■Vol.2 Coffee from Central America

Coffee from Central America

Coffee originates from Ethiopia and other parts of eastern Africa. Since around the 16th century, as liking for coffee among people in Spain and other advanced countries spread, it has been grown in countries with tropical climates, including those in Latin America, that were at the time colonies.
Coffee is a commodity that has attracted attention from a CSR perspective because it is grown in tropical developing nations but consumed in industrialized nations.

ITOCHU Corporation handles coffee produced around the world. In this documentary report, we traced the supply chain for coffee grown in El Salvador and Guatemala, from plantation to consumer.

Activities of ITOCHU Corporation and UNEX, S.A.
—— Agriculture that balances society, the environment, and economy

UNEX, S.A. is founded on the principle of coexistence with small- and medium-scale farmers and support for their autonomy. It provides guidance to small and medium-scale farmers in many regions on compliance with such standards as the certification standards for coffee farmers set by the Rainforest Alliance and Starbucks' C.A.F.E. Practices(*). UNEX, S.A. also conducts businesses to achieve agriculture that balances social, environmental, and economic factors, by purchasing at a premium beans that have met these standards through farmers' efforts.

UNEX, S.A., El Salvador
Conducts coffee processing and exporting in El Salvador. Handles a substantial 20% of the coffee exports in this country.

Unex (Guatemala), S.A.
Conducts coffee processing and exporting in Guatemala. Handles 10% of the coffee exports in this country.

※ Starbucks' socially and environmentally responsible coffee buying guidelines

An organic farming training center opened on the grounds of the processing plant in Guatemala (April 2010)

Growing

Coffee is grown in tropical regions, in highlands at altitudes of 1,000 to 2,000 meters.

A coffee tree ready to be harvested; the fruits turn red when they mature.

Harvesting; only mature fruits are picked by hand.

The tall trees are shade trees; the short ones are coffee trees.

Overview and challenges of coffee farming

Economic aspects

For many countries in the tropics, coffee farming is a valuable industry for obtaining foreign currency. Various countries have focused on coffee cultivation, and increased their production. In contrast, however, growth in coffee consumption has been relatively slow. As a result, producer prices(*), which are determined by demand, are sometimes lower than the labor, fertilizer, and other costs required to grow the crop. This is one of the factors locking farmers into chronic poverty. As farmers' debts pile up and they are unable to turn a profit, more of them are giving up coffee farming, and migrating to industrialized countries to work.

* Standard selling prices for coffee beans are determined by demand in New York, London, and other markets. Local selling prices are then determined by factoring quality and the like into these standard prices.

Labor aspects

It is difficult to mechanize coffee farming, because coffee is grown on mountain slopes at altitudes of above 1,000 meters. As a result, most of the growing, harvesting, and carrying of coffee is done by hand.

Environmental aspects

Coffee farming uses mountainsides in tropical forests. Since coffee trees shun strong sunlight and evaporation, they require shade trees to protect them from the sun. When a natural forest is converted into a coffee plantation, existing trees are kept as shade trees, and the coffee trees are grown in their shade. One of the distinctive features of coffee farming is this ability to maintain diverse plant life and ecosystems.

The challenges are to avoid the excessive use of chemical fertilizers and agricultural chemicals, and to prevent the runoff of agricultural chemicals and other pollutants into the water system.

El Salvador Las Lajas Agricultural Cooperative

Mr. German Humberto, Manager (back right of photo)
"Las Lajas is an agricultural cooperative of 213 small-scale farmers. About 70% of the roughly 900 hectares of farmland are devoted to coffee cultivation. We use the certification standards for coffee farmers set by the NGO Rainforest Alliance to improve our farming, the natural environment, and our lives in general. We are proud that we are practicing completely organic agriculture beyond the certification standards."

Guatemala Alotenango Agricultural Cooperative collection point

Mr. Juan Cojolon Chuy, Cooperative Manager (second from right in photo)
"We were referred to the coffee buying guidelines, or C.A.F.E Practices, in our dealings with Starbucks Coffee Company, and all of us in the cooperative decided to join the program. We are also working to eliminate the use of agricultural chemicals from our farms, with the help of Francisco from Unex (Guatemala), S.A."

Mr. Juan Francisco Urias, Unex (Guatemala), S.A. (right end in photo)
"We support 18 agricultural cooperatives nationwide, including Alotenango. Agricultural improvement programs like the C.A.F.E. Practices have many requirements, and it is difficult for small-scale farmers to meet all of them. But they are improving every year, and getting higher assessments from inspectors. The most difficult thing is convincing famers that they'll be OK even if they stop using the pesticides and herbicides that they have always used."

Guatemala Carolina Agricultural Cooperative

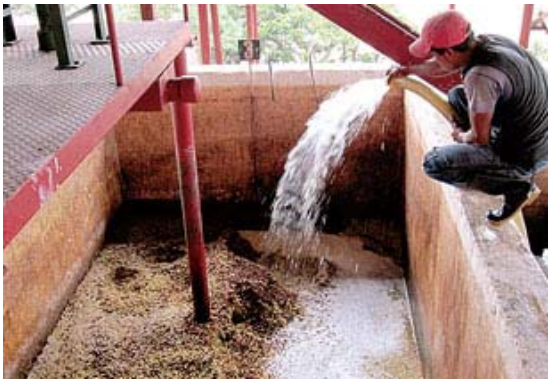
Members of the Carolina Cooperative

Mr. Rene Sanchez Lopez
Cooperative Manager
"We are a cooperative of 70 farms. Before, we were tenant farmers on a huge plantation. We lived like slaves: for example, we did not have the right to negotiate prices.But we all got together and borrowed enough money to buy our own land, and started farming for ourselves. Coffee farms are poor, and it is hard to make ends meet, but I would not trade the autonomy we have won together for anything."

Processing

Immediately after the coffee cherries are picked, they begin to ferment and lose their flavor, so the pulp of the cherries is removed within a few hours of harvest, and the drying process is started.

Processing plant, Unex (Guatemala), S.A



Coffee cherries collected from farmers are soaked in water, and then their pulp is removed.

The pulp and seeds (beans) have been separated. When the yellow seeds are dried and roasted, they become coffee beans.

Processing plant, UNEX, S.A. El Salvador

Mr. Leopoldo Muyshondt (bottom right in photo)
"We have started receiving a large number of CSR requirements from Starbucks and other coffee companies, and now there is a broader awareness at our company that we need to focus more on the environment and society."

Unex (Guatemala), S.A.

Toshiyuki Hayashi, President (until June 2010)
"Our job at Unex (Guatemala) is to build good relations with farmers, and offer high-quality coffee to our customers. One of our jobs is to provide support to enable farmers to be autonomous."

Overview and challenges of processing

Processing plants are located close to the farm land. After harvest, coffee cherries are quickly stripped of their pulp and dried. As large amounts of water are used for processing, it is necessary to filter and treat the soiled water from processing. Due to lack of budget for water-treatment facilities, however, many processing plants still dump their wastewater into the soil and rivers without treatment.

Exported to Japan

Roasting / Marketing & sales

After the beans have been processed and dried, they are exported to the points of consumption. They are then roasted and blended by coffee manufacturers and retailers, and offered to consumers.

UCC Ueshima Coffee Co., Ltd.

UCC is continually increasing its imports of environmentally and socially conscious coffee, including Rainforest Alliance certified coffee. Spurred by customer demand, we expect to increase imports of these types of sustainable coffee even further in the future.
UCC Group, in support for the system of NGO "Rainforest Alliance" which recognizes and certifies coffee farms meeting high-standards such as conserving forests and eco-system, improving the living standards of farmers and etc., have started to handle coffee beans certified by Rainforest Alliance at the coffee mill stores in 2004 for the first time in Japan.
Aided by the growing concerns for safe and reliable foods and conservation of the environment, the sustainable coffees, including Rainforest Alliance certified coffee, are becoming accepted for commercial use and household use, and, with the increased imports every year, has grown to be one of popular products supported by cafés in hotels and coffee lovers.
Recently we receive such inquiries as "I would like to purchase the sustainable coffee," and "Where I could purchase the coffee?" We will be striving to promote the sustainable coffee in order for more customers to familiarize and purchase them by capturing all available opportunities.
Furthermore, in our consistent business activities "from coffee cup to coffee farm," with the objective to minimize the environmental impacts, we are conducting the comprehensive activities for reducing energy consumption and resource recycling. The example of such activities includes CO_2 emission reduction by resource saving by lighter product packages and more efficient distribution networks.
Moreover, each factory have achieved 15% reduction of CO_2 emission intensity so far by such efforts as fuel conversion and persistent energy-saving activities.

Consumers

Reflections on the inspection visits

CSR Consultant
The CSR Institute, Inc.
Mr.Tomohiko Yamaguchi

Mr. Tomohiko Yamaguchi from The CSR Institute, Inc. made inspection visits to production sites.

1. Coffee supply chain

In general, agriculture is the central challenge in the supply chain, both in terms of society and the environment. In order to reach a fundamental solution to the issue of producer prices, controlling balance between worldwide supply and demand is considered necessary. However, during my visit, I have learned another angle to solving this issue. There is a movement where consumers, coffee manufacturers, farmers, and NGOs and other certification bodies are rationally working together, and some schemes (business models) are now rolling out individually which will comprehensively solve issues of farmer poverty, conservation of biodiversity, etc.

2. Activities of ITOCHU Corporation and UNEX, S.A.

What left the greatest impression on me this time was the words of Mr. Hayashi, at Unex (Guatemala): "The most important thing for farmers is to have their own farm land and become autonomous." I saw their efforts directed toward both attaining autonomy for farmers and producing high-quality coffee, by combining several methods, such as providing guidance on farming methods and supports for certification acquisition, purchasing at appropriate prices, distributing organic fertilizers and the like. I think this approach is excellent and can be applied to other fields as well.