

CASE # 3a. Coffee Companies and Brazilian Agricultural Workers

This case explores the responsibilities of US and European coffee merchants for labor conditions on the farms where the coffee beans are grown.

The hidden suffering behind the Brazilian coffee that jump-starts American mornings

By Marina Lopes August 31, 2018 New York Times

TANHACU, Brazil — When police rescued Abelar Rebouças from a coffee plantation in southern Brazil, he was bone thin. The 51-year-old worked long days for a month in the hot sun, hauling 15-gallon bags of coffee beans.

His drinking water came from a ditch near a septic tank, according to government reports. When his employer refused to pay his salary for a month, he said, he was forced to live off papayas and rice.

“It was a difficult life that I don’t wish on anyone,” Rebouças said. “You go there seeking a living wage and can end up in a coffin.”

Rebouças was one of more than 800 workers freed by authorities from degrading labor conditions in 2016, according to the **Brazilian Labor Ministry**. Brazil has been a pioneer in the global fight to eradicate slave labor since 2003, when the government drastically expanded raids on plantations and factories, raised fines for companies that violated labor laws and began publishing a “black list” of businesses caught using forced labor.

But a stagnant economy and tighter budgets have hampered the country’s fight against such abuses. Mistreated **coffee workers** are now turning to the international community for help.

Dozens of victims of degrading labor conditions at coffee farms formally accused McDonald’s, **Dunkin’ Donuts and Nestlé** in late August of failing to ensure that their coffee is sourced from Brazilian farms that are free of slave labor.

In a complaint to the **Organization for Economic Co-operation and Development (OECD)** — a group of 36 countries that promotes global trade — the workers accused the companies of lax oversight of their supply chains in violation of the organization’s binding human rights and sustainability guidelines, which Brazil has signed.

The complaint is based in part on findings from a 2016 investigation conducted by the Danish NGO watchdog group **Danwatch**, which found that major coffee companies were unable to verify the sources of their beans and that some, including Nestlé, had purchased coffee from Brazilian farms that had used slave labor.

Asked for a response to the OECD complaint, **Nestlé and Dunkin' Donuts** said they do not tolerate violations of workers' rights and are striving to identify the farms that produce their coffee beans. McDonald's did not respond to multiple requests for comment.

If the OECD accepts the complaint, it will mediate between the coffee companies and farmers for resolutions, including financial compensation, changes to labor practices to prevent future violations and greater transparency in the supply chain.

Brazil has one of the world's broadest definitions of **slave labor**, including debt bondage, degrading conditions and long work hours.

But tighter budgets brought on by a stagnant economy have weakened the **Brazilian Labor Ministry's** ability to investigate allegations of abuse. Inspections in 2017 were half of what they were in 2013, according to Brazilian government figures. Last year, 341 people were rescued from degrading working conditions, compared with nearly 6,000 in 2007.

Brazil's slave history

Brazil is the world's largest coffee producer, responsible for one-third of the world's beans. But farm owners have always depended upon cheap labor, first from more than 1.5 million African slaves who worked on the plantations in the 19th century and later from Italian immigrants. Today, most laborers come from impoverished Bahia state in Brazil, and they are often lured to the plantations with fake promises of high wages and decent working conditions.

"People have no idea this is happening. There has to be a better way," said Liordino Soares, 44, one of the rescued workers who signed the complaint to the OECD.

Soares said that the economic stagnation in his hometown of Tanhacu meant that his wife, Joana, and two children sometimes went hungry while he searched for a job. Twenty years ago, he convinced Joana that they should spend three months a year picking coffee in southern Brazil.

"We had to leave," he said. "I was the sole supporter. If we didn't go, the family would starve."

Every June, they take a 28-hour bus ride from his home in dry, desert-like Bahia to the lush mountains of Minas Gerais state, where half of Brazil's coffee is produced.

At the time of their rescue in 2015, the couple worked 14-hour days picking coffee — their only respite from the sun being the muddy water from a well. They shared a two-bedroom house with three couples and two children. For privacy, the families erected walls made of coffee-filter rags.

Coffee produced at the plantation where the couple worked was purchased by Nestlé, according to the **Danwatch** investigation. Nestlé said its purchases were made before the investigation, and it has since cut ties with the plantation.

In their complaint, the workers appealing to the OECD demanded that coffee companies be held responsible for their suppliers' labor violations.

"They can no longer argue that they don't know what is happening," said Tamara Hojaij, a researcher at the **Getulio Vargas Foundation**, a university in Sao Paulo that has helped the workers build their case.

Asked to respond to the workers' charge, Nestlé said in a statement that it encourages its suppliers to report any violations. Currently, the company said, it can confirm that 85 percent of its coffee is purchased responsibly.

Tracing the beans

The coffee workers are not the first to take Brazilian labor disputes to international organizations. Last year, the **Inter-American Court of Human Rights** ordered Brazil to pay \$5 million to workers formerly enslaved on a cattle ranch. Increasingly, multinational companies are having to answer for violations committed by their suppliers. Last year, Brazil's labor court held the clothing company Zara responsible when a subcontractor employed slave labor at a Brazilian factory.

But following a coffee bean from stalk to mug can be nearly impossible. Unlike a pair of jeans sourced from a specific sweatshop and tagged to a specific designer, commodities are often sold in bulk from cooperatives that buy from diverse sources.

Dunkin' Donuts said it is studying ways to trace coffee to individual producers and that it ceases relationships with coffee suppliers that do not comply with its code of conduct. The company reserves the right to periodically inspect supplier farms.

"Dunkin' Brands is committed to treating everyone with respect and fairness, from our employees and franchisees to the farmers and workers that provide our coffee and other ingredients," the company said in a statement.

While coffee that is 100 percent traceable does exist in Brazil, it comes at a 30 percent markup, according to Vanusia Nogueira, director of the **Brazilian Specialty Coffee Association (BSCA)**, because of the high levels of oversight required. After the 2016 **Danwatch** investigation, companies came searching for coffee beans whose origins could be documented, but many were not willing to pay for it, Nogueira said.

"There was a wave of concern, but then it cooled," she said.

Amid growing concerns over labor conditions, coffee farmers are increasingly turning to automation. The rural **workers' union** estimates machines have cut farm labor by more than half in the past 10 years and shortened the harvesting season by two months.

While many are calling for stricter labor oversight, some migrants in Brazil's desolate northeast believe that any job is better than no job. Joana Soares, the woman rescued from slave labor with

her husband in 2015, goes back to the coffee fields every year. She said government raids on coffee farms have spooked owners.

“The situation is worse,” she said. “Now, fewer people want to take us.”

In Brazil’s Coffee Industry, Some Workers Face ‘Conditions Analogous to Slavery’: A new report sheds light on punishing labor issues in the coffee sector, and on Brazil’s progressive efforts to protect farm workers.

By Benjamin Soloway April 13, 2016, 7:00 AM Foreign Policy



A worker dries organic coffee beans produced at the Fortaleza Environmental Farm in Mococa, some 300 km northeast of Sao Paulo, Brazil on August 6, 2015. AFP PHOTO / NELSON ALMEIDA (Photo credit should read NELSON ALMEIDA/AFP/Getty Images)

On some of the 15 **Brazilian coffee estates** featured on the government’s “dirty list,” armed guards supervised workers and threatened them with force if they tried to leave. In other cases, laborers met physical abuse. Some lived in squalid conditions, toiled more than 10 hours each day, and worked under searing sunshine or driving rain without respite.

A report released Wednesday described the state of affairs on these estates, where workers faced “conditions analogous to slavery,” according to the Brazilian Ministry of Labor and Employment.

The report — researched in 2013 and 2014 by the NGO **Catholic Relief Services (CSR)**’ Coffeelands project, in collaboration with journalism collective Repórter Brasil — shed new light on punishing labor issues in the coffee sector, and on Brazil’s progressive efforts to protect farmworkers.

Workers on some of the coffee farms taken to task were “regularly required ... to apply toxic agrochemicals” without protective equipment, the report found. Others had to give up their identity documents or work their way out of crippling debt.

Released to coincide with the **Specialty Coffee Association of America (SCAA)** expo in Atlanta, the findings were aimed toward consumers and policymakers, but most of all toward the “specialty” fringe of the coffee industry, which pays close attention to sourcing and supply chains and is uniquely positioned to adopt ethical standards that could pave the way for broader change across less innately exacting agricultural sectors.

“Specialty coffee has for decades built a track record for inclusion and transparency, beginning with the emergence of certified coffees in the U.S. market, which introduced a level of transparency that didn’t exist before,” Michael Sheridan, director of the **CRS** Coffeelands program, told Foreign Policy. “Transparency alone doesn’t solve farmworker issues or issues of modern slavery, but it’s a necessary precondition for addressing these issues.”

“Coffee has consistently pioneered supply chain relationships and sourcing that have been taken up by other crops,” he added

Brazil is the largest producer and exporter of coffee in the world. Most of the country’s estimated 360,000 coffee farms are small-time growers. Coffee accounts for around 8 million Brazilian jobs. The 15 estates that made it onto the government’s dirty list represent an “artificially low” number, the report found: “Researchers could not generate a reliable estimate of the scope of slave labor in Brazil’s coffee sector. ... Because of limitations on the country’s inspection capacity.” Of the estates the researchers investigated, mid-sized ones were most prone to poor practices, because small ones were mostly run by families, while large ones had incentives to mechanize extensively and adhere to international certification standards.

Mid-sized estates frequently employ seasonal migrant laborers. For this reason, “farmworkers are a very difficult population to reach and to work with,” Sheridan said.

For the past two decades, the Brazilian policymakers have earned a reputation for progressive efforts to define and address modern slavery. According to Brazilian labor law, workers face conditions analogous to slavery if they are subject to forced labor, debilitating workdays (punishing conditions for more than 10 hours a day), degrading working conditions (squalor and safety violations), or debt bondage — standards more stringent than those of many other

countries in the region. Some of these conditions were found on each of the estates that made the list. Male Afro-Brazilian migrant workers were found to be the demographic most at risk.

The report found that the slavery-like conditions were not widespread, but flourished in individual cases and likely went underreported — enough so that companies that do coffee business and Brazil should take a close look at their partners' labor conditions. Nonetheless, the authors urged readers not to “lean away from Brazilian coffee,” so as not to “punish Brazil for truth-telling,” but instead, to become part of the process of improving the situation.

This tempered approach is characteristic of the Coffeeland project's philosophy. In a March review of a recent report on modern slavery in Brazil's coffee sector by Danish human rights organization Danwatch, Coffeelands wrote: “The labor conditions described by Danwatch are isolated within Brazil's coffee sector, and not isolated to Brazil's coffee sector. Readers of the Danwatch report would not have come away with that understanding, which we believe is critically important to any fair treatment of this issue.”

Although Wednesday's report focused on coffee in Brazil, it situated the country's coffee-related labor issues amid the context of broader agriculture and labor problems, in Brazil and elsewhere.

“We are part of a global agricultural economy in which the food we eat comes from far-flung farms all around the world that we can't see, produced under labor practices we don't well understand,” the report reads. “Estimates suggest there are as many as 21 million modern slaves in the global economy today, and our food systems — including but certainly not limited to coffee — rely on modern slavery as much as any other sector of that economy.”

Nestlé and Jacobs Douwe Egberts say beans from Brazilian plantations using slave labour may have ended up in their coffee

By Kate Hodal The Guardian

Wed 2 Mar 2016 16.15 EST Last modified on Sat 18 Aug 2018 09.49 EDT

Two of the world's biggest coffee companies, Nestlé and Jacobs Douwe Egberts, admit that beans from Brazilian plantations using slave labour may have ended up in their coffee because they do not know the names of all the plantations that supply them.

People trafficked to work for little or no pay, and forced to live on rubbish heaps and drink water alongside animals, may have worked on plantations that supply the two companies, according to the media and research centre DanWatch.

The Denmark-based group claims that human rights abuses are rampant across Brazil's lucrative coffee industry, with hundreds of workers rescued from slavery-like conditions every year.

Neither Nestlé nor Jacobs Douwe Egberts, which together account for 39% of the global coffee market, know the names of all the plantations that grow their coffee as they also buy beans from middlemen and exporters in a muddled supply chain, claims DanWatch.

The supply chain process of coffee beans typically contains seven levels: growing, harvesting, hulling, drying and packing, bulking, **blending** and **roasting**. The entire supply chain is further **extended** by **several** intermediaries, including global transporters as well as exporters and retailers.

As a result, both companies – whose brands include Nescafé, Nespresso, Dolce Gusto, Coffee-mate and Senseo – admit that while they do not buy beans directly from “blacklisted” plantations where human rights abuses are known to take place, they cannot rule out that slavery-like conditions may exist in their supply chain. Nestlé and Jacobs Douwe Egberts told the Guardian they took DanWatch’s allegations seriously and were “very concerned” by the findings.

Both Nestlé (pdf) and Jacobs Douwe Egberts (pdf) have ethical codes to protect the human rights of their workers and ban suppliers from using child or forced labour. Under Nestlé guidelines, workers must have access to drinking water and a healthy working environment.

(NOTE: If you go to Nestlé’s website, I could not find any reference to the labor practices among suppliers: <https://www.nestle.com/investors/corporate-governance/codeofbusinessconduct>. However, I suspect it is in its [Nestlé Responsible Sourcing Standard \(pdf, 2Mb\)](#). See

Nestlé said: “We do not tolerate violations of labour rights and have strongly maintained that forced labour has no place in our supply chain. Unfortunately, forced labour is an endemic problem in Brazil and no company sourcing coffee and other ingredients from the country can fully guarantee that it has completely removed forced labour practices or human rights abuses from its supply chain.”

Jacobs Douwe Egberts said it had notified suppliers not to procure coffee from known violators. “We are committed to working with governments, non-governmental organisations, suppliers, farmer cooperatives and the entire coffee supply chain to improve the working conditions for coffee farmers throughout the world. We currently support 15 such programmes in nine countries, including Brazil.”

However, Starbucks and Illy – which also source beans from Brazil – told DanWatch they know the names of all of their suppliers, meaning they can avoid “blacklisted” plantations.

Nestlé has admitted slave labour in its supply chain of other products, including cat food that sources seafood from Thailand. That the company is now also admitting to forced labour in the coffee industry is a good sign, said Aidan McQuade, director of Anti-Slavery International.

“Finding slavery in the agricultural supply chains of global food giants isn’t surprising, even in Brazil whose government has made considerable efforts to tackle forced labour.

“However, Nestlé’s confirmation of their purchase from the two plantations in question is more positive, indicative perhaps of a growing tendency towards greater transparency in their supply chain and more attention to human rights.”

A Brazilian coffee worker earns about \$2 (£1.42) to fill a 60-litre sack of coffee. Less than 2% of the retail price goes to the worker, DanWatch claims. Coffee workers often use toxic pesticides that have been banned in the EU, according to DanWatch, with workers complaining of difficulty breathing, skin rashes and birth defects.

<https://www.theguardian.com/global-development/2016/mar/02/nestle-admits-slave-labour-risk-on-brazil-coffee-plantations>

For an abbreviated view of the coffee supply chain, see:

<https://www.theguardian.com/nestpresso-discover-sustainable-quality-coffee/ng-interactive/2017/mar/07/the-journey-of-each-cup-of-coffee>

QUESTIONS:

1. Present the arguments for and against the following statement:

“Given the many stages of handling of coffee beans within Brazil and in transport to Europe, it is ethical for companies like Nestle’ to buy coffee beans from wholesalers when the wholesalers do not reveal the farms where the coffee originated.”

(In answering Q1a, be sure to consider the ethical dilemma companies face in sourcing their products by referencing the „Resolving Ethical Dilemmas“ checklist in Module 3. (reproduced below)

Resolving Ethical Dilemmas Checklist

An ethics case poses an ethical dilemma for a manager (a) internal to the firm or (b) external to the firm – in which he/she is uncertain how to act. Ethical issues are raised, but ethical guidelines are unclear or contradictory. Often conflicting ethical signals come from one or more of the following:

- a. the manager’s personal ethics (one can think of this as the baseline reference in ethical dilemmas for the individuals, just as profit is the baseline reference for the business enterprise)
- b. formal company policy (which may dictate how ethical dilemmas should be handled, either implicitly or explicitly)
- c. informal group norms within the company or industry

- d. societal values (which can be fragmented and contradictory)
- e. professional standards (which can be formalized in ethical codes)
- f. the ethics of one's superiors in the organization (which may have to be inferred)

2. What should Nestle's role be in monitoring labor practices on coffee farms?

Before answering this question construct an elementary ethical code of (1) general precepts and specific practices , (2) promulgation, and (3) enforcement for Nestle' and assess whether or not they are adhering to your code.

IV. Ethical Codes (from Module 3)

Many companies use ethical codes to guide the behavior of employees. Similarly, many social media websites have *de facto* ethical codes to guide the behavior of users of their websites.

There are three steps in a successful ethical code:

1. Code Design. Ethical codes consist of a combination of general precept and specific practice elements. The general precepts permit broad application of a particular prohibition in a code, while specific practices define specific activities or practices that are NOT acceptable.
2. Code Promulgation, which means making sure the code is widely understood by company employees and they "buy in" to the code's objectives and elements.
3. Code Enforcement, which includes:
 - a. Detection, monitoring employees to determine if an element of the code has been violated, and
 - b. Consequences for violation of the code.

(maximum length: 400 words total for both questions together)