

Effects of UTZ certification according to coffee farmers in Brazil

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1. Executive Summary

This study provides the first evaluation of UTZ certification from the point of view of the certified farmers and other stakeholders in Brazil. The UTZ certification programme was launched in 2002 in Brazil. Over the years, the number of certified farmers has grown considerably, mainly due to the adoption of the standard by medium and large-scale coffee producers in the main coffee-farming regions of Minas Gerais, São Paulo and Espírito Santo. Most of the farmers adopted UTZ certification as part of their business strategy, in order to stand out for the quality of their coffee, improve their access to export markets and obtain a better price.

Coffee farmers in Brazil make up a significant proportion of UTZ Certified producers worldwide. The volume of UTZ Certified coffee purchased worldwide is approximately 4 million bags per year, and Brazil accounts for 35 to 40% of this volume.

To date, UTZ certification in Brazil has mainly been adopted by medium (20-100 ha) and large-scale (more than 100 ha) producers. Together, they represent more than 98% of the UTZ *certificate holders (CHs)* in Brazil. Small-scale producers (below 20 ha) are underrepresented, although there are efforts to include them in the certification programme, through projects and partnerships with businesses and government bodies.

This research was conducted between April and November 2014 and included an electronic survey and interviews with farmers and stakeholders in the four main producing regions: the South and West of Minas Gerais, Cerrado, Zona da Mata (also in Minas Gerais State) and Alta Mogiana in São Paulo state. The research covered 89 of the 203 current UTZ certificate holders (producers), meaning the responses obtained in the study offer a fairly representative overview.

The research questions were based on the UTZ Theory of Change (ToC). The evaluation aimed at identifying the views of the farmers regarding certification and its impact, as well as identifying if UTZ certification had achieved its main objectives, which are:

1. The adoption of better farming methods;
2. To improve the farmers' and workers' income;
3. To have a better and more protected environment;
4. To ensure better living conditions for the farmers and workers.

In general, according to the views of the main users, it can be said that UTZ certification has had positive effects on the four above-mentioned areas, albeit to varying degrees. While for area 1 (Better farming methods) certification had positive effects in all the cases that we evaluated, the effects in areas 2 and 4 were also influenced by the context of coffee farmers' in Brazil and by the world coffee market. The challenges for farmers to comply with Brazil's labor and environmental legislation have increased due to stricter enforcement policies in recent years.

Fluctuations in market prices also had an impact on financial results in Brazil's coffee farming sector, the coffee price on the market and exchange rates clearly had a stronger impact on profitability than the premium offered to UTZ farmers.

The research reveals that the premium¹ is a matter of great concern to the farmers, who demand more transparency on the way the UTZ premium is distributed. Nevertheless, the majority of the farmers experience clear improvements on the farm, notably a more efficient use of resources, and better organisation as a result of certification. Farmers experience the yearly external audits as an incentive to keep their farm management and records up-to-date. This improves their efficiency and reduces their labor and environmental liabilities.

More efficient use of inputs and the correct waste disposal also have a positive effect on reducing costs and liabilities, and help to balance the environmental conditions on the farm. Interestingly, the farmers affirm that UTZ could further increase its environmental impact, by raising its environmental requirements. In many cases, farmers owe it to UTZ certification that they were able to comply in time with the Brazilian environmental legislation regarding mandatory set-aside areas (called "Environmental Protection Areas")

One of the strengths mentioned both by the farmers and the market players is the UTZ traceability system. Although it was noted that certification does not target the quality of the coffee itself, in the view of the respondents, the traceability requirements boost product quality as it enables farmers to see where their best coffee is being produced, making it possible to take appropriate actions for different tracts of land, and processing activities, and to market better qualities separately. On-farm traceability therefore creates the conditions for informed decisionmaking and differentiated production and processing practices, with positive effects on costs, quality and coffee revenues from the farm.

To analyse area 4 (Better Life for farmers and workers), 57 workers at the farms were interviewed. Their responses indicate that by providing training and protective equipment, the health and safety conditions improved at the certified farms. According to interviews with other stakeholders, the UTZ certified farms stand out positively from neighbouring (non-certified) farms, which run a higher risk of being found to have labor related or environmental liabilities during governmental inspections.

A correct registry of workers, by means of signing off their Work and Social Security Card (CTPS)² and correctly stating their job title avoids labor suits and fines and increases worker satisfaction and loyalty. Although the workers are satisfied with their working conditions, the farm's financial gains obtained through sales on the UTZ

¹ A "premium" is the additional price paid on the market for UTZ coffee. The premium is not fixed but variable.

² Carteira de Trabalho e Previdência Social (CTPS): this is a legal work document that records the individual's employment history and ensures access to social security benefits (health, severance pay and unemployment benefits). It is mandatory for all employers and workers. The CTPS can be issued from the age of 14. Hiring minors between ages of 14 and 16 is officially regarded as "apprenticeship".

market does not seem to result in increases in the workers' payroll. Financially speaking, workers who live on farms have additional benefits such as free housing, water and electricity, and are therefore in a better financial position than salaried workers who live in the cities and have to pay for rent and basic services.

It is clear that in a situation such as Brazil's, with huge distances and regional differences, both environmental and social matters must be analysed at a regional level, since each region has different characteristics: in flatter regions, such as Alta Mogiana and Cerrado, mechanisation is more widely used than in more mountainous regions and there are consequently differences both in terms of environmental conditions and the composition of hired labor.

In general, the farmers are satisfied both with the service provided by UTZ and with the effects of certification. They intend to keep it up in the next few years, as they consider the cost/benefit ratio to be favourable. In terms of the market, they would like the label to have a higher profile amongst consumers, particularly in Brazil's domestic market, where the label is not well known.

Another challenge for the certification scheme is the inclusion of small-scale producers, who form the majority of coffee farmers in Brazil at present. Until now, UTZ certification has primarily been adopted by medium and large-scale farms. Inclusion initiatives with third parties are already being carried out, and should be expanded over the next few years.

The report also points out some areas for improvement, which may be implemented to meet the farmers' expectations and improve the certification's effectiveness. Firstly, more transparency is needed on how the premium is distributed in the value chain. It is important that the intermediaries, such as cooperatives and traders make more of an effort to convey the actual benefits of certified coffee to the farmers.

In terms of monitoring the impact and improvements at the farms, it would be helpful, from the very start of certification, to monitor key performance indicators that allow the farmer to monitor progress and plan for more targeted improvements. Regional seminars with farmers and a fine-tuning of the certification protocol used by the consultants and auditors are also important measures that could boost the credibility and effectiveness of UTZ certification in the future.

Another recommendation from farmers was to raise the environmental requirements and guidance of the UTZ code of conduct, providing more details on how to meet the environmental criteria, which to date have helped the farmers to comply with the demanding Brazilian environmental legislation.

There is still a challenge in including workers in the distribution of the increased profits since, for the time being, no wage differential was noted at the farms surveyed. It is therefore encouraging that UTZ is actively engaged in an international coordinated effort with researchers and sustainability standards to establish a living wage for agricultural workers.

2. Introduction

UTZ Certified is a sustainability standard and program based in the Netherlands aimed at sustainable farming, which seeks better opportunities for farm workers, their families and the environment. The UTZ standard is applied by coffee, cocoa and tea farmers in more than 20 production countries. 10% of the coffee exported worldwide is UTZ certified.

This research was commissioned by UTZ to find out what UTZ Certified Brazilian coffee farmers think of the impact of certification. Brazil is the world's largest coffee exporter with approximately 45 million bags a year and is also the largest UTZ certified coffee producer, with approximately 35% of the total global volume exported with the UTZ label. The UTZ programme was introduced in Brazil thirteen years ago, in 2002.

This research also plans to map, understand and interpret the impact of certification for the farmers and the sector as a whole, which includes issues that are beyond the farmer's scope of influence. An issue identified in advance in surveys conducted with stakeholders was, for example, the fact that a number of farmers left the system or were not interested in joining due to the perception that there would be no financial benefits in terms of the price of a bag of coffee.

In addition, the aim of the research is to make recommendations to UTZ, to increase its effectiveness and relevance in Brazil to present and future members, and to point out possible benefits and costs so that UTZ may fine-tune and update its Theory of Change and the UTZ Code of Conduct, which were used as a methodological basis for the research.

This report shows the quantitative and qualitative findings of the research in the form of charts and comments collected through interviews and an e-survey.

The document also contains the authors' analysis, as certain findings gained weight owing to the frequency with which they were noted in the surveys and in the electronic survey responses.

The work was carried out by the BSD Consulting and Ibi Eté Consultoria consortium of companies between April and November 2014. The preliminary findings were discussed at a validation workshop with the stakeholders on 18th of November 2014 in Poços de Caldas, Minas Gerais. The participants' comments were included in this report.

3. Methodology

This evaluation was commissioned to gather evidence about the certification's effectiveness and to gain insight in how to improve the UTZ certification programme in Brazil. The study therefore aimed to collect quantitative and qualitative data to describe the results and impact of the certification in three areas, social, environmental and economic, for three groups: farmers/producers, salaried workers and the community. The evaluation focused on medium and large-scale coffee producers with properties between 50 and 1000 ha which, according to UTZ's office in Brazil, represent more than 80% of UTZ certified areas in Brazil.

Using a "fit for purpose" criterion, the evaluation used a qualitative (rather than quantitative) approach, focusing on capturing and understanding the effects as perceived by producers and workers. The approach was guided by the UTZ's Theory of Change ("ToC") and helped to verify if UTZ had achieved its main objectives, which are:

- The adoption of better farming methods;
- To improve the farmers' and workers' income;
- To have a better and more protected environment;
- To ensure better living conditions for the farmers and workers;

The evaluation team acted independently. This work therefore represents the team's voice, qualified opinion and evaluation.

Nevertheless, this methodology has some limitations, such as the absence of a baseline. It only takes into consideration the subjective views of farmers, workers and people working in the sector. However, to mitigate this limitation, the information was subjected to triangulation, checking the farmers' information against that of the workers and people working in the sector to reach the most appropriate conclusion on the issues being evaluated.

Unfortunately for this study it was not possible to survey temporary workers. Therefore the information relating to this group was based on surveys conducted with the other aforementioned groups.

The research was divided into four stages:

1. E-survey with all Certificate Holders (CHs)

Firstly, we carried out an e-survey applying a standardized questionnaire to UTZ certified coffee farmers across Brazil. This questionnaire was sent to all 203 registered CHs³ and was answered by 66 certified producers (32,8% response

³ Certificate holders (CHs) are the owners of a farm or the companies running a multi-site or group certification.

rate). After analysis of the questionnaires, categories were defined to select farms for field visits and additional interviews. Other selection criteria included the record of the CHs' engagement with the UTZ programme (indicated by the local UTZ team), and the characteristics and region the farms were in.

2. Field research: Qualitative surveys and research conducted amongst the workers

According to the data provided by UTZ Brazil, there are currently 203 Certificate Holders in Brazil, comprising 576 farms. Of these, 169 CHs are in Minas Gerais state, 27 in São Paulo, 5 in Bahia, 1 in Paraná and 1 in Espírito Santo (data for June 2014).

Table 1: Number of active CHs in Brazil in 2014

Table 1: Number of active CHs in Brazil in 2014

Active Certificate Holders (June 2014)	CHs	Farms	Sample	% of sample in relation to the total
<i>Individual</i>	108	108	64	59% of CHs
<i>Group⁴</i>	4	56	6	11% of farms
<i>Multi-site</i>	91	412	19	21% of CHs
Total	203	576	89	44% of CHs

The field research was therefore concentrated in Minas Gerais and São Paulo states, as the population of Certificate Holders in other states is minimal. Together, these two states represent 97% of CHs.

In defining the region, the following criteria were considered:

- The number of farmers in the region.
- The number of farmers with varying periods of membership of the certification scheme, to obtain the views both of farmers that have been in the certification scheme for longer, as well as those who were newer to the programme. This allowed us to collect information on the reasons for joining the UTZ programme, as well as see the differences between the results achieved and the certification, providing information on the ongoing progress.
- The types of UTZ certification. In Brazil the applicable certifications are: individual, group and multi-site. The Certificate Holders in the regions selected included all three types of certification.

⁴ Group certification in Brazil is used by small, medium and large-scale producers. This category of certificate holders does therefore not represent a particular type of farmer.

The regions chosen to conduct the field research were: Alta Mogiana - São Paulo, Sul de Minas - Minas Gerais, Oeste de Minas - Minas Gerais, Zona da Mata - Minas Gerais and Cerrado - Minas Gerais. The following methods were used during the field research:

- 36 individual interviews with farm managers or farmers. These interviews used a standard questionnaire for each category and had ToC indicators as a basis.
- 57 individual interviews with farm workers. The questionnaires were based on the ToC and Chapter 10 of the UTZ Code of Conduct (the workers' questionnaire was different to the ones used for the farmers).



Figure 1: Farming areas covered by the Field Research

The table below shows how many farmers participated in the survey in each region. A full overview of the sample is in Annex I:

Table 2: Number of CHs per region in Brazil

<i>Location of the CHs</i>	<i>CHs</i>	<i>Surveys conducted with CHs by region</i>
<i>Minas Gerais</i>	<i>169</i>	<i>67</i>
<i>São Paulo</i>	<i>27</i>	<i>20</i>
<i>Bahia</i>	<i>5</i>	<i>1</i>
<i>Paraná</i>	<i>1</i>	<i>1</i>
<i>Espírito Santo</i>	<i>1</i>	<i>0</i>
Total	203	89

3. Meeting with other stakeholders

17 surveys were conducted on the telephone with other actors in the coffee sector in Brazil to gather outsiders' views on the farmers and the coffee market in the region. These surveys also helped to validate the data collected from the farmers.

The stakeholders surveyed were selected in the following categories:

- Government entities connected to the rural and coffee sector;
- Representatives of rural workers' trade unions;
- Buyers and exporters;
- Roasters and coffee specialists;
- University representatives;
- Auditors and coffee consultants;
- Chain of Custody representatives;
- Industry representatives;
- Market specialists.

The consultations had a structured script for each stakeholder group. The complete list of respondents is in Annex II.

4. Approval of stakeholders

After completing the interviews, the responses were consolidated with the online survey responses. This increased the response of the online survey from 66 to 89 responses (13 respondents had already previously responded to the online survey). The first cross-checked data was then validated and discussed amongst a panel of stakeholders chosen during the process. The validation workshop took place in Poços de Caldas on 18th of November 2014 and lasted six hours. The aim was to discuss the main findings and conclusions and to identify issues that might have been overlooked in the process.



Figure 2: Validation workshop with stakeholders held in Poços de Caldas on 18 November 2014

4. About UTZ

UTZ certification exists in more than 20 countries, mainly in Latin America, Africa and Asia. The products that form part of the UTZ certification programme are coffee, cocoa and tea, with coffee representing the highest certified commodity in volume. According to UTZ's 2013 Annual Report, the total volume of UTZ certified coffee was 726,591 tonnes. Of the 21 countries producing certified coffee, Brazil was the main producer, representing 31% of this volume.

Table 3: General overview of UTZ certified coffee in the world

Volume of UTZ Certified Coffee	2009	2010	2011	2012	2013
Volume of UTZ certified green coffee (tonnes)	365,972	394,003	476,903	715,648	726,591
Volume of UTZ certified green coffee (60 kg bags)	6,099,525	6,566,717	7,948,377	11,927,467	12,109,850
Average premium paid (USD cent/pound weight)	4.97	4.91	4.14	4.29	3.5
Number of producer countries	21	21	22	23	21

The UTZ programme is based on its Theory of Change. The diagram below is a simplified graphic view of the UTZ Theory of Change. It represents the link between the strategies and the expected impact of the UTZ programme.

According to the Theory of Change, the outcomes of the program are the result of farmers implementing the UTZ Code of Conduct, which describes all the requirements the farmer must adhere to. These requirements include Good Agricultural and Farm Management Practices, Health and Safety, Better Working Conditions, the Abolition of Child Labor and Protection of the Environment.

To ensure these requirements are followed, the farmers and the farms are monitored annually by independent auditors. UTZ certification also guarantees traceability of the product, from the shelves back to the field. All sales are recorded in UTZ's Good Inside Portal.

In the middle of the diagram is the farmer who represents sustainable farming, the goal of the programme. The programme requires better farming methods; better working conditions; better care for nature and better care for next generations. As a result of implementing the requirements of the code, the expectation is to contribute to achieving a better crop, better income, a better environment and a better life.

Figure 3: UTZ's Theory of Change



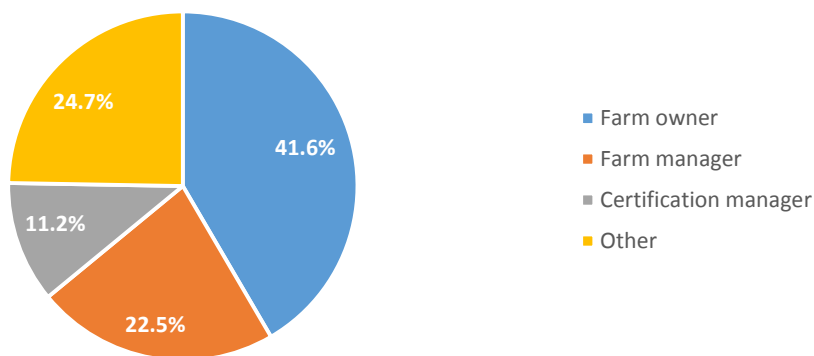
5. Evaluation of the impact of UTZ certification: Results

Information was collected from a total of 89 people representing UTZ Certificate Holders. Of these, 36 were surveyed in person or over the telephone. Since Brazil currently has 203 UTZ Certificate Holders, the number of people surveyed represents 44% of the CHs. The Certificate Holders are coffee producers, whose general characteristics are described first. This will be followed by a presentation of the findings about the effects of UTZ certification as perceived by these producers and the coffee workers.

5.1 A typical UTZ farmer

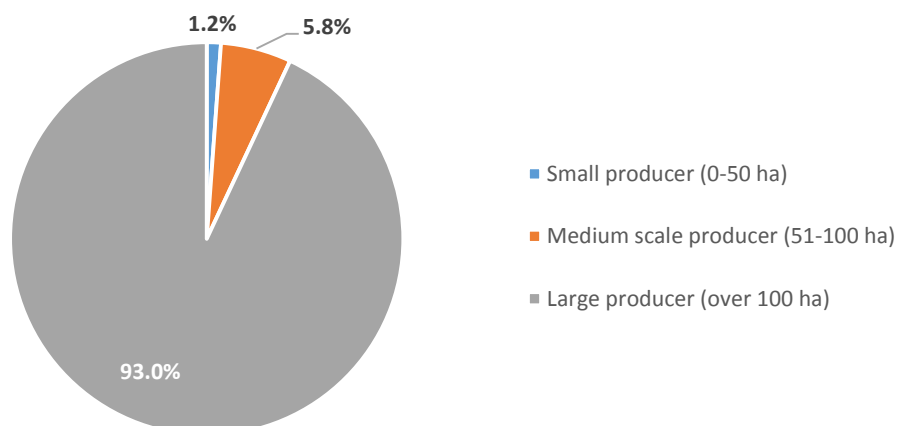
Various actors of a coffee farm are responsible for managing the UTZ certification but, in most cases, the owner is the person responsible for the certification.

Chart 1: Role of survey respondents at the properties



The profile of UTZ certified coffee farmers in Brazil shows that most are large-scale producers. The number of small-scale producers on the UTZ programme is still small; they are currently only in the group certification model.

Chart 2: Classification of respondents according to farm size



The majority of the respondents have individual certification, 72% of the total, and most of these, 75%, were situated in Minas Gerais state, followed by São Paulo, 22.5%. The other states (Espírito Santo, Paraná and Goiás) only represent a small proportion of those in the UTZ certification programme. Together they only account for 2.2% of this survey. However, although the most represented group are individual CHs, the characteristics and impact of the certification do not vary according to the type of certification. In other words, the profile and the impact for individual CHs was fairly similar to that identified for the multi-site and group CHs.

Chart 3: Classification of respondents according to certification type

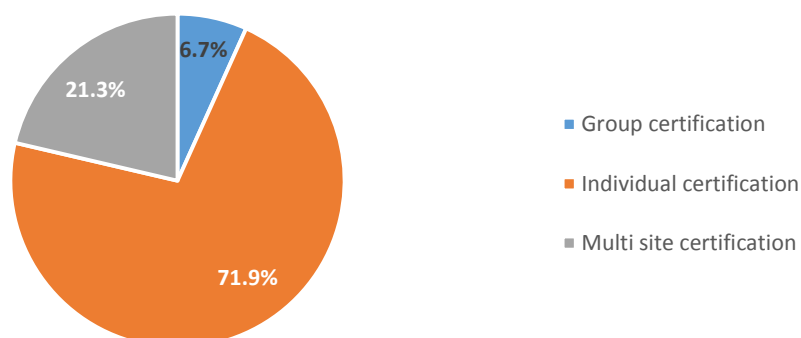
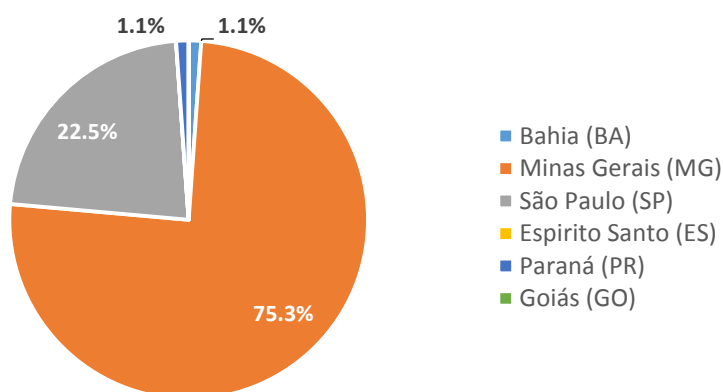


Chart 4: Classification of respondents by State



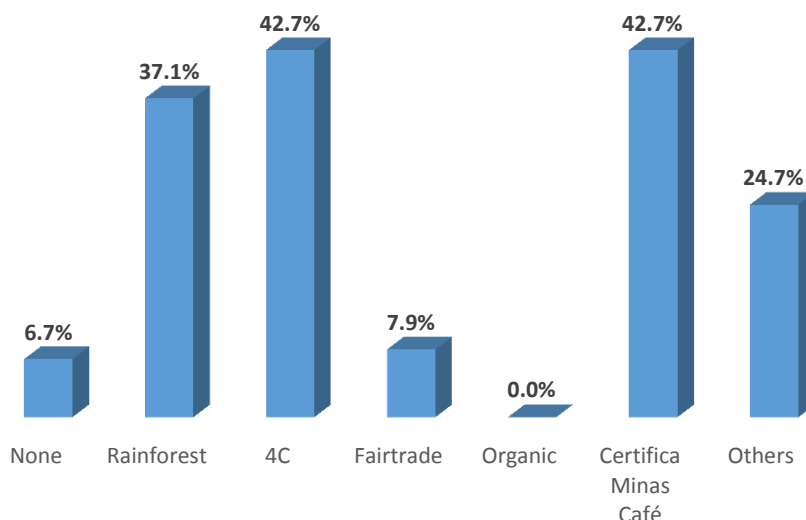
More than 90% of the CHs surveyed also hold other certifications in addition to UTZ certification. The most common certifications were:

- 4C, considered by the respondents as “easy to obtain”;
- Certifica Minas Café, which recently entered a partnership with UTZ and serves as an entry point to the UTZ programme⁵;
- Rainforest Alliance, a certification that is well-known by the farmers and buyers in the coffee market; and

⁵ The partnership is recent and the number of Certifica Minas certifications is expected to increase further as there is almost no cost for farmers who already hold UTZ certification.

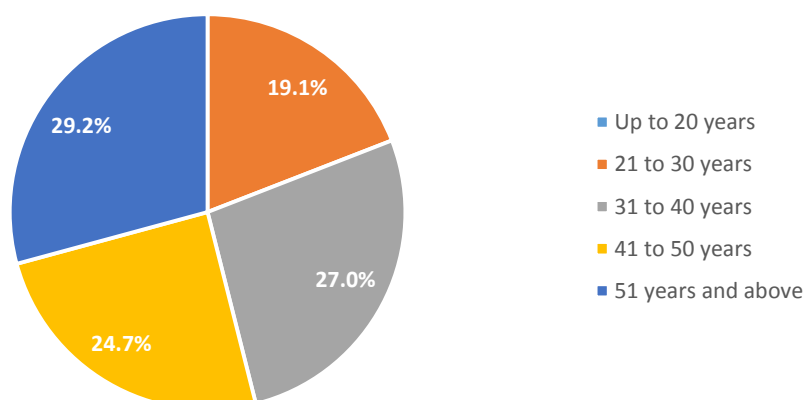
- Other certifications also identified were from companies such as AAA (Nespresso) and Nucoffee⁶ (Syngenta);
- Other forms of international, national or regional certification such as Caccer (Café do Cerrado), Alta Mogiana and Fairtrade.

Chart 5: Other types of certifications



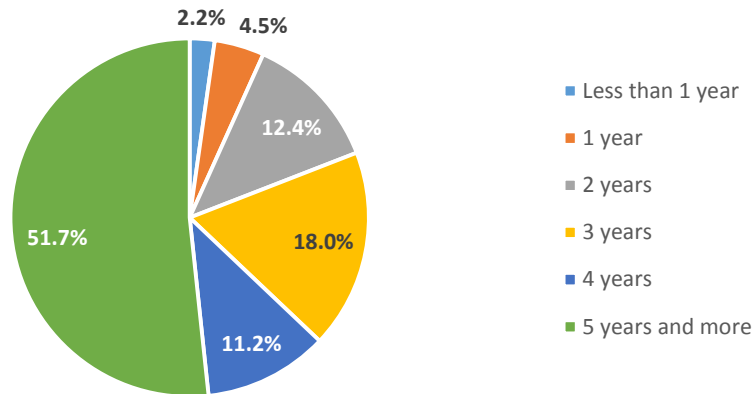
The vast majority of the producers were men, 78.7%, while women represented only 21.3%. The majority were over 51 years old, but there was great diversity in ages. It was noted that there were no young owners or managers under the age of 20 at the farms. More than 50% of those surveyed have held UTZ certification for more than five years, demonstrating that UTZ is already well consolidated in the Brazilian market.

Chart 6: Classification of respondents by age



⁶ Nucoffee is a unique inputs exchange model created from a partnership between UTZ and Syngenta, known as *Caminho Sustentia*.

Chart 7: Certification period at the farms being studied



In general, UTZ certification was very highly regarded by the farmers and external stakeholders. More than 90% of the farmers surveyed were satisfied with UTZ certification and believed that it was worth joining the programme, as well as recommending UTZ certification to other farmers.

Chart 8: Farmers' views on whether or not it is worth having UTZ certification

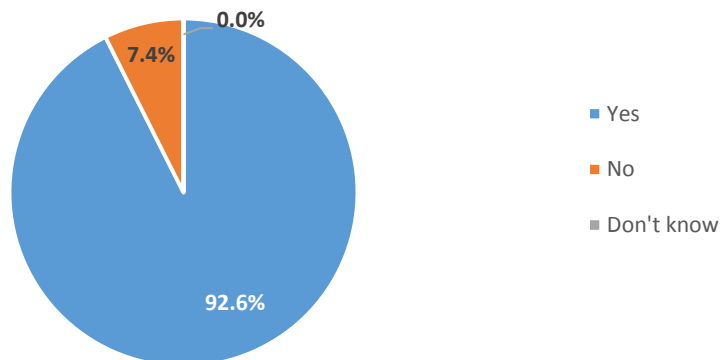


Chart 9: "To what degree are you satisfied with UTZ certification?"

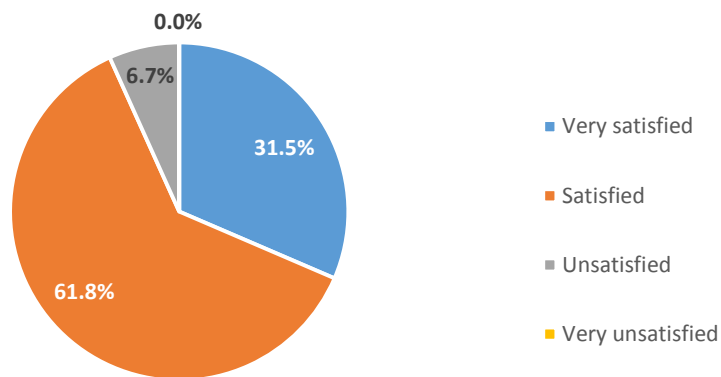
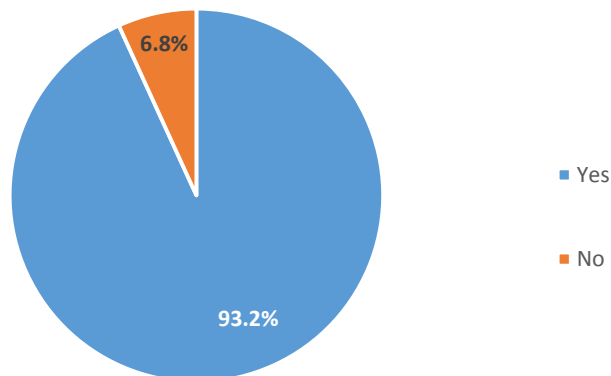


Chart 10: "Would you recommend UTZ certification to other coffee producers?"



As mentioned previously, the results and characteristics of the CHs identified are not separated according to their type of certification. In other words, all the responses shown above and those displayed below show the opinions of the three types of UTZ certified farmers in Brazil.

Below are the findings about what producers perceive to be the effects of UTZ certification. These results will be shown taking the UTZ Theory of Change as a basis. The chapter will be sub-divided into four categories: better farming methods; better working conditions; better care for nature and better care for next generations.

We present the findings according to the outcome areas of the Theory of Change, and in each section we include quotes from producers and stakeholders to illustrate the content of the quantitative responses. In the next section on the farming methods, we included an analysis on generating greater market value, as these aspects are closely interlinked. The original complete format of the UTZ Theory of Change is in Annex III.

5.2 Better farming methods and better access to markets

The Theory of Change focuses largely on improvements in farming methods, which have effects at various levels. In terms of management and productivity at the farm, they create the potential for a better financial outcome, but also environmental benefits, which is the focus of another section in this report (5.3).

It was clear that this was the area where UTZ certification had the greatest contribution, according to the producers. There is a consensus that certification led to improved farm management and lower costs. The farmers would also like these improvements to have a greater repercussion on the market price. This became clear at the very start of the study. However, the impact in terms of price and sales did not meet the farmers' expectations.

The "Better farming methods" category aims to show the benefits of UTZ certification for agricultural output at the farms, and to do this, it is subdivided into five areas:

- Healthy soil;
- Increased productivity;
- More efficient farm/farming;
- Quality meets the market's demands; and
- Access to services and resources.

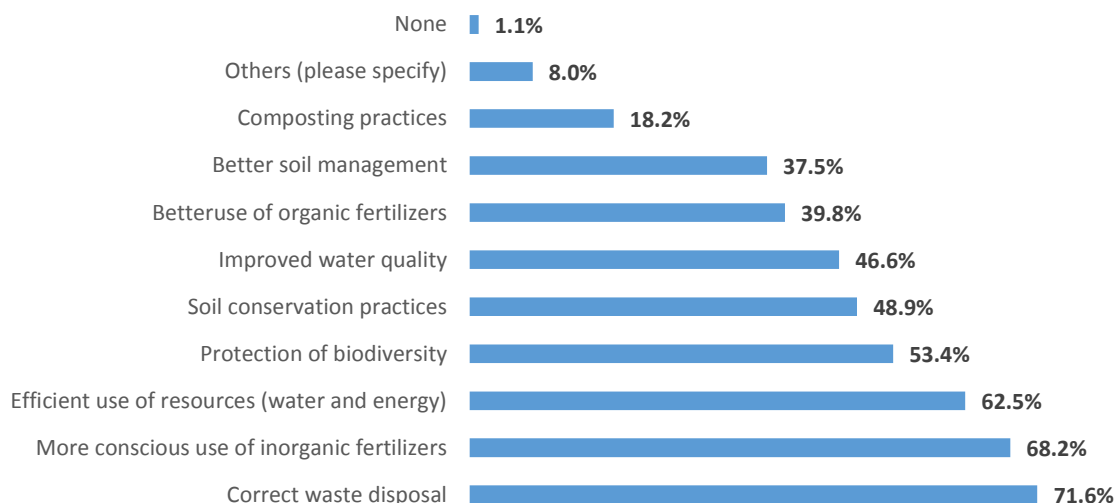
Below are the results for each sub-category. For healthy soil, we added various data on environmental practices that lead to healthier soil.

Healthy soil

48.9% of the farmers claimed they have adopted measures to protect the soil to qualify for certification. We understand from the surveys that this percentage represents farmers who were not yet implementing soil conservation prior to certification. The total number of farmers using soil conservation practices is much higher than this percentage. Soil conservation is just one of the practices contributing to a better environment and more sustainable farming.

Chart 11 shows the most common soil and water conservation practices at the certified farms. Firstly, we found practices that contribute to better environmental conditions and lead to cost savings thanks to the more efficient use of resources.

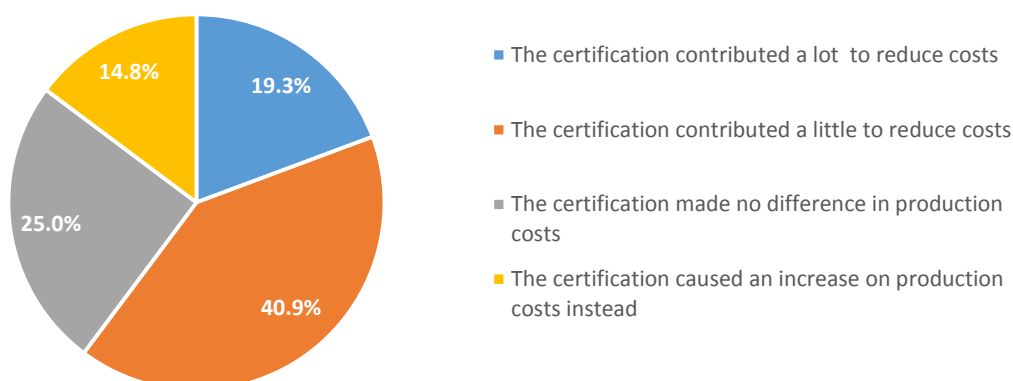
Chart 11: "What are the main aspects of UTZ certification that contributed to environmental improvements at the farm?"



Increased productivity and more efficient farming

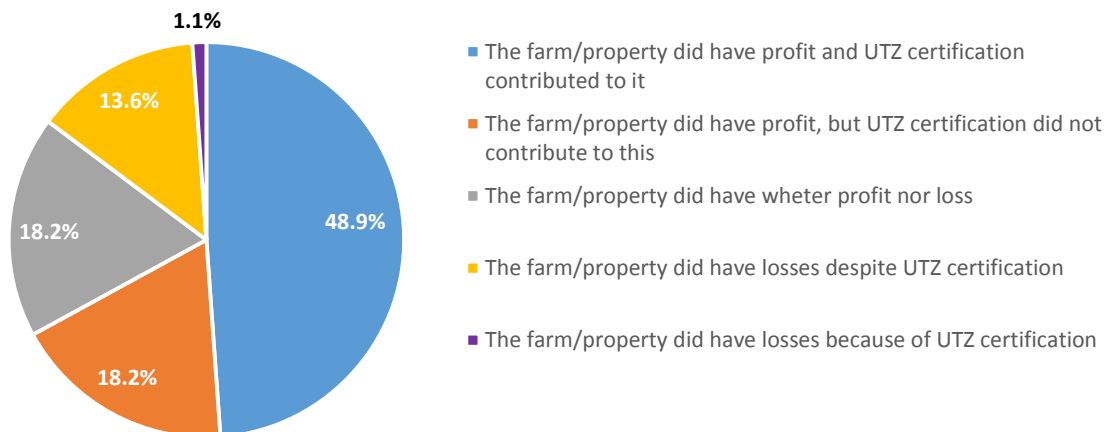
More than 60% of the farmers surveyed also stated that the certification contributed to reducing costs and therefore resulted in higher profits. However, 14.8% of farmers thought that certification actually increased the farm's costs.

Chart 12: "In your opinion to what extent has UTZ Certification contributed to lower production costs (raw materials, equipment, labor etc)?"



In at least 48.9% of the cases analysed, the cost reduction contributed to increased profitability. This should be seen to be a positive result, since the last five years (since the financial crisis) have been difficult for Brazilian coffee sales, which suffered from a low prices and recent losses following a drought this year.

Chart 13: "What is your opinion about the overall profitability of your farm and UTZ certification over the past 2 years?"

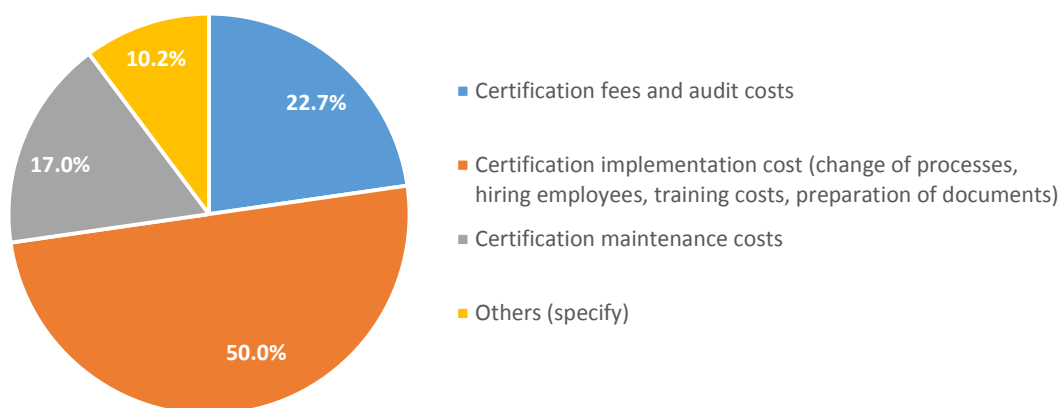


During the visits, the farmers explained that the audit costs were less of an issue than the investments needed to make the farm compliant with environmental and labor legislation. The latter had the largest effect on the costs of certification.

The implementation costs normally affect the farmers' short term profitability at the start of the certification process, but these costs are recovered over time. Once farmers are in compliance with national legislation (a requirement of the UTZ code) they run less risk of facing environmental fines or costly labor suits.

The cost of maintaining the improvements is considered to be a lesser financial burden than the cost of the yearly audit and the initial investments.

Chart 14: "Which costs do you consider the most challenging to maintain your certification?"



Stakeholders' comments:

- *"The farmer's life improved with certification, as he became more organised, and has more control in managing the farm. The workers also see improvements as they are protected by the legislation. "(Auditor)*
- *"For the farmers, the main benefit by far is an improvement in the management of the farm, which leads to cost reductions and being more in control over the production process. "(Consultant)*
- *One can see improvements that can be attributed to the certification, primarily in the company's organisation, record keeping and appearance (hygiene and cleanliness). "(Coffee Market Specialist)*

Quality according to market requirements

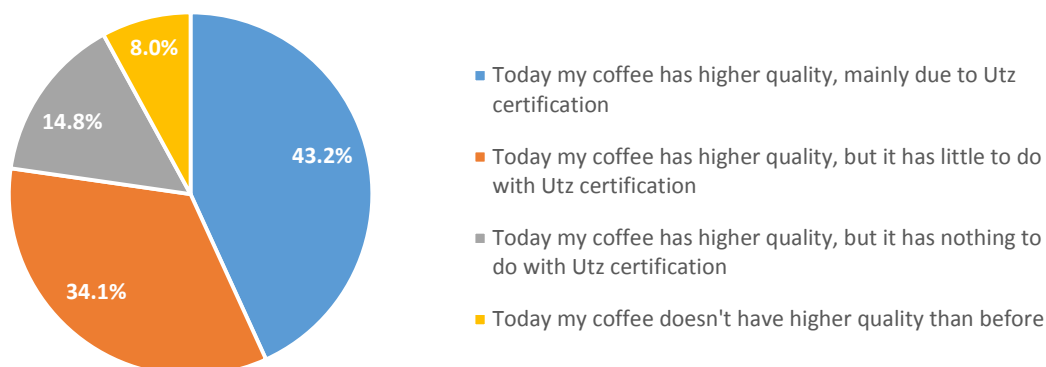
Although most of the farmers claim that the quality of the coffee has no direct link to UTZ certification, 43.2% of the farmers believe that greater care taken with the batches, due to the on-farm traceability process, allows them to separate better quality coffee from inferior qualities. This increased awareness and concern for quality has a positive effect on the prices.

In addition to this, the demands of the UTZ code, such as risk assessment, checks on the moisture of the beans, and training to prevent fungi from developing during the post-harvest processing, had a positive impact resulting in a better quality of the end-product. What was also clear to many farmers and external stakeholders was the fact that a more organised farm with a cleaner yard reduces the risk of impurities or contamination, which also affect the quality of the beans. Another factor influencing quality is the training of the employees who are now better equipped to handle and process the coffee.

Farmer's comment:

"Some certification actions have an impact on the quality of the coffee, such as the hygiene and food safety of the coffee when monitoring moisture and preventing mould. However, the quality is also linked to external environmental factors, such as the climate."

Chart 15 "What is your opinion about the quality of the certified coffee produced on this farm?"



Better organised and cleaner farms are characteristics cited by various external stakeholders. The introduction of management processes was not only a consequence of the audits, but also the result of the engagement of a network of consultants who support the farmers in the five regions and with whom UTZ has a close relationship. External consultants were, in many cases, hired by the farmers to help set up the whole management process, as the latter did not have the required knowledge for this.

Having to hire consultants was seen by some farmers as a necessary financial burden following the audits. In some cases, it was claimed that UTZ hands over the checklist without providing further guidance, and some farmers therefore felt a need to hire consultants. The cost of this is high, especially for small-scale producers, preventing greater inclusion from this type of producer.

Despite demonstrating clearly visible effects on farm management, the effects of certification that farmers achieved in the market did not always match their expectations.

Adding market value

The marketing impact was one of the issues that drew the most comments from the farmers. It includes matters pertaining to the market, price and premium, which are important to the farmers. The main results of the survey on this issue are summarised in the following paragraphs.

The question of access to the market and sales includes the issue of the UTZ premium, which stood out as being the most controversial aspect in the survey. The farmers complained that they did not have a clear understanding of the premium⁷ and there were many contradictory interpretations on the actual premium paid for the certified coffee, showing that the premium has become part of a process of

⁷ In some cases, the participants knew the value of the premium to be BRL 3.00-5.00/bag, but felt this was very low.

negotiation in which the intermediaries (cooperatives and export companies) still have more influence than the farmers themselves.

According to more than 60% of farmers surveyed, UTZ certification contributed to more stable coffee sales. This percentage is a little higher for farmers who state that UTZ helped to diversify sales channels. However, it should be pointed out that a significant number of farmers still have not seen this effect. On the contrary, they stated that UTZ had not helped to improve sales channels.

This fact deserves some attention. The UTZ farmer's control over and influence on the value chain and on the coffee sales decisions is still limited. There is still some dependence on intermediaries, such as traders or co-operatives, except in the case of some large companies who export the coffee directly, without assistance from the warehouses or cooperatives.

Chart 16: 'What is your opinion about the following statement: UTZ certification contributed to more stable/reliable marketing channels'

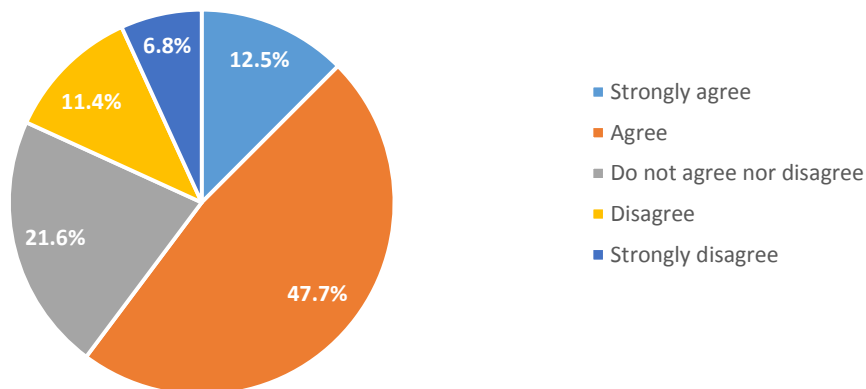
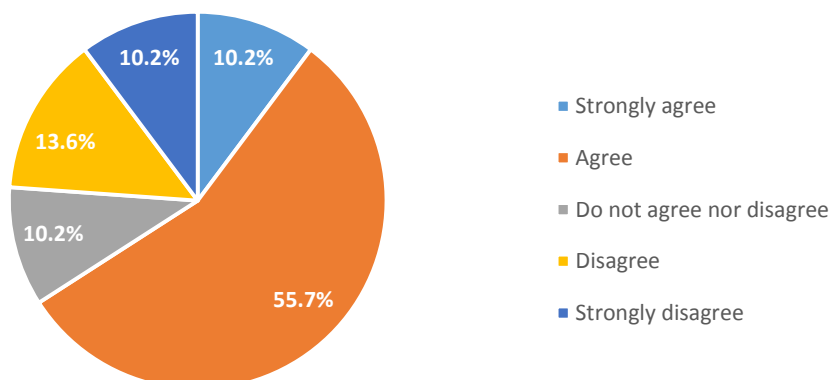


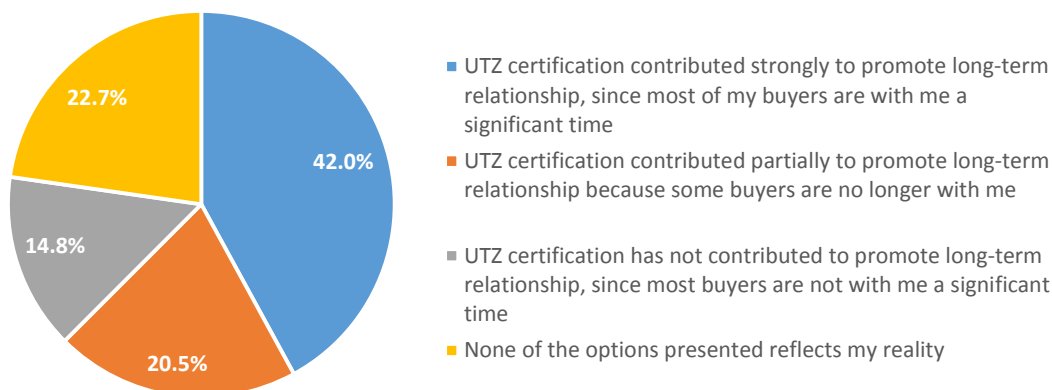
Chart 17: "What is your opinion about the following statement: UTZ certification enabled me to diversify my marketing channels"



It is worth noting that in terms of buyer loyalty there were no complaints from the respondents. 62.5% believe that certification brought them long-term relationships, and in the surveys the farmers made it clear that in their view the demand for

sustainable certified products has grown year on year; although it is not clear if this is due to UTZ certification or one of the other standards on the market.

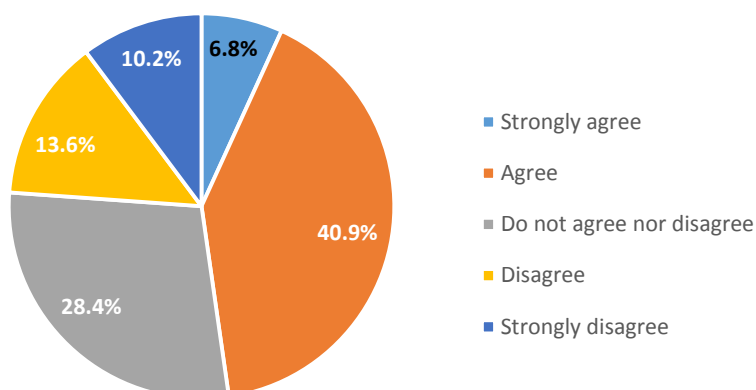
Chart 18: "Comparing to your situation prior to UTZ certification, what are the effects of UTZ certification in establishing long term trade relations?"



Another point raised was the farm's financial situation. One can see that there is no consensus on this between the CHs, because 47.7% of the farmers (the total of those who responded "strongly agree" and "agree") believe that certification contributed in some way to improving the farm's financial situation, 28.4% neither agree nor disagree, and 23.8% disagree with the statement.

During the field visits, this issue was examined more closely, leading to the conclusion that UTZ certification contributes to controlling farming costs in some cases, which helped improve the farms' financial situation (as shown above in this section). However, it cannot be stated that UTZ certification leads to increased revenue at coffee farms across the board.

Chart 19: "What is your opinion about the following statement: UTZ certification helped to improve the financial situation of the farm?"



One of the main points identified that demonstrates the range of opinions shown above is related to the issue of the premium. This was the most controversial subject and the one highlighted in the vast majority of the surveys as UTZ's main challenge.

In terms of the premium received from the sale of UTZ certified coffee, it was usually not possible to identify how much the premium was, as most farmers could not pinpoint this amount. Some farmers remembered a premium of BRL 3.00 per bag, while others mentioned BRL 4.00 or 5.00.

Many farmers pointed out that negotiations with intermediaries (cooperatives, brokers and export companies) are still not very clear and transparent. According to the farmers, when you agree the purchase price with the cooperative, broker or exporter, you agree a final purchase price and the value of the premium and the price being paid for the coffee are not itemised. However, for those who sell directly to the buyer, this price can be calculated and easily identified.

Statements from farmers regarding the premium:

- *"We don't find out. The exporter sells the product and we do not have access to this information."*
- *"There is a premium and it is easy to find out because the sale goes directly through a company that belongs to the farm's group."*
- *"In the beginning I didn't receive a premium, but now I do. However, I don't know exactly how much it is, it is not very clear during the negotiations."*
- *"I don't know for sure, but the premium is low. When we sell through the cooperative we don't know how much UTZ adds to the price."*
- *"I couldn't pinpoint it for 2013, the market was very low. In 2014, the premium was 4 to 5 Reais per bag."*
- *"We sell all coffee as UTZ coffee. UTZ certification has undoubtedly helped to open doors in the market, but we haven't earned a premium as the coffee price was well below average."*
- *"A BRL 3.00 premium does not make much of a difference, even when it is a little higher on future purchases. What we earn with the premiums does not even cover a programme implemented for the workers."*
- *"Today, the cost of certification does not guarantee a huge differential, as they pay little (premium) compared to everything they demand."*

Statement from the UTZ Certified representative on the premium:

"In UTZ's Theory of Change, the CH negotiates the premium with the first buyer. A large part of UTZ's business and export volumes take place as what we call forward and future sales, where there is an opportunity to cover the farming costs for a given farmer or exporter. But hedging the foreign exchange rate and the New York Stock Exchange spread is complex and is therefore best handled by the traders. This is one of the reasons why even medium and large-scale producers do not understand these mechanisms and feel there is little transparency with regard to premiums. Often, the opportunity for a good price on the futures market is better than the premium itself, but this is not appreciated by the farmer.

UTZ's main role is to generate demand for sustainable products as well as the impact of the implementation of the certification itself. Joining a certification programme because of the premium alone is one of the biggest misunderstandings I have seen in the last 10 years. On the other hand, the most important elements are to know your farming costs, basing your sales on these, and covering these costs with some margin of safety, without speculating, even though this is always required in the futures market.

The challenge for UTZ is to continue to deliver intrinsic benefits to the farmer and increasingly become a performance based management tool that stimulates and rewards better practices"

5.3 Better working conditions

The "Better working conditions" category in the Theory of Change includes the following topics:

- Staff are more qualified and motivated;
- Workers' rights⁸
- Decent quality of life.

At UTZ certified farms in Brazil there are 25,480 workers, 10,413 of whom are permanent, 11,051 temporary and 4,016 living at the farms (June 2014).

Table 4: Total number of workers at UTZ certified coffee farms in Brazil

Workers	Workers
Permanent workers	10,413
Temporary (seasonal) workers	11,051
Workers living on the site	4,016
Total	25,480

⁸ Includes legal compliance with work contracts, overtime payment, freedom of association and the right to collective bargaining, as well as complying with the legal minimum wage and collective agreements with trade unions.

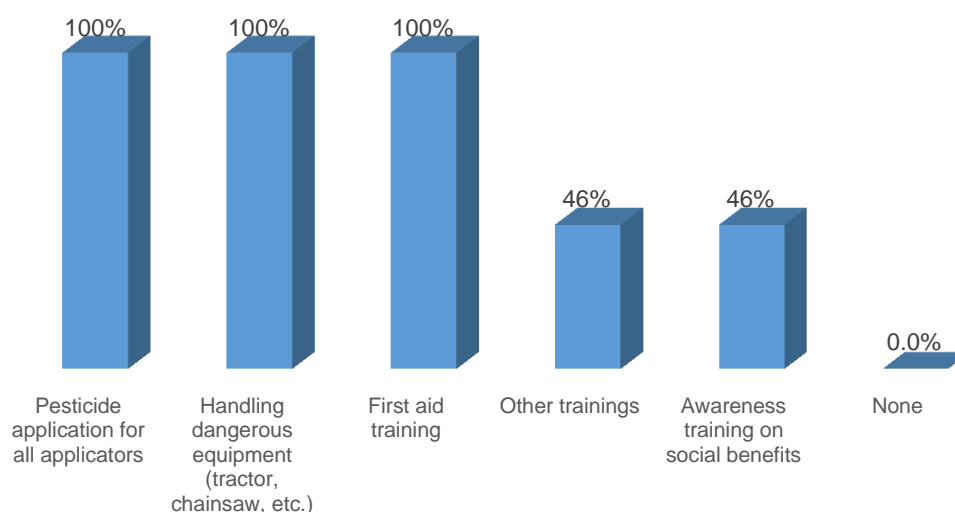
To assess the effects of UTZ certification on hired labor, 57 permanent workers were surveyed. The number of workers surveyed is not a representative sample of the total population of workers. However, the respondents' opinions are fairly similar in all the regions, making it possible to formulate some tentative conclusions about the effects of certification on working conditions.

Staff are more qualified and motivated

In terms of more qualified and motivated staff, all workers mentioned that their technical capacity to carry out their activities improved following the training. It was also clear that UTZ certification greatly encouraged training. In 2013, 100% of the workers underwent mandatory UTZ training in the application of pesticides, the handling of dangerous equipment and the administration of first aid.

In addition, a large proportion of the workers also received other types of training, such as working in a confined space, at heights, using boilers, using tools, and others. Most of this training was carried out in a partnership with SENAR, a government agency that is accessible and affordable for farmers and workers.

Chart 20: Types of training received by the workers



Workers' rights

In terms of remuneration, findings are that UTZ certification does not result in a direct increase in salaries for workers, either permanent or seasonal. According to our data, temporary workers still receive the legal minimum wage as is usual for rural workers in the region. This reality has not changed over the past few years.

However, the responses indicate that UTZ certification has indirectly brought economic benefits to workers due to the correct implementation of salary increases

required by law, the correct record keeping and payment for overtime, and the correct registry of job titles. All of these bring direct economic benefits to hired workers.

Quality of life

To analyse quality of life three aspects were considered:

- Ensuring that workers are working legally by registering their Work and Social Security Card (CTPS)⁹;
- Health and safety conditions at work¹⁰; and
- The benefits of UTZ certification.

The evaluation focused on the permanent workers at the farms, since for the farmers themselves who are mainly medium and large-scale producers, the quality of life aspects are less of an issue, considering their standard of living.

Of the 57 permanent workers interviewed, 96.5% were male and all respondents were familiar with UTZ certification.

Legalising workers

The legal status of the employment relations is often controlled by the government authorities during inspections by the Labor Prosecution Office¹¹ for compliance with government regulation NR31¹². This regulation covers the health and work safety of rural workers. According to many employers these labor regulations are quite demanding and are considered to be amongst the strictest in the world.

Firstly, we noted that the UTZ certification leads to legalizing labor relations with the workers. 100% of the workers surveyed said that they have their Work and Social Security Card (CTPS) signed by the employer.

This issue was also fairly clear for the employers. They all sign the Work and Social Security Card of their permanent and seasonal workers. These procedures are also

⁹ See footnote 2.

¹⁰ Health and safety conditions at work: Safety at work can be understood to be a set of measures adopted to minimise accidents at work, occupational illnesses, as well as protecting the workers and their ability to work. In Brazil, the legislation on Safety at Work is made up of regulatory standards, supplementary laws, such as orders and decrees, following international conventions of the International Labor Organization, which Brazil has ratified.

¹¹ The Labor Prosecution Office (Ministerio Publico do Trabalho) is a branch of judicial power, and has agencies at federal and state level.

¹² The Norma Regulatória [Regulatory Rule] (NR)31 is a health and safety standard for work in agriculture, livestock, forestry, logging and fish farming. It establishes the principles to be observed in the organisation and work environment, to ensure the planning and running of agricultural, livestock, forestry, logging and fish farming activities comply with the rules on health and safety at work.

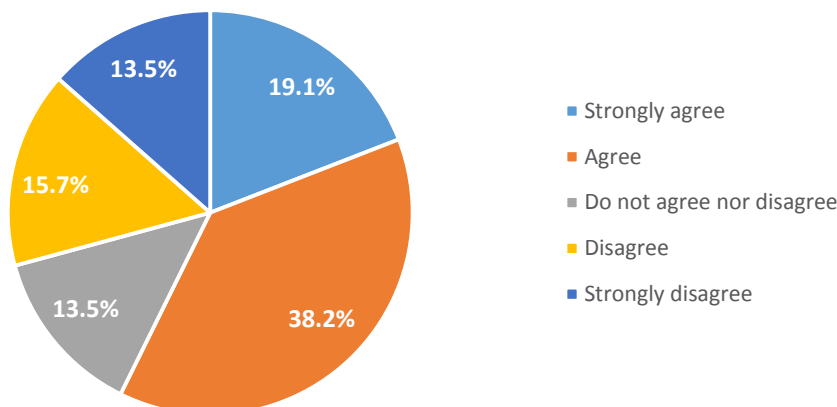
required by UTZ certification, but since these regulations are increasingly being enforced by the Labor Prosecution Office, some UTZ certified farmers stressed that they already complied prior to joining the certification scheme (Chart 21).

It can be said that certification "forced" the farmers to formalise their labor relations and to comply with the collective bargaining agreements that were previously not being followed. With further qualification and training of their labor force, certain functions were upgraded, employers had to raise the salaries in accordance with the law and the type of function to retain this skilled workforce.

Thanks to UTZ certification, the record keeping of working hours has improved including overtime work, holiday leave and travel time. This reduces the number of disputes and helps to settle disputes when they arise. In addition, UTZ certification helps to establish clear working procedures, in other words, how the work can be carried out safely.

The range of opinions expressed in chart 21 shows that the majority of respondents (57.3%) ascribe the aforementioned improvements to the UTZ programme. On the larger farms these labor issues had already been dealt with before joining the certification scheme.

Chart 21: "UTZ certification has helped this farm to comply with labor regulations (work and social security card, social security taxes, overtime payments, etc)"



An important aspect raised by many certified farmers and stakeholders is that in spite of strict labor regulations there are persistent issues in the countryside. In their opinion many non-certified farms do not comply with the law and have been fined by the Labor Prosecution Office for not signing the work and social security cards of workers, which occurs frequently during the harvest period.

For permanent and seasonal workers, the lack of a signed work and social security card means they don't have access to public health services, severance pay, unemployment benefits, paid holiday leave and overtime payments.

Many farmers mentioned that they had never been fined or if they had, it was once or twice for a small matter related to the NR31 regulation¹³. Many also mentioned that their credibility increased in the region, mainly vis-à-vis the inspection teams of the Labor Prosecution Office, who now hardly ever visit certified farms because of their good compliance reputation.

Many farms have never experienced law suits. Those who have, mentioned that UTZ certification helped them to settle these claims and, more importantly, to avoid them. The issues were mainly with regard to travel time during work, lunchtime and overtime payments to seasonal workers. The record keeping required for UTZ certification helps farmers to prevent and settle labor dispute.

Stakeholders comments :

- *"At certified farms, the labor situation and compliance with NR31 is better and more appropriate. However, there are still issues related to NR31 that require improvement. In any case, one sees a difference between working conditions at certified and non-certified farms in the region." (Consultant)*
- *"The labor situation for rural workers at non-certified farms still does not comply with the law, particularly for seasonal workers. The main breaches relate to the signing of work and social security card of seasonal workers and the use of PPE." (Trade Union representative)*
- *"Child labor no longer exists in coffee farming, but the main problem is recording seasonal workers' work and social security cards. This happens at non-certified farms." (Trade Union representative)*
- *"One cannot say that certification brought the farms in line with labor legislation, since when they joined the certification scheme, the farmers were already in line. However, one can say that certification helps to ensure the farm continues to comply with the law." (Auditor)*
- *"One can see that in some regions, where there is no UTZ certification, there are still many farms that do not comply with the law, which have workers with no work and social security card, who do not use PPE¹⁴." (Consultant)*
- *"With UTZ certification, the farmers can demonstrate their legal compliance to the inspectors of the Labor Prosecution Officer." (Coffee Market Specialist)*

There is also increased awareness from the employees, who are clearer on what is legally required and what benefits they are entitled to.

¹³ See note 8 on NR31. In addition to NR31, the Consolidation of Labor Laws (CLT - see note 16) and Law 5889 on rural work also apply.

¹⁴ PPE: Personal Protective Equipment.

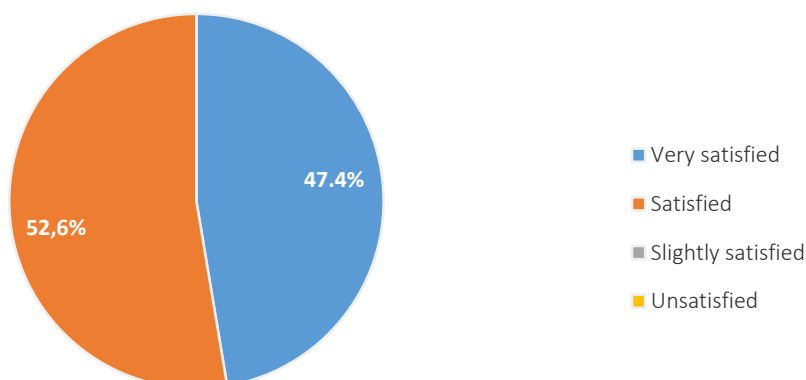
Stakeholders' comments:

- "Certification can reduce these claims, it is a guarantee that the farm is complying with the law and ensures that such issues do not occur." (Government agency)
- "Following certification, I noticed a difference in how the Labor Prosecution Office dealt with us. They also visited us far less, since they knew everything was in order at the farm." (Farmer)
- "When they see that the farm is certified, they think it is doing everything properly." (Consultant)
- "Certified farms can easily be recognized when you visit them. The level of organisation, the buildings and crops are easily recognized." (Coffee Market Specialist)

Health and safety conditions at work

The vast majority of the permanent workers responded that their working conditions are appropriate. They point out that UTZ certification has contributed a lot towards improving the working environment, mainly in terms of cleanliness at the farm, waste collection and disposal, signage and facilities, such as lavatories and canteens. In addition, many workers stated that certification has helped considerably with structural improvements to workers' houses, which were renovated and improved with, for example, septic tanks.

Chart 22: Permanent workers' satisfaction with working conditions



Another very relevant effect in terms of health and safety is that UTZ certification made a major contribution to the adoption and use of Personal Protective Equipment (PPE). All workers state that they use PPE. Over 95% of the workers also state that the number of accidents at the farm has been reduced, and that in the last year there have been no serious accidents at work.

These improvements clearly stem from UTZ certification, particularly the use of PPE, protection from machine belts, handling machinery, and the provision of training. Farmers who had attempted to convince their employees to use PPE prior to certification said that the certification lent them greater authority and credibility to consistently follow safety procedures..

Chart 23: % of Workers who had accidents in the past year

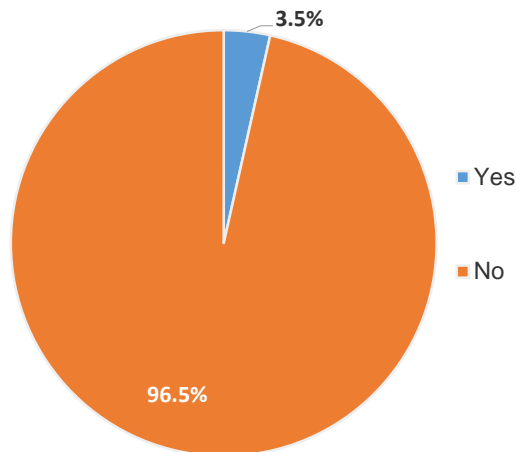
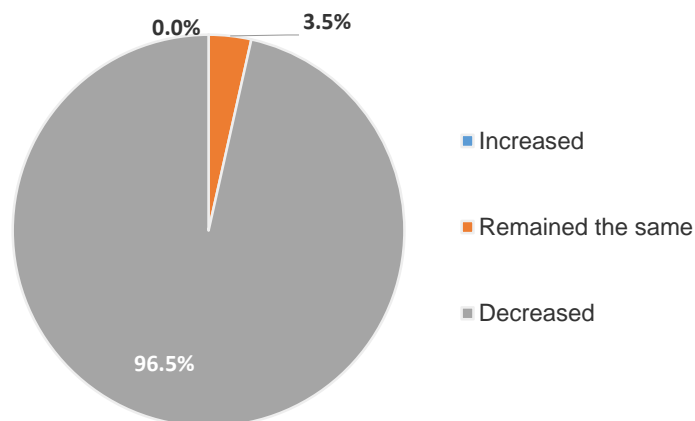
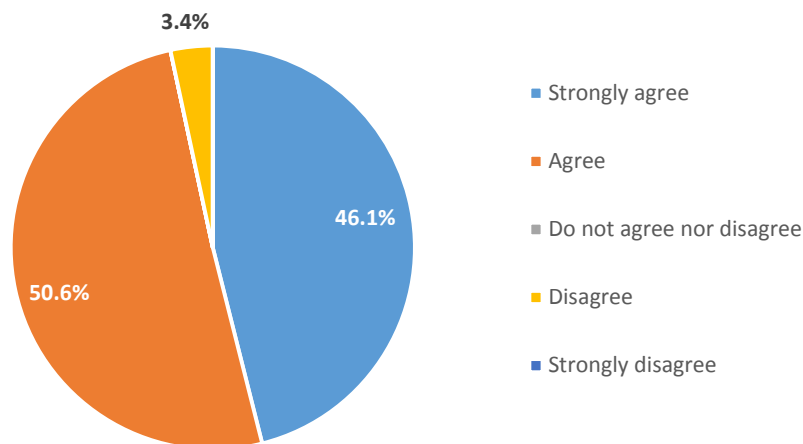


Chart 24: Workers' views on the increase in the number of work accidents over the past two years



These effects were also pointed out by the employers. 46.1% strongly agree and 50.6% agree with the statement that UTZ certification has contributed to improved health and safety conditions for the workers.

Chart 25: Employers' views on whether health and safety conditions improved



Stakeholders' comments:

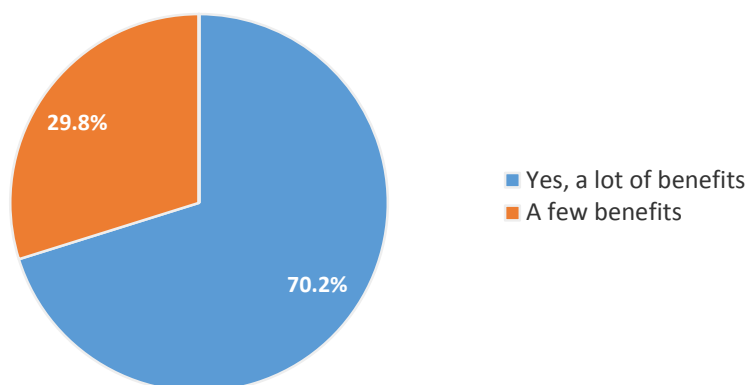
- "UTZ certification provided a tool to disseminate information on health and safety at work". (Farmer)
- "The required conditions for the employees were already in place, but with certification the infrastructure improved, the buildings were extended and hygiene at work was improved." (Consultant)
- "Certification did much to help organise the farm, which now meets safety standards, so we have canteens, lavatories, rooms for special pesticides, changing rooms, a pesticides storage facility, protection on machine belts, pulleys, staircases and walkways." (Farmer)
- "With certification, the workers started using more PPE and the farm owners took greater care to use the PPE correctly and ensure it was within its validity date. Previously, it was used incorrectly and there were no checks. Today, the workers use PPE for all activities, even less dangerous ones." (Auditor)
- "Certification helps to boost the monitoring of safety at work. Medium and large-scale producers have health and safety technical staff and an occupational risk programme, which monitors the use of PPE and safety at the farms." (Consultant)
- "The certification requirements do not go beyond what is required by law in Brazil, but certification has contributed and encouraged the farmers to comply with the legislation." (Government entity)
- "With certification, the farmer was better able to enforce the use of PPE saying it was an obligation imposed from outside the farm, a requirement that had to be followed to renew certification and if the worker did not want to use it, they would have to stop working at the farm." (Farmer)
- "Before UTZ, the workers were not used to, nor were they committed to following the rules; they thought they weren't important. However now, following the rules has become a habit. The implementation was more complicated but compliance with the rules is now part of our internal procedures." (Farmer)

Did UTZ certification bring benefits to the workers?

70% of the workers believe that UTZ certification brought them many benefits, and 30% believe that certification brought some benefits. The main benefits highlighted were the renovation work on the houses of the workers living at the farms, and improvements to health and safety at work, such as safety belts on machines, signage and greater use of PPE, investments in equipment, increased training and appropriate facilities at the farm, such as the canteen, lavatories and PPE. In addition, UTZ certification helped to improve relations between the farm owner and the workers, who became closer, improving the interaction between them and increasing the workers' knowledge of the work and farm processes.

One can therefore see that the benefits for the workers are closely linked to health and safety aspects. The only aspect that is more directly linked to the general well-being of the worker and their quality of life is the renovation of the houses, but this only applies to employees who live at the farms, who are now a minority. One cannot therefore say that UTZ certification on its own ensures more decent living conditions for all the workers, rather that it ensures decent working conditions.

Chart 26: Permanent workers' views on whether certification brought them benefits



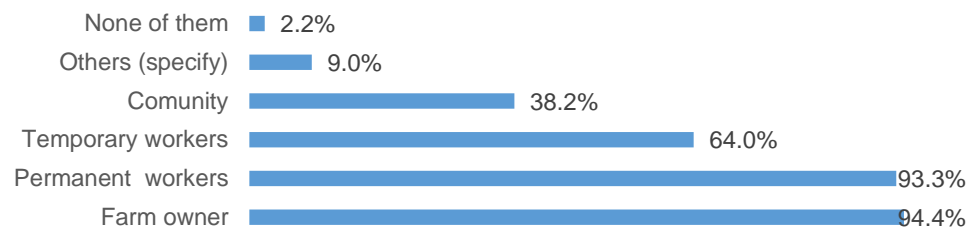
The question of the benefits of UTZ certification was also put to the farmers and 94.4% of them felt that UTZ certification brought benefits to the farm owners, 93.3% thought it brought benefits to the permanent workers and 64% to the temporary workers.

Employers agree with permanent workers with regard to the benefits of certification for workers being mainly linked to health and safety at work. The difference between permanent workers and seasonal workers is that seasonal workers spend little time at the farms and move around a lot from one year to the next. They therefore benefit less from certification. In recent years, more thorough checks carried out by public authorities helped to provide better protection for seasonal workers. A seasonal work contract was created allowing for the temporary hiring of rural workers while

guaranteeing them all employment and social security benefits for the duration of the contract.

In Chart 27 below, the groups classified as other beneficiaries are the consumers who are able to have higher quality and more reliable products.

Chart 27: Farmers' views on the beneficiaries of UTZ certification



Stakeholders' comments:

- "Permanent workers felt the most impacts as they receive more training." (Farmer)
- "In social terms, the workers have benefited from certification as the working environment is better and the employees also receive training. However, in terms of salaries, certification does not guarantee the workers a better salary." (Auditor)
- "For the farm owner, in addition to the organisation of the structure of the farm, their product becomes more competitive, as certification makes them stand out and allows them to negotiate." (Coffee Market Specialist)
- "For the workers, certification enables them to receive training to improve their skills. It also covers several health and safety issues, such as the use of PPE, access to a workplace medical professional, etc." (Consultant)
- "The improvement in the workers' conditions is clear as regards safety and the handling and use of equipment. It is a completely different world compared to non-certified farms." (Consultant)

5.4 Better care for nature

The Theory of Change "Better care for nature" category primarily covers three topics:

- Safeguarding natural resources;
- Protecting biodiversity;
- Reducing GHG emissions.

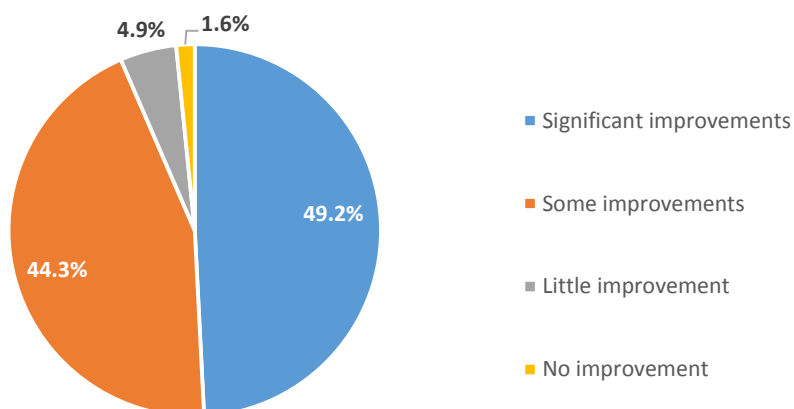
In the next sections, we present the results by topic.

Safeguarding natural resources

In terms of improvements in environmental conditions, more than 90% of the farmers surveyed pointed out that UTZ certification in some way contributed to environmental improvements.

However, it is difficult to measure to what extent these perceived effects are attributable to UTZ certification, since many farmers also follow other standards that include environmental requirements. Furthermore, the respondents made it clear that there is great potential for UTZ to improve its environmental requirements, which are considered to be less strict than other standards.

Chart 28: "To what extent do you notice improved environmental conditions on your farm following UTZ certification?"

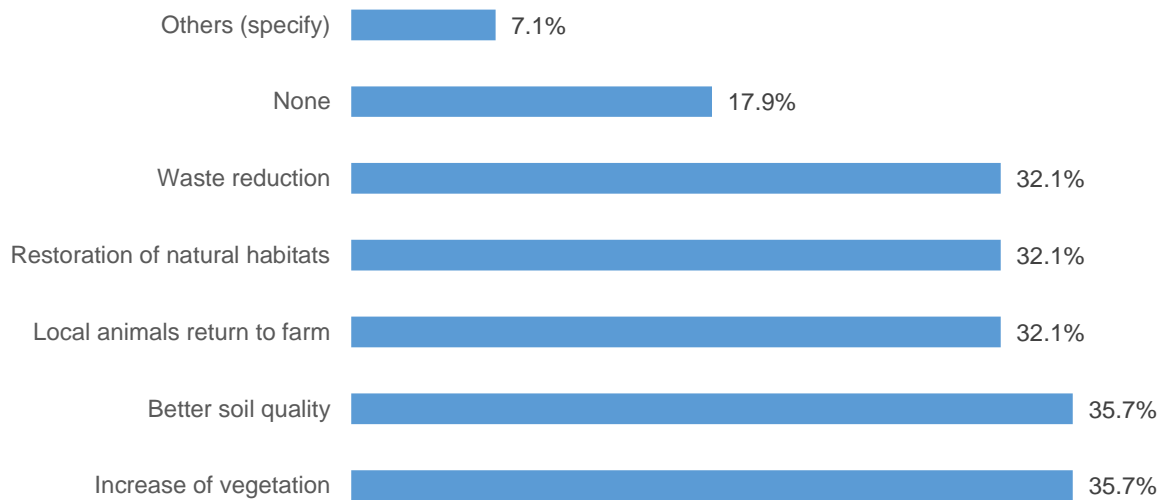


Protecting biodiversity

In terms of "Protecting biodiversity" and "Safeguarding natural resources", the main benefits highlighted by the farmers were the protection of water springs, the restoration of riparian forests (Permanent Protection Areas, PPA) and the legally required set aside area ("Legal Reserve"). These protection areas are obligatory according to the Brazilian Forestry Code. UTZ certification demands legal compliance. Farmers who are not compliant have to take steps towards the implementation and registry of the protected areas.

It was therefore possible to ascertain that the environmental improvements were closely related to ensuring compliance with the Brazilian environmental legislation. Other improvements mentioned are increased vegetation, an improvement in soil quality, the return of animal life, the restoration of the natural habitat and waste reduction.

Chart 29: "To which of the following environmental improvements has UTZ certification contributed?"

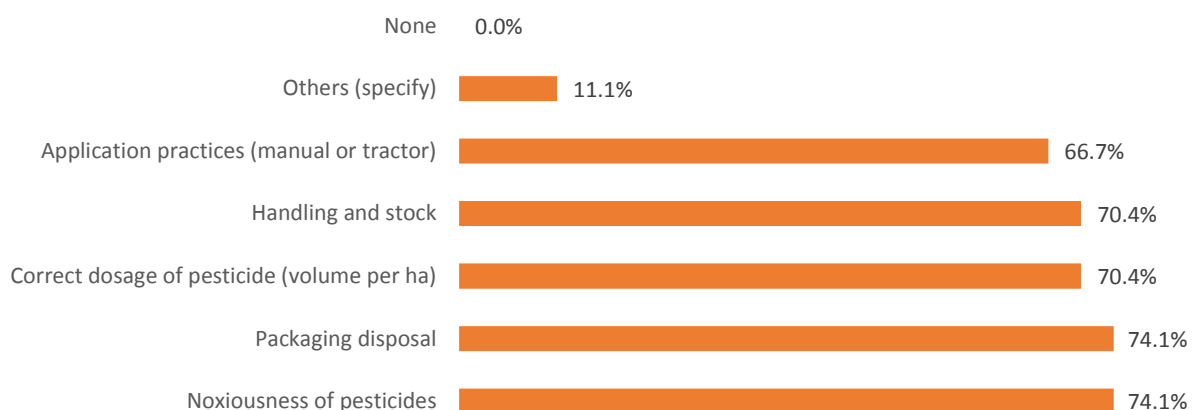


Reduced GreenhouseGas (GHG) emissions

It is not possible for farmers to quantify UTZ' contribution to the reduction of the GHG emissions of coffee production and processing. Nevertheless, we have noted that inputs and fertilisers are better managed, both of which are known to impact in GHG emissions.

From an environmental perspective, a more conscientious use of agrochemicals and fertilisers, including appropriate handling, storage and disposal were considered by the coffee farms to be the most significant environmental contribution of UTZ certification. This was confirmed by more than 70% of the survey respondents. While the correct waste disposal is now a legal requirement, others constitute good agricultural practices encouraged by UTZ certification. It is worth mentioning that better handling and correct dosage also have a positive effect on farm costs.

Chart 30: Which of the following UTZ criteria has impacted on your application of pesticides? (You can choose more than one alternative)



Amongst other positive environmental effects, we can also include increased water and energy efficiency (see section 5.2) and the correct disposal of solid waste (see chart 11).

In general, we note that there is an opportunity for UTZ to improve environmental management still further. Farmers today are directed to comply with the law, however farmers have not been significantly encouraged to go beyond what the law requires. In other words, raising awareness of environmental protection "from the inside out" is a step that UTZ could achieve.

Many farmers declare that their environmental practices are directly geared towards achieving legal compliance. Many farmers indicated that they only do the minimum required and nothing more. A minority of farmers goes beyond legal compliance.

Stakeholders' comments:

- *"Although environmental laws are very strict, the farmers have managed to fulfil them and certification helps them with this. In its code, UTZ sets out criteria to ensure that the farmer follows the rules (e.g. protecting springs, PPAs etc.)." (Buyer)*
- *"By following the certification rules, the farmer invariably increases their flora and fauna (PPAs, legal reserves, riparian forests etc.)." (Consultant)*
- *"One can see some environmental improvements, however this is an issue that UTZ has not focused on. The protocol does not demand much of the farmers. This item could be improved." (Auditor)*
- *"The UTZ link to environmental issues is tenuous. The certification only resolved the PPA issues and the spring's legal reserve, but this is not UTZ's strong point, as these points are not checked during the audit." (Consultant)*
- *"It is very clear that there is a greater improvement in environmental issues at certified rather than non-certified farms. The rules oblige the property to put forward plans for improvement in several areas." (Government entity)*
- *"Certification helps to protect biodiversity by its support to protect native areas, springs, form ecological corridors and promotes conservation or reforestation of the native plants." (Coffee Industry)*
- *"Despite all the care in the use, storage and disposal of the products, one notes a concern about using less aggressive products. Certification prioritises using less toxic products." (Coffee Market Specialist)*

5.5 Better care for next generations

The "Better care for next generations" category includes three aspects:

- Children attending school;
- Better health;
- Investments in basic services.

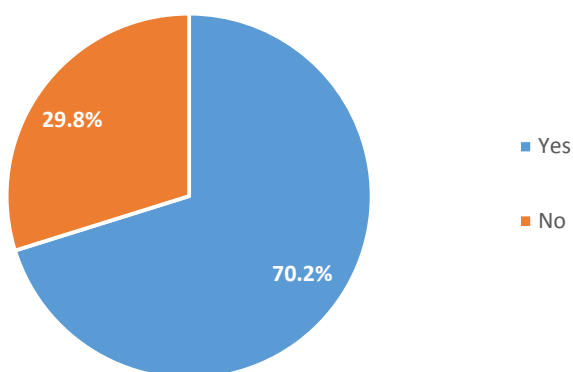
In Brazil, both primary education and access to health services are available to the population free of charge. Therefore, it was not possible to identify any significant

impact of UTZ certification on these aspects since all the permanent workers interviewed had access to the public health system (Sistema Único de Saúde - SUS) and their children have access to primary education in government-run schools.

Children attending school

The permanent workers stated that, although there were no significant concrete actions by the farmers to promote education, they strongly encourage the employees to keep their children in school.

Chart 31: Workers' views on education incentives



Better Health

In Brazil all formally registered workers have a signed work and social security card which grants them access to the public health system. However, large percentages do not have access to more advanced medical care. It is known that that public health services in Brazil are of varying quality.

Additional health benefits for workers vary, depending on the farm's financial situation and remuneration policies, and not UTZ certification.

Although it is a legal obligation in Brazil, UTZ certification has ensured that farmers have installed septic tanks at the employees' homes. It has also encouraged the process of separating waste and improving hygiene conditions at the farm.

Stakeholders' comments:

- "There haven't been many developments in this area, which is still in the early stages. Much needs to be improved, particularly in the south of Minas Gerais region, where a lot of work still needs to be done." (Consultant)
- "One way of guaranteeing this would be through the premium. But investing the premium is still viewed in the wrong way. The premium should revert to society, to the employees or community. Today, a large proportion of the farmers invest in the farming and in buying machinery, tractors and goods for the property." (Consultant)
- "UTZ needs to offer more guidance to the farmers on what is expected in this respect." (Consultant)
- "UTZ still has no impact on the local community and does not promote education for children." (Consultant)

5.6 The farmers' other considerations

The only area in which UTZ certification did not meet the farmers' expectations was in the price of the product. Almost 70% of the farmers joined the UTZ programme hoping to receive a better price for their coffee. However only 16% managed to do so. Despite that, 86.4% of the farmers intend to continue with the certification.

Chart 32: "What was/were your main reason(s) to adopt UTZ certification?"

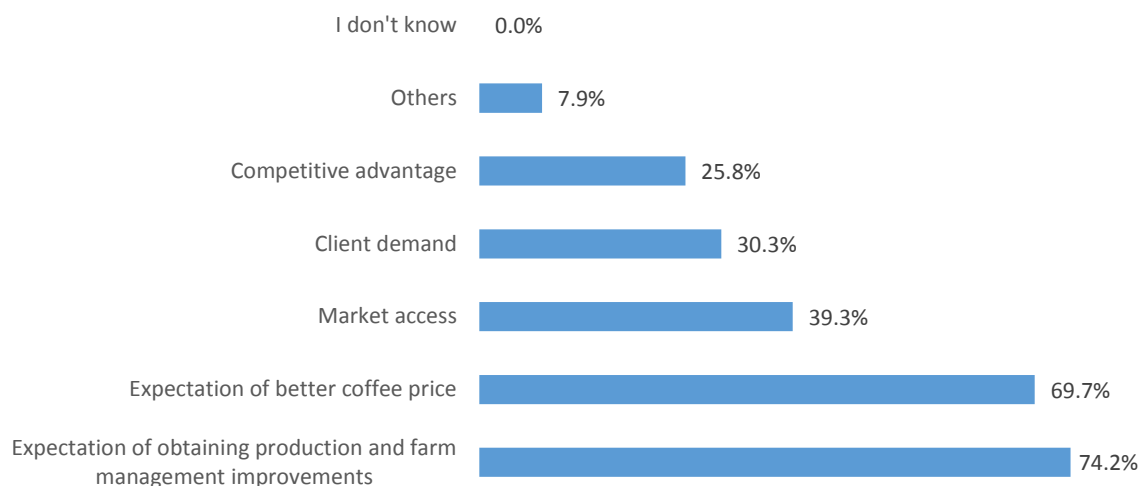
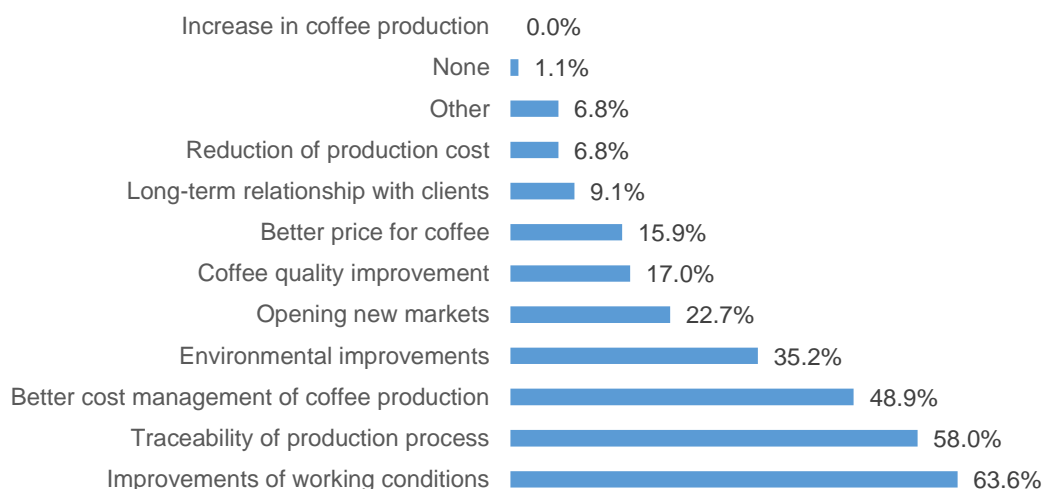


Chart 33: "In your opinion, what are the 3 main benefits UTZ certification has brought to your farm?"

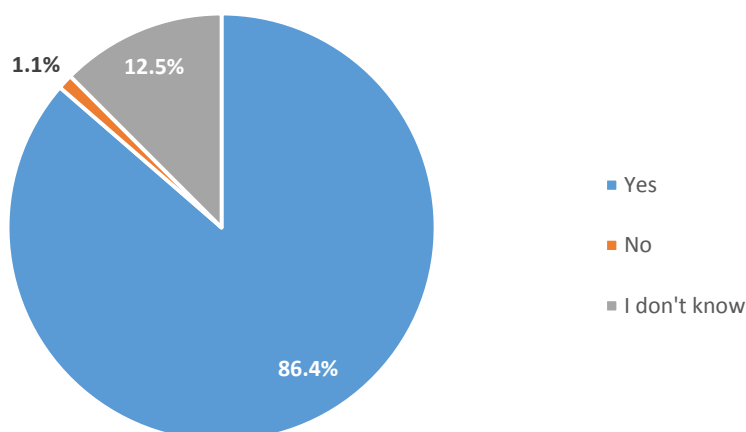


The main points highlighted by the respondents were that UTZ certification was of great assistance in the management of the farm and in production costs, as well as having added value to the business as a result of the on-farm traceability.

Although the issue that stands out the most in Chart 33 is UTZ' contribution to improved working conditions (more than 60%), it is clear, analysing our surveys with farmers and stakeholders, that the main benefit was in fact the improvement in the management and internal organisation of the farms. Along with the improved management, in many cases a reduction in costs and additional financial gains has been perceived.

The main reason for farmers to renew their UTZ certification is the important improvements that the certification brings primarily to the management of the farm and the control over the business processes. Many farmers affirm that they do not intend to leave the certification programme as the market is more competitive and certification adds value to their product.

Chart 34: % of farmers who plan to continue their UTZ certification



Despite great satisfaction demonstrated in the online survey, in the farm visits some important points of attention were raised for UTZ Certified.

Some farmers and stakeholders complain that they have difficulty in accessing and understanding UTZ' technical guidance documents, and that they have difficulty in using the UTZ Good Inside Portal .This requires them to hire external consultants and prolongs their dependency on the local UTZ team.

Stakeholders' comments:

- *"The greatest gain for the farmers is the improved management, which has a direct impact on costs and revenue, as well as the access to new markets and the premium paid."* (Coffee Industry)
- *"The organisation at the certified farms is clear, especially when compared to non-certified farms."* (Coffee Market Specialist)
- *"Certified farms can easily be spotted when you visit them. The level of organisation, the buildings and crops are easily identified. This applies to all certification programmes."* (Coffee Market Specialist)
- *"It is believed that dissatisfaction with UTZ is attributed to its popularity. The certified farms no longer feel different to the rest. "A lot of people are certified". They would like new ways of standing out."* (Auditor)
- *"The benefit to the farmers provided by certification is not in the premium but in the management of the coffee farm. If they were asked why they are staying in the certification programme, the answer would be because of the management."* (Consultant)
- *"One benefit is the safe farming methods, which is more than the use of the products, but also the impact on individuals, the environment and the quality of the product."* (Coffee Market Specialist)

To address these issues, and accelerate the positive effects, the survey gathered a range of suggestions from the farmers on how UTZ could improve its system and its competitive advantage. In the last section we present general conclusions and translate the challenges into opportunities to improve the programme.

Challenges identified by Farmers:

- *The UTZ portal has become very complicated to use.*
- *More support from UTZ is required in use of the portal.*
- *The UTZ's checklist should use simpler language.*

"The aim of joining a certification scheme was to add value through product traceability. However, what I see now is that it has become something rather commercial. The intermediary is buying your coffee, but you don't know whether or not they are selling it through as certified. There is no way of knowing for sure. The whole process leaves only a paper trail and it is not very transparent. There is no accurate description of the coffee

being sold on the receipt; there is no information about its quality. The person could easily pick another coffee and use your certificate."

6. Conclusions

For a more consolidated view, we have summarised the general results of the study in the table below. Taking a range of four levels (very high, high, medium and low), we have classified the views on the effects of UTZ certification according to the main stakeholders. This interpretation was validated by the stakeholders at the workshop.

Table 5: Summary of the benefits and accordance with the Theory of Change, according to the authors and stakeholders.

Main UTZ outcomes	Accordance with the ToC	Main Corroborations	Main Challenges
Better Farming Methods/ Crop	VERY HIGH/HIGH	<ul style="list-style-type: none"> • Better management of the farm through organised processes and procedures • Better soil conservation through more sustainable farming • Better use of agricultural inputs 	<ul style="list-style-type: none"> • The "Legal compliance" requirement puts Brazilian producers at a disadvantage compared to producers in countries with less demanding legislation.
Better income	MEDIUM	<ul style="list-style-type: none"> • Greater efficiency in the use of inputs and resources leads to cost reductions • The UTZ premium generates higher revenues • Loyal buyers 	<ul style="list-style-type: none"> • Doubts about the amount and the transparency of the premium • No effects on the workers' average salary
Better environment	MEDIUM	<ul style="list-style-type: none"> • Better compliance with the environmental legislation and fewer environmental liabilities • Correct processing of waste and protection of biodiversity 	<ul style="list-style-type: none"> • The lack of more progressive environmental requirements • The lack of more detailed guidance

Better life	HIGH/ MEDIUM	<ul style="list-style-type: none"> • Financial benefits for the farmers • Safer and healthier working conditions • More qualified workers earning higher salaries 	<ul style="list-style-type: none"> • Few changes in access to basic services for the workers
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The table shows that the main effects of certification are noticed in improved management, which translates into improvements in crop production, and is also reflected in other areas of the Theory of Change, leading to progress in environmental management and living conditions.

In the outcome area "better income", the evaluation has not been able to determine the influence of premium payments on the profitability of the farms. Likewise, there were no parameters to measure improved salaries for the workers. In terms of the environment, we note that there is better compliance with the legislation, but this could be improved by more detailed and targeted guidance from UTZ in this regard.

In the outcome area of "Better living conditions", we noticed improvements in health and safety conditions of workers and in the economic conditions of the farmers over the years. Workers notice improvements in their housing and in their safety at work.

An interesting point raised by the participants were the benefits of certification, which are more difficult to measure financially, such as for example its impact on the farm's image, the pride of the employees, greater socio-environmental awareness-raising of the workers and other aspects which generated added value and were not necessarily included in the financial analysis of the properties.

Stakeholders' comments:

- "The management of the property is the main factor in the protocol, but it makes sense that the farmer cannot measure this benefit. Forms (maybe indicators) should be created so that these benefits can be seen." (Consultant)
- "Thinking about the local Brazilian market for the consumer, they are not prepared to buy UTZ as there is little recognition of the certification and the consumer is not prepared to pay more for this." (Specialist)
- "Reduce the bureaucracy involved in certification - cut down the paperwork, the documentation is only any good for UTZ. This issue becomes an obstacle for farmers joining a certification scheme, there are farmers who haven't got the manpower for this. It is the larger-scale producers who have UTZ certification as small-scale producers cannot manage it on their own. They need someone dedicated to following up on the notes and completing the certification. They cannot afford this." (Consultant)
- "A challenge is always to seek to "raise the bar". As the farmer improves their quality, there could be some differentiation, even between the certificates themselves." (Industry)

We will now try to address the main threats that could be transformed into opportunities for UTZ Certified.

Amongst the main **threats** identified we can mention:

- The effort required for farmers to obtain the label is considered to be greater in Brazil than in other countries. The farmers allege that there is a disparity between countries, with Brazil having the strictest legislation compared to other producer countries. In a country such as Brazil, the "legal compliance" requirement to qualify for UTZ certification is set at a higher level compared to countries with less demanding environmental and labor legislation.
- The value of the label in the market is being questioned by the farmers. The buyers are not concerned about what type of certification it is, as long as the farm has adopted at least one of the main standards.
- Some stakeholders questioned the quality of the audits and pointed out the difference in the methods used by the various certifying bodies.
- The farmers' lack of satisfaction with the premium may cause a problem in maintaining and expanding certification in Brazil and threatens its credibility. Farmers could leave the certification programme, or may no longer be interested in joining the system.
- There is some saturation of certification systems which may lead various farmers to give up on the label.
- Climate change has a major impact on farming and the farmers' sales. This issue is beyond the reach of the certification, but can be addressed as part of UTZ's work (see statements below).

Stakeholders' comments on climate change:

- *"Water conservation was a strong issue in the certification, also the need to preserve the riparian forests, to fence off springs and preserve them. We did this and today we have no water problems, unlike our neighbours who are facing a drought. These changes were part of the audit requirements." (Farmer)*
- *"There is still a lot that is unknown, which makes it difficult for the farmer to decide to join the scheme, such as uncertainty about climate issues. Even if they invest in this and do everything properly, if the climate is not on their side, they will lose everything. This is what happened in 2013. It rained too much during the harvest and this had a direct impact on the quality of the product. This year, it has not rained enough." (Industry)*
- *"A more recent concern is how to control CO2 emissions. Brazilian legislation is weak on this. Certification could encourage methods that minimise and mitigate CO2 emissions. It is very important to discuss this issue with the farmers and work on some examples, such as agricultural and forestry management practices, less intense soil management so as not to expose so much organic material, etc. Certification still needs to work on this area." (Government entity)*

According to the authors, the main **opportunities** identified in this evaluation study are:

- UTZ could raise the profile of UTZ certification in the Brazilian consumer market, adding more value to the farms who sell coffee on the local market.
- By including more small-scale producers and support systems, certification would embrace a group of farmers who need to improve their management, as there are still many environmental and labor problems at small properties, which are more informal than the medium and large farms analysed here.
- Improvements in the premium system by increasing transparency would make UTZ more attractive to farmers, and encourage the label's competition in an environment where there is competition from various certification systems.
- A closer relationship between the farmer and the buyer will help the farmer to sell their product and overcome the strong influence the intermediary has on their coffee sales.
- The farmers themselves pointed out that UTZ could increase its environmental demands, providing more guidance to the farmers and going beyond what the legislation demands as a minimum requirement.
- Developing solutions or identifying local and regional environmental issues can lead to a joint understanding or environmental improvement at local level and could lead to more specific and locally relevant code requirements.
- UTZ should continue with the widely-acclaimed low audit cost of the certification. However, attention should be paid to the quality of the auditors' work.
- Through small get-togethers and regional events, UTZ could create a sense of "belonging" amongst a select group of farmers, making them stand out from the average farmer for their excellent management.
- It is important to have indicators from the very start so that those joining can measure key performance indicators. This will help the farms to quantify their gains and UTZ to monitor improvements in performance.
- It is important to boost UTZ engagement with international and local working groups in defining a living wage and to include a measure of regional wages compared to UTZ farm wages as an additional criterion.

Amongst these proposals, the most important at the moment would be to respond to concerns about the premium and begin work on key performance indicators to assist the farmers to measure and value the costs and benefits of certification.

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8. Annexes

ANNEX I

General overview of the sample surveyed

<i>Current Certificate Holders (June 2014)</i>	<i>CHs</i>	<i>Farms</i>	<i>Surveys conducted with CHs (e-survey + individual)</i>
<i>Individual</i>	108	108	64
<i>Group</i>	4	56	6
<i>Multi-site</i>	91	412	19
Total	203	576	89

<i>Location of the CHs</i>		<i>Surveys conducted with CHs by region</i>
<i>Minas Gerais</i>	169	67
<i>São Paulo</i>	27	20
<i>Bahia</i>	5	1
<i>Paraná</i>	1	1
<i>Espírito Santo</i>	1	0
Total	203	89

<i>Length on the UTZ programme</i>		<i>Surveys conducted with CHs according to their length on the UTZ programme</i>
<i>Year 1 or less</i>	29	6
<i>Year 2</i>	148	11
<i>Year 3</i>	40	16
<i>Year 4</i>	251	10
<i>5 years or more</i>	108	46
Total	576	89

<i>Workers</i>	<i>Workers</i>	<i>Surveys with workers</i>
<i>Permanent workers and farm residents</i>	14,429	57
<i>Temporary (seasonal) workers</i>	11,051	0
Total	25,480	57

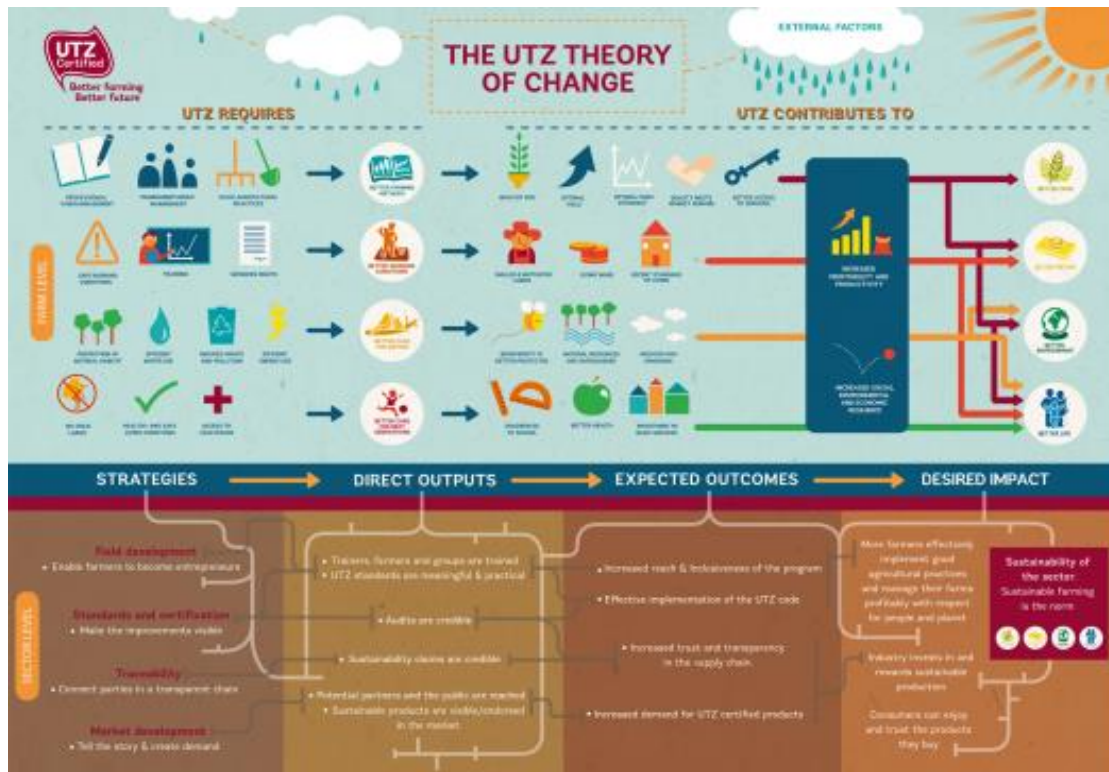
ANNEX II

List of external Stakeholders surveyed

STAKEHOLDER GROUP	STAKEHOLDER CONSULTED
Secretaries of Agriculture	State Secretary of Agriculture in Minas Gerais state
Coffee traders and exporters	Minas Gerais Cooperative
Roasters	Roaster of Specialty Coffee
Certification bodies	Certifier
Industry representatives	Agricultural inputs company
	Agricultural inputs company
Other stakeholders	Two universities in the coffee-growing region
UTZ support consultants	Consultant
	Consultant
Coffee market specialist	Representative of the Associação de Cafés Especiais [Speciality Coffees Association]
Ministry of Labor	Ministry of Labor
Regional stakeholders	
South of Minas	Workers' Union
Cerrado	Coffee-farmers' Cooperative
Mogiana	Employees' Rural Union
West of Minas	Rural Workers' Union
	Agricultural inputs company
	State technical assistance

ANNEX III

Original Version of the UTZ Theory of Change



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