

# Informal economy in coffee country

## Farmers' use of Western certification schemes

Theresa Sønderkov Schaltz  
Aalborg University, Denmark

Frederikke Korsgaard Bork  
Aalborg University, Denmark

**Abstract:** *This article investigates formal and informal economies in the Colombian coffee industry. We look at the United Nations' Sustainable Development Goals (SDGs), specifically goal no. 12 on Responsible Consumption and Production. One way of formalising is through the use of certifications. The article is based on fieldwork in Colombia, interviews with roasters and online research. We investigate the use of certifications as a way to ensure fair trade, natural resources and sustainable livelihoods, and look critically at certification programmes, and how certificates can be problematic for producers. Further, we look at direct trade as an alternative to established certification programmes. We look at direct trade, not as a replacement for formalized certification programmes, but as an alternative for some coffee producers, and we argue that there are several ways to include the United Nations' SDG no. 12 into the coffee industry.*

**Keywords:** coffee, fair trade, informality, Sustainable Development Goals, Colombia.

This article investigates the use of certifications by Colombian coffee farmers who export their produce to Western markets. It aims to highlight the intertwined nature of the formal and informal economies and to demonstrate how entities, be they individuals or organizations, can often participate in both forms of economy.

### Introduction

Informal economy is an integral part of most Latin American countries, including Colombia, and at the turn of the 21st century, it was estimated that the informal economy accounted for US\$353 billion of Latin America's GDP. Informal firms are defined as firms which operate in a grey zone by producing legal goods and services but not complying with the legal requirements to do so, such as registering with the authorities, paying taxes and obtaining permits and documentation. The collective of informal firms as well as their suppliers and customers constitute the informal economy (Bruton/Ireland/Ketchen Jr., 2012).

Historically, three different theoretical directions have attempted to explain the emergence and existence of informal economies, namely the dualist approach, the structuralist (or neo-Marxist) approach and the legalist (or neoliberal) approach. While we shall not go into depth with each approach here, it is worth mentioning that the structuralist approach stresses the linkages between the formal and informal economies while the legalist approach views the informal economy as a form of rebellion towards excessive legislation and bureaucracy. In spite of their differing views, proponents of both the structuralist and the legalist approaches identify the

same root cause of why informal economies exist, namely state policy and legislation. Portes, a proponent of the structuralist approach, sees the core issue as being the import of comprehensive legislation from other countries and contexts; legislation which has not been adapted to the needs and characteristics of the domestic economy (Wilson, 2011). Portes further highlights that the relation between formal and informal economy is not a dichotomy but a continuum and an organization may position itself somewhere along this continuum, thus working both within the formal and informal economies.

It applies to all three traditional approaches that they are based on an economic and legislative way of investigating informality which usually does not include the variable of culture. However, studies show that culture does influence the level of informality within an economy and that, for instance, trust (and distrust) is a very important factor for informal firms (Bruton/Ireland/Ketchen Jr., 2012). Scholars have also pointed to other non-economic variables influencing the informal sector, e.g. the notion of legitimacy and the question of which constituency a firm seeks legitimacy from. As such, a firm might seek to be considered legitimate by the broader society, by other informal firms or by a specific community. A community, for instance, may consider an informal firm's operations legitimate although they are not legal (Bruton/Ireland/Ketchen Jr., 2012).

Informal firms account for 40-60% of GDP in developing economies (Bruton/Ireland/Ketchen Jr., 2012: 1). In 2013, 55% of non-agricultural workers in Latin America were employed in the informal sector (Benítez/Melguizo, 2016).

The path for sustainable development outlined in the United Nations' 17 Sustainable Development Goals (UNDP, 2019c) aims to formalize the informal sector in order to bring about labour security, safety and increased standard of living for those employed informally. In this article, however, we understand informality as covering more than the labour market and also including various practices of exchanges. The article will demonstrate the role which global standard certifications play in these exchanges in the coffee industry. Certifications are not a decisive trademark for formality and non-certified goods can certainly be traded formally as well. In this article, an important point is that certifications are employed as a means of formalization and a way of bringing about the above mentioned benefits related to formal economy.

The article first investigates briefly the United Nations' Sustainable Development Goals and then continues by going more into depth with the concept of certifications. This is followed by an introduction to the methodology employed in the research as well as to the data which the analysis is based upon. We then shortly touch upon the relevant limitations before moving into the discussion which e.g. debates the conscious consumer's possibilities and responsibilities and the relevance of alternative forms of trade than certified trade. The article finishes off with concluding remarks and an agenda for future research.

### **The concept of sustainability and the UN's Sustainable Development Goals**

The attention given to the concept of sustainability has increased dramatically since the Paris Agreement in 2015 and the adoption of the United Nation's "2030 Agenda for Sustainable Development" and its central element of the 17 Sustainable Development Goals (SDGs) (UNDP, 2019a). However, the concept of sustainable development came about several decades ago, most famously defined by the Brundtland Commission in 1987 as 'development that meets the needs of the present without compromising the ability of future generations to meet their own

needs' (WCED, 1987: 41). Since then, new definitions have appeared but the essence remains largely the same.

The UNDP describes the 2030 Agenda as an 'ambitious, universal and holistic agenda' (UNDP, 2019c) which, if and when fulfilled, will have tackled the issues of poverty, inequality, exclusion, and lack of sustainability. The aim is to expand people's choices in life, reduce risks and maintain and expand on achieved development gains.

The 17 SDGs included in the 2030 Agenda cover many interconnected issues, and a central point is that one goal cannot be accomplished without taking into consideration other goals whose topics influence development in the first area. The SDGs aim to foster global and local partnerships and development in the areas of poverty, health, education, equality, energy, infrastructure, employment, climate and nature, cities and communities, production, consumption, and governance (UNDP, 2019c).

In this article, we will go into depth specifically with Goal 12 on Responsible Consumption and Production. One of the pillars in this goal focuses on desired changes within production of especially agriculture, the sustainable management of natural resources and a practice of sustainably recycling and disposing of waste products. The other pillar focuses on consumption and aims for sustainable procurement practices in especially large companies and public organizations. Several of the targets in Goal 12 hinge on the use of standards and reporting to monitor the progress towards more sustainable practices. It is also a target to create public awareness and disperse information relevant for consumers in order for them to pursue sustainable lifestyles (UNDP, 2019b).

## Certifications

Certifications devoted to sustainability, fair trade and social justice have been around for decades. Specifically, the movement of certifying coffee has been around since the 1980s (London, 2012). Fairtrade has existed since 1988 and the *Fairtrade* certification mark, which today is easily found in most supermarkets in the Global North, has existed since 2002. 'The international Fairtrade system [...] represents the world's largest and most recognized fair trade system' (Fairtrade Foundation, 2019). The model of Fairtrade was meant to ensure that peasant cooperatives are working transparently and democratically and are willing to invest in improving the livelihood of its members. In return, the cooperative and its members receive a premium paid by the roasters who purchase the coffee which is intended to help with needed improvements to the cooperatives/communities (Fairtrade.net, n.d-c; London, 2012).

In the following years, other certificates emerged as well. Fairtrade was, so far, focused on trade as a fair process but many of the activists working for a better and more just world did not necessarily agree on which causes were important, e.g. farmers' livelihoods or the natural environment which was a new concern as there was a documented decrease in biodiversity as a result of the technifications of coffee production (Rice, 1999; London, 2012). Due to concern for biodiversity, certificates such as Rainforest Alliance and The Forest Stewardship Council (FSC) were created (London, 2012; Schepers, 2010). Alongside the aforementioned certifications, many other certificates were created all with different focuses, e.g. for environmental purposes, for fair trade, focusing on deforestation or focusing on sustainable food products. All these certifications aim to enhance people and planet (London, 2012).

Certificates are often seen as a form of alternative consumption where economic activity is tied to social awareness and environmental consciousness (Taylor, 2004).

It is seen as a way to take into consideration the natural environment, social responsibility towards producers, ensuring producers economically, and linking socially conscious consumers in the North with socially and environmentally sound farming in the South (Murray/Raynolds/Taylor, 2003). However, the practice of certifications fails in some ways, partially due to the deep rootedness in neo-liberal capitalist culture which is both what these certifications are fighting against but at the same time also are a part of (Taylor, 2004; London, 2012). It is the idea of creating conscious and fair consumption but at the same time being subject to the drive for growth, increasing profits and overconsumption (London, 2012). London (2012) further argues that as soon as money enters the picture, these projects become about creating more markets and moving goods rather than the original aspirations of doing good. This also raises the question of legitimacy to certifications as there are not only e.g. social and environmental dimensions to creating certified goods but also economic growth throughout the supply chain.

Scheper (2010) refers to this as public and private dimensions. He argues that the public dimension is focused on ensuring clean air and increased biodiversity, whereas the private dimension provides an economic advance through sales which is easier accessed through monoculture plantations rather than diverse forestry (Scheper, 2010).

Legitimacy (or lack thereof) is also questioned on the production side where we see a rise in certificates from the Global South, i.e. where most of the production takes place (Schouten/Bitzer, 2015). Schouten and Bitzer (2015) focus on the emergence of Southern certificates in three cases, namely palm oil in Malaysia and Indonesia, soy in Brazil and fruit in South Africa. Even though existing global standards are viewed as being highly legitimate by international companies, NGOs and consumers, many producers do not view the process as legitimate since they are not included in the decision making process or able to include their own preferences and knowledge. Southern certificates are therefore a response to the lack of inclusion of the production side from Western certificates (Schouten/Bitzer, 2015).

Other issues of certifications, and in this example the Fairtrade certification, that have been highlighted are the unequal guidelines and monitoring which exists in the coffee supply chain and the lack of documentation of actual social consequences of the certification activities. The monitoring only exists on the producer level of the supply chain and all monitoring ends as soon as the coffee leaves producers and enters into the hands of roasters (FAO, 2014). This means that all rules and regulations which coffee producers must abide by do not apply to those who buy the coffee. There is also an inequality of market control and the power of what and how information is shared, and how pricing is set lies in the hands of the traders and roasters, and growers are in this case left without any of the control. This lack of control on the production side is also an explanation for the increase in Southern certificates, which questions the legitimacy of existing global standards. Producers do not necessarily see the benefits outweighing the costs and according to the literature review by FAO in 2012, many of the studies show no significant positive effect or even a negative effect on the production side from being certified (FAO, 2014). However, as long as the responsibility and transparency only applies to the production side, it does not complete the fair trade in the entire supply chain. Responsibility and accountability towards both people and planet should fall on consumer businesses, as well (London, 2012).

The latter concern which we highlight is the lack of documentation of which consequences exist on the production level. There is literature stating that certification has only had a minor effect on grower income; however, there is a lack

of knowledge in regards to the social consequences. Coffee growers are often part of co-ops/collectives and are certified as a whole as well as receive their premium price for certifying as a whole, but there is no documentation on whether or not these co-ops are democratic and use this growth in income to benefit the entire community or if there is an unequal distribution of goods (London, 2012). According to Schouten and Bitzer (2015), this is another reason for looking at alternatives to existing global standards, such as the emergence of Southern standards. These certificates are more profitable for the producer and the requirements are less stringent and easier to apply. The FSC also works with collectives of farmers who share the certification, thus making it cheaper for the individual farmer to be certified. The issue with this collective as with Fairtrade is that certified farmers are audited by the certifiers as a collective, meaning if one farmer does not live up to all demands, it is the entire collective that is punished (Schepers, 2010). According to the FAO report, the only way small holder producers are able to enter into the market of global certifications is through these collectives so they can receive social premiums but until they receive their first premium, there are a lot of investments which have to be made in order to live up to the standards and this can take years (FAO, 2012). If, at the same time, there is an uneven distribution of goods, this leads to negative effects for the smallholder producers. Even though there is no conclusive data stating that there is greater profitability for producers through being certified, the reputation and legitimacy of these standards can have a positive effect for producers (FAO, 2014). A last concern which we will highlight, and as we mentioned in the beginning of this section, is the large amount of different labels which exists. This creates a legitimacy issue for certifications because consumers do not know what to choose and how to prioritize between the different labels (Schepers, 2010). The certification movement is fragmented and a myriad of certifications exists, both organized and unorganized. Another approach to overcome these legitimacy issues and transparency issues that exist with the certifying organizations is for roasters to trade directly with producers because they believe that they are able to pay farmers more by paying them directly (London, 2012). This is an approach we will explore further in our discussion.

## Methodology and presentation of data

### Field description

This article is based on fieldwork in Colombia in January 2018 and more specifically the Coffee Region (Marsella, Armenia, Buena Vista, Filandia, and Salento). The fieldwork was the scene of our research about coffee tourism in Colombia and it was during this fieldwork that we gained an insight into certified coffee and the issues surrounding sustainability certifications. Our data collection was conducted through participant observation, interviews, observations, and online research. Much of our data came from investigations of coffee tourism offers in Bogotá and Medellín, interviews, field notes, observations with key informants in Marsella and Buena Vista, and participant observation at coffee attractions in the cities of Salento, Filandia, and Armenia. All of the latter sites are located in the most famous coffee region in Colombia, comprising the regions of Quindío, Risaralda, Valle de Cauca, and Caldas. During the fieldwork, we stayed at different coffee farms where we spent time with informants who we had arranged our visits with beforehand. The coffee farm relevant to this article is a farm which is located in Marsella in the Coffee Region. We spent several days with a key informant who is interested in starting her own tourism business on her family's coffee farm. From her we gained much insight

into being a coffee grower in Colombia and selling coffee all over the world including to one of our informants in Denmark.

## Methods

Our research into this topic has been based on a qualitative approach and our methods are comprised of in-depth interviews, participant observation, and document analysis of online data. The methods have been adapted to our specific fieldwork context, in order to best gather data, taking into account social and cultural features. An example of this is how we adapted interviews to fit an informal format to suit our Colombian informants as well as the tourists we talked to along the way. During the fieldwork, participant observation was a key method utilized. We immersed ourselves in the context and participated in both touristic coffee-related activities as well as traditional everyday activities conducted by key informants. Most of the time was spent with the previously mentioned key informant who works on her family's coffee farm and is interested in developing tourism as part of their family business, inviting tourists to visit the farm and experience how coffee is produced. The time spent with her and other informants allowed us to observe everyday activities, the different networks and power relations that existed in the community and their position in the Colombian coffee industry as well as their position towards coffee certifications.

Even though interviews were conducted with several informants during the fieldwork, including coffee farmers, tourists and tourism actors, we choose to highlight three informants as relevant to this article. Our first informant (Informant A) is the CEO of a Danish coffee company who buys and sells coffee from all over the world, including Colombia. Our second informant (Informant B) is a Colombian man residing in Denmark and running a startup coffee company that focuses on the use of recycled coffee beans but who also buys and sells coffee, specifically from Colombia. Our last informant (Informant C) works on her family's coffee farm and is especially interested in the tourism opportunity of the coffee business. Informant A was our partner during the initial fieldwork and he helped us gain access to many of our Colombian informants and from him we gained knowledge before the fieldwork started. However, we have also interviewed him in connection with this article as he has a great deal of knowledge about the coffee industry working as a buyer, roaster and seller. He also has specific knowledge working with and without sustainability certificates. We interviewed informant B during our fieldwork and it was here we briefly learned about his and his company's insight into certifications. We therefore conducted a second interview with him specifically for this article where he elaborated on this knowledge. Our interviews with Informant C are comprised of many conversations that we had with her while staying on her family's farm. These interviews were mostly concerned with her ideas and projects for creating a tourism initiative but during the time we spent with her, we gained an insight into running a coffee farm, being a coffee grower and also some standpoints concerning certificates from the producer/grower side of the business.

Lastly, the online research that is used for this article includes our research on the United Nations' SDGs and research on certification websites, specifically Fairtrade, Rainforest Alliance, and the Forest Stewardship Council. We have used these websites alongside academic articles and notes from our interviews to gain an "all-round" insight into the subject as well as a critical and non-critical point of view about certifications in the coffee industry.

## Limitations

We will in this section highlight a few limitations to our research process that we consider are relevant to understand what insights we have gained and how. The fieldwork which guides this article was conducted for purposes which are not in itself relevant to this article. This means that the information we initially gained concerning certifications and informal economy was not something we were exploring in itself and therefore not the focus of our data collection. This knowledge was at the back of our minds until an opportunity presented itself and we were asked to give a lecture on the topic and later to write this article. This was when we started to gather the pieces of information we had gained on the topic and decided to explore further through online research and follow-up interviews. Furthermore, our research is based on short-term ethnography rather than long-term and our time on sites was short so we focused specifically on gaining insights into the subject of our initial research and did not explore other information we received further, for example information about certifications from the production point of view. We will, however, use the insight we did gain and use the literary work of other researchers to support our findings as well as gaining new perspectives.

## Discussion

When investigating the issue of sustainable development in both theory and practice, it is important to ask the question of universality. Is the theoretical definition of the concept really universal and is there a universal form of implementation to fit all populations and cultures? Referring back to the main ideas included in the definition of sustainability by the Brundtland Commission (WCED, 1987), the term “formalization” is not mentioned anywhere. Rather, the focus is on promoting modesty and responsibility in regards to resource utilization.

Yet, the binary formal-informal perception of economic activity overshadows the diverse paths which exist and can lead to meeting the goal of creating modest, responsible and globally sustainable production and consumption patterns. This is the same issue which is encountered by the use of certificates, e.g. Fairtrade, which have a “one-size-fits-all” approach when certifying producers/productions and does not take into consideration the diversity of countries and regions or production measures (Overbeek, 2015).

One of the tools integrated into the SDGs as a means to formalize economies is expanding the use of certifications and reporting schemes. The aim of this is 1) to be able to continually monitor progress and setbacks, and 2) to ‘ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature’ (UNDP, 2019b). As such, one of the aims is to provide consumers with sufficient information to make responsible consumption choices. The issue with certifications, however, is that they are not a universal practice. The vast majority (if not all) of the significant certification schemes within the coffee industry were invented in Western countries and aim to certify a commodity (in this case coffee) grown in lower-income, non-Western countries (Informant A). Another issue which exists with some certifications is the lack of monitoring through the entire supply chain. All monitoring is done on the production side and ends as soon as the product is sold to roasters (London, 2012; Schouten/Bitzer, 2015). Some roasting companies label their products “direct trade” to convey that the products have been sourced based on a framework with requirements regarding price premiums, financial transparency, coffee quality requirements and regularity of visits to the coffee farms; the label “direct trade”

thus conveys that control has also been done on the latter links in the supply chain. External auditing is rare, however, and the roasters are thus not held accountable by others than themselves since they themselves set the standards and monitor their own performance. This system is very sensitive to company management's ideals and prioritizations. The label "direct trade" is thereby used to convey quality in a similar pattern to certifications such as Fair Trade but focuses on the roaster rather than the producer. The pitfall here is, as stated, that in e.g. the United States, there is no third party verification of these frameworks which may mislead consumers (MacGregor/Ramasar/Nicholas, 2017). In Denmark, however, the label 'direct trade' is trademarked and one roasting company has set up a framework which roasters must comply with in order to label their coffees "direct trade". The ambiguity of the term "direct trade" in the US has made some roasters move away from the term and instead focus on releasing data to consumers in order to back up their claims of responsible trading practices. The released data, however, is not verified by a third party and the practice places a great deal of responsibility on the consumer who then becomes the auditing body, or at least has the ability to become that. This is problematic because the data is often too complex and overwhelming for individual consumers to analyse and understand (MacGregor/Ramasar/Nicholas, 2017).

Further, the myriad of schemes and certifications are difficult for consumers to distinguish. This places the consumer in a difficult situation in terms of making informed purchasing decisions (MacGregor/Ramasar/Nicholas, 2017). The main consumer groups interested in purchasing certified goods are located in Western countries. These consumers are willing to pay a higher price for certified products as it is a socially conscious choice towards the producers and natural environment. However, it is difficult to be a socially conscious consumer because of the many choices of certified products and the limited information about the practices for the consumer and there are difficulties with this practice in several ways along the supply chain. As we have learned from our literary research and from our informants, sustainable certificates have downsides which are not presented to the final consumer. Informant B expresses an issue with certificates and specifically Fairtrade because he has experienced in several cases that the extra income gained from certified products rarely ends up with the producer/farmer. A portion of the money stays with the certifiers and the income which is meant for the producers is given to the co-ops/collectives that the farmers are part of (Informant B). This is not something that Fairtrade hides, and they explain how the monetary gain is given to the co-ops who then distribute the income to both farmers, but also the community as a whole, making sure that the money is put to use where it is needed (Fairtrade International, 2019; London, 2012). The issue with this, which Informant B experiences, is that these co-ops are often in the pocket of different commercial houses, e.g. commercial businesses selling conventional chemical fertilizer. This fertilizer is distributed to farmers instead of the monetary premium, defeating the purpose of sustainable businesses on both an economic and environmental level (Informant B).

While formal economies are built on e.g. certifications and official protocols, informal economies and exchanges are built on trust to a very high degree (Bruton/Ireland/Ketchen Jr., 2012). Trust, however, is elusive and difficult to measure. Trust is not easily conveyed in a global economy where producer and consumer are separated by thousands of kilometres and several layers of intermediaries. Trust is not as tangible as certifications for the conscious consumer (Informant A). The preference for certifications over trust when doing business and making consumption choices is a Western one; our Colombian informant

(Informant C) as well as our Danish informant (Informant A) both convey that Colombian coffee farmers have a distanced relation to the certifications and simply consider them another formal requirement from the Western markets which farmers must comply with in order to export their coffee. From all of our informants' points of view, the certifications bring little or no added value to the commodity of coffee nor to the coffee farmers. The majority of the value added lands in the hands of intermediaries who are able to increase sales prices and with consumers who believe they have made a conscious consumption choice (Informant A).

The reality resulting from the increased use of certifications described by our informants is different from this same reality as perceived by consumers. The concept of certifications achieves a new meaning as it is taken out of its original context and placed into a culturally different one. Certifications are approached with pragmatism and scepticism because farmers see the majority of the price increase go to intermediaries rather than to themselves (Informant A; Informant C). Aside from not generating a substantial increase in income for farmers, one informant finds especially organic certifications downright harmful (Informant A). According to this informant, the organically certified farms are often the most primitive ones with a low quality of coffee and poor farming techniques which gives them poor quality and low yield on their fields. Consumers are not willing to pay the extra price of high quality, well-farmed organic coffee and therefore many organic farms are of low quality and the farmers are very poor and use primitive techniques. However, the small price increase they gain from being certified takes away the incentive to develop the quality of their coffee which would increase the price much more and result in a much higher income and thus standard of living. Keeping farmers locked in this unproductive production pattern keeps them locked in poverty. As such, organic certifications may have a significant social drawback although they might be environmentally sustainable. The environmental sustainability, however, is also questionable because the primitive, organic farms have a very low yield (Informant A). Since the research done on certifications and coffee production is very case specific, we are aware that this is not the reality for all producers but it is still worth mentioning the experiences of an experienced roaster who has worked with many coffee producers world wide for many years.

However, there are also cases arguing that these certificates can increase quality standards for producers, including organic producers. One example of this is the organization Cooagronevada which is a Fair Trade certified coffee collective where high quality, sustainability and benefits for producers are of great importance (Cooagronevada, 2019). There are also roasters who argue that certified products are the right way to go. Levi Rogers, an American coffee roaster, argues that certifications bring a lot of benefits to the table that direct trade cannot. He used to work with direct trade arguing that this was the way trade should be. He did not agree with Fair Trade who only provides minimum prices to producers and he instead paid 30% above that price and thereby helped farmers who could not afford to be certified. But looking more into the production and impact side of business, he started questioning direct trade. The price of coffee fluctuates a lot and at the moment it is very low which means that prices do not come close to meeting production costs and also meaning that the 30% extra may not be that much greater than a minimum price (Rogers, 2019). Other issues with direct trade is that there is an exporter between the producer and the roaster and there is often a lack of transparency of how much of the price will actually end up with the producer. And even if everything would go to the producer, with a price 30% over market rate this may not even be enough to cover production costs for producers. A last issue which

Rogers (2019) mentions is predictability or lack thereof. If the market changes or if management in a roasting company changes, it might mean the loss of business for the producer who may be highly dependent on the relationship. Roasters are still business people who focus on high quality and good prices (Rogers, 2019). Levi Rogers now work with Fair Trade certified producers because he sees this as more socially responsible than direct trade. He uses Fair Trade because it is not only about price but about being part of farmer-owned producer organizations. These organizations help with both business and social services. This leads to higher quality, better livelihoods and less risks for producers, according to Rogers, because Fair Trade has a model which can withstand bad times through minimum prices (Rogers, 2019). These are some examples of how certificates such as Fair Trade have shown positive outcomes for producers.

However, keeping in mind the above, it is still relevant to question whether formalization in the form of certifications leads to sustainability. SDG 12 aims to promote local culture which could also be taken to include local forms of trading, ie. relying on trust, but also advocates strongly for the formalization of economic activity. Our research shows that actors with different positions in the coffee marketplace are exploring new paths for sustainable production, consumption and trade which are not aligned with the path to sustainability drawn out in the 2030 Agenda.

As seen with various certifications, there is also here a uniformity that does not take into consideration local practices and networks which would be essential if we are to embrace informal practices and diverse local systems.

As an example, Informant C who lives and works on a coffee farm in Colombia does not see the benefits of being certified, with the exception that many customers are interested in buying certified products. The farm she works on used to be certified by Rainforest Alliance in order for them to be able to sell their coffee at a higher price. They realized that much of the profit of the higher prices would go to middlemen, such as the certifiers, rather than the farmers. On top of that, it is expensive to become certified (2 million pesos/year or approx. 2.000 euros/year) and farmers start to look for alternative ways to play into the demands of Global North consumer markets, e.g. finding less expensive (and less recognized) certifications, or simply sharing certifications between neighbouring farms, even though they may not live up to the standards of the certification (Informant C). Another insight shared by this informant is that even though many farms may not have an organic certification, their coffee is produced organically using their own methods, e.g. homemade fertilizer. Their coffee can still be sold as organic without the certificate and this is due to coffee buyers such as Informant A and Informant B. As stated in our literature research, there is a new tendency for roasters/buyers to circumvent traditional trading through sustainable certifications and rather work in trust based relationships (London, 2012). This is how farmers such as Informant C and her family are able to sell organic and responsibly produced coffee without the need for a certification stamp. Her farm sells directly to Informant A who, through a personal relationship with his producers, is able to find coffee productions that live up to his and his company's standards.

We see the same example with Informant B who buys coffee from specific farms in Colombia and deliberately avoids certificates such as Fairtrade. He tells us that he has a relationship with the different producers and has often visited the farms he works with. He buys their coffee because he knows it lives up to the standards of his company and does not need any certificates to prove that it is organic or sustainably produced (Informant B).

Like data about global certificates, findings on direct trace are also very case specific and we cannot conclude that direct trade only brings positive impact along with it as stated earlier in this article. In their research, MacGregor, Ramasar and Nicholas (2017) argues that one of the issues with direct trade is that there are no regulations, and it is therefore up to the individual roasting companies to set standards, which could mean that there is a bigger focus on taste quality rather than public interest and sustainable development (MacGregor/Ramasar/Nicholas, 2017). Vicol et al. (2018) also investigates direct trade in Indonesian coffee industry. They refer to direct trade in the coffee industry as Relationship Coffee, which differs from global standard certificates through its informality. Relationship coffee is marketed to consumers as being traded through direct relationships between roaster and producer. Similarly to the rise of certificates from the Global South, direct trade or relationship coffee is seen as a response to the impersonal, formal, audited and one-fits-all approach from certifiers such as Fair Trade. Relationship coffee is promoted as opportunities for marginalized small-scale producers. Roasters have the role of being the voice on both sides, both through contact with the producers but also through their marketing, including stories and photos on websites which are used to create trust with consumers (Vicol et al., 2018). However, there are downsides to this approach as well. Unlike certification systems, there is no one to verify the effects of direct trade besides the roasters who share information with their customers through online marketing. Secondly, this is still a field which is not researched on a bigger scale, making it difficult to compare direct trade outcomes. There is evidence of good outcomes through increase in environmental sustainability or quality increase but not necessarily any improvement in the price received by farmers (Vicol et al., 2018). With this in mind, we are still interested in looking at alternative options to global standards such as direct trade processes because they offer an alternative to a very stringent system of formalized certificates.

So could there be a way to re-invent and re-imagine how products such as coffee are traded? Seeing how actors on both the production side and the selling side of the business are working with informal practices such as trust makes us question why the SDGs focus on formalising these sectors rather than embracing local practices and trusting networks. A good argument for formalization is that it is easier to measure the success globally if comparisons can be made. However, as demonstrated in this article, actors along the supply chain find alternative routes for producing and selling their products, working within the formal frames, but choosing different methods of achieving the desired outcome of sustainability, e.g. through trusting relationships for trade. The trust which exists between producers and their buyers could be a way to include these informal practices into agendas such as the SDGs. If a consumer wants to make socially conscious purchases but avoid non-transparent certificates, there is a need for an alternative connection between the producer and the consumer. Coffee sellers such as Informant A and Informant B have the opportunity to be this alternative. They have direct and trusting relationships with their producers and they have direct relationships with the consumers as well, leading to a much simpler and more transparent insight to how products are produced, e.g. how coffee is grown and sold.

### **Concluding remarks**

This article considers informal economy and the lack of such economy in the SDGs. More specifically, we look at certification schemes e.g. Fair Trade and how coffee producers in Colombia work with and around such schemes. The current setup of the SDGs presents difficulties for coffee producers working within the informal

and non-certified economy as well as for buyers in other parts of the world who are interested in working with coffee producers based on trusting relationships and direct trade, rather than through formal certificates. We are aware that the research done in both the fields of formalized certification and more informal direct trade is very case and context specific. Thus, we are not able to conclude that formalized certifications only have negative effects or that direct trade has only positive. We are interested in questioning the wish to formalize through the use of very stringent Western created certificates as we consider there to be a lack of understanding of culture in regards to local knowledge and the exclusion of producers in the decision making processes. We are interested in looking at how to better include alternative methods through schemes such as direct trade or the emergence of Southern certificates. There are benefits to these formal certification schemes, amongst them is that producers can more easily sell their products in desirable markets. There is also the monetary gain which follows. However, we do question how much this extra money benefits farmers, considering the high cost of being certified. We also question the distribution of the money, seeing how it does not always benefit the producers or the community around them. Another benefit we highlight regarding certificates is the ecological sustainability which follows when producers comply with the demands of the certifiers. However, this again raises questions. During our fieldwork and literary research, we see that some producers are already working in naturally sustainable ways, e.g. producing their own organic fertilizers, but this is not recognized by the formalized certification programmes.

There are several obstacles concerning these certificates. A major obstacle is if the producers being certified simply do not see the point of certificates. Producers we have talked to do understand the importance of the stamp if they want buyers from specific markets who demand this type of labeling. But they do not necessarily see the idea of complying with such strict and for them very expensive rules. There is a difference in worldviews between the countries who create these labels and the countries who comply with the rules of these certificates. We argue, in this case, that it is the certifying organizations which have failed, meaning they have overlooked the importance of understanding the markets they are working with. Often, certifications has a one-fits-all approach and this approach fails to understand the diversity of the markets, e.g. considering the size of a country, political situations or understanding the biodiversity of production areas. The last obstacle we considered when discussing certification schemes is the lack of monitoring. Since labeling, and therefore monitoring, is only considered on the production side, it creates an imbalance along the supply chain. Monitoring stops as soon as the coffee leaves the producers and enter the hands of buyers. This means that from this point, we cannot know how the product, or the people working with the product, are treated. This in some ways defeats the idea of the label and it creates an unequal and unfair balance between the production side and those who in the end sell the product.

We consider that the idea of a trust based economy should be researched more thoroughly and we understand this as a way to integrate the informal economy into strict formal schemes such as the SDGs. Another approach would be to look at how to make certifications more attractive, e.g. making them less expensive. This, however, still raises the issue of producers even having to become certified in the first place. If there is an incoherence between worldviews, it is worth considering alternatives to certifications. Production markets should be considered as unique with the need for including their understanding and situations into the overall discussion of sustainability. By opening up to different worldviews and

understandings, we can create sustainable development goals which include both the formal and informal economy.

## References

- Benítez, Juan Carlos; Melguizo, Angel. 2016. "Informal is normal in Latin America: taxes matter." *OECD Development Matters*, 19 December. <<https://oecd-development-matters.org/2016/12/19/informal-is-normal-in-latin-america-taxes-matter/>>. Accessed 19 December 2019.
- Bruton, Garry D.; Ireland, R. Duane; Ketchen Jr., David J. 2012. "Toward a Research Agenda on the Informal Economy." *Academy of Management Perspectives* 26 (3): 1-11.
- Cooagronevada. 2019. "Who we are." Cooagronevada. <<https://cafecooagronevada.com/who-we-are/?lang=en>>. Accessed 19 December 2019.
- Fairtrade Foundation. 2019. "Who we are." Fairtrade Foundation. <<https://www.fairtrade.net/about-fairtrade.html>>. Accessed 19 December 2019.
- Fairtrade International. 2019. "What is Fairtrade?" Fairtrade International. <<https://www.fairtrade.net/about-fairtrade/what-is-fairtrade.html>>. Accessed 6 June 2019.
- FAO. 2014. *Impact of international voluntary standards on smallholder market participation in developing countries: a review of literature*. Rome: FAO.
- London, Christopher. 2012. "Coffee, Certification, and the Incurability of Capitalism." *Social Research*, 79 (4): 1045-1069.
- MacGregor, Finlay; Ramasar, Vasna; Nicholas, Kimberley A. 2017. "Problems with firm-led voluntary sustainability schemes: the case of direct trade coffee." *Sustainability* 9 (4), 651.
- Murray, Douglas L.; Raynolds, Laura T.; Taylor, Peter L., 2006. "The future of Fair Trade coffee: dilemmas facing Latin America's small-scale producers." *Development in Practice*, 16 (2): 179-192.
- Overbeek, Ashley. 2015. "Examining the efficacy of fair trade and alternative consumption on environmental sustainability and human rights in developing countries." *Consilience*, 13 (1): 165-178.
- Rice, Robert A. 1999. "A place unbecoming: the coffee farm of northern Latin America." *Geographical Review*, 89 (4): 554-579.
- Rogers, Levi., 2019. "Unraveling the mystery of coffee prices: one roaster's journey." *Daily Coffee News*, 15 July. <<https://dailycoffeenews.com/2019/07/15/unraveling-the-mystery-of-coffee-prices-one-roasters-journey/>>. Accessed 19 December 2019.
- Schepers, Donald H. 2010. "Challenges to legitimacy at the Forest Stewardship Council." *Journal of Business Ethics* 92 (2): 279-290.
- Schouten, Greetje; and Bitzer, Verena. 2015. "The emergence of southern standards in agricultural value chains." *Ecological Economics* 120: 175-184.
- Taylor, Peter L., 2005. "In the Market But Not of It: Fair Trade Coffee and Forest Stewardship Council Certification as Market-Based Social Change." *World Development* 33(1): 129-147.
- UNDP (United Nations Development Programme). 2019a. "Background of the Sustainable Development Goals." UNDP. <<https://www.undp.org/content/undp/en/home/sustainable-development-goals/background/>>. Accessed 19 December 2019.
- UNDP. 2019b. "Goal 12: Responsible consumption and production." UNDP. <<https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-12-responsible-consumption-and-production.html#targets>>. Accessed 4 May 2019.
- UNDP. 2019c. "2030 Agenda for Sustainable Development." UNDP. <<https://www.undp.org/content/undp/en/home/sustainable-development.html>>. Accessed 4 May 2019.
- Vicol, Mark; Neilson, Jeffrey; Hartati, Dian; Cooper, Peter. 2018. "Upgrading for whom? Relationship coffee, value chain interventions and rural development in Indonesia." *World Development* 110: 26-37.
- WCED (UN World Commission on Environment and Development). 1987. *Our common future*. Oxford: Oxford University Press.



Wilson, Tamar D. 2011. "Introduction: approaches to the informal economy." *Urban Anthropology and Studies of Cultural Systems and World Economic Development* 40 (3/4): 205-221.