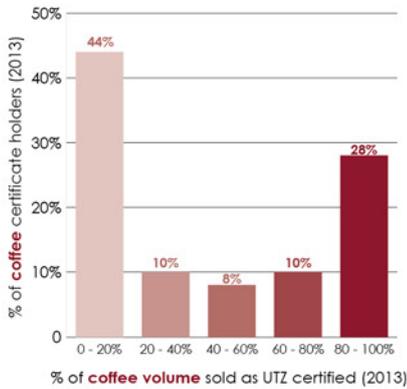


### UTZ certified **tea** volume & sales (X 1,000 MT)

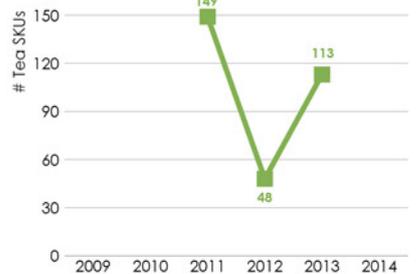
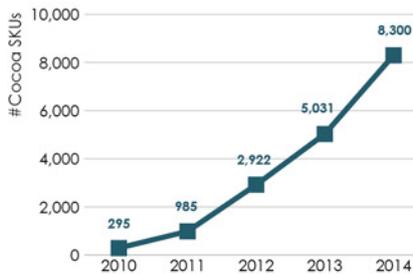
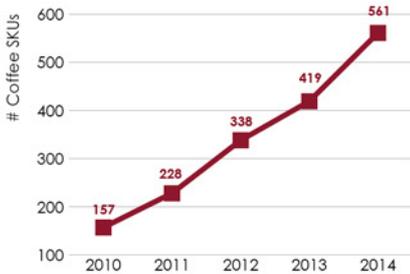


### Supply - Demand ratio

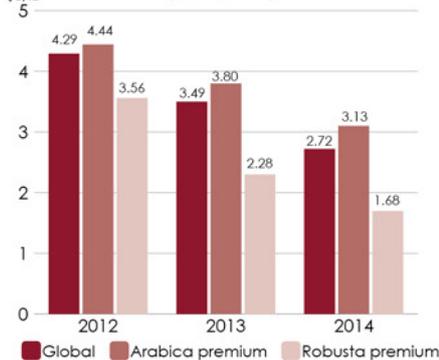
The percentage of certificate holders who sold a specific percentage of their volume as UTZ certified (in 2013)



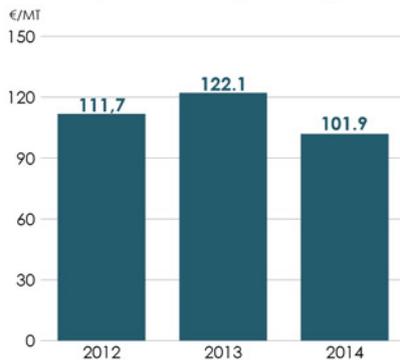
### Approved UTZ labeled **coffee, cocoa & tea** products (SKUs)



### UTZ **coffee** premium (\$ / lb)

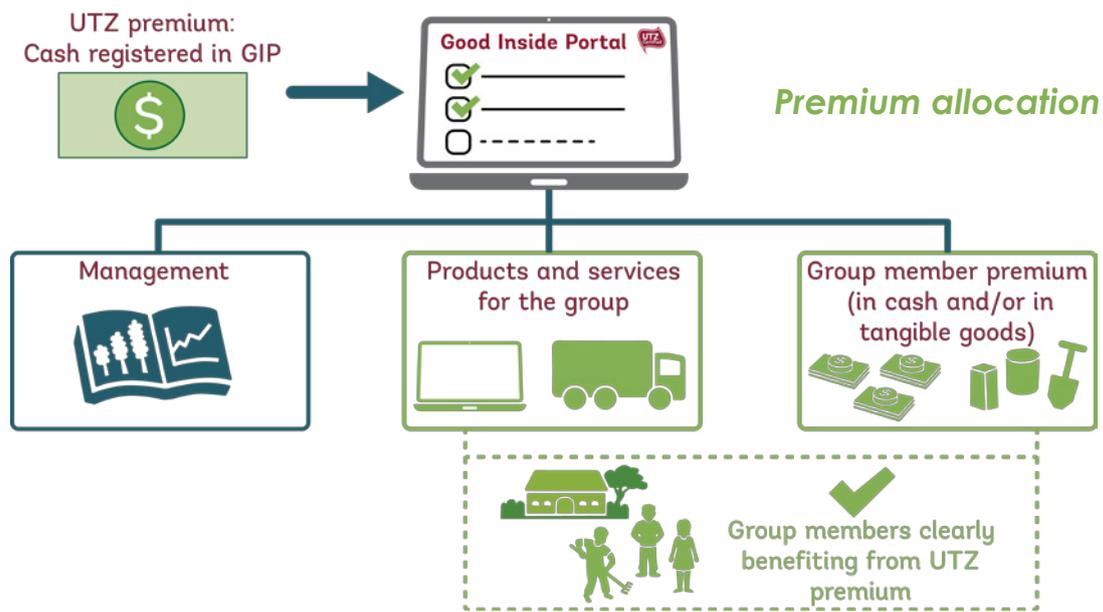


### Weighted average **cocoa** premium (€ / MT)



### Weighted average **tea** premium (€ / MT)





from 295 SKUs in 2010 to 8,300 SKUs in 2014. For tea we see a fluctuation in the amount of UTZ labeled SKUs. In 2012 amount of tea SKUs is high because all layouts had to be (re)approved. In 2014 retailers had to register in the UTZ tea program<sup>5</sup>.

## Premium

The payment of a premium is mandatory in the UTZ program: for every purchase of a UTZ product, the first buyer in the supply chain, normally a trader, must pay a cash premium to the producer or producer group they buy the product from. It is paid net of any deductions, and must be registered in the UTZ traceability system (the Good Inside Portal, or GIP).

Over the last three years, the average UTZ premium for tea has been stable, while it has been fluctuating for cocoa. While UTZ coffee premiums have decreased overall, the Arabica premium has stayed on average higher than the Robusta premium.

In addition to a cash premium, producer groups often also receive in-kind investments, for example training, fertilizer or audit costs) from buyers (traders). These in-kind investments are not calculated in the cash premium and not registered in our traceability system.

In the case that the premium is an agreement between the buyer and a group, it is the group that decides how to allocate the UTZ premium between three types of cost categories: group management costs (e.g. audits); products and services used for the group (e.g. training); and in-kind or cash payments to certified group members (farmers). UTZ does not prescribe how the UTZ premium should be divided between management, group and group members.

However, UTZ does require that certified group members should clearly benefit from the UTZ premium. UTZ certified groups are required to have a “use of UTZ premium” procedure in place, which is transparent about the spending of the UTZ premium by the group, and what share will be directly forwarded to individual group members. This procedure has to be clearly communicated to group members, and is checked during the annual audit. UTZ has started to collect monitoring data on this; it will be included in future reports, when sufficient data is available.



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<sup>5</sup> We implemented a new label approval system in 2015.

## 2.2 RECERTIFICATION OF CERTIFICATE HOLDERS

In terms of certificate holders all UTZ programs have been growing (with the exception of coffee in 2014).

### Coffee

Over the last three years the growth in the amount of coffee certificate holders has been stabilizing. Eighty-four percent of active licences in 2013 were recertified for 2014. At the same time, 16% of coffee certificate holders in 2014 were new members. In Vietnam and Brazil, as the biggest UTZ coffee producing countries, the percentage of certificate holders staying in the UTZ program was relatively high (92% and 90% respectively)<sup>6</sup>.

### Cocoa

The amount of certificate holders in the cocoa program has grown rapidly, with Cote d'Ivoire now home to the largest amount of UTZ cocoa certificate holders. In 2012, 61% of all cocoa certificate holders were new to the UTZ program. At the same time 81% of active certificate holders in 2011 went on to recertify in 2012. While the cocoa program has been maturing, the growth in the number of cocoa certificate holders has been stabilizing. Seventy-five percent of certificate holders active in 2013 went on to recertify in 2014. In 2014, 26% of certificate holders were new members.

### Tea

The tea program is the smallest UTZ program, with fewer than 50 certificate holders. The percentage of members both recertifying and starting UTZ certification is fluctuating. In 2014, 45% of certificate holders were new members, while 96% of active certificate holders in 2013 recertified in 2014. This resulted in an increase in tea certificate holders. In 2012 the recertification level was relatively low because certificate holders in Kenya could not find a market to sell their UTZ certified volume.

## Important insights

Being able to sell their UTZ certified volume as UTZ is a very important factor for certificate holders. Between 2011 and 2013, 31% of cocoa certificate holders who sold less than 10% of their certified volume as UTZ did not recertify in the following year (for coffee certificate holders this was 28%).



It is important to look at the differences between certificate holders who are entering the program, those who are staying in the program, and those leaving the program. This helps us to predict future developments and fine-tune our activities and strategies, to make sure farmers are benefiting and that we continue to increase our reach and inclusiveness in the sector, as required by our theory of change.

It is clear that creating market demand and linking certificate holders to those markets is crucial for the success of the UTZ program. Sustainability commitments from companies are an important part of this. In addition, further research is needed to understand the expectations of farmers and their reasons for joining UTZ, as well as why they stay or leave the program. Some research – for example, the Indonesia study carried out in 2014 by AidEnvironment – has clearly demonstrated that farmers value stable trade relationships more than a premium. This needs to be further investigated and we need to understand how the benefits for farmers evolve over time. For example, how does the short-term benefit of a premium motivate farmers in comparison to the long-term benefit of yield increases, and what can we offer farmers beyond certification?

<sup>6</sup> Average of 2011,2012,2013.

## 2.3 NON-CONFORMITY WITH THE UTZ CODE OF CONDUCT

### How to interpret non-conformity

UTZ receives a report of every audit, including which instances of non-conformity were detected and how they were resolved. Our analysis, which looks at which instances of non-conformity are most often detected and resolved, gives us important information about the performance of our members, the effectiveness of the audit, and our code of conduct. This is used for fine-tuning our code and better targeting training efforts.



In order to monitor compliance with the requirements in the UTZ code of conduct, each certificate holder receives an annual audit conducted by external, independent auditors. When the audit finds that a requirement in the code has not been complied with, this is called a 'non-conformity'. After the audit, certificate holders have the opportunity to change their practices so that they comply in full with the code of conduct.

When interpreting the non-conformity results, two aspects need to be taken into account. Firstly, it only shows changes (corrective actions) implemented *after* the audit took place. It does not give the full picture of changes that have taken place as a result of the UTZ program. The reason for this is that farmers often have already implemented improvements *before* the audit takes place. Secondly, the analysis does not show the longer-term impact as a result of these changes/improvements.

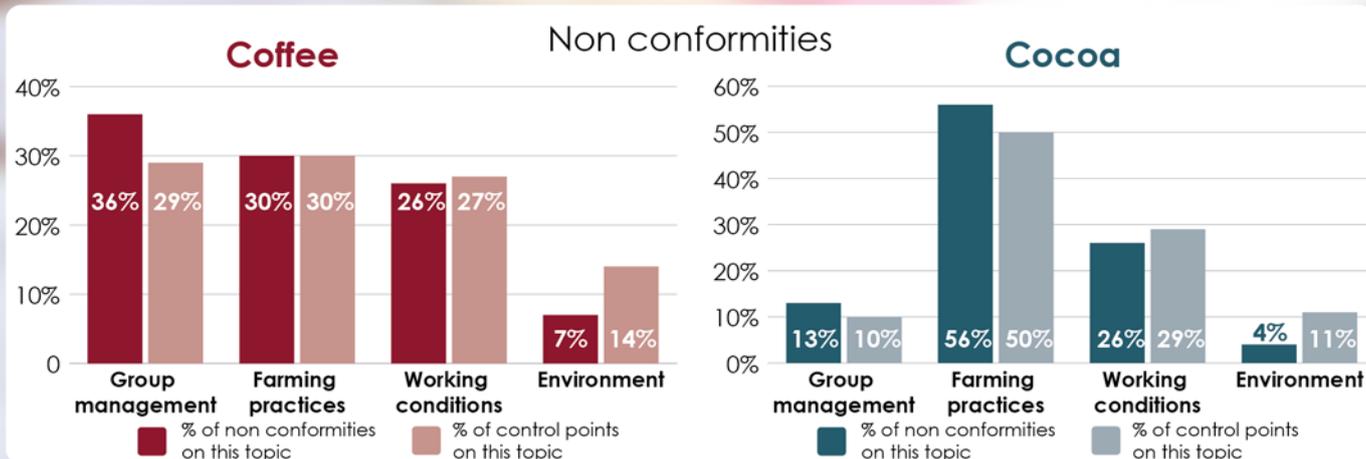
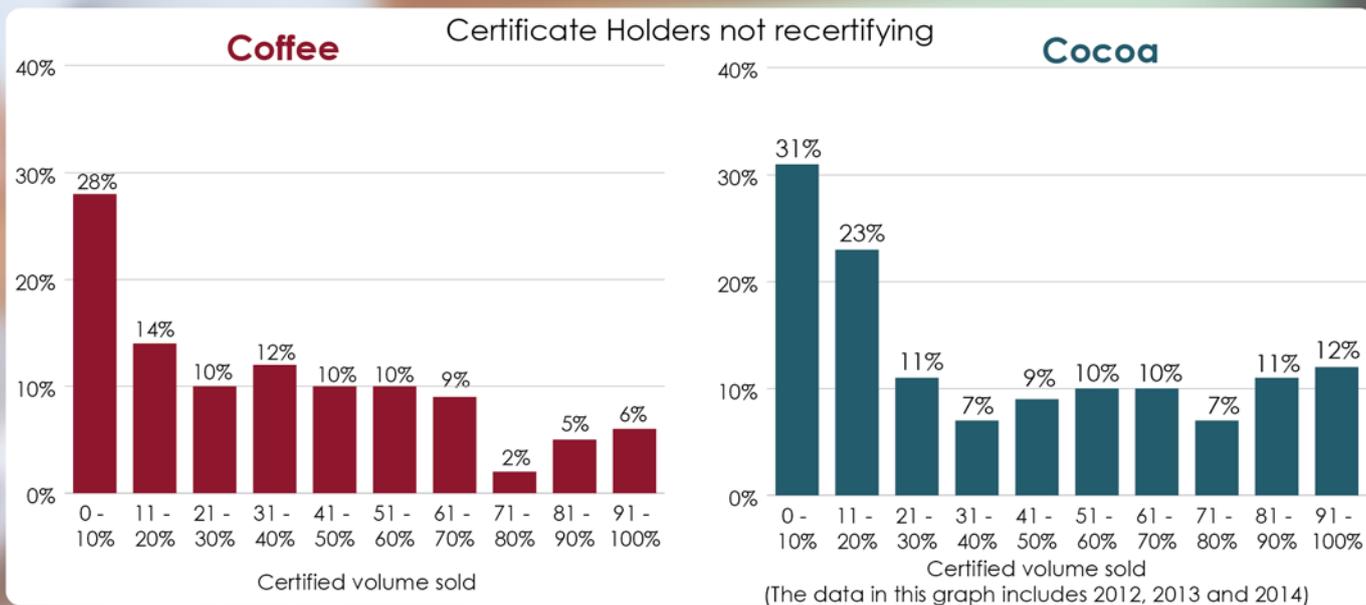
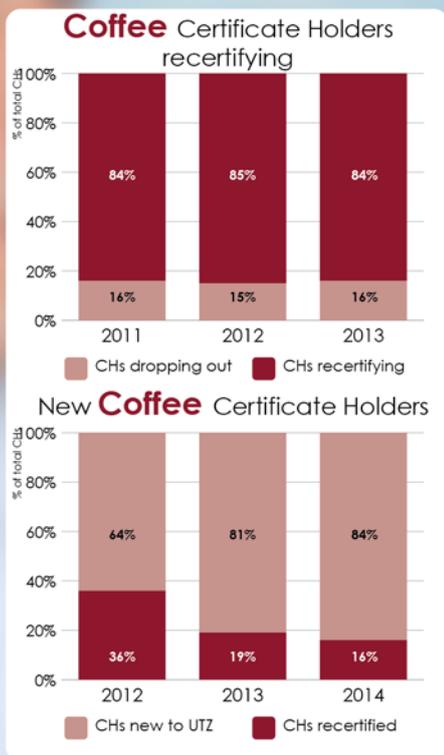
### Resolved non-conformity

The UTZ code of conduct is based on a four-year improvement cycle. Over each year of compliance, more control points become mandatory. This influences the amount of instances of non-conformity that can be found per year of certification.

We have analyzed the reported non-conformities of certificate holders in the cocoa and coffee programs. On average, an independent audit results in 3.7 resolved non-conformities. Of all audits, 59% have one or more resolved non-conformity.

Within the UTZ programs there is a big variation in amount of non-conformities resolved. In the cocoa program the percentage of audits with instances of non-conformity (86%) is over double that of the coffee program (41%). Groups have on average more resolved non-conformities per audit (5.2) than individual estates (1.4). The same is true for cocoa certificate holders (6.2) versus coffee certificate holders (2.0).

These differences can partly be explained by the fact that cocoa certificate holders are most often groups. The amount of reported instances of non-conformity is relatively large on management requirements (internal management system of the group) and relatively low on environmental requirements. In coffee, the amount of reported non-conformities is relatively high on farming practices and relatively low on requirements regarding the environment. This kind of information is used to focus and target our training activities.



# CASE STUDY: COFFEE WASTE WATER TREATMENT

UTZ actively works in projects to facilitate farming innovations that will allow producers to see greater impacts and to contribute to a better environment. One such project was the Energy from Coffee Waste project in Central America.

Carried out on 19 pilot sites in Guatemala, Honduras and Nicaragua, this project was set up to tackle the following key issues:

- Coffee processing, and in particular the practice of wet processing common in Central America (where the cherry is washed under high pressure), demands a significant amount of energy and water taken from local rivers and streams.
- The waste water generated is often released back into streams and rivers without being cleaned, contaminating the local environment and infecting drinking water.
- Untreated waste water also generates significant amounts of methane emissions, contributing to climate change.

This project illustrated the benefits of implementing techniques to reduce water consumption, treat waste water and turn methane into energy instead of emissions. Water reduction is achieved through recirculation of waste water during the washing process. The highly contaminated water is then treated and cleaned before it is discharged into the environment. Methane generated in this process is captured as biogas, which can be used as energy to heat kitchen stoves and power lamps. In larger estates, the biogas is used as fuel to power de-pulping machinery, water pumps, and for drying coffee beans; which significantly brings down operating costs.

***“The project gives us many benefits,”*** says Francisco Blandon Cruz, one of the producers from the project. ***“We don’t have to get wood from the forest for cooking; also, the polluted water now doesn’t go directly to the small streams we have in our community; furthermore, we can use the water to produce gas that we will use in the kitchen. ”***

In the project period operational manuals and training schemes have been developed for each specific model focused on installation, running and maintenance. These manuals and training schemes can now be used by all UTZ members, spreading the experience gained through this project. We are currently working with partners in Kenya and Ethiopia to facilitate the uptake of this technology in East Africa.





COCINA  
DE  
BIOGAS

# 3. IN FOCUS: TRENDS AND IMPACT IN MAIN COUNTRIES OF PRODUCTION

We can gain greater insight into our impact by combining key research findings of independent in-depth studies and evaluations with our own monitoring data.

Explicitly linking monitoring data to impact data allows us to place the results of in-depth research into a broader UTZ context. In addition, we will explore whether the outcomes of the impact studies are confirmed by our own data.

Per chapter we discuss the highlights from each independent impact study and show the trends in our monitoring data for that specific crop and country, for the timeframe 2009-2014<sup>7</sup> (end of year). Full reports and summaries are available on the UTZ website.

## 3.1 COFFEE IN BRAZIL

The UTZ program in Brazil started in 2002. Regarding instances of non-conformity, Brazilian coffee farmers perform relatively well: they have a relatively low amount of non-conformity (0.7), while the global average is 2.0, and the regional average is 1.2.

An independent evaluation study, carried out by BSD Consulting and Ibi Eté Consultoria, researched the effects of UTZ certification on coffee farmers and workers in Brazil (from Minas Gerais and São Paulo). The results allow us to analyze the economic, environmental and social benefits of becoming a member the UTZ program, alongside any challenges it may bring.

*MORE THAN 90% OF FARMERS WERE SATISFIED WITH UTZ CERTIFICATION AND BELIEVED IT WAS WORTH JOINING THE PROGRAM*

### Economic benefits

The study showed that 43% of producers noticed an improvement in the quality of their coffee, which might have helped them sell their UTZ certified coffee.

Our own data confirms that Brazilian certificate holders sell a relatively high percentage of their UTZ certified volume as UTZ (46% in 2014) compared to the average in coffee (35% in 2014). The percentage of UTZ volume from Brazil being sold as UTZ also increased from 39% in 2011 to 46% in 2014.



Brazil is the biggest UTZ coffee producing country, providing 35% of the total UTZ certified volume in 2014, and both volume and the amount of certificate holders are consistently growing. Brazilian farmers are mostly medium and large farm estates.

However, according to the evaluation study, the UTZ premium is an important concern for farmers. Also according to our own data, the average UTZ premium in Brazil has seen a decrease in the past few years; from USD 0.05 per pound in 2012 to USD 0.0285 per pound in 2014.

More than 90% of farmers were satisfied with UTZ certification and believed it was worth joining the program, as well as recommending UTZ certification to other farmers. Eighty-six percent intended to continue with UTZ certification, and we also see that Brazilian certificate holders often stay in our coffee program: 88% of certificate holders in 2013 recertified in 2014. This is above both regional and global averages.

<sup>7</sup>The 2015 end of year data has not yet been analyzed before publication of this report. Global figures for 2015 will be included in the annual report.

## Environmental benefits

According to the evaluation, 49% of certificate holders have experienced environmental improvements, with better soil quality and restoration of natural habitats. In 2014, 126,000 hectares of coffee in Brazil was covered by UTZ certification, meaning this entire area is now benefiting from sustainable production practices and respect for nature.

## Social benefits

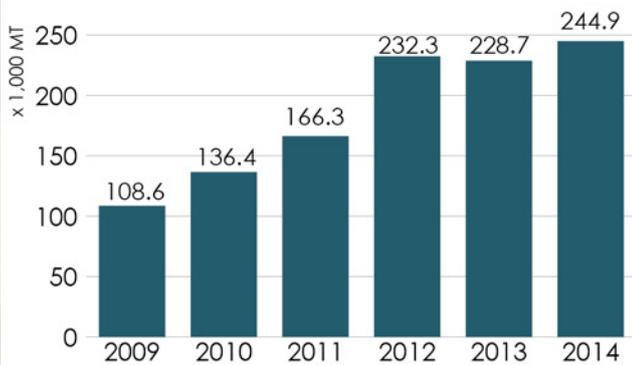
70% of permanent workers reported that they were experiencing benefits from certification. Improved health and safety at work and appropriate facilities, such as lavatories, were cited by workers as benefits UTZ certification had brought them directly. In Brazil, it is estimated that more than 25,000 workers are working on UTZ certified farms. Workers' rights are protected by Brazilian labor legislation and occupational safety regulations, and law enforcement policies are in place. Producers say that UTZ certification

has nudged them to 'put their house in order' and become fully compliant with their legal obligations. This gives them professional pride and peace of mind, but also signals a shift in business culture, where legal compliance becomes the new norm (instead of dodging the rules).

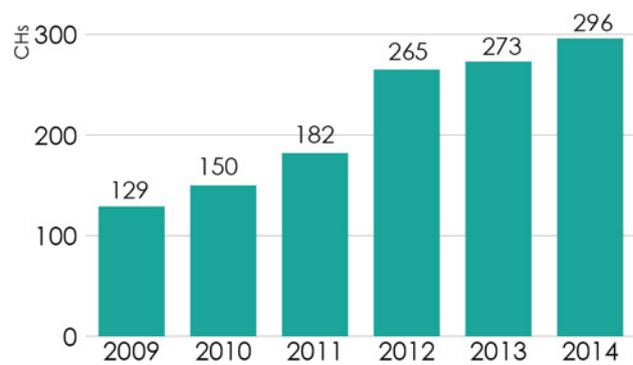
## Challenges

A financial premium is one of the benefits of UTZ certification, and therefore one of the incentives for farmers to join the UTZ program. In this study farmers stated that they do not always know how much premium they received for their certified coffee. This was an obvious negative point for farmers. Another challenge specified by the study is that up until now, UTZ has worked mainly with medium- and large-scale producers and has not been adopted by smaller coffee producers in Brazil, meaning the program is not yet fully inclusive.

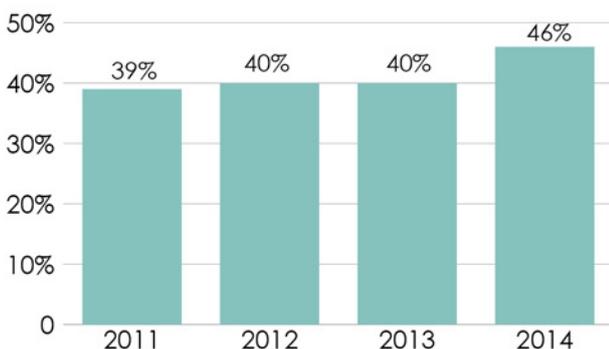
UTZ certified **volume** Brazil (x 1,000 MT)



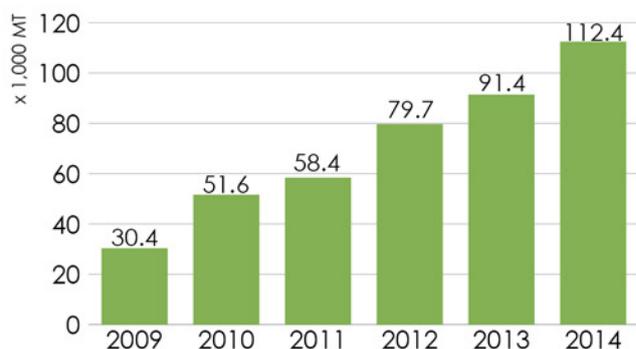
Certificate **holders** Brazil



Supply-Demand **ratio** Brazil



First buyer **sales** Brazil (x 1,000 MT)



### 3.2 COFFEE IN COLOMBIA

In Colombia the Centre for Regional Entrepreneurial and Coffee Studies (CRECE) and the Committee on Sustainable Assessment (COSA) carried out an impact evaluation of UTZ certified coffee farmers in Colombia (Caldas and Huila region), based on data collected between 2008 and 2011.

Over the course of those years, we have seen an increase in both certified volume and certificate holders. However, during the first years of the study (2008-2010), we saw a reduction in sales volumes. This could be explained by the fact that coffee prices in Colombia were relatively high. Since 2010, sales have been steadily increasing, especially from 2012 to 2013 when sales volumes more than doubled. This also led to a strong increase in the percentage of UTZ certified coffee from Colombia being sold as UTZ (a percentage which is also called the supply-demand ratio).

This increase in the supply-demand ratio could be one of the explanations for an increased recertification rate in



The UTZ coffee program in Colombia began in 2002 with just one certificate holder, and by 2014 the program had grown to 30 certificate holders.

Colombia is the third largest producer of UTZ coffee.

Colombia. Whereas in 2011 and 2012 the recertification rate was relatively low (respectively, 68% and 70%), in 2013 87% recertified for the following year, which is above both the global and regional average. In addition, the UTZ premium for Colombian coffee has been relatively high compared to the regional and global average.

#### Economic benefits

Between 2008 and 2012, the Colombian coffee sector

faced adverse production conditions (in the form of a fungus known as roya and bad weather), which resulted in decreasing coffee harvests in the country. The evaluation study shows that UTZ certified Colombian farmers received more training and applied better farming practices than non-certified farmers. As a result of this, they had lower production costs and more stable yields. The yield of UTZ certified farmers dropped by 1% while the yield of non-certified farmers suffered a 52% decrease. In addition, UTZ producers were also able to achieve a significantly higher net income per kilo, based on lower production costs and higher revenues (partly due to the UTZ premium). Certification thus increased the resilience of farmers and helped them to cope with adverse conditions.

### CERTIFICATION INCREASED THE RESILIENCE OF FARMERS AND HELPED THEM TO COPE WITH ADVERSE CONDITIONS

#### Environmental benefits

The study cited the progress of UTZ certified farmers in their care for the environment as "the most outstanding achievement" (CRECE report page 33). Researchers used an environmental sustainability index, which showed significant improvements as a result of farmers adopting soil conservation practices, recycling and better agrochemical handling. In Colombia, 36,000 hectares of coffee were covered by UTZ certification in 2014. The fact that UTZ farmers showed greater resilience to adverse conditions such as roya and unsuitable weather also indicates that UTZ producers will be better equipped to deal with a changing climate in the future.

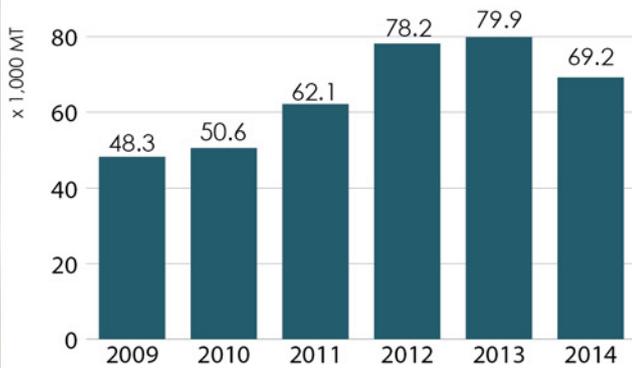
#### Social benefits

In the study sample, workers experienced better working conditions, especially with regards to health and safety. By year four, more UTZ certified farms provided workers with protective gear (81% vs 35%) and had access to first aid kits (60% vs 17%) than non-certified farms. According to our data, in 2014 an estimated 25,000 workers work on farm estates in Colombia and reap the benefits of these improvements.

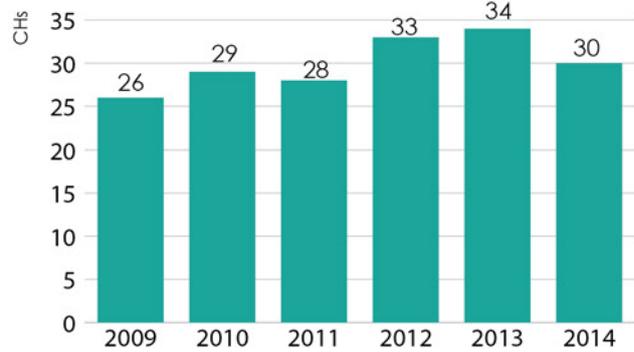
## Challenges

One of the challenges recorded in the study was low record keeping practices by smallholder farmers. We see also that producer groups in Colombia have relatively high average numbers of non-conformity per audit (8.3) compared to estates (2.1). A high percentage of these are related to record keeping around the application of agrochemicals. This non-conformity was found in 39% of group audits and only 15% of individual audits, which indicates that complying with the UTZ code is a greater challenge for groups, therefore a strong internal management system is crucial for groups to effectively implement the UTZ code.

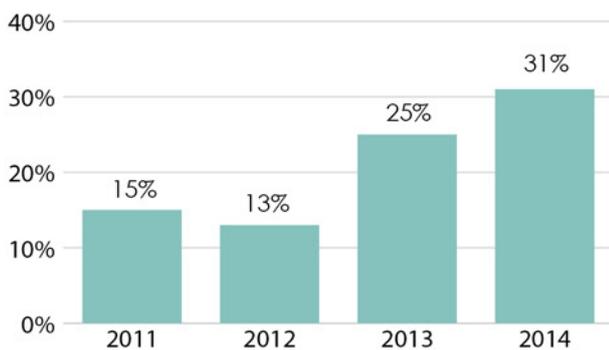
UTZ certified **volume** Colombia (x 1,000 MT)



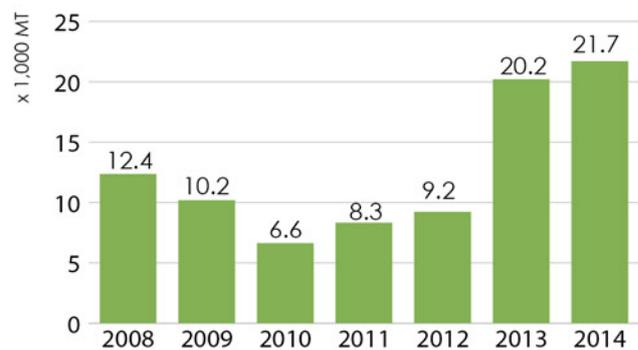
Certificate **holders** Colombia



Supply-Demand **ratio** Colombia



First buyer **sales** Colombia (x 1,000 MT)



### 3.3 COCOA IN CÔTE D'IVOIRE

Both sales and production of UTZ certified cocoa have increased in Côte d'Ivoire, but production growth has outpaced sales. An independent study was performed by LEI Wageningen UR to evaluate the impact of UTZ certification on cocoa production in Côte d'Ivoire between 2008 and 2013.

The amount of cocoa certificate holders in Côte d'Ivoire who recertify in the following year is reducing, but this is still in line with the global average. Ninety percent of 2012 certificate holders recertified in 2013, while in 2013 76% recertified the following year. According to our data, most certificate holders leaving the program did so at an early stage (after the first year of certification), because they had experienced relatively low sales.

#### Economic benefits

The evaluation study showed that 50% of farmers stated that their income had increased since certification. In addition, net household income per year in 2012 from cocoa for certified farmers was higher (€2,343) than for non-certified farmers (€2,013). The longer farmers are in the UTZ program, the higher their net income. UTZ farmers also have significantly lower production costs per kilogram than uncertified farmers.

#### CERTIFIED FARMERS SAW A HIGHER HOUSEHOLD INCOME THAN NON-CERTIFIED FARMERS

The analysis reveals that the larger the size of the cocoa farm, the higher farmers' knowledge levels. Farmers in the "excellent agroecological zone"<sup>9</sup> also have higher knowledge levels than farmers in good or marginal zones. UTZ has learned from this study that we need to get a better grasp on the differences between farmers, which may help explain why some make better use of the opportunities provided by certification than others. Such differences are not apparent from average outcomes and performance.

Cocoa quality is generally seen as very high by farmers, cooperatives and traders, with only 2.1% of all farmers experiencing rejected cocoa due to non-compliance with quality standards. Cocoa was rejected significantly less from UTZ certified farmers than from non-certified farmers.

#### Social benefits

Certification programs have been an important driver of the reinvention of cocoa cooperatives in Côte d'Ivoire,

adding to the 'social capital' of a country that not long ago still suffered from political and social upheaval. Farmers are generally satisfied with the services provided by their cooperative. However, 40% of farmers complain that inputs (e.g. fertilizer and seedlings) are not provided regularly or in sufficient quantity, and 30% lack access to credit.

Generally speaking, labor rights are not well respected by cocoa farmers, who by and large employ family labor and some hired labor. Certified farmers show slightly better performance in this respect than non-certified farmers.

Child labor is a very important topic in the cocoa sector, and UTZ strives to eliminate child labor on all certified farms. UTZ certified farmers are much more aware of which activities are not permitted for children than those who are not in the program. UTZ certified farmers follow the UTZ code of conduct guidelines concerning the amount of time children can spend on cocoa farming activities. On average, children spend 50 hours a year helping their families on the farm (on average one hour per week), generally doing non-hazardous work. Although this averages more than on control group farms (probably due to larger farm sizes), the numbers are still far below the limit of non-hazardous work children can do (14 hours per week, adding up to 728 hours per year) according to the UTZ code of conduct.

#### Environmental benefits

UTZ certified farmers perform better than non-certified farmers with regards to knowledge and implementation of water and soil conservation measures, and the protection or restoration of natural habitats. The longer farmers are in the program, the better they implement biodiversity conservation practices.



In line with global figures, Côte d'Ivoire is the largest UTZ cocoa producing country, with more than 500,000 metric tons of estimated certified volume<sup>8</sup> – which accounts for almost 60% of the total UTZ certified volume across all countries – and 258 certificate holders in 2014.

## Challenges

In Côte d'Ivoire, the average number of instances of non-conformity per audit is relatively high (7.5) compared with the average in cocoa (6.2). The percentage of audits with non-conformities is also relatively high (94%) compared to the global cocoa average (86%). Most non-conformities are related to farming practices (71%), the top three being related to shade trees (23%), good farm maintenance (22%) and use of protective clothing (20%). This is in line with the independent evaluation, which found low levels of knowledge and implementation of good agricultural practices. The evaluation report found a clear relationship between higher levels of knowledge and adoption of good agricultural practices. Training farmers in such practices is therefore crucial. Since most farmers do not keep records of their production costs, labour input or revenues, obtaining accurate and reliable data on costs and benefits is still a major challenge in assessing impact.

Looking to the future, it is worth noting that two thirds of cocoa farmers consulted for the evaluation study don't want their children to become cocoa farmers, because they do not see cocoa as an attractive source of income

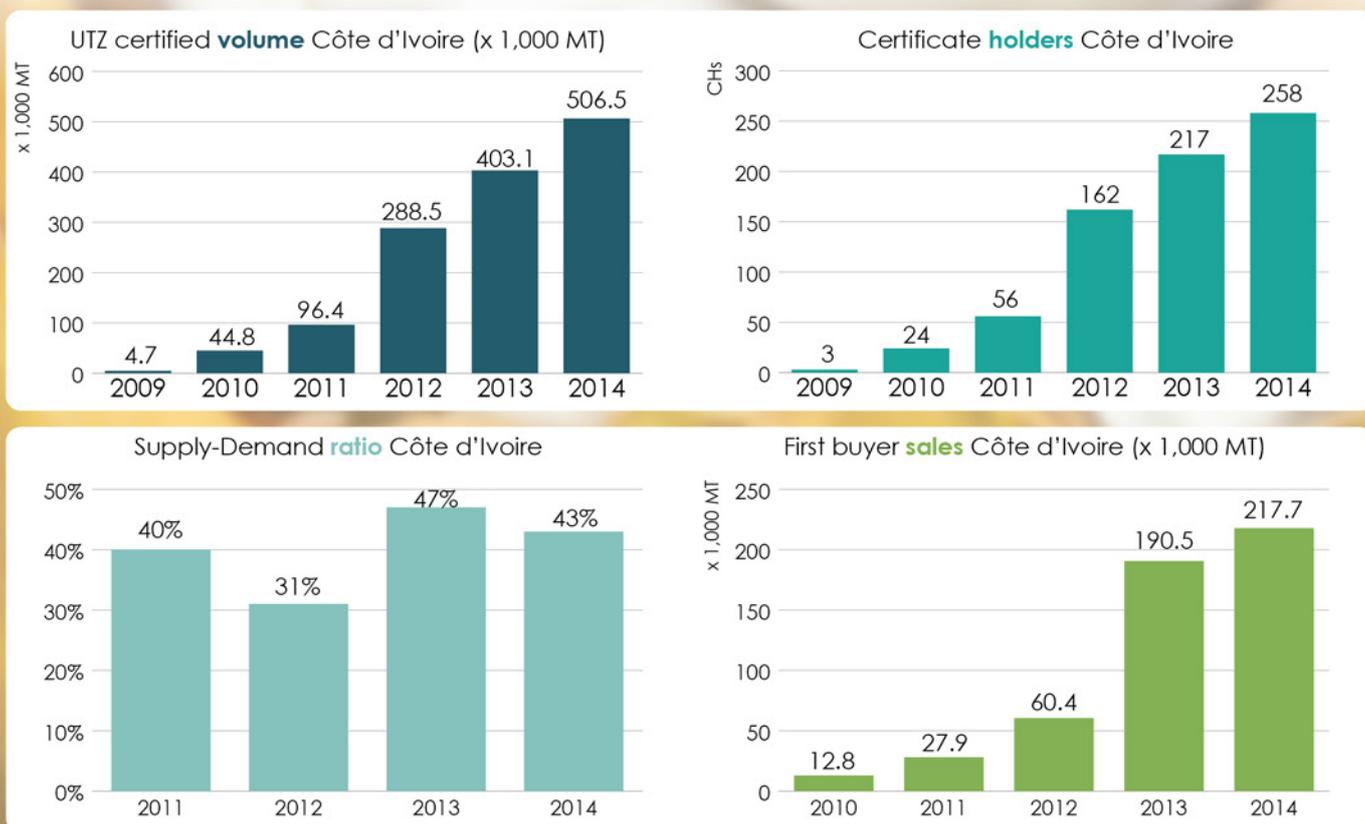
in the long term. This finding is in line with other research, and has implications for all stakeholders in the cocoa value chain. As farmers grow older, the demand for hired labor is likely to increase, whereas the availability of (family) labor tends to decrease as their children opt to work in the cities.

The study showed positive steps are being taken with regard to child labor, but we know that the overall picture of child labor in west Africa remains challenging. This is a structural problem that can only be fully eradicated through the joint efforts of many stakeholders, including communities and governments. Collaboration on this issue will be a priority for UTZ in the coming years.

Finally, the report stated that cocoa is critical for the livelihoods of farmers involved in the UTZ certification program. For most of them, it is their only or main source of cash income. Improving these farmers' lives, income, crops and the environment goes beyond the cocoa fields and certification of cocoa. An example is producing other subsistence and cash crops needed to enjoy sustainable, diversified livelihoods.

<sup>8</sup> The certified volume is estimated by Certification Bodies during the audit. The number is relatively high and overestimated. In our program 'Quality of Implementation' we are working on getting more accurate yield estimations by training CHs and CBs.

<sup>9</sup> Agroecological zoning (AEZ), defines zones on the basis of combinations of soil, landform and climatic characteristics. The particular parameters focus attention on the climatic and edaphic requirements of crops and on the management systems under which crops are grown.



### 3.4 COCOA IN GHANA

Certificate holders in Ghana were able to sell an increasing amount of their cocoa as UTZ. In 2014, almost 80,000 metric tons of cocoa were sold as UTZ, which was about 60% of the volume of UTZ cocoa produced in Ghana.

Between 2011 and 2014 an impact evaluation of the UTZ-Solidaridad certification program on cocoa producers in Ghana was performed by the LEI Wageningen UR.

First of all, farmers are satisfied by the services delivered by the UTZ-Solidaridad program. This is confirmed by the fact that many certificate holders in Ghana have recertified, with 92% of certificate holders in 2012 recertifying in 2013, and a recertification rate of 76% the following year.



Ghana is the second largest UTZ cocoa producing country, and our program here has grown quickly over the last five years, from 1,000 metric tons produced by a single certificate holder in 2009 to more than 150,000 metric tons produced by 28 certificate holders, most of whom are groups or cooperatives formed by smaller cocoa farmers.

#### Economic benefits

The study found that farmers have seen an increase in productivity since obtaining a UTZ certificate. According to project staff, those organizations that have been certified the longest are 'far ahead' of more recently certified organizations. Survey data on the other hand shows that a control group of non-certified farmers also experienced a productivity increase in the same period. These farmers received training provided by government agencies or sector-wide programs. It is therefore not possible to attribute productivity increases to the UTZ certification program alone.

Cocoa profitability increased per hectare, but decreased per day of family labor invested. Wage levels in cocoa producing areas have risen, resulting in higher incomes for cocoa workers, but also higher production costs for the farm owner. Some cocoa farmers also work as hired labour for other cocoa farmers.

The study showed that farmers increased their knowledge on good agricultural practices and were thereby better able to implement such practices. These farmers were more likely to have improved productivity than farmers who had not implemented better agricultural and production practices.

#### Social benefits

The study shows that certified farmers are more aware of the tasks that children are not allowed to do on the farm, and that they were more aware of the benefits of going to school. Almost all children (98%) of certified farmers go to school. Children of certified farmers under the age of 14 spent less time on prohibited (=hazardous) activities than children of uncertified farmers in 2014, although the total yearly time spent is very low for both groups: 0.15 days versus 0.60 days per year on average respectively.

#### 98% OF THE CHILDREN OF CERTIFIED FARMERS GO TO SCHOOL

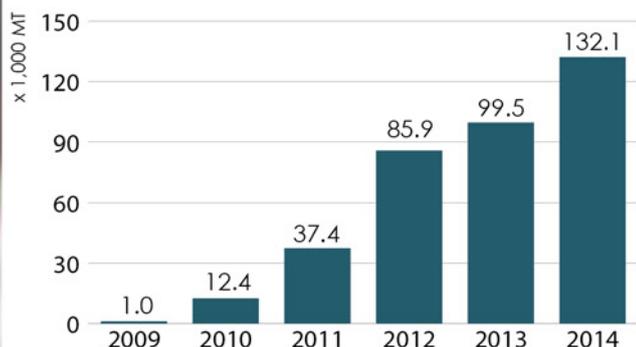
The study found no noticeable improvements in the use of protective equipment over time. Poor access to the necessary equipment, such as respirators, is mentioned as an explanation by farmers. "We all know that we need to protect ourselves, but the issue is that not all of us have the protective gear," says a certified farmer from Western Region.

#### Challenges

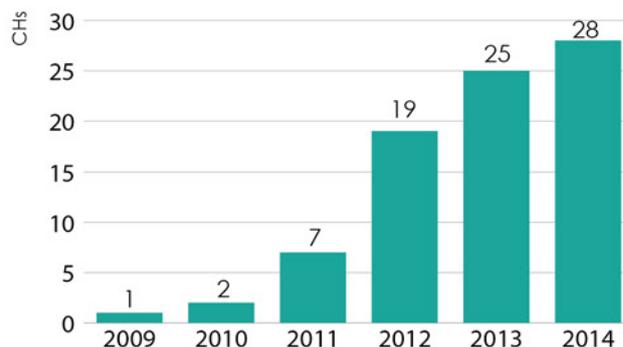
At UTZ we want to reach as many farmers as possible, and also include everyone in our program. However, the study points to the difficulty of including women and young people in the UTZ program. Since women and young people are in the minority in their membership of producer groups, and UTZ certification is designed for producer groups, UTZ has little or no influence on who is entitled to become member of a group in the first place. Another challenge is that about 25% of workers on farms are exposed to chemicals. Improving the availability and effective use of mandatory protective equipment remains a matter of concern for UTZ.

Although productivity increased along with both the income from cocoa, and the total household income, both are still very low. Income from cocoa is slightly lower than the USD 1.25 poverty line, while total household income is slightly higher than this poverty line per household member (USD 1.40). It remains a challenge for farmers to make a living out of cocoa.

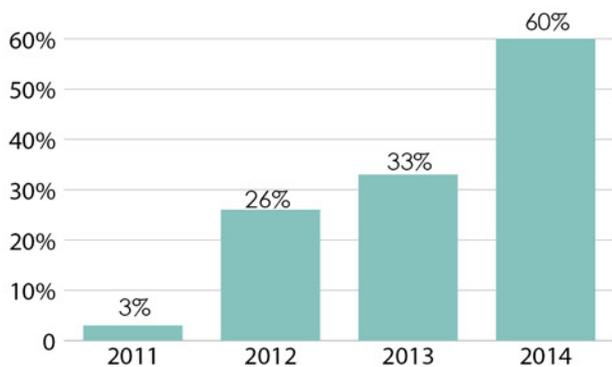
UTZ certified **volume** Ghana(x 1,000 MT)



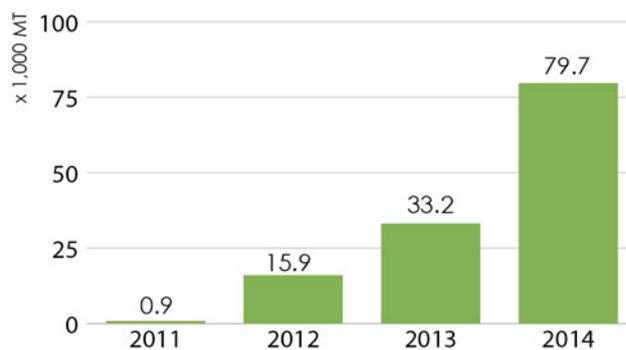
Certificate **holders** Ghana



Supply-Demand **ratio** Ghana



First buyer **sales** Ghana(x 1,000 MT)



## CASE STUDY: CLIMATE CHANGE ADAPTATION IN VIETNAM

***“In the rainy season, there used to be sun in the morning and it rained in the afternoon. Now it is not so regular. This is a big problem for the growth of coffee plants and a big problem for coffee production in the whole area.”***

Vietnamese coffee producer Pham Van Hoan is just one of thousands already feeling the effects of climate change. Decreased water availability, new or different pests and diseases and more extreme climatic events are threatening the quality and quantity of crops, and an environmental disaster for producers. Meanwhile, agricultural production, especially coffee production, affects climate change by emitting greenhouse gases from deforestation, decomposition of organic matter, and excessive and imbalanced fertilizer use.

To increase Vietnamese farmers' resilience, UTZ has been running the Coffee Climate Care (C3) project since 2013. This project helps producers carry out assessments to determine their vulnerability to climate change, and then pilot adaptation practices; producers are then able to train others in these methods. The project will run until May 2016, when we will have the final evaluation results.

The following preliminary results have already been reported:

- Farmers identified the risks they are facing from climate change: increased droughts, erosion, rising temperatures (heat stress), alterations and increases in pest and diseases, and losses of coffee quality and quantity due to rains throughout sun-drying. Based on this, the project team and partners decided to focus on shade management, efficient irrigation and improved fertilization as adaptation measures.
- We developed training materials and trained 35 promoter farmers, who went on to train 1,250 producers. Understanding the causes and effects of climate change led to the implementation of measures such as planting shade trees, installing wind breaks, covering crops, and improved irrigation and fertilizer management. First results indicate a very high and quick uptake rate among farmers, with 40-50% already implementing the measures after a couple of years.
- Guidance documents were developed for producers on how to adapt their farming practices to future climate change. In this way, the results of the project can be applied to all UTZ producers in different producing regions
- Based on the experience of this project a new version of the UTZ code of conduct addresses climate change explicitly.

***“Through C3 we now know where it comes from and what we can do to prepare the coffee plantations and try to minimize where we cause climate change ourselves.”***



**Pham Van Hoan**  
Coffee farmer  
Lam Dong - Vietnam

KF-W DEG  
DE FOUNDATION  
TẤT CẢ PHÊ THÍCH ỨNG VÀ  
KIẾN ĐỔI KHÍ HẬU  
Climate Care  
Vietnam



A man in a light purple shirt and dark trousers is pointing at the diagram on the easel, presenting information to the audience.

Photo: Kadir van Lohuizen

### 3.5 ROOIBOS IN SOUTH AFRICA

Sales strongly increased in 2013, but have remained relatively stable over the last two years. The percentage of UTZ volume sold as UTZ certified reduced, (from 77% to 54%), but is still relatively high.

The rooibos program has a high recertification rate. In the timeframe of the analysis (2011-2014), only one certificate holder left the program (in 2012/2013). Between 2011 and 2014 the total number of certificate holders grew from five to eight. Although this seems a small number, rooibos only grows in one particular area of South Africa, and in 2013 more than 11% of total South African rooibos production was UTZ certified.



Rooibos is a newer program than coffee, cocoa and tea, and it is the smallest of them – our first five producers were certified in 2011.

The rooibos sector in South Africa is unique not only because of its relatively small size and number of players, but also because of the uniqueness of the plant and the conditions in which it grows.

A case study, performed by Sandra Kruger & Associates on UTZ certified rooibos farms in South Africa, was carried out in 2014. This study covers all UTZ certified rooibos producers. Interviews and focus group discussions were conducted with farm managers and farm workers (both farms and processing facilities), and cooperative members.

### Economic benefits

Farm managers expressed that UTZ certification had led to improved administration and better management practices. Also, the demand for UTZ certified rooibos has opened up new international markets and clients for rooibos producers. Producers were able to sell an increasing amount of UTZ certified rooibos in the last three years, and received an increasing amount of premium. In 2014 more than half of UTZ certified volume was sold as UTZ (compared to 6% on average for UTZ certified tea). In that year, the total premium paid to UTZ certified rooibos producers was €102,349. The premium money directly contributed to the improvement of living and working conditions on farms, which was identified as a significant benefit by both producers and workers.

*UTZ HAS ASSISTED ROOIBOS BUSINESSES TO MAINTAIN, IMPROVE AND SOMETIMES EVEN MOVE BEYOND COMPLIANCE WITH NATIONAL LABOR AND HEALTH AND SAFETY LEGISLATION*

### Environmental benefits

The region where rooibos is grown is globally recognized as a biodiversity hotspot. Therefore the UTZ code of conduct for rooibos (currently known as the Rooibos Module) has a strong focus on biodiversity conservation.

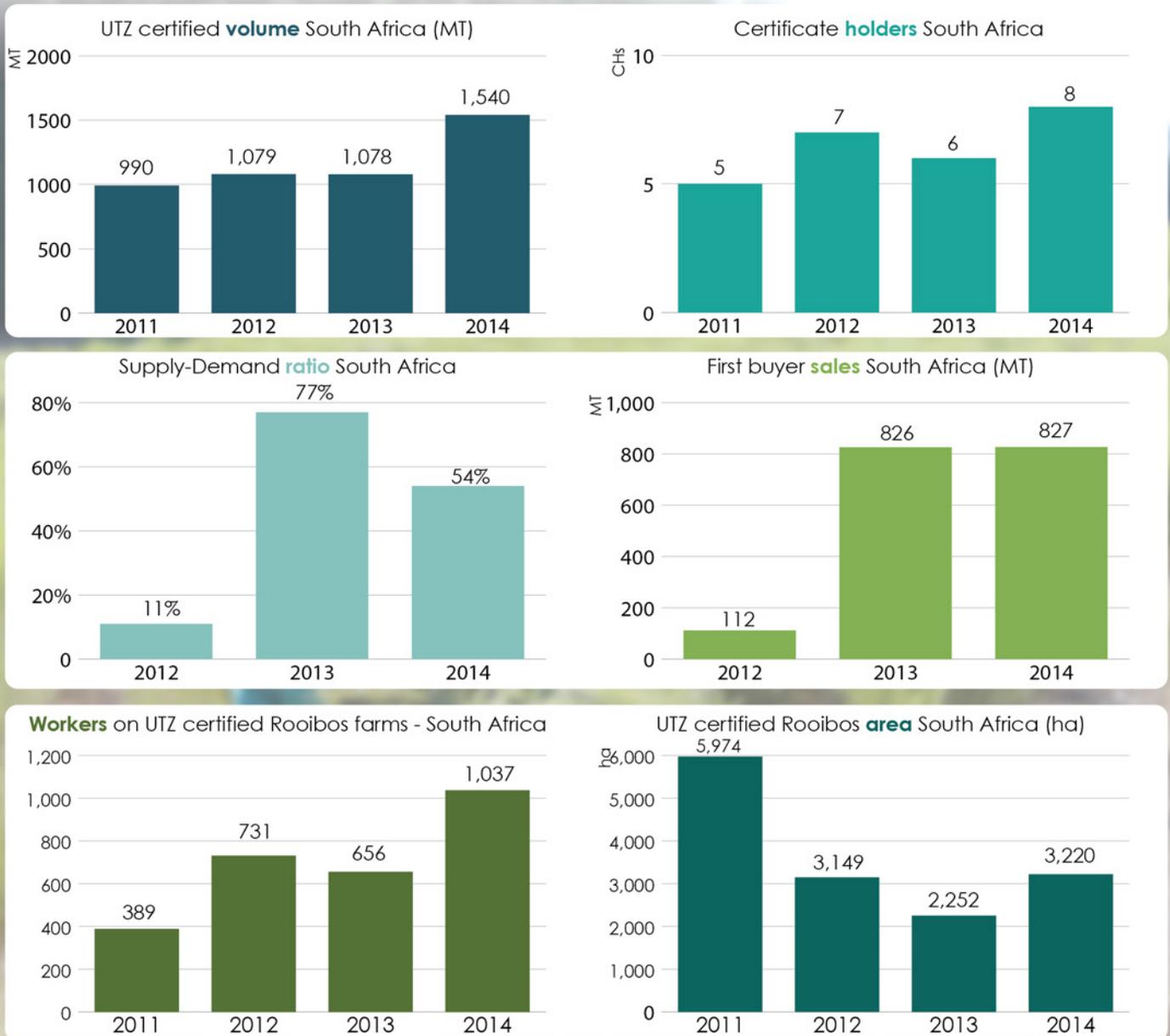
The rooibos area covered by UTZ certification has been fluctuating. This is probably an effect of price fluctuations that influenced the amount of farmland dedicated to rooibos plantings, since rooibos is a rotational crop. In 2014, 3,320 hectares of rooibos plantations were certified by UTZ and cultivated in line with the sustainable practices required by the UTZ code of conduct.

The study found that UTZ certified farmers implement more responsible pesticide use practices (for example, by substituting products on the international banned pesticide lists with less toxic products, and improving storage facilities). UTZ certified producers also participate in national initiatives aimed at increasing awareness and commitment to protecting the environment.

## Social benefits

There has been an increasing trend in the number of both permanent and seasonal rooibos workers benefiting from the UTZ program, from 400 in 2011 to more than 1,000 in 2014.

South Africa has advanced labor and health and safety legislation, however, this is not always effectively implemented or monitored. The study found that UTZ has assisted rooibos businesses to maintain, improve and sometimes even move beyond compliance with national legislation. Workers specifically noted improvements in health and safety and hygiene conditions. Living conditions of workers on UTZ farms are perceived as above average compared to national levels.



### 3.6 TEA IN INDIA

A study<sup>10</sup>, conducted in 2013, compares the performance of certified and non-certified tea farms in India in terms of sustainable management practices and the different perceptions, motivations and farmer evaluations of certification. The study includes both UTZ and other certifications; most of the certified tea estates in the study have multiple certifications. This is in line with our own data, which shows that 90% of UTZ tea certificate holders in 2014 were multi-certified.



India is the second largest producer of UTZ certified tea, and it has the largest number of certificate holders in the tea program. Production grew from 2,329 MT in 2011 to 14,679 MT in 2014.

#### Economic benefits

The study shows that all members are 'positive' or 'very positive' about certification. Certified tea estate managers do report additional costs and administrative consequences, but their overall evaluation is clearly positive, stressing both the social and environmental responsibility, and the advantages of better management practices and better market position.

This positive attitude is confirmed by the high recertification rate and growth of the program in India. In 2011, no certificate holders left the UTZ India program. In both 2012 and 2013 just one certificate holder left. The total number of tea certificate holders in India grew from three in 2011 to 14 in 2014.

#### Environmental benefits

The study found significant differences in soil management between certified and non-certified estates. The most remarkable difference was the use of organic fertilizers: almost all certified estates (95%) and only half (51%) of

non-certified farmers used organic fertilizer. The majority of certified estates (84%) reported improved soil quality, whereas the majority of non-certified farmers (95%) stated that soil quality remained the same.

**84% OF CERTIFIED ESTATES REPORTED IMPROVED SOIL QUALITY, WHEREAS 95% OF NON-CERTIFIED FARMERS SAID SOIL QUALITY REMAINED THE SAME**

With regards to the protection of water streams, the main changes made for UTZ certification were waste water treatment and the safe disposal of agrochemical waste. Also all certified estates established buffer zones around water bodies, for non-certified estates this was only the case for a quarter of them. Field observations confirmed a clear difference in the cleanliness of water streams.

Our data shows that an increasing amount of hectares of tea in India are covered by UTZ certification, and therefore benefiting from more sustainable practices. In 2013 more than 7,000 hectares of tea were covered; by 2014 this had risen to more than 10,000 hectares.

#### Social benefits

On certified tea estates the health situation of employees was found to be significantly better. Employees on non-certified farms are much more often absent due to their health situation (on average 24 days a year) than employees on certified farms (on average 14 days a year). The difference in absence for longer than a week due to health problems is even larger: 61.9 days a year on non-certified farms versus 6.3 days a year on certified farms. Field observations by the researchers confirmed that living conditions at certified estates are better, especially with regards to cleanliness of living areas and production sites and availability of protective equipment.

According to our data, an increasing number of tea workers in India are benefiting from improved working and living conditions. In 2013 more than 22,000 workers worked on certified estates, in 2014 this had increased to almost 29,000.

#### Challenges

One of the challenges is that UTZ certified tea producers in India sold only 3% of their certified volume as UTZ in 2014.

<sup>10</sup> Walter J.V. Vermeulen and Just D. Dengerink (forthcoming), Impacts of private sustainability certification on practices of tea production in Tamil Nadu, India.

<sup>11</sup> This relates to the Individual code (vs.1.1), control point I.D.110: A buffer zone of native vegetation of at least 5m wide is kept along each border of seasonal and permanent water bodies to reduce erosion, limit contamination from pesticides and fertilizers, and protect wildlife habitats.

<sup>12</sup> The methodology was developed and piloted by living wage experts Richard and Martha Anker.

However, all the Indian farms in the study were multi-certified with other certification labels (such as Rainforest Alliance), so it is likely that they sold a part of their volume under another certification scheme and still received an additional premium, as one of the benefits of certification.

Another challenge brought up by the study is continued low wages for tea estate workers: "There is no difference with non-certified farms in the Indian case, as national and regional regulations are applied by all equally." The requirements of certification require farmers to adhere to national or negotiated minimum wages, banning illegal underpayment. Influencing wage levels, in particular in contexts where wages fall under a highly regulated framework, is challenging. To address this issue, UTZ is working within the Global Living Wage Coalition, which

brings together Fairtrade International, Forest Stewardship Council, Goodweave, Sustainable Agriculture Network/ Rainforest Alliance, Social Accountability International, UTZ and the ISEAL Alliance. This significant collaborative effort aims at triggering structural change regarding workers' wages as expressed in our joint statement released in November 2013.

In 2015, we introduced new criteria around the living wage into our code of conduct, and we have developed implementation guidelines to support a gradual move of wages towards a context of specific living wage benchmarks (beyond minimum wage). These benchmarks reflect a level of wage that will allow a worker and his/her family to earn a decent living.



### 3.7 COCOA IN INDONESIA

The total certified volume of Indonesian cocoa strongly increased between 2011 (5,258 metric tons) and 2013 (33,776 metric tons), and remained stable in 2014.

In 2014 we reached almost 29,000 cocoa farmers in Indonesia across 39,000 hectares of land. On average, certified cocoa farmers have a relatively low number of detected and resolved instances of non-conformity. The average amount of non-conformities per audit is 4.7 (compared to 6.4 for cocoa globally).



UTZ certification of cocoa farmers in Indonesia started in 2013, two years after the first certification of cocoa in West Africa.

An independent evaluation was carried out in 2014 by AidEnvironment, in the south-east provinces of Sulawesi and Aceh. It served the dual purpose of proving the impact of UTZ certification at farm and sector levels, and of creating a deeper understanding of how UTZ can improve its impact in the future.

#### Economic benefits

The research shows that certified farmers have increased both their productivity and the quality of their cocoa since joining the program. Farmers considered the training and follow-up support provided by the program as the main driver for this improvement. Agronomic practices have mainly improved cocoa bean quality, and good practices in post-harvesting were mostly dependent on farmers' access to markets, which reward quality. Moreover, UTZ certification has positively influenced market access by promoting more direct trade relationships. Farmers valued stable trade relationships (with higher prices than selling to alternative market channels) and training more than a premium. The direct relationship with traders allowed farmers to receive price information. It helped farmers in getting better deals from village collectors (a better bargaining position).

Most farmers experienced an increase in income and profit through the program. Certified farmers had considerably higher motivation to produce cocoa than non-certified farmers. This was mainly due to the increased support, productivity improvement and direct market access. The programs tended to focus on the more motivated farmers, but were able to further increase their motivation. It seems that because of the improved quality, stable trade relations and direct market access of UTZ certified cocoa farmers, they have a relatively high supply-demand ratio. UTZ certified cocoa farmers in Indonesia sold a relatively large part of their certified volume as UTZ in 2014 (60%, where the global average was 44%).

In 2013 there appears to have been a low recertification rate (45%) for Indonesia, which contradicts the positive economic benefits mentioned in the study. However, additional information from field staff shows that this had to do with a merge of traders, and that groups re-registered under a new name. Only one certificate holder was confirmed to have left the program due to loss of market demand and issues around selling their cocoa as certified.

### FARMERS VALUE STABLE TRADE RELATIONSHIPS AND TRAINING MORE THAN A PREMIUM

#### Social benefits and environmental benefits

UTZ certification resulted in the inclusion of more social and environmentally friendly practices in training modules. Certified farmers performed better than non-certified farmers on most topics included in this evaluation. Meeting the program requirements and standards contributed to increased self-esteem.

The programs increased awareness of the health risks of pesticide application and the use of Personal Protective Equipment (PPE). Certified farmers stored and disposed of pesticides and empty containers more safely than non-certified farmers. Most farmers reported that they stopped using banned/toxic pesticides such as Paraquat and reduced the overall amount of pesticides they used, thanks to more targeted application as well as improved pruning and sanitation practices.

Most of the detected and resolved instances of non-conformities in Indonesia were related to these topics: disposal of empty agrochemical containers (50%), agrochemical handling, storage and use (35%), good

sanitation practices (20%) and protective clothing (20%). The fact that these have been detected is an indication that the audits are contributing to improving the effects of training.

## Sector change

UTZ has defined sustainability and developed accountability systems between farmers and consumers. This has been an important driver for more direct trading relationships, as well as farmer support and organization – all conditions aimed at promoting sector-wide change. The UTZ code of conduct has helped to increase consistency in farming support messages. The assurance model and certification have realized accountability throughout the supply chain. This increased the demand for certified cocoa and has raised additional finance from brands and retailers, which was then invested in the supply base.

Certification has been one of the main drivers in developing more direct trade relationships, creating more transparency and redistributing value that would otherwise have been captured by middlemen. Direct trade relationships have increasingly become the cornerstone on which the cocoa industry secures its supply, and channels investments to farmers.

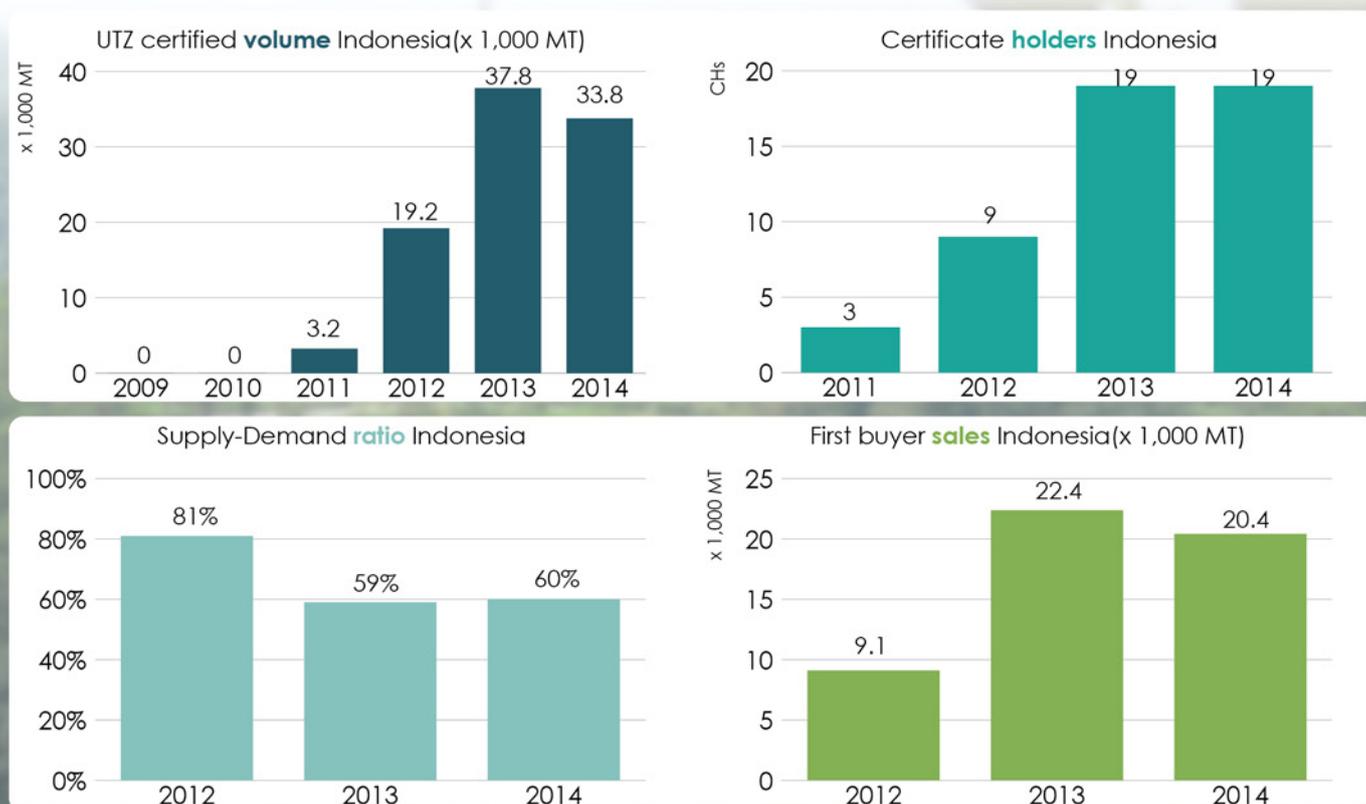
The shift from market-based relationships to direct trade relationships with additional farmer support services, partly promoted by certification, can be considered as a systemic change with wide-scale impact.

Furthermore, some spinoff effects were noted. The programs directly or indirectly influenced farmers who were not UTZ certified. For example, certificate holders and public extension services collaborating in programs went on to adopt UTZ requirements in their activities with other farmers.

## Challenges

Poor performance at the start of the Indonesian program has made it possible to bring about important improvements in productivity with relatively basic measures, but current yields are still far from optimal. In addition, not all farmers always complied with all the requirements of the UTZ code of conduct. The quality of the implementation of the UTZ program varied per case. Full compliance may require more time than the code of conduct allows, but it is clear that the program instigates steady improvement in the right direction.

Although profitability has improved, cocoa farming is still not considered a viable livelihood basis for the next generation. Whether their children will produce cocoa will depend to a great extent on whether cocoa can become a viable crop for farmers, compared to the alternatives.



## 4. CONCLUSIONS AND LEARNINGS

We are constantly learning and improving the UTZ program. The studies highlighted in this report, in combination with our own monitoring data, provide valuable insights that will be fed back into the program in the years to come.

### 4.1 THE UTZ PROGRAM IS ATTRACTIVE TO FARMERS

The rapidly increasing reach of our program – more farmers, certified products, volume and workers – shows the attractiveness of UTZ certification to farmers. Farmers enter into the program because they expect to benefit from it. In economic terms, they expect a positive business case: the benefits of sustainable production and certification will outweigh the cost of complying with the UTZ standard.

The monitoring and impact data shows that for most farmers these expectations have come true. Most farmers stay in the program for many years. In other words, they continue to comply with the UTZ code, arrange and pay for an audit and recertify year after year. The level of recertification is especially high for both coffee (84% in 2014) and cocoa (75% in 2014).

Tangible economic benefits seem to play an important role in the decision of farmers to stay or leave the program. Much depends on how much of their products they are able or expect to sell as UTZ certified in the market. They value the stable market access and price premium that comes along with UTZ certification.

If on the other hand they are unable to sell as UTZ, the program loses its attractiveness: almost one third of cocoa certificate holders who sold less than 10% of their certified volume as UTZ dropped out of the program in the following year. For coffee the percentage was slightly lower: 28% of certificate holders.

The impact studies support the conclusion that the program is attractive to farmers. The studies on Brazil, Ghana and Cote d'Ivoire amongst others show that most farmers are satisfied with the UTZ program. In Brazil more than 90% of coffee farmers were satisfied. They sell a relatively high percentage of their coffee as UTZ (46% in 2014), and 88% of certificate holders recertified in 2014.

### 4.2 UTZ FACILITATED INVESTMENT IN SUSTAINABLE PRODUCTION

The UTZ program has stimulated a strong market uptake of certified products. Between 2011 and 2014 coffee, cocoa and tea sales grew by 89%, 814% and 54% respectively. This rapid growth is an indication that both industry and consumers are increasingly willing to reward sustainable production. The 2020 sustainability commitments of large chocolate brands played a key role in the expansion of the cocoa program.

Another driver of strong market uptake is the alignment of the UTZ code with an industry focus on increasing productivity. UTZ requirements related to good agricultural practices aim to improve product quality and yield. This alignment has greatly facilitated the strong uptake of UTZ certification by the industry. Certification is considered a logical component of sustainability initiatives, as it combines market incentives with the assurance of good practice.

The impact studies suggest that certification stimulated and facilitated investment in sustainable production. Certification increased transparency and accountability in the supply chain, contributing to increasing levels of investment by brands, manufacturers and traders in sustainable production on the ground.

The Indonesia evaluation shows that certification has increased transparency and accountability in the supply chain. This has led to more consistency in farmer support and raised additional investment. Certification is seen to be driving the move to more direct trading relations between industry and farmers, at the expense of potentially exploitative middlemen.

UTZ certification includes a price premium to be paid to the farmer. In this way farmers are directly rewarded for their efforts. Monitoring data shows that the premium is paid by the industry and reaches the farmer.

The level of premium remained stable for cocoa (110 euros per metric ton) but declined for coffee (from 4 to 3 \$ cents per pound) in recent years.

### **4.3 UTZ HAS A POSITIVE IMPACT FOR FARMERS, COMMUNITIES AND THE ENVIRONMENT**

From the evaluation studies a consistent picture of the positive impact at farm level emerges. The nature and size of this impact depends on the context. This is similar to the conclusions of the 2013 COSA Measuring Sustainability Report, a synthesis of impact studies in cocoa and coffee in 12 countries, which found that, "Voluntary Standard Systems are often, though not always, associated with diverse economic, social and environmental benefits".

In general, certified farmers experience better economic conditions over time as a result of higher yields, lower production costs and occasionally higher prices. In Colombia researchers found that UTZ certified farmers experienced lower production costs and more stable coffee yields, compared to uncertified farmers. In Ghana researchers found an increase in cocoa yields over time for certified farmers between 2012 and 2014. However, they did not find a yield difference between certified and uncertified farmers. This was because uncertified farmers were exposed to similar interventions as certified farmers: training, provision of inputs and other positive spill-overs of the certification program. Certified farmers shared their knowledge with their uncertified neighbours, and sometimes worked on uncertified farms.

The environmental conditions and practices on certified farms tend to improve over time and are generally better than on uncertified farms. The research in Brazil shows that coffee farmers have seen better soil quality and restoration of natural habitats. In Colombia, the environmental sustainability index improved significantly as a result of the adoption of soil conservation practices, recycling and better agrochemical handling. Certificate holders in South Africa implemented more responsible crop protection practices in rooibos (by substituting products on the international banned pesticide lists).

Working and living conditions on certified farms tend to improve over time and are in some aspects better than on uncertified farms. In the cocoa sector, certification has raised awareness on child labor. In Côte d'Ivoire and Ghana, UTZ certified farmers were more aware of which activities are not permitted for children, and of the benefits of children going to school. In Côte d'Ivoire, the hours that children spent assisting their families on the farm were way below the maximum. In Ghana, almost all children (98%) of certified farmers went to school.

In Brazil, workers experienced improved health and safety at work and appropriate facilities, such as lavatories. In India the health situation of workers on certified estates was significantly better than on non-certified estates. The difference in absence for longer than a week due to health problems differed a lot: 61.9 days a year on non-certified farms versus 6.3 days a year on certified farms. Workers on certified estates in South Africa specifically noted improvements in health and safety and hygiene conditions.

Most impact studies confirm the theory of change of the UTZ program. They find a positive relationship between the interventions and (short-term) outcomes, consistent with what we are hoping to achieve through our theory of change. For example, training leads to increased adoption of good agricultural practices, which in turn leads to increased productivity.

The combined monitoring and impact data suggests that so far UTZ has found a good balance between a strict code and market uptake. Impact data shows that the UTZ code is meaningful, as it is associated with economic and environmental benefits. Monitoring data shows a strong market uptake, which indicates that UTZ is attractive to farmers and industry. Together it means that UTZ has a meaningful impact on a large scale.

## 4.4 THERE IS ROOM FOR IMPROVEMENT

The evaluation studies show that in some cases impact is limited by structural factors, such as widespread poverty, low levels of education, lack of infrastructure and affordable inputs or credit. For example, smallholder cocoa farmers in Ghana and Côte d'Ivoire generally start from very low levels of income and low levels of knowledge of good agricultural practices. So even though an increase of 30% in knowledge of good agricultural practices is measured, in the case of Ghana between 2012 and 2014, the average level of knowledge remains low. Therefore, the overall impact of increased knowledge and adoption of good agricultural practices on productivity is modest. Similarly, child labor is a structural problem that can only be fully eradicated through the joint efforts of many stakeholders, including communities and governments.

We recognise that external factors such as price and weather conditions have a large influence on the impact of certification for farmers. This is clearly visible in the Colombia evaluation, in which adverse weather conditions influenced yields. Colombia experienced bad harvests when the follow-up measurements three years after the baseline took place. In Colombia this meant that the yield of certified farmers actually dropped, but much less so than that of uncertified farms. The adoption of good agricultural practices made Colombian coffee farmers more resilient to adverse conditions.

Monitoring and impact data also points to several areas for improvement either where performance of the UTZ program is not meeting expectations, or where new challenges have come up. Therefore we recognize that we need to improve the performance and impact of our program.

We need to stimulate demand and better match supply and demand for all certificate holders. There is a substantial number of certificate holders still facing low sales, only able to sell a small part of their certified volume as UTZ. Increasing their market access by linking them to potential buyers is a priority.

We also need to increase the inclusiveness of our program. Currently our reach with regard to smaller coffee farms in Brazil, as well as young people and women in the cocoa sector, is insufficient. In addition, we want to reach farmers who are not yet organized into groups and strengthen their group management.

Although productivity and income both increased after certification, levels remain low. Therefore, many smallholder farmers do not consider cocoa farming as a viable livelihood. There is also a gap between current and living wages in the tea and coffee programs in some countries.

There are no easy fixes, as most challenges are structural in nature. For example the Ghana study concludes that full inclusion of women and young people in the UTZ program is not possible because of prevailing cultural norms regarding farm ownership and membership.

All of these findings will be fed back into our program to make it stronger for the future. What has become clear over recent years is that many of the challenges identified cannot be addressed by certification alone. Many of them – such as climate change, living wages, child labor, inclusivity and gender equality – require the involvement of a wide range of actors. That's why, over the coming years, we will be broadening our approach and working with governments, companies and civil society to tackle these issues and bring about lasting change for a growing number of farmers, producers, workers and their families.



# UTZ

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