

# MONITOR



CERTIFIED COFFEE,  
RIGHTLESS WORKERS



Repórter Brasil

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The fifth issue of **Monitor** – a newsletter that publishes **Repórter Brasil**'s studies on industries and production chains – reveals that even certified coffee farms still fail to guarantee workers' rights

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# AN OVERVIEW OF THE INDUSTRY

About one-third of all coffee consumed in the world is planted in Brazil. In the 2015/2016 harvest season, the country exported 28.5 million 60-Kg sacks – Vietnam, the world’s leader, sold 19.1 million in the international market<sup>1</sup>. The European Union, the United States and Japan are the main destinations of Brazilian foreign coffee sales. In 2015, these three markets absorbed 73% of the country’s coffee exports<sup>2</sup>.

Brazil is also an important production hub for certified coffee, an industry that has grown rapidly in recent years. According to UTZ, one of the largest best practice certification systems for the product, about 20% of world’s output is now verified through some voluntary sustainability standard<sup>3</sup>. Therefore, it is not just a niche market. In the Netherlands, for instance, about half of all coffee sold has some sustainability certification<sup>4</sup>. In some segments, certification has become a prerequisite to enter the market.

Some studies highlight the contribution of best practice seals to improve labor rights in the industries’ farms. When producers in Brazil, Colombia, Guatemala, El Salvador and Peru were asked about the impact of the Rainforest Alliance seal on their properties, 55% reported improvements in family and employees’ health, and 71% pointed out the return of temporary workers as an indicator of good local conditions<sup>5</sup>. More recently, a study commissioned by UTZ in Brazil found more skilled employees and more respect for the law in farms linked to the seal<sup>6</sup>. The findings result from interviews with 57 permanent employees and stakeholders operating in the area – cooperatives, unions, authorities, etc.






However, the study recognizes the need for further studies into the effects of certification on the lives of seasonal workers. Coffee harvest employs that temporary labor force and

creates the largest number of jobs in coffee-growing.

In this investigation, Repórter Brasil contributes to that debate by presenting three concrete examples of certified farms with labor rights violations, including:

The problems affect mainly seasonal workers and refer to properties that hold or have already held the main best practice seals operating in the country – UTZ, Rainforest Alliance and Certifica Minas. In addition, the violations also involve farms linked to the responsible sourcing programs of three major multinational companies – Nestlé, Starbucks and Ecom Trading.

## TYPES OF LABOR INFRACTIONS IDENTIFIED

	Employing unregistered workers
	Undue discounts on salaries
	Payment allegedly below the minimum wage
	Non-payment of mandatory benefits
	Non-compliance with standards for pesticide use

Repórter Brasil went to talk to the companies and certification systems, and this report shows the reactions of each of them to the problems we presented. In addition to shortcomings in monitoring the properties, some gaps in transparency emerged – not only related to audit results, but also in publicizing the list of certified producers. In the course of the investigation, it was also clear that uncertified farms may be making improper use of best practice seals to market their production – a problem found in Fairtrade International’s business chain.

Before exploring the actual cases, however, a brief description will be made of the reality of coffee workers in Brazil and the problems they face.





Coffee worker in the course  
of a labor inspection





## ACTING ILLEGALLY

In 2016, three reports drew international media's attention to labor conditions in Brazilian coffee farms. In March, Danish NGO Danwatch<sup>7</sup> denounced cases of child labor and contemporary slavery in coffee plantations supplying complex global trade networks – linked, for example, to giants Nestlé and Douwe Egberts. A month later, a report by Catholic Relief Services (CRS) and Repórter Brasil<sup>8</sup> provided more details about slavery-like cases caught by federal prosecutors in the coffee industry – forced labor, exhaustive working hours, debt bondage, and degrading working conditions. In October, Finnish NGO Finnwatch, together with Repórter Brasil and other organizations, launched a study<sup>9</sup> on working conditions in farms in Brazil, India and Honduras whose coffee is exported to Europe.

Representatives of coffee producers – including the National Coffee Council (CNC), which gathers coffee growers, cooperatives and associations – sustain that the criterion for characterizing slave labor in Brazil is “highly subjective” and that those are isolated cases among the hundreds of thousands of coffee farms in the country<sup>10</sup>. Workers' representatives, in turn, say that the number of known cases would be much higher if authorities followed up on all complaints and correctly identified situations of slavery during inspections<sup>11</sup>.

Between 2011 and 2015, inspectors from the Ministry of Labor and Social Security (MTPS) rescued at least 579 people from slave labor in coffee farms. The cases are related to 26 properties, according to a survey conducted by Repórter Brasil in official records. New rescue operations have already taken place in the 2016/2017 harvest season in at least three states – Minas Gerais, Espírito Santo and Bahia. Repórter Brasil will soon systematize information about these cases as well.

However, this report will address other types of labor law viola-

tions: informality, frauds in payments of mandatory benefits, salaries below the minimum wage, dangerous transportation, and other unhealthy practices at farms. Taken together, those problems reach a universe of employees that is much larger than that of slave labor. Therefore, their social impact on the industry's workers is as significant as slavery's or even more significant, because they pose risks to health, diminishing workers' prospects for economic growth and limiting the access of thousands of people to Brazil's social security system.

### INFORMALITY

Most Brazilian farm workers still work without regular documents. Six out of ten rural wage earners – 2.4 million people – work informally and are paid less than the so-called formal workers<sup>12</sup>.

Lack of formal registration of that workforce is also an obstacle to measuring the size of the problem in several industries. However, data from the Ministry of Labor in Southern of Minas Gerais, where coffee growing is the main rural activity, indicates a scenario close to the national average. According to the agency, in the 80 towns that produce coffee, 61% of farm workers are informal – twice the urban average<sup>13</sup>.

A similar situation is found in other Brazilian coffee producing hubs. The scenario leads several representatives of public agencies<sup>14</sup> and civil society<sup>15</sup> to point out informality as the main labor problem in the coffee growing industry – something that mainly affects seasonal workers hired to harvest it. The Federation of Agricultural Workers of the State of Minas Gerais (Fetaemg) estimates that between 40% and 50% of that temporary workforce works unregistered<sup>16</sup>.

In addition to a minimum wage – R\$ 880 currently – registered workers

have several other rights guaranteed by law in Brazil. They include paid vacations, maximum of 44 working hours per week, Sundays off, payment for overtime, unemployment insurance, paid sick leave, and severance pay when dismissed. In addition, employers pay other mandatory benefits, which include social security contributions and the so-called Guarantee Fund for Time of Service (FGTS – a fund workers can withdraw in some specific cases such as to purchase a home or to pay for medical treatment.

By depriving unregistered workers of these rights, informality is especially harmful in situations of social vulnerability such as unemployment, aging or illness.

### RETIREMENT

The current rules guarantee Brazilian rural workers the right to retire at age 60 for males and 55 for females. To do so, they must prove to have done farm work for at least 15 years, even if discontinued. Then they will receive a monthly minimum wage from the social security system.

As a result of informality, most coffee workers face difficulties to enjoy the benefit. Proving that they have worked in coffee is the main obstacle – especially for women, who, recruited to work on farms with their husbands, are usually registered in smaller numbers. In the absence of formal registration, those workers are required to seek their retirement in court after they reach the age when they qualify for the benefit.

The Courts usually accept witnesses as evidence of their farm work to compensate for the absence of documentary evidence. However, the benefit might take several years to be granted, depending on the region and the peculiarities of each case. Some Labor Courts have a long list of cases to be heard and take a long time to analyze them, while the National Institute



of Social Security (INSS) challenges them, etc.

“Each case is different. I have lawsuits that have been under way for ten years and the person has not received a penny yet”, says Carlos Alberto Puras, a lawyer in Southern Minas Gerais who specializes in social security issues. He says that he alone has about 500 lawsuits demanding retirement for coffee workers.

## LABOR RIGHTS FRAUD

Even those who work with regular papers do not have guaranteed access to the full benefits provided by labor legislation – vacations, the so-called proportional 13th salary, paid sick leave, etc. There are cases where employers simply fail to pay and to grant these benefits.

During harvest season, coffee workers are paid according to productivity. The amount is agreed between employer and employees – for example, R\$ 10 for each measure of coffee, which corresponds to a 60-liter can or hamper. Harvesting is the most labor-intensive activity in the coffee industry. Due to the law of supply and demand it is also the one that pays most to unskilled rural workers. It even attracts migrants from distant regions who, during harvest months, expect to make money to support their families for much of the year. Wages vary considerably according to farm, region, time worked, and individual productivity. But they often exceed R\$ 2,500 a month.

However, Brazil’s largest union federation – Central Única dos Trabalhadores (CUT) – says that these workers are often registered as if they were paid only the minimum wage while the rest is paid “under the table<sup>18</sup>”. As a result, they do not enjoy several benefits that should be proportional to their salaries such as paid overtime, unemployment insurance, paid leave, 13th salary, and FGTS.

More serious cases involve frauds in which employers deliberately take workers’ benefit money. In 2012, Labor Justice acknowledged the ex-

## STATEMENT FROM A FORMER COFFEE WORKER<sup>17</sup>

I had no childhood and or school education. From the age of seven I used to go with my parents to harvest coffee. I’ve planted coffee, I’ve weeded, I’ve done it all, but I’ve never had regular working papers.

At 56, I went after my retirement in Court, but it took me three years to receive the benefit. I had to take four witnesses to the Court. I’m still trying to receive the value of that time when the case was in court.

I also got very sick when I was 56. I had a spinal problem and I stopped working. I was very worried. I needed to buy medicine and I didn’t think I would be able to retire. I’ve often worked while sick. And when I couldn’t, those days were discounted from my pay.

There was a time when I was not even able to get out of bed because my spine hurt really bad, and then my boss came to my place. He told me not to stay home. There had been a frost in the field and the coffee had to be watered or the seedlings would die. I got in his car, even though I couldn’t walk straight. And I went to work. I worked at that farm for 14 years, but after that day I decided to leave and go after my rights. That’s when I applied for my retirement.

Life at the plantation is not easy, it’s very heavy. It harmed my spine. But the poor need to work, what can we do? Thank god I’m now free from the plantation.

istence of such a scheme in Barra do Choça, state of Bahia (BA). Employees of a coffee farm used to work for six months, and their employer would keep the FGTS part of their salaries that should be deposited on their behalf. Then they would be formally dismissed, although they continued working. On behalf of the workers, the employer would apply for unemployment insurance and FGTS, which would be diverted by the farm to pay salaries. Months later, employees would be re-hired and the cycle would go on<sup>19</sup>.

## PAYMENTS BELOW THE MINIMUM WAGE

While some workers earn more than the minimum wage during harvest, there are also opposite situations where informality and labor law fraud result in wages below the minimum legal value.

This scenario, which has already been highlighted in reports<sup>20</sup> and articles<sup>21</sup>, was recently seen again during the so-called Café Amargo and Segundo Tempo operations, coordinated by the Labor Prosecutor’s Office (MPT) in eight towns in Bahia. Between May

and August 2016, a taskforce inspected 32 farms, most of them dedicated to coffee growing. According to prosecutor Ilan Fonseca, who coordinated the actions, workers were paid less than the legal minimum value in at least half of those farms.

The prosecutor says that “that is the most serious problem in the region today. The amount paid for a can – a measure of approximately 60 liters where employees put the coffee they harvest – is about R\$ 2-4, depending on the location. Some workers are not able to produce enough to be paid above the minimum. Many, especially the elderly, cannot make more than R\$500 or R\$600<sup>22</sup>”.

## HEALTH AND SAFETY

Health and safety standards for coffee plantations require that employers provide free gloves, boots, goggles and hats to protect employees from the sun. But there are cases where such equipment is deducted from salaries<sup>23</sup> or simply not provided<sup>24</sup>.

Other common problems are the lack of cold drinking water as well as



sanitary facilities and shelters that protect workers from the weather during meals at work fronts. These are some of the main problems found in 2015 by the Ministry of Labor's inspection of farms in Southern Minas Gerais<sup>25</sup>.

Workers' transportation conditions are yet another serious problem. Season workers are often transported to and from farms in old vans and buses, trucks or even in wagons pulled by tractors<sup>26</sup>. Deaths are not rare.

In 2014, a bus carrying these workers in the state of Espírito Santo crashed headlong into a wagon, leaving 10 workers dead. Two years later, the employers signed an agreement with the Labor Prosecutors Office (MPT) pledging to pay R\$ 200 thousand in compensation for collective moral damages, besides heavy fines if the rules for safe transportation were disregarded again in the future<sup>27</sup>. According to Adere-MG, in 2011 alone four accidents killed 22 coffee workers in Minas Gerais<sup>28</sup>. In 2008, another serious accident happened in Santo Antônio do Amparo, MG, killing 14 men and women who were returning from coffee harvesting<sup>29</sup>.

In addition, Brazilian coffee growers use pesticides banned in other countries, sometimes applied without proper training or protection equipment<sup>30</sup>. In Minas Gerais, studies associate these products to contamination of water sources used for public supply<sup>31</sup> and high rates of intoxication of coffee plantations workers<sup>32</sup>.

#### EXTREMELY LOW FINES AND LACK OF ENFORCEMENT

The low value of fines for labor law violations applied by federal government's inspections is an obstacle in the struggle against such illegalities. The fine applied to employers who do not register employees' working documents, for instance, is R\$ 402.53 – a value that, according to the Ministry of Labor itself, has not been updated for 20 years<sup>33</sup>. Other violations – such as not depositing FGTS values – result in even lower penalties – between R\$ 10.64 and R\$ 106.41 per worker harmed.

“If severe sanctions and fines are not applied, unfortunately [employers'] culture will not be changed. Costs

are what leads them to fail to comply with the law”, says Carlos Henrique Calicchio Messias, a lawyer who represents dozens of farm workers in the Varginha, MG, area in lawsuits related to labor informality at coffee farms. According to him, Brazilian legislation is extremely advanced in protecting workers' minimum rights. However, the poor enforcement structure of the State, which has few auditors, prevents effective enforcement<sup>34</sup>.







## LABOR LAW REFORM MAY MAKE COFFEE WORKERS WORSE OFF

Between the beginning of 2014 and the first quarter of 2016, Brazil's Gross Domestic Product (GDP) shrank by 4% in one of the most severe recessions in the country's history. The crisis, which erupted during former President Dilma Rousseff's administration, gave political momentum to a series of proposals to change labor legislation. The current law is usually called archaic and seen as an obstacle to economic growth by the main employers in the manufacturing industry and commercial segments. Rural employees – among them coffee workers – are among those potentially affected by the changes.

One of the main proposals on the agenda is flexibilizing rules for outsourcing. The Brazilian Congress is currently discussing a bill that allows outsourcing virtually any type of labor and service in the country. According to current law, employers cannot outsource their core businesses, that is, activities directly linked to their *raison d'être*. For instance, a coffee farm may outsource activities such as accounting and legal services, but not those directly linked to coffee production – such as planting or harvesting.

Very common in Brazilian rural areas, the so-called “cats” are labor intermediaries who recruit groups of people, often in distant regions, for temporary farm work such as coffee

harvesting. In practice, the new law might consider them as the legitimate employers of that workforce, even though most of them are economically able to bear the costs of hiring those workers. Farm owners see great advantage in that: legal responsibility for labor and human rights violations in those employment relations would tend to fall on those intermediaries – rather than on them. Even under the current law, precarious work involving illegal outsourcing already occurs in Brazilian coffee plantations, with ‘cats’ allegedly placed as employers of labor<sup>35</sup>.

Adere-MG coordinator Jorge Ferreira dos Santos Filho sees another possibility for concern on the horizon: coffee workers, previously hired by farmers, may also be induced to open small businesses to carry out the same type of activity, only now as “service providers”. This means that, formally, the employer will be considered merely as a customer.

Under this new employment relationship, the “worker-entrepreneur” will no longer enjoy the rights that Brazilian law guarantees to those formally recognized as employees – minimum wage, maximum of 44 hours a week, paid overtime, etc. “In practice, it is the end of labor legislation. It is the return of the *senzala* [slave quarters]”, the coordinator of the Adere-MG says<sup>36</sup>.

The National Coffee Council (CNC) has already spoken in favor of the changes. The organization says that outsourcing will reduce costs by enabling the negotiation of benefits such as vacations, 13th salary, insalubrity and night shift premiums, minimum wage, and FGTS. In addition, according to the CNC, the current rules generate “clashes between producers and inspectors” and such a reform “will be crucial to avoid conflicts and speculation about working conditions at plantations<sup>37</sup>”.

The changes should not stop there. The administration of Michel Temer (PMDB), who took office in May 2016 after the impeachment of then President Dilma Rousseff, has already announced its intention to propose new measures to reshape labor and social security legislation – possibly increasing the minimum age for retirement of farm workers. The content of these reforms is still not clear. However, the President's Party has already taken a stance in favor of direct negotiations between employers and employees to allow flexibilizing the rights provided by current law.



## THE FARMS

**T**his chapter will describe concrete cases of irregularities and labor conflicts in certified coffee farms. The situations are related to three farms in Minas Gerais – Brazil's largest coffee producing state. They are examples that show how best practice seals do not necessarily guarantee

a final product free from the problems already described for the industry.

The cases were found during an unpublished investigation conducted by Repórter Brasil in 2016 and brought to the attention of certification systems and companies as-

sociated with those farms. The type of involvement of those properties with distinct systems and companies will be discussed in more detail in the following chapters. Their answers to the problems pointed out are also shown.

### RANCHO SÃO BENEDITO

### MONTE VERDE FARM

### PEDRA PRETA FARM

#### THE FARM

Located in Carmo de Minas, MG, Rancho São Benedito belongs to coffee farmer Mariana de Carvalho Junqueira. Other coffee farms in its surroundings are part of a family society that includes Junqueira and her children. In addition to selling coffee to third parties, the family also has its own brand – Café Dona Mariana – to market the production directly in retail.

#### THE PROBLEMS

In July 2015, Ministry of Labor inspectors found 13 season workers without registration at São Benedito during coffee harvest. They were also put to work without the medical tests required by law. According to the inspection, five of them had been in that situation for more than 20 days. The farm owner received a notice of violation and paid the corresponding fines.

#### CERTIFICATIONS

The São Benedito farm has taken part in sustainability verification programs of UTZ, the Nestlé group (Nespresso AAA Sustainable Quality™) and Starbucks (Starbucks C.A.F.E. Practices). It is also part of a group of farms that hold the Rainforest Alliance seal. The group is linked to the business chain of US trading company Ecom Agroindustrial.

#### WHAT THE OWNERS SAY

"We had a violation in 2015 and we corrected what was wrong before the deadline", Mariana's son and administrator Marcio Heleno de Carvalho Junqueira told Repórter Brasil.



MINAS GERAIS

Carmo de Minas



## RANCHO SÃO BENEDITO

## MONTE VERDE FARM

## PEDRA PRETA FARM

### THE FARM

The 573-hectare property is located in Carmo de Minas, MG, and belongs to Fal Coffee Inc., a company owned by the Saudi group Fal Holdings<sup>38</sup>. Just as São Benedito, Monte Verde's coffee is sold under its own brand – Nobletree Coffee<sup>39</sup>, which is processed at a Fal Coffee roasting facility in New York. The company also produces coffee for third-party brands, restaurants and the chocolate industry<sup>40</sup>.

### THE PROBLEMS

In an out-of-court settlement signed with the Union of Rural Employees of Southern Minas Gerais (SERRSMG), the farm's representatives recognized that they had recorded undue advances in their employees' payslips. They also recognized to have unduly deducted alleged absences from workers' payment. The case became public in August 2014, when employees working at the coffee harvest sought the Union. They complained that dozens of them were being paid below the agreed amount. In the employees' payslip, according to the Union, advances never paid were discounted from salaries. In addition, according to SERRSMG, the employer irregularly subtracted supposed absences from the payment, such as rainy days when harvesting was impossible. Because of these practices, some workers were being paid monthly amounts under half the minimum wage.

### WHAT THE OWNERS SAY

According to Fal Coffee, the facts considered wrong were immediately corrected and there was no harm to workers. "We informed that we were undergoing transition in management at Monte Verde at that time, since our company had recently acquired it from natural persons", says Byron Holcomb, the company's agribusiness director. In addition, he said that there had been no problems with employees since then.

### CERTIFICATIONS

Monte Verde Farm is certified by Rainforest Alliance.

MINAS GERAIS

Carmo de Minas



## RANCHO SÃO BENEDITO

## MONTE VERDE FARM

## PEDRA PRETA FARM

### THE FARM

Located in Jesuânia (MG), the 298-hectare property is part of the Café do Cedro group, managed by brothers Murilo and Breno Neiva Junqueira.

### THE PROBLEMS

Between July and August 2015, the Pedra Preta Farm was inspected by the Ministry of Labor, which found several irregularities in the property. The problems included non-payment of FGTS to 15 workers as well as improper storage and use of pesticides.

According to Brazilian rules, pesticides must be stored in a building used only for this purpose. How-

ever, inspectors found fungicide available to anyone in the farm's milking parlor – the property also produces milk. Other pesticides were stored in a depot without proper ventilation whose distance from eating areas was shorter than the minimum required by law.

In addition, empty pesticide containers were scattered on the farm's floor, near the workers' living area, posing risk to people's health and the environment.

The Ministry of Labor also gave a notice of violation to Murilo Neiva Junqueira – an employer who was held responsible during the inspection – for failing to provide proper training to workers applying pesticides.

### WHAT THE OWNERS SAY

Repórter Brasil sent emails to Murilo Neiva Nogueira and Breno Neiva Junqueira, but received no reply. We could not find any phone number of the brothers.

### CERTIFICATIONS

The Pedra Preta Farm holds the Certifica Minas best practice seal, granted by the Minas Gerais state government. It has also participated in Starbucks C.A.F.E. Practices.





## THE CERTIFICATIONS

See below the certification systems' views on the problems found by Repórter Brasil in farms linked to their sustainability programs:

### RAINFOREST ALLIANCE

### UTZ

### FAIRTRADE INTERNATIONAL

### EICA MINAS CAFE

#### PROFILE

The seal covers more than 100 types of agricultural products. By 2014, according to Rainforest Alliance itself, 5.4% of all world coffee production had its seal<sup>41</sup>. The figures are similar in Brazil, where coffee production linked to that seal reached 142 thousand tons in 2015<sup>42</sup> – 5.3% of the total harvest estimated by the federal government.

#### THE CASE

São Benedito and Monte Verde, where labor problems described in the previous chapter were found, have been certified by Rainforest Alliance since at least 2012, and remain so.

#### WHAT THE CERTIFICATION SYSTEM SAYS

Repórter Brasil has contacted Imaflora, an outsourced certifier that grants and monitors the Rainforest Alliance seal of those properties. The organization said it was not aware of the situations described and would look into the cases. The last audit at the São Benedito farm was conducted in 2014, while Monte Verde was audited in 2015 and 2016. Although they did not find the problems described by Repórter Brasil, other points of non-compliance related to workers' contracts, payment and working hours were found at the property.

According to Rainforest Alliance rules, non-compliance with its so-called "critical criteria" – respect for the minimum wage is one of them – requires immediate corrective action. Non-critical problems can be corrected over time.

In addition to granting the seal to individual farms, Rainforest Alliance also adopts a different type of certification known as "group certification". Under this system, a company, cooperative or association doing business with a group of farms is responsible for ensuring the enforcement of the seal standards in those properties. Both São Benedito and Monte Verde hold the Rainforest Alliance seal as members of a group managed by Eisa – Empresa Interagrícola S/A – a Brazilian subsidiary of Ecom Agroindustrial, one of the largest global coffee traders. The certification system has to audit only a percentage of the group's farms annually.

In July 2016, due to the facts communicated by Repórter Brasil and labor problems found during Imaflora's own audits, the certifier informed that the renewal of the EISA certification was being reconsidered. The maintenance of the seal would be conditioned on solving the cases of non-compliance within four months. A new audit was conducted in October by the organization. After its completion, Imaflora reported that the problems had been solved. Thus, the farm's and the group's certifications were maintained.

In addition to Imaflora, Repórter Brasil also contacted the Rainforest Alliance's media department for Latin America, which only reported being in agreement with the certifier's responses.



## PROFILE

Present in 36 countries, it is a best practice certification system focused mainly on three products: coffee, cocoa and tea. According to the organization, 99.6 thousand tons of UTZ coffee from Brazil were sold in 2015<sup>43</sup> – 3.8% of last year's national harvest. The estimated potential of UTZ coffee plantations in the country is 250 thousand tons.

## THE CASE

The São Benedito farm was caught using unregistered workers in July 2015 and it held the UTZ seal at least until sometime last year. Contacted by Repórter Brasil, UTZ did not inform the exact date when the farm lost the seal.

## WHAT THE CERTIFICATION SYSTEM SAYS

Repórter Brasil asked UTZ if it was aware of the labor rights violations found by the Ministry of Labor at the São Benedito farm and received no answer. Through its Netherlands-based global media department, it simply informed that, due to non-compliance problems found in 2015, the farm is no longer certified.

Asked what such nonconformities would be, the organization said it could not respond due to confidentiality reasons. Repórter Brasil has also repeatedly asked for the exact date (day, month and year) on which the farm lost its UTZ seal. "We don't see the need to disclose any additional information about the audit or expired license of the farm in question at this time", it said.



On its website, UTZ does not inform who its certified producers are. It shows only a list of "registered producers"<sup>44</sup> but it informs that they are not necessarily certified. The São Benedito farm was included in the last update of "registered producers" consulted by Repórter Brasil in September 2016. The list had been updated in May of this year – almost a year, therefore, after labor violations were found by the Ministry of Labor's inspection at the farm.

Repórter Brasil asked UTZ why it does not publicly disclose who its certified producers are, but received no answer to that question either. The organization, however, e-mailed the list of coffee farms certified in Brazil at that time, in September 2016. It included 265 farms, more than 100 fewer than the list of registered producers.

And in August 2016, Repórter Brasil bought a packet of coffee produced at São Benedito – of the Dona Mariana brand, which belongs to the family that owns the farm. Having been manufactured in that same month, it had the UTZ certification logo on its packaging. Café Dona Mariana's website also informed that the product held the seal.

Informed of these facts, UTZ said it was not aware of any packaging linked to the producer with the aforementioned logo. "We will contact them as they are not allowed to use the UTZ logo due to the fact they are not certified any more", the certification global media department said.



## PROFILE

Almost half of all Fairtrade producers are coffee growers. They number about 812 thousand people across 30 countries and organized into 445 farmers' organizations<sup>45</sup>. In the 2013/2014 harvest season, farms linked to Fairtrade International sold an estimated total of 151 thousand tons of coffee globally – 34% of which were certified as organic<sup>46</sup>. One of the hallmarks of the seal is its focus on family farmers.

## THE CASE

In August 2016, Repórter Brasil purchased coffee from the Dona Mariana brand, which uses grains planted at São Benedito farm. The package said that the product was certified by Fairtrade International, which denies it.

## WHAT THE CERTIFICATION SYSTEM SAYS

Fairtrade International stated that the use of its brand was not authorized. It also said that the San Benedito farm had never been certified by them, neither did the said coffee brand held the certification. "We are currently trying to contact the owners to find out on what basis they are using the Mark", Fairtrade's communications office in the United Kingdom said.

Nestlé was also contacted by Repórter Brasil due to its involvement with the São Benedito Farm (more information in the next chapter). It reported the following: "According to our database, São Benedito is part of a conglomerate of farms certified by Fairtrade within an association of small local producers. Our agronomists are contacting the certifiers as well as the farms in the region to confirm that. If necessary, we will update our records".



## PROFILE

Certifica Minas Café is a certification program run by the Minas Gerais state government<sup>47</sup>. Its aim is to implement best practices in the properties in order to increase the visibility and competitiveness of Minas Gerais coffee in Brazil and abroad. In August 2016, more than 1.1 thousand farms were part of Certifica Minas Café<sup>48</sup>.

## THE CASE

The Pedra Preta farm, mentioned in the previous chapter, was one of the properties certified by the program at the time the labor rights violations were discovered. In 2015, the Ministry of Labor found irregularities related to the use and storage of pesticides at the property as well as non-payment of mandatory labor benefits.

## WHAT THE CERTIFICATION SYSTEM SAYS

Rogério Fernandes, certification manager of Instituto Mineiro de Agropecuária (IMA) – an agency linked to the state government that manages the seal – reported that the violations found at the farm were not known to Certifica Minas Café prior to Repórter Brasil's contact. According to him, when the property was last audited under the program in October 2015, there was no evidence of the non-compliances pointed out by the labor inspection conducted

three months earlier. Fernandes also reported that depositing workers' FGTS is not part of the certification system's standards. Therefore, it is not evaluated in audits.

However, a number of other labor law issues are evaluated, he says. For example, the existence of child or slave labor, discrimination in the work environment, workers' transportation conditions, employees' eating areas and the sanitary facilities.

On the same day it responded to Repórter Brasil's questions – September 1, 2016 – IMA updated the list of certified coffee growers on the agency's website. Murilo Neiva Junqueira's Pedra Preta Farm was not included in the new list. In the answers sent by e-mail, however, Repórter Brasil was not informed of that or the reasons that led the farm to lose the seal.



## THE COMPANIES

In addition to purchasing certified coffee, some coffee multinationals have their own ethical sourcing programs. They conduct audits and other practices to verify labor conditions at supplier farms.

The three farms associated with irregularities discussed earlier in this report are also linked to this type of corporate program. The cases refer to three major players in the industry:

Nestlé, Starbucks and Ecom Agroindustrial. Repórter Brasil contacted them and presented the problems it found. Their answers are presented below:

### ECOM AGROINDUSTRIAL

#### PROFILE

Headquartered in Switzerland, Ecom is a global trader specializing in coffee, cocoa, cotton and sugar<sup>49</sup>. The company claims to be the second largest coffee trader in the world<sup>50</sup>, with a strong presence in the certified coffee market. Its main Brazilian subsidiary is EISA – Empresa Interagrícola S/A, the largest exporter of Rainforest Alliance coffee in Brazil<sup>51</sup>.

#### THE CASE

EISA is the administrator of a group of six farms certified by Rainforest Alliance in the area of Carmo de Minas, MG. The group includes São Benedito and Monte Verde, whose labor problems were previously described.

In group certification, the administrator – in this case, EISA – is responsible for ensuring that rules are enforced by all member farms. This gives it the right to use the Rainforest Alliance seal to sell products from the properties.

The Rainforest Alliance 2016 audit was conducted between May and June. It concluded that the group administered by EISA did not meet the seal's minimum criteria. One of the reasons was non-compliance with labor criteria. In the case of group certifications, a sample of the certified properties is audited annually.

### NESTLÉ

In both 2015 and 2016, Monte Verde was one of the farms audited. Problems related to workers' contracts, payment and working hours were found. In addition to the problems at that farm, similar situations were found in another property linked to the EISA certification.

The renewal of the certificate was conditioned on solving non-compliance issues found by the end of November. A new audit was conducted in October by Imaflora – the certifier responsible for granting the seal to EISA. After that, the organization reported that the group had taken corrective measures that placed it in a regular situation with the certification.

#### WHAT THE COMPANY SAYS

Regarding the labor problems found by Repórter Brasil at the São Benedito and the Monte Verde farms, EISA reported that it was not aware of them. "The facts never emerged in our internal audits or in external ones conducted by the certifier", said EISA sustainability coordinator Daniel Motta.

### STARBUCKS

According to him, the situations would be investigated and a decision would be made in accordance with the group's internal certification regulations. He also stressed that the situations have no relation whatsoever to the problems found by Imaflora's audit. "We are the group administrators and we comply with the Rainforest Alliance certification standard for group administrators, fulfilling our responsibilities to it".



**PROFILE**

As the largest food company in the world in terms of revenue<sup>52</sup>, Nestlé is also the leader in the global coffee market – 22.3% of retail sales in 2013<sup>53</sup>. Nespresso, Nescafé and Dolce Gusto are some of the company's brands. One of the aims of the Nespresso AAA Sustainable Quality Program is to guarantee social, environmental and labor sustainability in coffee purchases. In 2015, it was responsible for more than 80% of the grain that supplies the brand<sup>54</sup>.

**THE CASE**

Nestlé confirmed to Repórter Brasil that it has already purchased certified coffee from the São Benedito farm, which was caught using unregistered labor in 2015. The farm was certified by the Nespresso AAA Sustainable Quality Program in 2011.

**WHAT THE COMPANY SAYS**

"We took the allegations of misconduct at the farms seriously and, when we were informed, we immediately started investigating the

situation of the place in question. We found that the government took the appropriate measures and reprimanded those in charge of the farm. All 10 workers have already been registered. The three who refused to take medical tests voluntarily left the farm," Nestlé told Repórter Brasil. "Since the problems were found during the 2015 harvest season, we have not found any other problem at the São Benedito farm".

According to the company, Nespresso agronomists go to the farms to ensure that labor standards are being met. "Fair work, best practices, and health and safety are controlled to the utmost, except for the rare occasions when we find misconduct. Then we start working even more closely to change labor practices. In case of non-compliance, the farm is excluded from AAA Sustainable Quality", the company claims.

In its reply to Repórter Brasil in September 2016, Nestlé stressed that São Benedito is certified by UTZ and Fairtrade International. Then we conveyed the information we receive from both organizations to the company. As described in the previous chapter, UTZ said that the farm

had lost its certification in 2015 and Fairtrade International claimed that it had never been certified by the organization.

About Fairtrade International, Nestlé stated: "According to our database, São Benedito is part of a Fairtrade-certified farm conglomerate within an association of small local producers. Our agronomists are contacting the certifiers as well as the farms in the region to confirm the situation. If necessary, we will update our records".

About UTZ, Nestlé informed: "We use the list of UTZ-certified farms that was last updated officially in May 2016". The company then sent the same link on the UTZ website to Repórter Brasil, which includes "producers registered" by the seal that are not necessarily certified (more information in the previous chapter).



**PROFILE**

Starbucks is the world's largest coffee shop chain, with more than 2 thousand stores in 67 countries<sup>55</sup>. The company has its own supply chain verification program, called Starbucks C.A.F.E. Practices<sup>56</sup>. One of its aims is to ensure ethical coffee purchases with good labor practices. According to the company, 99% of the coffee purchased by Starbucks is covered by the program<sup>57</sup>.

**THE CASE**

Both São Benedito and Pedra Preta farms were part of Starbucks C.A.F.E. Practices in 2015 – when both were caught with the labor problems described in this report.

**WHAT THE COMPANY SAYS**

Although the farms have participated in Starbucks' verification program, the company says it has not purchased coffee from any of them and that both were part of the audit process that year.

"We are not required to purchase from them [farms that participate in C.A.F.E. Practices] and this could be for a variety of reasons including questions about coffee quality, taste in cup or not meeting our ethical sourcing expectations. In addition, these farms may choose to sell their coffee to someone else based on their own factors", the company's global communications department in Seattle said.

Repórter Brasil asked whether Starbucks' ethical sourcing program had found labor problems at those farms and what those problems would be. The company did not answer the question.

"When information is brought to our attention regarding zero tolerance practices on any coffee farms that Starbucks sources from, we immediately conduct the necessary investigations and take appropriate actions. This includes requesting a written commitment to correct the issue and the development of a work plan describing how the issue will be corrected", the company says. The implementation of that plan is then evaluated by an independent verification organization.



## RECOMMENDATIONS

**W**hen Repórter Brasil exposes labor problems in farms linked to voluntary sustainability verification programs, it does not intend to downplay the work carried out by NGOs, certifiers, governments and companies that use those tools to foster a socially fair coffee market. As already mentioned, several studies and statements from stakeholders point out the positive impact of such programs on daily reality at coffee farms – including in Brazil

However, the situations described in this report show that best practice seals are not necessarily synonymous with good working conditions in the plantations of the products they certify. In addition to the occurrence of violations of labor rights in those properties, several of the problems reported by Repórter Brasil were unknown even to certifiers and companies.

Tighter criteria, better monitoring practices and more transparency can help the reality in rural areas to come closer and closer to the standards and principles adopted by certifications systems and ethical sourcing programs. These advances are increasingly needed as world trade in certified coffee gains scale and takes over a large share of the global market.

Below, Repórter Brasil shares some notes and recommendations that – we believe – may contribute to such improvement.

### STANDARDS

#### ➤ STRICTER RULES FOR INFORMALITY

**T**he use of unregistered labor, especially in harvesting, is one of the main problems found at Brazilian coffee farms. For many, this is the biggest labor-related issue in the industry, considering the large number of people affected – about half of the workforce, according to some estimates – and the medium- and long-term con-

sequences for social development and quality of life of those workers.

Nevertheless, full formalization of the workforce is not a core criterion for maintaining the certifications mentioned in this report. The parameters adopted by UTZ and Fairtrade International require formal written contracts only for people employed for three or more months – a rule that excludes a large part of workers who harvest coffee. Certifica Minas Café, in turn, requires that all employees be formally registered, but it does not consider it mandatory for keeping the seal. For Rainforest Alliance, the issue is not a “critical criteria” either – that is, one that requires immediate regularization.

Further debate is needed about the revision of those standards and the adoption of more rigid criteria on informality, given the relevance of the theme to labor sustainability in the industry, at least in Brazil.

#### ➤ REQUIRING THAT MANDATORY BENEFITS BE PAID

**R**egarding Certifica Minas Café, one of the problems found during Repórter Brasil’s investigation – non-payment of FGTS, a mandatory benefit, at a farm holding the seal – is not even included in labor standards present in the certification. In our view, this is not compatible with an initiative intended to certify good labor practices at rural properties.

### MONITORING

#### ➤ ACTIVE SEARCH FOR INFORMATION BEYOND AUDITS

**A**udits are the main tool for best practice certification systems and ethical sourcing programs to ensure that certified producers adopt the required sustainability criteria in their practices. By their very periodic and sample-based nature, however, it is unrealistic to expect that such exter-

nal inspections will ensure compliance with the standards and allow for the identification of all non-compliance that may occur.

In addition, in the case of group certifications<sup>58</sup> – the model adopted by most Rainforest Alliance, UTZ and Fairtrade International seals – only a percentage of certified properties are audited annually. This reality is more likely to include violations of best practice standards such as that found at Rancho São Benedito, caught using unregistered workers in 2015. The farm, which holds the Rainforest Alliance seal, was not audited in that year.

In this context, alternative monitoring strategies are needed to complement the local reality portrayed by audits.

The examples of labor irregularities described in this report were not researched on the spot by Repórter Brasil. They are all situations found either by the federal government during Ministry of Labor inspections or during collective bargaining processes involving rural unions and employers. Therefore, such information can also be obtained by certifiers and companies through active search in these and other databases.

Nevertheless, none of the certification systems – Rainforest Alliance, UTZ and Certifica Minas Café – or multinational companies – Nestlé, Ecom Trading and Starbucks – reported being aware of the violations of labor rights pointed out by this report in their business chains prior to Repórter Brasil’s contact. A clear indication that in addition to being open to spontaneous external reporting, such organizations also need to expand their policies to actively monitor the reality in rural areas.



## TRANSPARENCY

### WHICH PRODUCERS, AFTER ALL, ARE CERTIFIED?

The largest international coffee certification systems provide channels for society to report possible problems at farms holding best practices seals<sup>59</sup>. But a basic measure for them to be effectively used is not properly provided: clear and detailed information about which farms are actually certified.

On the website of Flocert, the certifier responsible for the Fairtrade International seal, a search system allows finding “organizations with Fairtrade certification or permission to trade<sup>60</sup>”. In September 2016, no farm was found in the list of Brazilian enterprises engaged in the coffee trade. The system featured only companies, co-operatives and producer associations.

UTZ’s communication policies in this regard, in turn, are especially confusing, since its website provides only a list of “registered producers” – which, according to the organization itself, are not necessarily certified<sup>61</sup>. Upon request, UTZ e-mailed a list of actually certified coffee growers in Brazil to Repórter Brasil. The number of farms was significantly lower than the public list.

In addition to failing to feature the certified farms on its website, UTZ did not inform, upon request, the exact date when Rancho São Benedito lost its seal. It is one of the farms involved in the labor irregularities covered in this report, and which remained on UTZ’s public list of “registered producers” one year after the problems were found.

Even Nestlé, a multinational company that actively trades in the purchase and sale of certified coffee, has shown that it is unclear about which farms are certified by UTZ. When asked about its business relationship with Rancho São Benedito, the company spontaneously claimed that the property held that certification. Regarding the source of information proving that, Nestlé indicated that it was the list of “registered producers” available on UTZ’s website – which, as

already explained, also includes non-certified producers.

### CONFUSING AND INCOMPLETE DATA

Even when there is information about certified farms, lack of detail is an obstacle that often prevents proper identification of the enterprises. This is what happens in Rainforest Alliance’s public consultation system<sup>62</sup>. In most cases, it does not even mention the towns where farms holding individual certificates are located.

In group certification – which, as explained, accounts for a considerable part of Rainforest Alliance coffee in Brazil – the system provides details that include the name and town of the participating farms. There is, however, no information on the coffee growers responsible for those properties.

Similar gaps exist in UTZ’s “registered producers” list. In some cases, only the farm’s name is displayed; in others, only the name of the farmer responsible for the seal. The location of the farm, however, is never provided, not even through generic data – state and town.

Regarding this, Certifica Minas Café sets a positive example by publishing detailed data in an accessible manner – owner, farm and town – about the enterprises it certifies<sup>63</sup>. The adoption of such level of detail would be an evolution in transparency policies of the main international certification systems for the industry.

### WHAT IS THE RESULT OF AUDITS?

Another transparency gap concerns the disclosure of any non-compliance found in audits. Contacted by Repórter Brasil, Starbucks said that it had conducted, under its ethical sourcing program, its own audits on farms whose labor irregularities were described in this report. Repórter Brasil asked if problems had also been found in those audits, but the company did not respond. Ecom Trading, in turn, answered the same ques-

tion negatively. Nestlé said it has not found irregularities after 2015.

Regarding certification systems, UTZ did not provide details on the results of audits either, on grounds of confidentiality. Certifica Minas and Imaflora – a certifier linked to Rainforest Alliance – in turn, provided specific pieces of information on their inspections’ findings.

Imaflora provides online public summaries of its audits on certified producers<sup>64</sup>. Other certifiers linked not only to Rainforest Alliance but also to other best practice seals should consider replicating the initiative.

## BRAND USE

### UNCERTAIN INFORMATION FOR CONSUMERS

Two certification systems – UTZ and Fairtrade International – were surprised to learn from Repórter Brasil about the use of their logos in the packaging of a Brazilian coffee brand – Café Dona Mariana, which sells coffee planted at the São Benedito farm. According to both organizations, the product and the farm were not certified at the time. The situation harms final consumers by inducing the purchase of supposedly sustainable coffee through the misuse of the certifiers’ brands.

It is interesting to note that mismatching information has affected even Nestlé itself – the largest multinational company in the industry and with extensive experience in purchasing certified coffee. To Repórter Brasil, the company stated that, according to its own database, São Benedito was certified by UTZ and was part of a group of farms certified by Fairtrade International within an association of small producers.

Such situations indicate the need for certification systems to conduct better monitoring of irregularities in the use of their brands/seals by third parties. Appropriate policies to communicate irregularities and curb those practices when they are caught are key to maintaining the seals’ credibility.







## NOTES

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**27** Conduct Adjustment Agreement 17/2016, Regional Labor Court of the 17<sup>th</sup> Region

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## RECOMENDATIONS

**58** A brief explanation of the characteristics of this type of certification can be found in the chapter “*The Farms*”

**59** Further details about these channels in the links below:

<https://www.utz.org/who-we-are/contact/feedback-and-grievances/>; <http://www.fairtrade.net/about-fairtrade/contact-us.html>; <http://www.rainforest-alliance.org/about/contact>; <http://www.ima.mg.gov.br/certificacao/cafe>

**60 Flocert**, *Fairtrade Customer Research*: <<http://www.flocert.net/fairtrade-services/fairtrade-certification/fairtrade-customer-search/>> (accessed on September 28, 2016)

**61 UTZ** *Registered Coffee Producers*: <[https://www.utz.org/?attachment\\_id=4537](https://www.utz.org/?attachment_id=4537)> (accessed on September 27, 2016)

**62 SAN**, *Certificate Search*: <<http://san.ag/web/public-certificate-search/>> (accessed on September 28, 2016)

**63 IMA**, *Detalhes de propriedades cafeeiras certificadas*: <[http://www.ima.mg.gov.br/material-curso-cfo-cfoc/doc\\_details/700-propriedades-cafeeiras-certificadas](http://www.ima.mg.gov.br/material-curso-cfo-cfoc/doc_details/700-propriedades-cafeeiras-certificadas)> (accessed on September 27, 2016)

**64 Imaflora**, *Resumos Públicos*: <<http://www.imaflora.org/empreendimentos-certificados.php>> (accessed on September 28, 2016)



