Eco-labeling

Presented for your pleasure by:
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DEFINITION

Eco-labeling is the procedure where an organization and its products are certified by a third unrelated party to meet certain voluntary environmental, social, and economic standards.
GOAL

That eco-labeling, through its regulations and certifications, will create a market to provide producers with incentives and means to grow and manufacture their goods in a way that will conserve our environment.
TARGETED CURRENT PROBLEMS

- "Unfounded claims, a proliferation of eco-labels and lack of consistent information remain challenges to those who hope that consumer power can encourage good environmental practices to be embraced by the world's manufacturers." Murray, Sarah. "Over-priced eco-friendly foods must still compete with their non-organic counterparts" Financial Times. London. November 5, 2001

- False ‘eco-friendly’ advertisements confused environmentally conscious consumers
SOLUTIONS FROM ECO-LABELS

- Eco-labels guarantee consumers that the marketed goods are monitored
  - Example: A deterrence of a $10,000 fine ensures that the ‘USDA Organic’ emblem is protected and not used to mark uncertified goods.

- Easy access lists, www.eco-labels.com, offer consumers up-to-date information on false and certified claims
TARGETED:

**PROBLEM**

- Eco-safe products are more costly to produce
- Eco-friendly goods are more expensive to buy

**BENEFIT**

- Certified goods create a market niche of gourmet quality goods that can yield higher prices to balance the costs
- Studies show that people are willing to pay more
Eco-labeling:

SHADE GROWN COFFEE

Rainforest Alliance Certified

EST 1987
Ecological Concerns our strategy addresses:

Consequences:

- In pushing for short-term economic gain farmers:

  - stripped coffee of shade trees and implemented chemical pesticides and fertilizers leading to:

    - air and water contamination from pesticides.
    - deforestation - a major threat to migratory songbirds.

“Shade-grown coffee saves biodiversity by leaving the forest canopy intact. Instead of clearing the forest, farmers plant the crop amid the various forest plants and species occupying the local ecosystem”.
Why do people pay more?

- coffee that is ‘certified’ is no longer equal to non-certified coffee; it is now a ‘green’ product, with a specific consumer demand to which other commercial products do not cater.
Appealing to the ‘specialty’ coffee consumer¹:

“people who pay $10 a pound for coffee would not mind adding a dollar more to guarantee a fair trade price to small coffee farmers”¹ or, in this case, to support sustainable coffee growing practices.
Economic concerns:

**Coffee is a major commodity on the world market:**

- With the recent price collapse in the international coffee market, the world market price of coffee has gone from \$1/pound to less than fifty cents.\[2\]

- Because farmers receive between 30 and 50 cents per pound the prices they receive are often not enough to cover their production costs.\[3\]

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\[2\] "Folgers: Fair Trade". Fair Trade Certified Coffee Campaign flyer. [www.globalexchange.org/coffee](http://www.globalexchange.org/coffee)

HOW IT WORKS:

“because conservation coffee fetches a higher price, farmers have an economic incentive to produce environmentally friendly crops”. [1]

- Generally, certified coffees are about fifty cents to a dollar more expensive per pound as you move up the certification chain (organic/shade-grown, Fair Trade, Fair Trade organic).[2]

- Everyone in this particular niche can make money, particularly farmers, off of an environmentally sound product.

  It is this profit that pushes these businesses forward.

What Eco-labeling aims to change:

Ecologically, shade-grown coffee’s mission is to make coffee production sustainable again.
KEY ACTORS:

Ideally, they are consumers, producers and certifiers

- **CONSUMER PRESSURE**: signals companies there is a demand for specialty eco-friendly products.

- **DISTRIBUTER IDEALS**: understand the importance of promoting a sustainable product.

But specifically the...
How does certification work?

- Rainforest Alliance follows the standards set by the Sustainable Agriculture Network (SAN) which:
  - promote tropical conservation
  - steer commercial agriculture prices in the tropics

- Verify products have been grown using environmentally responsible management practices:
  - integrated pest and disease management practices
  - soil and water conservation
  - fair labor treatment practices and good community relations.[1]

- Structure of the organization:
  - board of directors

LABEL REPORT CARD:

- How meaningful is the label? *HIGHLY*
- Does an organization verify that the label standards are met? *YES*
- Is the meaning of the label consistent? Are the label standards publicly available? *YES*
- Is information about the organization publicly available? *YES*
- Is the organization behind the label free from conflict of interest? *YES*
- Was the label developed with broad public and industry input? *NO*
“Hey- How can I get certified?”

“No worries- You can go about it in two ways”:

- Farmers can either go to an accredited local organization which has the backing and trust of the Alliance.
- If no such organization exists, than the Alliance will do it themselves.
- Once in compliance, the farmers get a higher price per pound for their sustainable product...

...while the region, its ecosystems, and the rest of the earth reap the benefits of sound ecological harvests.
Evidence we have it’s working: $ 

- Representatives spoken with from coffee companies have seen profit and growth in this specific sector especially since Starbucks joined the venue.

- Rainforest Alliance began certifying sustainable products eleven years ago.

- Common economic sense dictates that if these companies were not making profit, they would abandon the venture.
Constraints to continued success

- lack of uniformity amongst all supposedly shade-grown coffee

- eco-labeling and certifications are businesses:
  - cut into the profit for coffee

- If there were more certification businesses out there, prices for certification could be more competitive:
  - more farmers could afford to apply certification

- specialized and not mainstream
  - more expensive and the general public doesn’t know about them
Remaining incentives leading to resource degradation

COMMERCIAL COFFEE HAS TREMENDOUS POWER!

- Think of coffee as the world commodity it is, second only to oil. Think about what the world has done economically, ecologically, politically and socially over our oil reserves. The same amount of political and economic momentum surrounds coffee production only to a lesser degree.

- Coffee cultivation fuels the economies of more than 50 tropical countries, whole nations have very vested interests in securing and keeping coffee production profitable (i.e. staying with the status quo).

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Salmon-Safe

- Eco-labeling strategy program used to recognize farm operations that contribute to restoring healthy stream ecosystems in important native salmon fisheries of the Pacific Northwest.
The Problem

- Native Salmon stocks in the Pacific Northwest have been on a steady decline from several environmental problems.
- The major environmental problems that have plagued the salmon and interfered with its regeneration for the future are:
  - Over-fishing (from both commercial and sport fishing)
  - Dams
  - Irrigation ditches
  - Erosion
  - Pollution
Salmon-Safe Overview

• Salmon-Safe addresses these environmental problems by promoting sustainable agriculture, which focuses on restoring healthy stream ecosystems in important native salmon fisheries of the Pacific Northwest.

• founded in 1995 by the Pacific Rivers Council (PRC), a Portland, Oregon conservation group.

• Salmon-Safe is a marketing campaign, offering a seal of approval on agricultural goods produced utilizing “salmon safe” farming methods.

• The goal of Salmon-Safe is to highlight the connection between food production and wildlife preservation.

• Currently very popular among organic farmers, wineries, juice processors, dairy farmers, and rice growers.
How it works?

• Professional certifiers work with farmers to help restore Salmon habitat on farm land by planting trees, growing cover-crops, improving irrigation systems, and by applying natural herbicide and pesticide methods.

• Farms that use the Salmon-Safe label gain a competitive advantage in the marketplace through public education and marketing efforts.

• Based on five management practices:
  1. Riparian area management:
  2. Water use management
  3. Erosion and sediment control
  4. Chemical use management
  5. Animal management
Success

- In the program's first year, 40 Northwest farms totaling 10,000 acres have been certified.
- In 1999, Salmon-Safe completed a two-year marketing promotion for farmer using the Salmon-Save label in more than 200 natural food stores and supermarkets throughout the western United States.
- Support through the media: Regional T.V stations have been encouraging consumers to buy Salmon-Safe products.
- In 2001, Salmon-safe joined forces with Oregon Tilth, a West Coast organic certifier, which increased the Salmon-Safe farming area even greater.
How meaningful is the label?
Somewhat

Does an organization verify that the label standards are met?
Yes

Is the meaning of the label consistent?
Yes

Are the label standards publicly available?
Yes

Is information about the organization publicly available?
Yes

Is the organization behind the label free from conflict of interest?
Yes

Was the label developed with broad public and industry input?
Yes
Problems with Salmon-Safe

- The costs of operating a “Salmon-Safe” farm might be too expensive for many farmers.
- There always is the incentive to do something at the lowest price.
- There will always be farming in salmon habitat, and there will be some environmental degradation associated with that.
PERSISTING PROBLEMS of ECO-LABELING

- The use of the third party may result in an abuse of power
- Though prices are dropping, will they ever be low enough to become mainstream?
- There are not enough eco-labelers
The environmental market is growing: it is currently worth $420 million and expected to be worth $600 million by 2010

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- As total supply increases, prices will continue to drop, becoming more affordable and competitive
- Eco-labeler competition will bring more companies into the labeling market and producer flexibility will insure that the third party will not gain excess power
“From the beginning, I understood how important it was for a new coffee company to find a market niche and promote a sustainable product.....After reviewing surveys already performed by different companies and organizations, I was confident that there was a market of people that enjoyed good coffee, who were willing to pay a premium for it, and wanted to support the global situation.”

Personal communication. Email correspondence with Julius Viramontes, Cloudnine Coffee. February 18, 2003