

# Gatekeepers of sustainability

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## Summary

Coffee is consumed by millions of people and has become part of their daily diets. Although coffee is mostly produced by smallholders in the South, the majority of coffee traded globally is currently controlled by large traders and/or roasters from the North. Since the 1990s, large multinational traders and/or roasters have been the main coffee suppliers in Northern markets, and they invest in coffee-producing countries to sustain their business operations through a direct connection with coffee smallholders. Together with NGOs, these businesses intervene in the coffee sector through establishing sustainability standards and certifications, which impact smallholders' livelihoods, their interaction with environments, their local production systems, and trade networks' structures. In the Northern market, the businesses and NGOs raise the awareness of consumers regarding sustainability issues in the smallholder coffee production system. Sustainability standards and certifications have become a trademark of agricultural business and this trend will likely continue as major corporations are becoming increasingly interested in the sustainability agenda. At the bottom of value chain, however, smallholder producers need to make sense of this trend, decide on how to react, given their preferences and social-economic opportunities. This dissertation particularly focusses on the problem perceptions and reactions to private certifications by smallholder farmers, whom the dissertation regards the 'gatekeepers' of sustainable change as they need to change their practices first to induce meaningful effects in the coffee system.

The dissertation is composed of six chapters. Chapter one is introductory and is subdivided into nine sections. The chapter provides a profile of Indonesian coffee smallholders, an overview the Indonesian coffee sector and also illustrates the world of certifications in Indonesia. Theoretical perspectives regarding (the debates on) sustainable standards and certifications are discussed, followed by research aims and research questions. Rather than take a managerial approach as most of previous studies did, this dissertation particularly focusses on the problem perceptions and reactions to private certifications by smallholder farmers. The main objective of this dissertation is to explore barriers and opportunities that smallholders envisage with participation in sustainability standards and certifications, and to reflect on what this implies for a pathway towards a more sustainable coffee production. To this end, smallholder preferences for certification attributes, explanations for participations, their perceptions on the benefits different organizations and certification schemes in different domains, and the implementation capacity of Indonesian Standard Coffee or ISCoffee (as a government initiative) are explored in details to better understand and interpret the process towards a more sustainable coffee production in Indonesia. The

main objective is further explicated into three specific aims. The first aim is to examine the position of smallholders as gatekeepers of sustainability. The second aim is to assess smallholders' interpretation of the process of value creation through sustainability standards and certifications. The third and the final aim is to explore the implications (of these objectives) for a more sustainable coffee production. The aims are subsequently explicated into the research questions: What values do farmers attach to sustainability standards and certifications? How and to what extent do these values correspond to the intervention logic of sustainability certification? What does this imply for the process towards a more sustainable coffee production in Indonesia? The chapter closes by explaining scientific and policy relevance of the research and illustrating sustainability pathway for a more sustainable coffee production in Indonesia.

Chapter two examines preferences of coffee smallholder farmers in Indonesia for coffee certification attributes. This chapter is based on the premise that standard setting organizations, in order to be (more) acceptable to farmers, should consider farmer preferences. If certification schemes do not correspond to farmer's preferences, they may not be dedicated to comply with the certification principles, and some may even not be willing to participate. The contribution of the chapter to previous studies is two-fold. First, it examines the preferences for coffee certification from a southern producers' perspective, and from an Indonesian perspective in particular. Second, it includes and compares the preferences of smallholders participating in global certification schemes (UTZ, Rainforest Alliance/RA, and 4C), a local certification scheme (Inofice), and smallholders who do not participate in any certification program. The chapter also describes the methods (conjoint analysis and qualitative interviews) and provides an overview of the respondents. Based on the analysis, it is concluded that smallholder preferences regarding the certification schemes are primarily economically driven, implying that certification is still weakly institutionalized at a farmer level. In general, farmers in different certification schemes are rather comparable in terms of their preferences. The most preferred attribute level is the presence of price premium followed by environmental conservation, a price differential against uncertified coffee, farmer groups or cooperatives as target, emphasis on fairness, price differentials based on coffee bean sizes, no contract and no pre-finance.

Chapter three provides the explanations of Indonesian farmer participation in sustainability standards and certification schemes. The chapter aims to contribute to the discussions about farmers' motivations to participate in certification by bringing some order in the current explanations. The particularly aim is to answer the question of the relative importance of the various explanations by reformulating the explanations into hypotheses and connected variables, which were further operationalized in relevant questionnaire items. After illustrating the current explanations for smallholders

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joining certification (based on literature on sustainability standards and certification for coffee), the chapter presents the hypotheses based on a literature review, describes the methods (operationalization of the hypotheses, Heckman selection model with a two-step procedure and an overview of the respondents) and presents the results. The chapter concludes that some explanatory variables for joining certification differ among the schemes, but economic motivations are the strongest explanatory factor behind farmer participation in certification.

Chapter four concentrates on perceived impacts (benefits) of certification and farmer organization from the Indonesian smallholders' point-of-view. This chapter contributes to knowledge as to whether farmers participating in different certification schemes and in different organizational structures perceive (different) benefits in relation to different benefit domains. The chapter argues that perceptions are considered to be important because they significantly determine farmers' satisfaction that influences whether the farmers continue their participation in certification and organization. The existing literature, however, largely fails to understand these perceptions and the extent to which they differ for farmers belonging to different organizational forms or coffee certification schemes. The chapter first provides a literature review on potential benefits of farmer organization and certification, including an overview of a division of potential benefits in five domains and farmer organizations in Indonesia. Three hypotheses on the influence of organizations and certification schemes on perceived benefits are subsequently proposed, followed by the explanation of the methods (to test groups' differences and to explain variation in perceived benefits) and an overview of the respondents (i.e., farmers certified with 4C, UTZ, Fairtrade/FT and RA, and uncertified farmers, and organized and unorganized farmers). The chapter closes by arguing that efforts to better organize farmers may, from a farmers' benefits point of view, be equally effective as attempts to involve more farmers in certification. The implication is that the improvement of farmer organizations should not only be viewed as a part of the certification process but also as a direct means to achieve a more sustainable coffee production.

Chapter five examines the implementation capacity of ISCoffee (Indonesian Standard Coffee) as a public standard and certification initiated by the Indonesian government. This chapter evaluates the opportunities and barriers in the process of implementing the public standards and whether the public standard can become a viable alternative to Northern-based private standards and certifications. By doing so, the chapter contributes to the literature on the emerging trend of Southern sustainability standards and certifications, which are viewed as a reaction to the Northern-based private standards initiated by businesses and NGOs. The chapter firstly illustrates the recent development of Southern sustainability standards and certifications, arguing that the

implementation capacity of the public standards and certification are still uncertain and unexplored. The chapter then provides some background knowledge on ISCoffee, its underlying principles and criteria, and differences between ISCoffee and private standards followed by the analytical framework and the findings. The chapter closes by concluding that both ISCoffee's implementation capacity is limited and, in the short term, the public standard will not become a viable alternative to Northern-based private standards and certifications.

Chapter six summarizes the main conclusions from the empirical chapters and links these to the main research objectives. The general conclusion is that coffee smallholders respond positively to opportunities that enable them to participate in the global coffee supply chain through joining sustainability standards and certification, but they need relevant incentives such as financial and technical support services to innovate and participate successfully in dynamic and competitive markets. The pathway toward sustainability in coffee production in Indonesia requires a systemic perspective, which is explicated through 'building blocks' to better understand particular patterns or issues that need to address. The building blocks include an enabling environment, production and market characteristics, availability of alternative livelihoods, and the degree of competition among producers. The chapter closes by discussing future study needs in this field.