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Insights from Specialty Coffee

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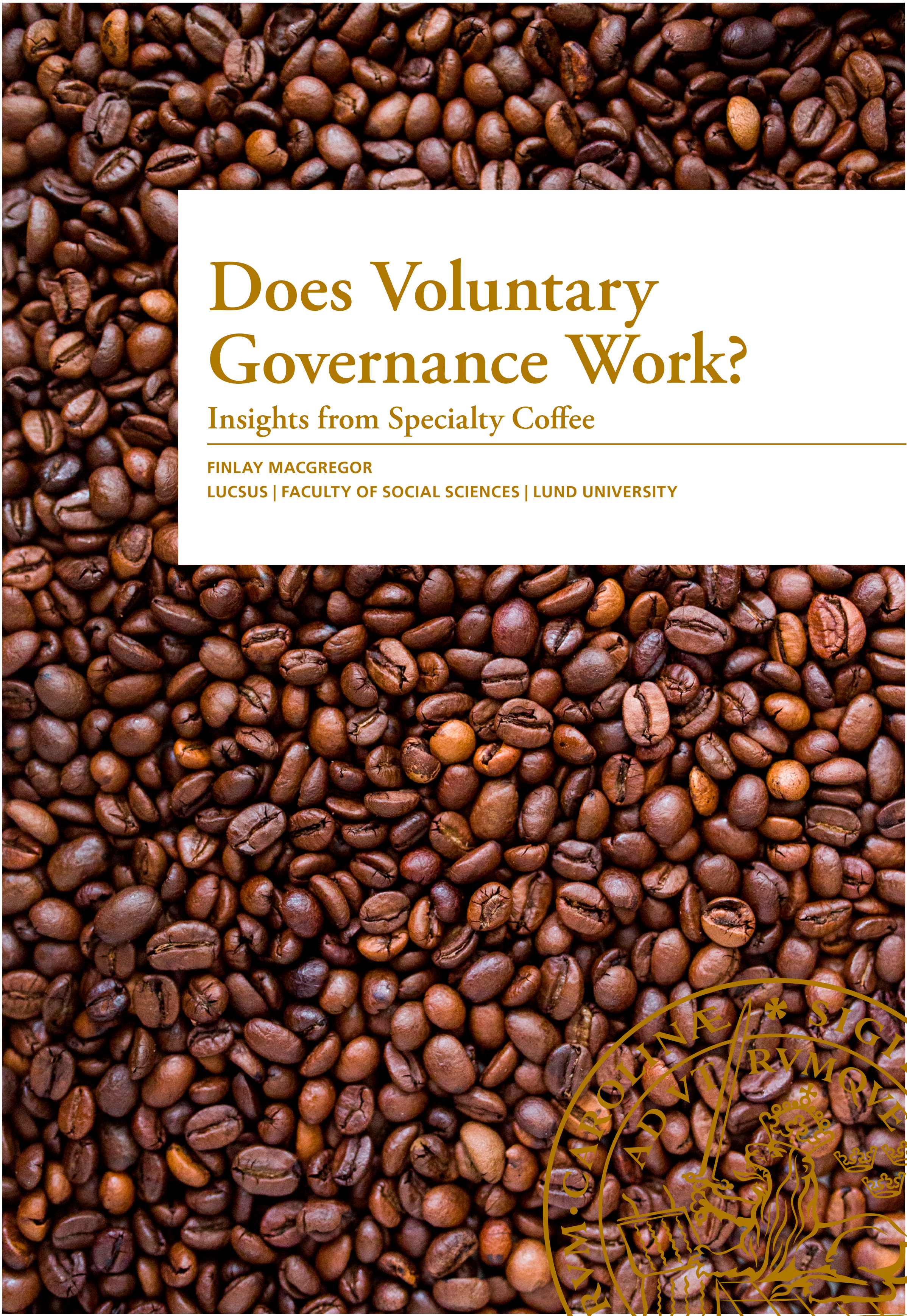

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Insights from Specialty Coffee

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LICENTIATE DISSERTATION
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Abstract

Agricultural businesses contribute to sustainability problems, but they are also increasingly central to the effort to develop solutions. One way of moving toward sustainability is through regulatory governance. In this thesis, I analyze a tool of regulatory governance called voluntary market-based regulatory initiatives. Specifically, I investigate two types of initiatives, certification and disclosure, involving businesses and consumers in regulatory governance. I researched these types of initiatives by selecting the case of specialty coffee, which has high levels of acceptance, experience, and support of voluntary governance for sustainability initiatives. To study developing certification initiatives, I analyzed direct trade schemes in the US, Denmark, and Sweden over a period of several years. To study voluntary disclosure initiatives, I analyzed the widely-used sustainability reporting system from the Global Reporting Initiative, the reporting recommendations from a new multi-stakeholder initiative called the Sustainable Coffee Challenge, and the practice of sustainability reporting among specialty coffee roasters in North America.

My research indicates that voluntary market-based regulatory initiatives could contribute to governance for sustainability through involving businesses and consumers in governance, but that there are limitations. The limitations of this approach were showcased by the inability of US direct trade founders to enforce common definitions of direct trade due to the voluntary nature of the initiative and the inability or unwillingness of private actors to enforce definitions, in part due to perceived self-interest. This shows how such initiatives can have difficulty penalizing or using disincentives to inspire change. Direct trade scheme developments demonstrated the active inclusion of consumers within regulatory governance, but this active role was pushed on consumers rather than requested by consumers. In addition, there were indications of limitations of consumer skill in differentiating between regulatory schemes. Sustainability reporting among US specialty coffee roasters reveals poor conditions for empowerment through disclosure as disclosed information is not comprehensive, comparable, or useful because too few companies report and those that do report disclose information inconsistently. Collaboratively defined material topics, such as the goals and measurements defined within the Sustainable Coffee Challenge, do have the potential to improve the quality and usefulness of voluntary disclosures for governance, although it is too soon to say whether this has worked in practice. Finally, both voluntary certification and disclosure involving businesses focus on problem solving and avoid broader sustainability strategies such as substituting coffee with a more sustainable alternative or trying to decrease coffee consumption.

Keywords:

regulatory governance, voluntary governance, sustainability science, certification, disclosure, sustainability reporting, GRI, direct trade, coffee

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To my parents Chip and Patti

Content

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List of Papers

I. MacGregor, F., Ramasar, V., & Nicholas, K. A. (2017). Problems with Firm-Led Voluntary Sustainability Schemes: The Case of Direct Trade Coffee. *Sustainability*, 9(4), 651.

II. MacGregor, F. Transparent Governance at a Global Value Chain Scale: Comparing Voluntary Disclosure Initiatives in the Coffee Industry. *Manuscript submitted to a peer-reviewed journal*.

List of Tables and Figures

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1. Introduction

1.1 The Problem

A “safe and just operating space for humanity” (Raworth, 2012) is the space between planetary boundaries, (Steffen et al., 2015) which define the limits of earth systems, and social need boundaries, which define the minimum requirements for social foundations to fulfill basic human rights for all (Raworth, 2012). The world is not currently operating within this space. Resources are currently being used at rates that cannot be sustained (Global Footprint Network, 2017) and as a global society we are both pushing beyond planetary boundaries while failing to fulfill basic human rights for all.

Agriculture is a major reason why several planetary boundaries are or will be exceeded in the near future if changes are not made. Agriculture also plays a major role in many social need boundaries related to access to food and livelihoods. Thus, existing food systems need to justify their use of limited resources and increase their contribution to rural livelihoods including increasing food production while simultaneously decreasing their contribution to environmental damage (Foley et al., 2011; Pretty, 2008), such as greenhouse gas emissions (Vermeulen, Campbell, & Ingram, 2012), soil degradation, biodiversity loss, and pollution (IAASTD, 2009). Meanwhile agricultural systems are already having to adapt to changing climates (Ingram, Ericksen, & Liverman, 2010; Lobell & Burke, 2010) and resulting disease pressures (Schmidhuber & Tubiello, 2007). Simultaneously there is pressure to increase food production (Godfray et al., 2010), yet both expanding agricultural land and intensifying production on existing agricultural lands have serious environmental and social consequences (Foley et al., 2005, 2011; Lambin & Meyfroidt, 2011). Agriculture provides food for humanity and millions are dependent on agriculture for their livelihoods. Agricultural businesses contribute substantially to sustainability problems, but they are also increasingly central to the effort to develop solutions.

1.2 A Potential Solution: Voluntary Market-Based Regulatory Initiatives

One way towards sustainability is through regulatory governance (David Levi-Faur, 2010). I will briefly introduce concepts here related to regulatory governance, which are more thoroughly defined within the next section. I specifically investigate the role and development of voluntary market-based regulatory initiatives involving private actors. Regulations are systems of formal and informal rules. Governance broadens traditional notions of government to the process of governing. Regulatory governance brings together these concepts by looking at the increasing role of both regulation and non-state actors in processes of governance.

Specifically, I analyze voluntary market-based regulatory initiatives, which involve both firms and consumers as actors. These are voluntary regulatory initiatives in that they are not mandatory; actors choose whether or not to be involved in the scheme. Market-based refers to the type of regulatory initiative as being based within market logic, for example monetary incentives for specified practices. I chose to look at firms because of the increasing role they are playing in regulatory governance broadly. I study two forms of voluntary market-based regulatory initiatives: certification and disclosure. In both cases, I study the development of specific regulatory schemes throughout the process of regulatory standard-setting, which can be broken into stages: agenda-setting, negotiation, implementation, monitoring, and evaluation (Abbott & Snidal, 2009).

1.3 Coffee: A Critical Case Study

Coffee represents the challenges faced by many agricultural products (Eakin, Winkels, & Sendzimir, 2009). The coffee industry is under pressure to decrease its environmental impact and improve its social contribution. Simultaneously, demand for coffee is increasing (International Coffee Organization, 2015) and coffee production is already and will continue to be adversely affected by climate change (Gay, Estrada, Conde, Eakin, & Villers, 2006).

I specifically look at one part of the coffee industry: specialty coffee. Specialty coffee is a standardized industry term that denotes high-quality coffee. For unroasted coffee beans (called green coffee) specialty means a lack of primary defects and maintaining quality potential through proper processing including sizing and drying (Rhinehart, 2009). And when coffee is roasted and brewed, specialty means a quality score of 80 or higher on a 100-point scale based on aromatic aspects, flavor, aftertaste, acidity, body, balance, sweetness, clean cup, uniformity, and defects (Technical Standards Committee of the Specialty Coffee Association of America, 2015). Within the US, specialty coffee represents approximately 55% of the US coffee market's retail value – that's an estimated $26 billion dollars (Specialty Coffee Association of America, 2017). Specialty coffee is growing in both Europe (Wheeler, 2016) and the US (National Coffee Association USA, 2017).

I study specialty coffee because it represents an extreme in terms of high levels of acceptance, experience, and support of voluntary governance for sustainability initiatives among industry, civil society, and consumer actors. Essentially, I argue that if market-based voluntary schemes do not work well within the specialty coffee industry setting, then they are unlikely to work well in other settings because specialty coffee offers ideal circumstances for successful use of voluntary market-based schemes promoting sustainability development.

1.4 Initiatives I Studied

Within the field of voluntary market-based regulatory initiatives, I look specifically at developing certification and disclosure schemes. Table 1 presents an overview of the schemes studied in this thesis.

1.4.1 Certification: Direct Trade Schemes

In order to study the development of a certification initiative, I studied six direct trade schemes located in the United States, Sweden, and Denmark over a period of several years. Direct trade schemes share a common name, but each scheme is run by an individual company. Essentially these schemes claim to ensure that roasting companies pay high prices directly to coffee producers based on the quality of the coffee beans, a claim which is symbolized with a mark or label on consumer packaging. I found that in response to perceived co-optation, companies were moving direct trade schemes away from third-party certification models towards greater emphasis on disclosure to consumers (MacGregor, Ramasar, & Nicholas, 2017). Direct trade schemes are analyzed in Paper I of this thesis (MacGregor et al., 2017).

1.4.2 Disclosure: GRI Standards & Sustainable Coffee Challenge

This increasing emphasis on disclosure to consumers led me to investigate voluntary disclosure initiatives within specialty coffee – specifically analyzing the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) and the Sustainable Coffee Challenge as voluntary disclosure schemes within specialty coffee (Table 1). The GRI Standards is the most recent version of the widely used Global Reporting Initiative sustainability reporting framework. The Global Reporting Initiative is an independent organization that facilitates and advocates for sustainability reporting (GRI, 2017). GRI Standards were developed for use across any industry and by a variety of actors from companies to government or non-governmental organizations. By contrast, the Sustainable Coffee Challenge is a relatively new multi-stakeholder initiative involving civil society, coffee industry, and government actors that aims to make coffee the first sustainable agricultural product (Conservation International, 2015). Voluntary disclosure is one of the ways through which they seek to support this transformation. These voluntary disclosure schemes are analyzed in Paper II of this thesis (MacGregor, n.d.).

Table 1 Voluntary market-based regulatory initiatives studied

I studied regulatory schemes representing certification and disclosure initiatives. The table descibes what each scheme seeks to do, the scope of the scheme itself, and the scope of my research within the scheme.

Regulatory schemes studied	Type of voluntary market-based regulatory initiative	What does it do?	Scheme's focus	Scope of my research
Direct trade schemes	Certification	Guarantees how roasting companies buy coffee directly from producers	Many individual company schemes, which began in specialty coffee and have spread to other products	Six schemes within specialty coffee
Global Reporting Initiative Sustainability Reporting Standards (GRI Standards)	Disclosure	Establishes a sustainability reporting framework that outlines indicators against which actors report	Sustainability reporting framework used across any kind of regulatory actor or industry	Content of GRI Standards & application within specialty coffee
Sustainable Coffee Challenge reporting recommendations	Disclosure	Recommends sustainability reporting indicators and sets coffee-industry-wide sustainability goals with related indicators	Multi-facited multistakehoder initiative aiming to make coffee the word's first sustainable agricultural product	Content of reporting recommendations, sustainability goals and related indicators & application within specialty coffee

1.5 Research Questions & Thesis Structure

I study voluntary market-based regulatory initiatives involving both company and consumers in regulatory governance by looking at the development of certification and disclosure schemes. I conducted this study within the context of the specialty coffee industry, which provides a critical and extreme case study. I do this in order to understand the potential contributions to governance for sustainability and limitations of this type of voluntary governance initiative. The overarching question of my dissertation is therefore:

How and to what extent can voluntary market-based initiatives involving private actors contribute to governance for sustainability?

I contribute to answering this overarching question by investigating several selected voluntary initiatives within the coffee industry. My analysis of certification, which tells the story of the development and demise of direct trade schemes, is presented in Paper I (MacGregor et al., 2017). The demise of direct trade schemes led me to investigate voluntary disclosure initiatives, the results of which are reported in Paper II. Specifically, I studied Global Reporting Initiative Standards and the Sustainable Coffee Challenge sustainability reporting recommendations. Papers I and II are included in full at the end of this compilation thesis and their results are summarized and further analyzed within this kappa (Table 2). By looking across these initiatives I examine the potential contributions and challenges of voluntary market-based regulatory initiatives in terms of governance for sustainability.

Tabel 2 Research questions

Research questions adressed in this thesis.

Research Questions	Papers	Voluntary Initiative: Specific Schemes Studied
How and to what extent can voluntary market-based initiatives involving private actors contribute to governance for sustainability?	Kappa, Papers I & II	
What are the governance implications of direct trade schemes for voluntary market-based regulatory schemes?	Paper I	Certification: Six direct trade schemes
What are the transparency implications of voluntary disclosure initiatives in the coffee industry, specifically the Global Reporting Initiative and the Sustainable Coffee Challenge?	Paper II	Disclosure: GRI Standards & Sustainable Coffee Challenge

The next chapter, chapter two, will lay the theoretical foundations of the thesis by presenting regulatory governance theory and concepts in greater detail. Chapter three links the research questions presented here in the introduction with the theoretical framing through methodology explaining how and why I went about conducting the research for this project. The fourth chapter presents the context within which this research was conducted, namely the coffee industry analyzed in terms of its global value chain structure and within the context of its own regulatory history. The next chapters constitute the results and discussion sections of the research itself looking at the process of development for these different types of voluntary market-based regulatory initiatives.

2. Theoretical Background

Theories of regulatory governance and regulatory capitalism shaped my research direction. Their focus on the increasing importance of regulation as well as the increasing role played by non-state actors led me to research voluntary regulatory initiatives involving companies in order to understand if and how these new forms of governance could contribute to sustainability. Certification and disclosure initiatives are the particular forms of voluntary market-based regulatory initiatives that I studied and they are introduced and defined below.

2.1 Regulatory Governance

Regulatory governance focuses attention on the increasing importance of regulations and the increasing role of non-state actors in governance (David Levi-Faur, 2010). Regulations are systems of formal and informal rules (David Levi-Faur, 2010). Despite going through an era of state de-regulation, governing through regulation is increasing rapidly (D. Levi-Faur, 2005b). Governance is used in many different ways related to sustainability (Jordan, 2008). Governance is "[the] formal and informal rules, rule-making system, and actor network at all levels… set up to steer societies… within the normative context of sustainable development" (Biermann et al., 2009). Governance acknowledges the increasing role played by non-state actors in the process of governing (Biermann et al., 2010). Regulatory governance differs from traditional state policy-making by focusing more on process and by recognizing the changed and increasing role of private actors in less hierarchical governance structures.

2.2 Regulatory Capitalism

Regulatory capitalism is a concept that describes how the global political economy functions and has developed to increasingly rely on regulation to steer the flow of events and governance involving various actors as opposed to government (Braithwaite, 2008; D. Levi-Faur, 2005a). It is the economic paradigm within which my research was conducted. I use the framing of regulatory capitalism in order to understand voluntary market-based regulatory initiatives in the broader context of global regulation development. Regulatory capitalism identifies voluntary market-based regulatory initiatives as part of a proliferation of new forms of regulation (D. Levi-Faur, 2005a). This rise in new forms of certification is intertwined with privatization through deregulation of labor markets, decentralization of decision-making power, formalization of interinstitutional and intrainstitutional arrangements, and increased role of experts (D. Levi-Faur, 2005a, 2005b). Regulatory capitalism argues that neoliberal policies of privatization and deregulation have led to an increase in both regulation and the degree to which non-state actors are involved (D. Levi-Faur, 2005b). Underlying regulatory capitalism is the assertion that regulations are necessary to enable markets to function well.

2.3 Voluntary Market-Based Regulatory Initiatives

Within this context my research focuses on voluntary market-based regulatory initiatives involving firm actors. Voluntary regulatory initiatives rely on participants choosing to be involved, as opposed to mandatory regulations which are required (Muradian & Pelupessy, 2005). As participation is voluntary, such initiatives tend to rely on incentives to make positive changes, rather than disincentives that penalize poor practice or outcomes. Market-based refers to regulatory initiatives that are based on market logic and principles, such as influencing behavior through market demand through certification (Bartley, 2011). Voluntary market-based regulatory initiatives are closely associated with the logic of corporate social responsibility (David Vogel, 2005) as well as green consumerism. There are three key types of actors that may be involved in the governance of regulatory initiatives: 1) state and intergovernmental organizations; 2) non-governmental organizations, sometimes called civil society; and 3) firm or industry actors (Abbott & Snidal, 2009). Consumers may also be considered a major actor in regulatory governance (MacGregor et al., 2017). It is important to look at these kinds of regulatory initiatives because they are increasing in number and influence (Abbott & Snidal, 2009; D. Vogel, 2010). My research analyzed two types of voluntary market-based regulatory initiatives: certification and disclosure.

Private actor is a general term for non-state actors; it includes non-governmental organizations, firm and industry actors, and consumers. Within the coffee industry there are particular types of private actors involved throughout the value chain. Producer is an umbrella term that can be applied to different actors near the beginning of the value chain including those that grow, harvest, and process coffee cherries into green coffee (unroasted coffee beans) whether they be a farmer, cooperative, or mill owner. Within specialty coffee, the term producer is often used instead of farmer to highlight the value added by maintaining quality potential at different stages of green coffee production. Certification organizations are a type of non-governmental organization. Exporters, importers, and buyers are important actors in the middle stages of the coffee chain where green coffee is stored and transported. Green coffee is roasted by roasters and sold by retailers as roasted coffee or brewed coffee to consumers.

2.3.1 Certification & Labelling

Certification initiatives are regulatory schemes through which a third party gives assurance that a product or process conforms to specified standards and certification labels communicate this to end consumers through a symbol that signifies verified compliance with standards (Dankers, 2003). Certified labels are intended to influence purchasing decisions through information, which is communicated through the certified label symbol that signifies compliance (Bartley, 2011). For example, a green label would symbolize compliance with environmental standards. Assuming that the label represents meaningful standards, such a green label would help consumers to “distinguish environmentally beneficial consumer choices from ‘conventional ones’” (Boström & Klintman, 2008, p. 3). Certification is market-based in that its power lies in changing behavior through market demand (Bartley, 2011). Market demand is affected through political consumerism (Micheletti, Follesdal, & Stolle, 2004), brand image, procurement policies, or socially responsible investors (Bartley, 2011), thus I would expect to see developing certification schemes engaging with one or more of these strategies. Non-compliance with certification initiatives is also determined by markets, but the content of certification initiatives’ standards are based on alternative “conventions” (Renard, 2003) as well as market forces (Bartley, 2011).

2.3.2 Voluntary Disclosure

Voluntary disclosure initiatives are regulatory initiatives wherein an organization releases particular information to the public. Voluntary disclosure does not require third-party assurance, although disclosures may be audited or assured by a third party. Sustainability reporting is an example of voluntary disclosure. The logic behind “governance-by-disclosure” (Gupta, 2014) is that information enables action. It is based on the assumption of due process and the assumption that information can empower (Gupta, 2008). Due process refers to establishing procedures, rather than mandating specific outcomes (Gupta, 2014). The power of voluntary disclosure initiatives thus lies in changing behavior, including but not limited to consumer behavior, through transparency via process or empowering information. Essentially the argument for transparency-based change is that information enables actors, including consumers, to hold private actors accountable (Gupta, 2014), and incentivizes better sustainability performance (Biermann et al., 2012). Disclosure initiatives also seek to change behavior though affecting market demand much like certification. Market demand is affected through brand image, socially responsible investment, and political consumption, in this case informed by disclosed information.

Disclosure should not be assumed to improve governance (Mason, 2008). Transparency research shows that right processes do not necessarily attain desired goals and that the power of information to empower depends on context and characteristics of the information itself (Gupta & Mason, 2016; Gupta, 2010, 2014) such as accessibility, comprehensiveness, and comparability (Biermann et al., 2012). Mandatory disclosure is a market-based regulatory tool that enables action based on disclosed information, including negative information reflected in stock prices (Konar & Cohen, 1997). Voluntary disclosure uses similar logic, yet differs in that disclosures are not required so the information disclosed is likely to be positive or at least skew positive (Bartley, 2011).

2.3.3 ANIME Process

Regulatory standard-setting looks at the process of developing standards and has been described by Abbott and Snidal (2009) into five stages: agenda-setting, negotiation, implementation, monitoring, and enforcement (Figure 1). These stages do not necessarily follow a chronological order, but rather interact and feed back between each other.

- Agenda-setting explores how and by whom the regulatory agenda is set in terms of what issues make it onto the agenda and how these issues are framed.
- Negotiation refers to the negotiation of standards between and within actors to define precisely what a standard requires.
- Implementation refers to putting the standards and standard scheme into practice.
- Monitoring involves evaluation and verification of whether or how well a standard is being followed, including internal and external monitoring.
- Enforcement refers to rewarding or penalizing, based on the use of the standard.

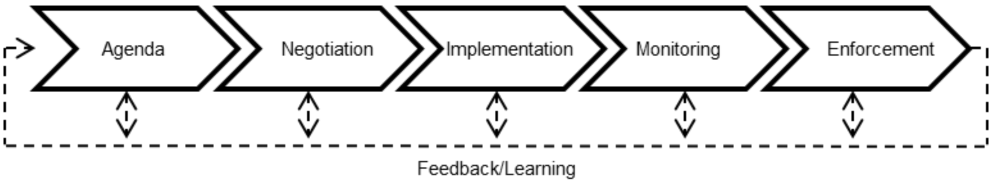

Figure 1 ANIME process
Stages of the regulatory standard setting process. Adapted from Abbott and Snidal (2009) with permission from Princeton University Press.

2.4 Sustainability Science

My research is conducted within the field of sustainability science (Clark, 2007; Jerneck et al., 2011; R.W. Kates, W.C. CLark, R. Corell, J.M. Hall, C.C. Jaeger, I. Lowe, J.J. McCarthy, H. Joachim Schellnhuber, B. Bolin, N.M. Dickson, S. Faucheux, G.C. Gallopin, A. Grubler, B. Huntley, J. Jager, N.S. Jodha, R.E. Kasperson, A. Mabogunje, P. Matson, H. Moone, 2001). As such, I acknowledge the divide between problem-solving and critical research (Cox, 1981). Through a sustainability science lens, I am able to recognize that my research design is primarily problem-solving and able to critically discuss the limitations of such a problem-solving approach.

The concept of sustainability is “inherently normative” (Loorbach, Frantzeskaki, & Thissen, 2011, p. 73) and within governance literature the definition of sustainability is “ambiguous, uncertain, and contested” (Loorbach et al., 2011, p. 78). Within this thesis I present sustainability as the “safe and just space for humanity” (Raworth, 2012) existing between planetary boundaries representing the maintenance of Earth’s life support system (Rockström et al., 2009; Steffen et al., 2015) and social boundaries representing minimum levels of social foundations to fulfill basic human rights. There are tensions and tradeoffs between environmental limits and providing for people. In this view, social and economic goals need to be considered within a nested hierarchy of needs that prioritize the functioning of the Earth’s life support system (Fischer et al., 2007).

In order to understand voluntary market-based initiatives, I also consider how these initiatives define sustainability in their own work. I will do this by using Kates et al. (2005) sustainable development framework that considers: what is being sustained, for how long, and what is to be developed. In doing this, I explore, for each of these specialty coffee initiatives, what they are claiming to sustain, what kind of timeframes they are using, and what they are aiming to develop. By using sustainable development in this way, I am able make explicit each initiative's priorities when working within the tensions and tradeoffs between environmental limits and providing for people – in other words, what kind of sustainability these voluntary market-based initiatives are aiming for.

3. Methodology

My research uses case study methodology to analyze voluntary market-based regulatory initiatives involving private actors in order to understand how and to what extent such initiatives could contribute to governance for sustainability. The specific initiatives that I study within the context of the specialty coffee industry were selected in order to analyze a case which is both extreme and critical.

3.1 Case Study

Voluntary market-based regulatory initiatives involving private actors in the coffee industry fulfill the criteria of being an extreme case according to Flyvbjerg (2006). Extreme cases are a type of case study wherein case selection is based on purposefully selecting an extreme or atypical case (Flyvbjerg, 2006). The specialty coffee industry is extreme in terms of high levels of experience with certification and labelling as regulatory tools as well as the strength and popularity of green consumerism and sustainable consumption logic. The voluntary market-based regulatory initiatives involving private actors in this industry are an extreme case of that logic in practice. I chose to look at an extreme case because extreme cases allow me to study more factors and basic mechanisms in order to clarify deeper causes and consequences (Flyvbjerg, 2006). Applied to this study, it means that I look into the development and working of voluntary market-based regulatory initiatives involving private actors as extreme examples of green consumerism logic in order to understand their potential contribution to governance for sustainability.

I further argue that this study analyzes a critical case, which is a type of case study that selects a case in order to allow for logical deduction (Flyvbjerg, 2006). Case selection is based on an information-oriented selection strategy that identifies least likely or most likely cases, also called hard or easy cases. These cases are based on the logical deduction that "If it is valid for this case, then it is valid for all (or many) cases" or "If it is not valid for this case, then it is not valid for any (or only few) cases" (Flyvbjerg, 2006, p. 230). Thus, these types of critical cases "are likely to either clearly confirm or irrefutably falsify propositions and hypotheses" (Flyvbjerg, 2006, p. 231).

I consider the voluntary market-based regulatory initiatives involving disclosure and private actors within the specialty coffee industry to be an easy critical case. It is easy in the sense that these initiatives have ideal conditions to succeed in contributing to governance for sustainability. These ideal conditions include the extreme conditions of the support and history with voluntary market-based regulatory initiatives within the industry, as seen through labelling voluntary market-based regulatory initiatives of which coffee has arguably the most mature labelling market (Giovannucci & Koekoek, 2003)**.** This demonstrates an extreme case, in terms of widespread acceptance of green consumerism and corporate social responsibility logic among both the industry and coffee consumers. Coffee has become strongly associated with ethical consumption through long-term engagement by many actors with sustainability initiatives.

This goes beyond being simply an extreme case to being a critical case because of the logical deduction it enables. I argue that if voluntary market-based regulatory initiatives involving disclosure and private actors in the specialty coffee industry do not contribute to governance for sustainability, then it is unlikely that this type of initiative would contribute to governance for sustainability in other industries. To put it more concretely, if a voluntary market-based regulatory initiative like the Sustainable Coffee Challenge is unable to contribute to improved governance for sustainability, then it is unlikely that a product less closely coupled with ethical consumption would be successful in launching a similar type of initiative.

3.2 Disciplinarity

Due to its grounding in sustainability science, my research is designed to be interdisciplinary in nature and aspires towards transdisciplinarity. By interdisciplinary I mean that this project works across disciplinary boundaries (Porter, Roessner, Cohen, & Perreault, 2006) aiming to engage with political science, including political economy; business, including corporate social responsibility and environmental management; development studies and sustainability studies. Transdisciplinary research values knowledge outside of academia and collaborates with groups outside academia through the research process (Lang et al., 2012). This project aspires towards transdisciplinarity by valuing knowledge outside of academia and attempting to collaborate with groups outside of academia. For example, this transdisciplinary ambition is seen through my interaction with coffee industry professionals in semi-structured interviews, informal interviews, expo attendance, symposium attendance, and fieldwork in

Ethiopia. For a time, my research plan was to collaborate with a transdisciplinary initiative in southern Ethiopia, but when collaboration was called off I determined that because of my lack of ties within the area and perceived lack of trustworthiness it would not be possible to continue with a transdisciplinary approach. I mention this to acknowledge the practical difficulties of conducting transdisciplinary research. Discussions with industry professionals in the project design phase shaped my dissertation structure – namely the focus on direct trade and the Sustainable Coffee Challenge based on excitement around potential sustainability benefits, as well as confusion related to ambiguity of these initiatives.

3.3 Paper Methods

Paper I investigated the development of direct trade schemes’ development in the US, Sweden and Denmark over a two-year period of rapid change. The study focused on six influential roasting companies: three US companies credited with founding direct trade, two direct trade trademark-owning companies in Scandinavia, and one Swedish company using direct trade outside of the Swedish trademarked definition. The research involved a quantitative content analysis (Krippendorff, 2003) of direct trade standards and prominence over a two-year period. This analysis was conducted based on a subset of webpages from an unpublished qualitative content analysis study of 194 webpages from 2015 and 187 webpages from 2016. Also, semi-structured interviews with representatives actively working with direct trade on a daily basis were conducted with four of the six companies on the development and evolution of direct trade (Table 3).

Paper II compared the disclosure requirements and recommendations of the GRI Standards and the Sustainable Coffee Challenge looking at the content of disclosures and then compared existing recommendations to actual sustainability reporting practice in the specialty coffee industry (Table 3). I developed assessment items based on GRI Standards and the Sustainable Coffee Challenge disclosure recommendations using a process inspired by Perez and Sanchez (2009). I then assessed the practice of sustainability reporting and content of sustainability reports for sixty specialty coffee roasting companies. These roasters were identified by the Transparent Trade Coffee as companies that “set standards in the North American specialty coffee market” and was based on an analysis of media attention, industry awards, and geographic balance (Transparent Trade Coffee, 2017). Transparency Trade Coffee is a project based at the Social Enterprise at Goizueta center at Emory University’s Goizueta Business School. The project tracks and analyzes specialty coffee’s green price paid to the grower and percentage of retail sale that goes to the supply chain at origin (Goizueta Business School, 2016). I looked at North American companies in order to target voluntary disclosures, as the EU requires large companies to regularly report on social and environmental impacts (Directive 2014/95/EU, 2014).

This thesis is also informed by research that is not presented in the papers. Throughout this research project I have conducted informal interviews with coffee industry professionals, non-government organization representatives, researchers, consumers, and other experts. In 2012, I conducted fieldwork in Ethiopia including narrative walks (Jerneck & Olsson, 2013) and semi-structured interviews (Bryman, 2008) with small-holder coffee farmers in Oromia and the Southern Nations, Nationalities, and People's Region about intensification of small-holder agriculture. In 2015, I conducted a qualitative content analysis (George, 2009; Ryan & Bernard, 2003; Schreier, 2012) of 194 direct trade webpages from six direct trade coffee roasting companies' websites in order to explore the definition and mechanisms of direct trade schemes. In 2016, I received a fellowship to attend Re:Co and World of Coffee events where I conducted semi-structured interviews (Bryman, 2008) with producer representatives from twelve countries and two certification organizations about their experience with sustainability initiatives and identifying successful initiatives. Re:co stands for the Regarding Coffee: The Specialty Coffee Symposium and it is a yearly event to gather leaders in the specialty coffee community to highlight innovation, inspire collaboration, support discussion, and share research findings (World Coffee Events, 2014). This research shaped the direction of my thesis, specifically in terms of the selection of direct trade schemes and the Sustainable Coffee Initiative as well as my decision to focus on roasting companies.

Table 3 Papers I & II methods
Research conducted contributing to papers.

Contributed to	Research conducted
Paper I	Semi-structured interviews with company representatives working with direct trade (n=4) Quantitative content analysis (Krippendorff, 2003) direct trade standards and prominence over a two-year period (subset of previously collected 194 webpages from 2015 and 187 webpages from 2016)
Paper II	Comparative analysis of two voluntary disclosure initiatives Quantitative content analysis (Krippendorff, 2003; Perez & Sanchez, 2009) of 24 sustainability reports over a five-year period

3.4 Limitations & Challenges

My research is limited by focusing on voluntary market-based regulatory initiatives without independently verifying disclosures of such initiatives. I studied the development of voluntary market-based regulatory initiatives primarily through documents created by or for the initiatives, documents created by roasting companies, and interviews with roasting companies. I chose not to conduct research with growers to quantify or evaluate on-the-ground impacts or independently verify disclosures. This is because I am interested in the development of these types of initiatives as regulatory tools and in the mechanisms used by these types of initiatives. I sought to understand such initiatives as regulatory tools, rather than quantifying the contributions of these particular initiatives. As such, I looked at structure rather than measured impact (York & Rosa, 2003).

This thesis largely focuses on the words and actions of coffee roasting companies, rather than the experience of growers. Growers did contribute to this research. I conducted interviews with coffee farmers in Ethiopia during fieldwork and an interview study with producers at the World of Coffee Expo in Dublin. In both cases the producers presented themselves as weak players within the value chain. Producers at the World of Coffee Expo identified roasting companies and certifications as the actors with the power. Further coffee farm-based fieldwork was not conducted due to the cancellation of the Ethiopia project, travel restrictions due to my visa status in Sweden, and the strategic decision to focus on governance initiatives related to roasting companies as the more powerful actors in coffee's global value chain.

Working within the field of corporate social responsibility has limitations. Private companies have the power to decide what information to disclose and there are not strong transparency norms. This limits data available and means that the data that is available must be considered in light of its purpose to market products or companies at some level.

4. Coffee Context

In this chapter I very briefly introduce the historical and present day regulatory landscape of coffee. This gives context as to why coffee is an excellent case for understanding voluntary governance initiatives. I then discuss linkages between the coffee industry and sustainability, both in terms of coffee’s contribution to sustainability challenges and the impact of sustainability challenges on coffee’s global value chain.

4.1 The Rise of Voluntary Governance

The present day coffee regulatory landscape should be seen in the context of historical regulation. Coffee production expanded together with colonialism and was built on slave and forced labor (Wild, 2004). Coffee still largely retains the structure of production in the Global South and consumption in the Global North as well as unequal power dynamics. Beginning in 1940 coffee was regulated through international quota agreements, first through the Inter-American Coffee Agreement and then the International Coffee Agreement (International Coffee Organization, 2017c). The quota system ended in 1989 when members of the International Coffee Organization failed to agree on new export quotas. Simultaneously, structural adjustment programs and neoliberal policies were generally removing or diminishing agricultural extension and government coffee support services throughout Latin America (Ponte, 2002). Coffee production increased and expanded, meanwhile the price of coffee became increasingly volatile and generally lower (Pendergrast, 2010).

Together these conditions led to the “coffee crisis” (C. Bacon, 2005; Vega, Rosenquist, & Collins, 2003). In 2001, coffee prices reached a thirty-year low, which galvanized the growing sustainable consumption movement particularly within specialty coffee (C. M. Bacon et al., 2008). Alternative trade movements had existed for decades, largely selling handicrafts. Coffee was among the first foods brought into the movement. In 1988, Max Havelaar developed a Fair Trade label for coffee, which made certified coffee more widely accessible (Fairtrade Labelling Organizations International, 2017). Because of its early role in the alternative trade movement, as well as its early move to an accessible label, coffee has long been a part of the sustainable consumption movement and awareness campaigns. This sustainable consumption or green consumption movement has grown since then.

4.1.1 Voluntary Regulatory Initiatives

Today the coffee regulatory landscape is inundated with competing voluntary coffee standards largely in the form of labels. The purpose of sustainable or green labeling generally is to achieve sustainability goals through the standardization of principles and prescriptive criteria, which are market-based and consumer-oriented, relying on symbolic differentiation (Boström & Klintman, 2008). As such, green labels are a voluntary initiative using market logic to harness the power of consumers or otherwise economically incentivize sustainable production. Organic, Fair Trade, Rainforest Alliance, UTZ, and Bird Friendly are probably the best known (Muradian & Pelupessy, 2005; Raynolds, Murray, & Heller, 2007), but there are many lesser known initiatives.

Labels are problematic. According to their proponents, labels mean higher standards, better processes, and often greater oversight. They also enable consumers to make better-informed purchasing decisions. There are benefits to labels, although often smaller than hoped for or expected. The benefit of these labels is contested due to the high cost of certification as well as the unequal distribution of profits and power benefiting the roasters and retailers (Cole & Brown, 2014; Jaffee, 2007; Johannessen & Wilhite, 2010; Valkila, Haaparanta, & Niemi, 2010). Sustainability labels can be developed for a wide range of reasons from genuine environmental concern to greenwashing. Some labels are developed to increase consumer confusion and/or prevent or delay the establishment of mandatory regulations. While awareness of sustainability labels has increased, so has controversy surrounding the mainstreaming and cooptation of labels (Jaffee & Howard, 2009; Jaffee, 2012). Consumers have difficulty differentiating between labels, but the number of labels continues to increase. The bottom line is that decades of voluntary certifications within the coffee industry has not yet solved the main problems faced by the industry at a global level.

4.1.2 Remaining Mandatory Regulation

There are of course still mandatory state regulations related to coffee. National and international environmental and social regulations still apply to coffee. Oftentimes the enforcement of existing mandatory regulations is a claimed benefit of voluntary certifications, such as Fair Trade’s work related to child labor. Child labor is already illegal, but sustainability labels are able to market themselves based on assurance of no child labor because of a perceived and real lack of enforcement by state actors. Some governments have taken an active role in regulating national coffee production, such as Costa Rica, where payment percentages are regulated for different actors in the value chain, or Colombia, which has invested in agricultural extension and the branding of national coffee through quality controls.

4.1.3 Regulating Coffee in the Near Future

It appears that moving the coffee industry toward sustainable development will rely on voluntary governance action, rather than mandatory state-led regulation. There does not appear to be momentum for the re-establishment of a mandatory regulatory system like the old quota system, instead voluntary and public-private initiatives have developed. The latest initiative attempting to transform the coffee industry overall is the Sustainable Coffee Challenge, which is a voluntary public-private regulatory initiative. Such voluntary initiatives are increasingly common globally and encouraged by state actors as seen by the United Nations' 2030 Agenda for Sustainable Development, which promotes public-private partnerships for sustainable development (United Nations General Assembly, 2015).

4.2 Sustainability and Coffee

There are not only good conditions for voluntary governance initiatives but also strong motivations to act in addressing sustainable development in the coffee industry. This is thanks to a variety of factors including a well-developed civil society surrounding coffee, previous experience across the industry with voluntary initiatives, public interest and awareness related to coffee, a long history of pressure to make the industry more sustainable, and increasing impacts of sustainability challenges on the industry. This section explores what role coffee could or does play in moving toward or away from the space between planetary and social boundaries.

In terms of planetary boundaries, coffee is important because of the scale at which it is produced and the land on which it is grown. In 2016, 9.097 million tonnes of coffee was produced, of which 62.8% was Arabica coffee, and 9.303 million tonnes of coffee was consumed (International Coffee Organization, 2017a). Coffee is grown in areas of high biodiversity and as the climate changes coffee lands may be pushed to higher altitudes with less land and often in conflict with other environmental interests such as nature reserves (Gay et al., 2006; Jha et al., 2014).

Coffee production is sensitive to climate variability (Dasgupta et al., 2014); it is estimated that coffee productivity in Costa Rica, Nicaragua, and El Salvador will be reduced by as much as 40 percent (Glenn, Kim, Ramirez-Villegas, & Läderach, 2013). Demand for coffee at a global level continues to increase (International Coffee Organization, 2015). Increasing demand combined with decreasing productivity leads to pressure on coffee production to shift production areas. The risk of deforestation in areas of high biodiversity is highlighted in the sustainability goals of the Sustainable Coffee Challenge (2016).

In terms of social boundaries, the scale of the coffee industry is again important, given the number of people impacted by coffee production and where they live. Coffee is a crop produced by small scale farmers; 70% of coffee is produced by more than 25 million small coffee farmers (International Coffee Organization, 2017c). Nineteen Least Developed Countries are exporting members of the International Coffee Organization (International Coffee Organization, 2017d), which represents the broader structure of coffee wherein it is primarily grown in developing countries and primarily consumed in developed countries (International Coffee Organization, 2017b, 2017e). Some coffee industry structures still reflect coffee's dark colonial history (Hussey & Curnow, 2013; Pendergrast, 2010). According to the Sustainability Group of the Specialty Coffee Association, the most pressing problem for the future of coffee is not yet environmental concerns, but rather keeping growers involved in coffee production (Ionescu, 2016). Coffee production does not provide caloric food security, but coffee production is a major occupation and employer in many rural areas in developing countries. This inequality between consumers and producers of coffee has long been a discussion and improving the livelihoods of growers, particularly by making it part of an economically feasible rural livelihood, is another goal of the Sustainable Coffee Challenge (2016).

5. Results & Discussion

My research analyzed voluntary market-based regulatory initiatives by examining certification and voluntary disclosure schemes that are in early stages of development. Specifically, I researched six direct trade schemes, the Global Reporting Initiative, and the Sustainable Coffee Challenge, all of which are described in greater depth below. I use the stages of the (Abbott & Snidal, 2009) regulatory standard-setting process to structure the findings of the research: agenda-setting, negotiation of standards, implementation, monitoring, and evaluation (ANIME).

5.1 Voluntary Market-Based Regulatory Initiatives

My research analyzed certification initiatives by following the development of direct trade schemes. I found that major direct trade actors were moving away from certification and towards a greater emphasis on disclosure. This led me to investigate voluntary disclosure initiatives in greater depth by studying the Global Reporting Initiatives' GRI Standards and the Sustainable Coffee Challenge's reporting recommendations and related sustainability goals.

5.1.1 Certification Initiatives

I analyzed certification initiatives by investigating the development of six direct trade schemes across the United States, Denmark, and Sweden (MacGregor et al., 2017). Direct trade schemes are a group of regulatory schemes sharing the same name, but the schemes themselves are unique to individual companies rather than having a joint certifying body. Direct trade schemes claim to assure specified standards, and it is communicated to consumers through markers or certified labels on packaging, but direct trade schemes have increasingly moved away from certification mechanisms. In part a critique of the Fair Trade certification scheme, direct trade schemes initially developed using an "open source" model wherein general principles were held across direct trade, but standards were specified by individual company schemes. As many schemes were formed and specified standards became more varied, Danish and Scandinavian companies trademarked the term “direct trade” itself within their respective countries. In the US, there was a move to formalize direct trade with the development of a third-party certified label, but this certified label has since been abandoned. I studied the direct trade schemes of companies who either developed the concept of direct trade in the US or own a direct trade countrywide trademark. Direct trade schemes are important and interesting in terms of certification initiatives because they allowed me to study the failure to develop a certified label and to explore conditions under which claimed co-optation occurred.

In terms of content, direct trade schemes refer to roasters buying coffee directly from producers. I found that the schemes are primarily interested in quality, relationships, and financial benefit across the value chain. Quality in the context of direct trade schemes refers specifically the taste of the final coffee product and improving quality is the primary motivator behind the development of direct trade schemes. Relationships refers to increased transparency within the value chain allowing roasters to know exactly who grows the coffee and how much they are paid. Standards include mechanisms to initiate regular feedback between roasters and growers. Financial benefit may refer to price minimums, but more importantly, it refers to the central market-based mechanism of paying higher prices for higher-quality coffee.

5.1.2 Voluntary Disclosure Initiatives

I followed direct trade schemes as they moved away from certification toward a greater emphasis on disclosure, which led me to my study of voluntary disclosure initiatives. I analyzed two voluntary disclosure initiatives: the widely used sustainability reporting framework from the Global Reporting Initiative and an ambitious new multi-stakeholder initiative within the coffee industry called the Sustainable Coffee Challenge (MacGregor, n.d.).

Global Reporting Initiative’s GRI Standards were analyzed as a voluntary disclosure scheme. I selected it because the Global Reporting Initiative’s sustainability reporting frameworks are one of the most commonly used reporting systems and the GRI Standards are the most recent version. GRI Standards therefore act as a baseline for comparing the recommendations of the Sustainable Coffee Challenge. The GRI Standards reporting framework is intended to be used across a wide variety of actors from public to private and across any industry or geographic location (GSSB, 2016a). The GRI Standards contain specific indicators against which actors disclose information by reporting it publicly. In this reporting framework, disclosures are divided into universal and topic-specific standards. Universal standards must be reported in order to be considered complaint with

GRI Standards and they cover information related to the organization, context, management approach, and reporting procedures (GSSB, 2016a, 2016b, 2016c). Topic-specific standards (GRI 200, 300, and 400 series Standards) describe economic, environmental, and social disclosures. Actors do not report on all topic-specific standards only those which the actor determines to be relevant and important.

I also analyzed the reporting recommendations made within the Sustainable Coffee Challenge's Sustainability Framework (Sustainable Coffee Challenge, 2016) as a voluntary disclosure scheme. The Sustainable Coffee Challenge was launched by Conservation International during the United Nations Framework Convention on Climate Change negotiations in Paris in December 2015 as a "call to action to make coffee the first sustainable agricultural product in the world" (Conservation International, 2015; Starbucks Newsroom, 2015). It has brought together retailers, producers, traders, importers, roasters, investors, government actors, certification and standards bodies, and nongovernmental organizations to work toward that goal. While its work is multi-facetted, I have focused on their work related to disclosure, which I see as developing two main directions: standardizing reporting and sustainability goals. By standardizing reporting I mean developing common disclosure standards. This work is still in early stages and their recommended disclosures are not nearly as detailed as GRI Standards. The Sustainability Coffee Challenge is working collaboratively to develop common sustainability goals for the coffee industry as well as defining how to measure progress towards those goals.

5.2 Regulatory process of direct trade schemes

In paper I (MacGregor et al., 2017), I identified different regulatory actor configurations used by different direct trade schemes for governing.

5.2.1 Agenda-setting and negotiation of standards

Direct trade schemes were developed, owned, and revised by individual roasting companies (MacGregor et al., 2017). Although direct trade schemes differ in terms of types of actors involved in governance, the agenda for each scheme was set by individual roasting companies and the power to change standards remained in the hands of the individual roasting companies. That means that other actors in the value chain, civil society organizations, and state actors played little to no role in defining the regulatory agenda for direct trade schemes. The direct trade regulatory agenda reflected the concerns of the roasting companies. I found that the driving motivation behind direct trade was quality improvement and sustainability concerns were secondary. Certain direct trade standards, such as price minimums, may contribute to sustainability and the public good, but these standards were not optimized for contribution to the public good but rather optimized for quality as defined by taste. This finding is important because it shows how regulatory agendas set by companies were based on company concerns.

5.2.2 Enforcement

Enforcement of the scheme differed greatly between the US and the Scandinavian contexts. In Denmark and Sweden, companies were able to enforce direct trade standards through trademark using the power of the state. By contrast, the founding US companies working within an open source strategy struggled to enforce their direct trade standards on others. This situation was described as co-opted. Co-optation in this case refers to calling coffee direct trade while applying weaker standards. In the US context, founding companies were unwilling to call out other companies that they felt were using direct trade schemes improperly. That means that even though the companies within the industry were finding fault with the direct trade schemes of others, these companies were not attempting to enforce standards on each other. Instead companies were increasingly attempting to involve consumers in enforcement.

5.2.3 Monitoring

The reaction to perceived co-optation of direct trade was to increase disclosure of information (MacGregor et al., 2017). The increase in disclosure of information meant making more data publicly available in order to back up claims with data. This move toward greater disclosure in the face of perceived co-optation of US direct trade schemes could be seen in both the Scandinavian and US contexts. The Danish trademark owner began publishing the prices paid to producers on packaging and Counter Culture Coffees abandoned its certified label while expanding their reporting on coffees generally. The company's argument for doing so was to further engage consumers.

Shifting from certification initiative mechanisms to disclosure alone relies heavily on developing a role for consumers in regulatory governance. The move away from a certified label in direct trade effectively argued for a greater role for consumers in the monitoring and enforcement of schemes. Monitoring, in this case, would entail customers reviewing disclosed information, and enforcement would happen as a result the purchases consumers made, based on that information.

This disclosed data was self-reported. It was an expansion of the already existing direct trade schemes self-reporting. Direct trade schemes themselves were effectively self-monitored and relied on self-reporting. They became increasingly self-monitored and self-reporting during the course of the study. Oftentimes, certification is about third-party monitoring, but in this case the one company that was collaborating with a third-party independent monitor stopped doing so. The company argued that trust was based between the consumer and the roasting company. This company has a strong reputation for sustainability work, but the trend itself is troubling because it does not see an added value in third-party verification compared to self-reported information and decreases the role of civil society in regulatory governance.

5.3 Regulatory process of voluntary disclosure initiatives

Following up on direct trade schemes' move toward disclosure as well as increasingly involving consumers in regulatory governance, I compared the individual disclosures recommended by and the general approach of the GRI Standards and Sustainable Coffee Challenge. I then evaluated existing reporting practice in light of those two systems. I first briefly present the findings of Paper II (MacGregor, n.d.) and then I consider these findings within the ANIME framework in order to compare with the results of Paper I.

5.3.1 Findings

Disclosure is closely associated with transparency. This relates to governance for sustainability through accountability. Transparency can be used as a tool to work toward sustainability through procedures or toward empowerment through information. However, information has only been found to be empowering when it is comprehensive, comparable, and useful.

In comparing the GRI Standards and the Sustainable Coffee Challenge recommendations, I found that these reporting frameworks differ in approach. The GRI Standards contain both reporting procedure as well as sustainability performance categories, whereas the Sustainable Coffee Challenge recommendations focus almost exclusively on sustainability performance categories. That means that GRI Standards use transparency through both procedure and information. The Sustainable Coffee Challenge's lack of reporting procedure requirements suggests that it relies on the power of the information to empower.

Unfortunately, the current practice of sustainability reporting within specialty coffee has low potential for empowerment. This is because few specialty coffee companies report, which means existing coffee data cannot be considered comprehensive. Additionally, reporting is inconsistent among the companies that report both in terms of what is reported within companies as well as what is reported across companies. This inconsistency in reporting translates to low comparability of disclosed data.

The Sustainable Coffee Challenge is attempting to improve the quality of information by targeting particular disclosures. They have collaboratively defined a few sustainability goals and measurements. Essentially the Sustainable Coffee Challenge is advocating for companies to report on fewer reporting procedures and topics, while rallying companies around reporting on one of their three sustainability goals.

This initiative is interesting because it essentially is defining materiality at a single product or global value chain level. The GRI defines material topics as a "topic that reflects a reporting organization's significant economic, environmental, and social impacts; or that substantively influences the assessments and decisions of stakeholders" (GSSB, 2016a, p. 27). In other words, materiality has traditionally been a prioritization of sustainability performance indicators (Whitehead, 2017) determining what topics need to be reported on and is based on sustainability impact, perceived importance by stakeholders, and the reporting company's ability to influence the topic. The Sustainable Coffee Challenge has changed the scale of the materiality assessment by involving a wide variety of actors to define a few common disclosures for the whole coffee industry.

5.3.2 Applied to ANIME

The Sustainable Coffee Challenge's general reporting recommendations do not specify procedures for reporting, but rather their contribution is primarily in trying to set the regulatory agenda. The Sustainable Coffee Challenge has brought together actors from across the value chain, non-governmental organizations, and state actors. They've publically developed sustainability agendas to collaboratively define several sustainability goals for the coffee industry, and they've operationalized them by stating success for the goals in quantitative terms in an attempt to get many organizations to report the same material disclosures.

A materiality agenda at a value chain level rather than a company level is an intriguing idea, which could be spread to other commodities. A multi-stakeholder agenda-setting process would lead to better goals in terms of contribution to public good. Within the Sustainable Coffee Challenge, the discussion has raised the voice of growers. This broader materiality agenda has the potential to target more relevant information. If more companies were reporting on the same thing it would make disclosures more comparable.

The information disclosed through either the GRI Standards or Sustainable Coffee Challenge is self-reported. The GRI Standards encourage a transparent reporting process and auditing of information, but ultimately the decision of whether to consider a topic material or not is controlled by the reporting organization. One of the primary differences between disclosure and certification is the required involvement of a third party in verifying and assuring information for certification. Voluntary disclosure often depends on self-reporting. Even more so than certification, there is a risk of a bias toward positive information.

Enabling enforcement in terms of greater accountability through disclosure relies on transparency both procedurally and with regards to the information itself. The GRI Standards do work with reporting procedures, but the Sustainable Coffee Challenge relies entirely on the power of information. Further decreasing the value of disclosures in the specialty coffee industry is the inconsistency with which data is reported both within individual companies and between companies. This inconsistency in existing reporting means that there is low comparability of data. Taken together, I find that existing disclosures and reporting practices are not creating good conditions for empowerment through information. This is because the data being released is not useful due to its lack of comprehensiveness and comparability.

5.4 Insights from Specialty Coffee

By analyzing across these voluntary market-based schemes in specialty coffee, I gained insight into whether and to what extent these types of initiatives can contribute to governance for sustainability related to regulatory agenda-setting, the role of the consumer in regulatory governance, the advantage of state actor involvement, and the potential of product-specific materiality.

Regulatory agenda-setting at a company level tends not to result in optimal sustainability aims. This was demonstrated in both the direct trade certification schemes wherein company-determined agendas prioritized taste quality over public good. It was also seen within the disclosure schemes wherein defining materiality at company level reinforced existing power dynamics.

Second, these schemes revolved around the role of the consumer within regulatory governance and hinted at problems related to their involvement. Direct trade schemes demonstrated the move away from reliance on certification bodies toward greater consumer regulatory involvement. However, roasting companies were concerned about consumer involvement in terms both of consumers not being able to distinguish between competing direct trade schemes of varying quality as well as of a general lack of consumer demand for and interest in disclosures. Lack of consumer interest in governance is a major problem for voluntary market-based initiatives because they depend so heavily on consumer engagement. This leaves an open question as to how much can and should be expected of consumers in terms of governance.

Despite selecting for initiatives involving private actors, there was a major role played by state actors in both certification and disclosure initiatives. Within direct trade certification in Denmark and Sweden, state actors played a key role enforcing schemes through trademarking, which also had a stabilizing effect on the content of schemes. This state contribution to enforcement in Scandinavia was in contrast to the lack of enforcement in US direct trade, which contributed to the development of an environment enabling co-optation. In disclosure initiatives, the state played a role through agenda-setting as seen by the Sustainable Coffee Challenge's use of Sustainable Development Goals.

Product-specific material topics have the potential to improve sustainability disclosures. Assessing materiality is a form of prioritization of sustainability issues. The scale of such an assessment and the representativeness of actors effect the assessment of what to prioritize. By looking at the global coffee scale, rather than the individual company scale, the assessment of materiality better reflects public good. Additionally, conducting this materiality analysis in a collaborative, public fashion increased the transparency of the assessment and raised the voices of less powerful actors such as growers. The Sustainable Coffee Challenge has worked to define product-specific material topics within coffee and if they are successful in increasing disclosures related to their defined material topics, then it seems likely that other products would follow suit. This seems particularly likely with agricultural products because of their distinct geographic linkages.

5.5 Limitations of Voluntary Market-Based Initiatives

This research has been problem-solving in that it has investigated attempts to improve voluntary market-based initiatives using their own logic. This is important work because the coffee industry is massive and already impacts environments and millions of people around the world. Voluntary market-based regulatory initiatives are widespread within the coffee industry and growing in strength within coffee and beyond. I recognized existing structures and sought to work within them. As such, my research aimed to identify ways to maximize the benefit from such voluntary regulatory initiatives while decreasing or preventing damage.

However, there are limitations to working within a voluntary market-based regulatory framework because it restricts the possible pathways to improving sustainability. Voluntary regulations are by definition not mandatory, so working within problem-solving logic I looked for ways to improve existing voluntary approaches rather than comparing or moving towards mandatory ones. Reinstituting a mandatory regulated quota system as a better way of governing the industry is a solution that simply would not be considered within the logic of voluntary regulations.

Similarly, market-based regulations rely on market logic, that assumes the regulations must results in gains (or prevention of damage) for those involved. Voluntary market-based initiatives require actors to choose to be involved and generally assume that there is some benefit for the actors involved. Although, this need not be direct financial gain. Furthermore, voluntary market-based initiatives – particularly when heavily involving industry actors – will not seek to decrease or eliminate the industry. For instance, sustainability arguments could be made for substituting coffee with water or to decreasing coffee consumption in amount or frequency.

6. Reflections

In this section I reflect on the implications of the certification to voluntary disclosure trend and problems with voluntary disclosure. Then, I answer the most frequently asked question related to my thesis work.

6.1 Certification to Disclosure

There seems to be a larger trend moving away from certification toward greater emphasis on disclosure. Within this research, this was most clearly seen in Counter Culture Coffee's move from third-party certified direct trade to purchasing principles supported by more voluntary disclosures (MacGregor et al., 2017). This kind of shift is seen elsewhere in the move away from third-party certifications and post-certification discussions. For example, Sainsbury's – a large British grocery chain and the "world's largest retailer of Fairtrade products" – is now piloting a change from Fairtrade certification to its own "Fairly Traded" branding, which they say will function as a certification overseen by the Sainsbury Foundation (Rivera, 2017; Vidal, 2017). The Fairtrade Foundation has objected to this change claiming Sainsbury's Fairly Traded does not fulfill core Fairtrade principles like producer empowerment, whereas Sainsbury's claims that Fairly Traded provides "farmers with data" (Rivera, 2017). My research has focused primarily on coffee companies, but this is a reminder of the power that large supermarket retailers have in regulatory governance initiatives as well. The question of what actors within the value chain consumers trust and to what extent consumers are able and willing to distinguish between different schemes or actors remain important questions.

6.2 Difficulties with Voluntary Disclosure

I've touched on some of the difficulties with voluntary disclosure in earlier chapters, but I wanted to bring together a few ideas. Voluntary disclosure relies on information enabling action. An empowerment through information approach requires high quality disclosures that can be used by actors. Sometimes, this is information enabling action within a company, but oftentimes it relies on consumers and investors to make changes. Combined with the positivity bias of voluntary disclosures, this creates an environment wherein consumers and investors are being asked to play a greater role in regulatory governance but their actions are informed by self-reported, primarily positive disclosures. And these difficulties are compounded when the quality of disclosures is lower due to lack of comprehensiveness or consistency as seen in specialty coffee.

6.3 What Coffee Should I Buy to be More Sustainable?

Almost every time I discuss my research, I am asked a variation of this very practical question: What coffee should I buy to be more sustainable? The purpose of this thesis was not to answer this question, but I would like to share my thoughts on it.

I would first like to point out, as a sustainability scientist, that decreasing negative impacts of your coffee consumption could be achieved by decreasing your coffee consumption. For instance, drinking coffee less frequently or occasionally drinking tap water instead. Also, from the perspective of a sustainability scientist I want to note the framing of the question implies buying is the only or at least the most effective way to support sustainability within the coffee industry. Ethical buying is one way to support sustainable development within the coffee industry, but it is not the only way. As a consumer and as a citizen you can engage with civil society or political initiatives supporting sustainable development.

At the end of the day, I expect that those of you who currently buy coffee will continue buying coffee. However, I will not recommend a particular coffee or certification. Instead allow me to remind you that regulatory systems are increasingly relying on you as a consumer to play a role in regulatory governance. Whether or not you wanted to be put in that position, voluntary market-based regulatory initiatives often depend on consumer action.

7. Conclusion

My research indicates that voluntary market-based regulatory initiatives could contribute to governance for sustainability through involving consumers in governance and through information disclosure, but there are limitations to what can be achieved using a voluntary market-based approach. Direct trade scheme developments demonstrated the active inclusion of consumers within regulatory governance, but this active role was being pushed on consumers rather than requested by consumers and there were already indications of limitations of consumer skill in differentiating between regulatory schemes. Sustainability reporting among US specialty coffee roasters reveals poor conditions for empowerment through disclosure as disclosed information is not comprehensive, comparable, or useful because too few companies report and those that do report disclose information inconsistently. The quality of disclosed information is particularly important because the Sustainable Coffee Challenge focuses on what topics are covered, rather than the process of how they are reported. The Sustainable Coffee Challenge's multi-stakeholder work to define material topics at a global value chain level has the potential to improve the comprehensiveness, comparability, and thus usefulness of disclosures, but whether this will work in practice remains to be seen.

There are limitations to what extent a voluntary market-based regulatory approach involving companies can contribute to governance for sustainability. The limitations of this approach were showcased by the inability of US direct trade founders to enforce common definitions of direct trade due to the voluntary nature of the initiative and the inability or unwillingness of private actors to enforce definitions, in part due to perceived self-interest. This shows how such initiatives can have difficulty penalizing or using disincentives to inspire change. Similarly, these voluntary market-based initiatives involving companies seem unlikely to use particular sustainability strategies such as substituting coffee with a more sustainable alternative or trying to decrease coffee consumption. Although linking decreased consumption with quality goods is possible in industries such as textiles, it is more difficult to apply this argument to food for which quality is measured in taste rather than durability.

This thesis cannot answer whether voluntary governance for sustainability works in all cases, but the critical case study of specialty coffee gives insights into where voluntary governance may run into trouble. Specialty coffee is an easy critical case, wherein voluntary market-based initiatives are likely to succeed due to strong backing of corporate social responsibility logic among civil society, coffee companies, and consumers. However, my study of direct trade found that roasting companies believed consumers were unable to distinguish between different direct trade schemes. Furthermore, despite action by roasting companies to disclose more information, roasting companies described themselves as wanting, but not yet obtaining, consumer interest in such disclosures. In other words, some consumers appreciated that there is a certification or disclosure of information, but the vast majority of consumers did not appear to distinguish between certifications and few if any consumers were demanding more or better-quality disclosures. This is occurring in ideal conditions of relatively high levels of consumer interest supported by years of civil society awareness building. Thus, these seeming limitations of consumers as regulatory actors pose a potential problem for voluntary market-based initiatives that rely on greater involvement of consumers in regulatory governance. The difficulty of engaging consumers as regulators in specialty coffee means that engaging consumers as regulators for other products or industries – where there is less support among consumers, civil society, and businesses – will be even more unlikely to succeed.

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Paper I

sustainability

MDPI

Article

Problems with Firm-Led Voluntary Sustainability Schemes: The Case of Direct Trade Coffee

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Abstract: Ensuring sustainable consumption and production is one of the United Nations' Sustainable Development Goals. Sustainable consumption can be supported through regulatory processes. Voluntary private regulatory schemes claiming to contribute to sustainability are a rapidly growing form of regulation. We study one such voluntary sustainability scheme in order to look at the opportunities and challenges this type of regulatory process poses using Abbot and Snidal's regulatory standard-setting framework (2009). Specifically, we examine direct trade voluntary schemes in the coffee industry. To do this, we selected six leading direct trade firms in the US and Scandinavia, analyzed firms' websites in 2015 and 2016 and conducted interviews with four of the firms. We found direct trade as a voluntary scheme was an attempt to market and codify good sourcing practices. US-based founding firms have distanced themselves from the term due to perceived co-optation, which we conceptualize as the failure of industry to self-regulate and argue was enabled by the re-negotiation of standards without the power to enforce or penalize misuse of the term. Firms reacted to co-optation by releasing data to consumers directly; we argue this puts too much responsibility on consumers to monitor and enforce standards. By contrast, Scandinavian firms maintained standards enforced through trademark nationally. Both US and Scandinavian contexts demonstrate a weakness of firm-led agenda-setting for sustainable development in that schemes may be optimized for a particular business concern—in this case quality—rather than to achieve sustainable development goals. This is problematic if schemes are marketed on contribution to the public good when incentives within the scheme are not aligned to produce an optimal result for the public good.

Keywords: sustainability standards; certification; sustainable consumption; green consumption; co-optation; regulatory standard-setting; governance triangle; ethical coffee; specialty coffee; quality

1. Introduction

The United Nations' Sustainable Development Goal 12 is to "Ensure sustainable consumption and production patterns" [1]. Consumption drives resource use and the world is using resources at an unsustainable rate. Reducing the rate of resource use would require decreasing consumption and improving production. In the context of food systems, consumption is expected to rise due to increasing populations, affluence and dietary change [2], yet simultaneously food system production must reduce its environmental impact from land use change as well as water, energy and fertilizer usage [3]; food systems are responsible for 19%–29% of global anthropogenic greenhouse-gas emissions [4]. Concurrently, there is a need to improve the livelihoods of people working in food system value chains. Regulation is one way of improving such production patterns.

There are competing models for how to regulate on a transnational scale to support sustainable consumption and production. Particularly popular now are roundtables and certification, as seen in palm oil [5] and the Forest Stewardship Council [6] respectively. These follow a trend in regulation in which voluntary standards and non-state involvement in regulatory processes are increasing [7,8]. There is not agreement on the best model for regulating towards more sustainable production [9–11] and this seems to differ based on condition and context [12–15], something that we explore in this paper.

The coffee industry has arguably the most advanced experience from a regulatory perspective with sustainable labeling [16], another increasingly popular form of regulation. Coffee has a long history with sustainable consumption movements [17], in which consumers choose labeled coffee that claims to support better production practices, for example Fair Trade, Organic, UTZ Certified, Rainforest Alliance or Bird Friendly. This effort is recognized for example in the UN's summary of "Responsible Consumption and Production: Why it matters" [18] where there is a single image: a handful of coffee cherries.

Yet coffee consumption and production remain problematic. Although demand for coffee is increasing, livelihoods of coffee producers remain uncertain [19]. Coffee also embodies production problems facing agricultural products generally; climate change is negatively impacting coffee production [20,21] and coffee trading has been shown to threaten biodiversity [22].

This paper analyzes the development of voluntary regulatory schemes claiming to support sustainable production and consumption by looking within the mature labeling landscape of the specialty coffee industry at voluntary schemes called "direct trade" in the United States of America (US) and Scandinavia (specifically Sweden and Denmark). The use of direct trade as a standalone term, rather than as a Fair Trade principle, was popularized by the Chicago-based firm Intelligentsia [23] beginning around 2005 and Counter Culture Direct Trade Certification was established in 2008; the use of the term direct trade has since spread rapidly [24]. Generally the stated purpose of direct trade is to facilitate regularly procuring high quality coffee in a sustainable way.

Discussions about direct trade can become muddled as the term is used in three different ways in the coffee industry: first, as a general concept for coffee sourcing; second, as a marketing strategy; and third, as a voluntary scheme. In this article, we will focus specifically on direct trade as a voluntary scheme. Direct trade as a concept for coffee sourcing refers to having direct and regular contact between roasting firms and coffee producers, which is typically represented by practices such as coffee buyers from roasting firms visiting coffee producers, with quality-based prices paid directly to producers. Direct trade as a marketing strategy refers to the use of the term direct trade to sell coffee to consumers. A voluntary scheme is a claim that a particular set of standards is followed. In the case of direct trade voluntary schemes, firms claim, usually via a logo targeted at consumers (marketing strategy), to follow a particular set of standards (coffee sourcing practices). Thus, direct trade voluntary schemes refer to making coffee sourcing practices marketable in the form of a voluntary regulatory program by guaranteeing a particular set of standards are followed. Direct trade is a voluntary scheme because firms choose whether to be involved; it is not a mandatory regulation requiring participation.

Direct trade voluntary schemes can be classified as sustainability schemes because they contain claimed sustainability standards. Specifically, direct trade voluntary schemes claim to contribute to sustainability through coffee sourcing practice standards that ensure traceability in an identity preserved model [25] and through financial incentives for high quality coffee.

This study compares the regulatory standard-setting process behind direct trade voluntary schemes in two different contexts—the US and Scandinavia—and analyzes changes in the content and use of the schemes between 2015 and 2016. We study these direct trade voluntary schemes in order to understand the opportunities and challenges that different regulatory approaches involving firms, such as firm self-regulatory schemes or collaborative governance between non-governmental organizations and firms, pose for the development of voluntary sustainability schemes. To compare the development of direct trade as a voluntary scheme in the US and Scandinavia, we selected three US firms credited with founding, developing and popularizing direct trade and three Scandinavian firms–two representing the owners of trademarked direct trade voluntary schemes and one of a non-trademarked direct trade scheme. These schemes share agenda, name and basic standards, yet differ in terms of actors involved in regulatory governance and competencies in the regulatory standard-setting process. We look at direct trade in the US and Scandinavia because direct trade schemes have developed differently with noticeably different outcomes in terms of use of direct trade: in the US, founding direct trade firms have been backing away from the term direct trade and have complained that others have co-opted the term. Meanwhile, in Scandinavia, trademarked direct trade voluntary schemes have remained stable, while non-trademarked direct trade schemes have been abandoned. We analyze the present-day development of direct trade because there were dramatic shifts in the usage of the term direct trade between 2015 and 2016. In 2015, a founding direct trade firm, Counter Culture, abandoned its third-party Direct Trade Certification program. This marked the end of ambitions to develop a formal direct trade certification program. Yet direct trade as a voluntary scheme remains and the term direct trade itself continues to increase in popularity.

The aim of this paper is to examine the development of direct trade coffee voluntary schemes in the US and Scandinavia as examples of regulatory standard-setting processes. We do this in order to see whether such schemes offer a way forward for more radical transformation of agricultural value chains to support sustainable production and consumption by exploring the opportunities and constraints arising for voluntary schemes whose development involved firms. Our overarching research question is: What are the implications for sustainable production and consumption of regulatory approaches involving firms? We address this question through two sub-questions: (1) How have direct trade schemes developed at each stage (agenda-setting, negotiation of standards, implementation, monitoring, enforcement) of the regulatory-standard setting process over the past few years in the US and Scandinavia? (2) What approaches within regulatory space do these processes represent within the US and Scandinavian contexts? In the discussion section we consider differences in regulatory processes and outcomes in order to examine the opportunities and limitations of firms as actors within regulatory governance.

2. Theory

Regulatory standard-setting is the process of developing either voluntary or mandatory standards, which ultimately seek to improve production and consumption patterns. The regulatory standard-setting process consists of five stages: agenda-setting, negotiation, implementation, monitoring and enforcement (Figure 1) [26]. Agenda-setting concerns what issues are placed on the regulatory agenda and how those issues are framed. Negotiation of standards is the process of defining exactly what standards entail. Implementation involves putting the standards into practice. Monitoring refers to tracking how well the standards are followed both internally and externally, for instance via in-house evaluation or verification by a third party. Enforcement concerns the use of rewards and penalties related to adherence to the standards.

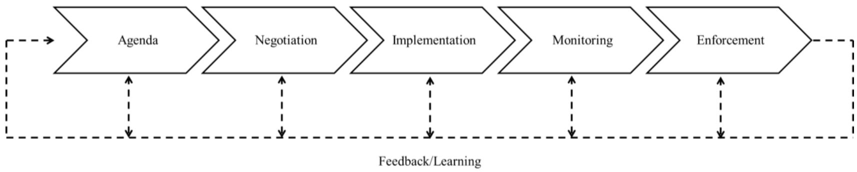

Figure 1. Conceptual figure showing the five stages of the regulatory process. Adapted from Abbott and Snidal [26] (p. 63) with permission from Princeton University Press.

The regulatory triangle (Figure 2) visualizes direct involvement of three key actors within transnational regulatory space: state, non-governmental and firm actors [26]. Actor involvement is mapped within the regulatory triangle based on the level and importance of direct involvement, including decision-making power, through the regulatory standard-setting stages. For example, national laws would be considered state schemes (zone 1) because decision-making power lies in the hands of state actors through legislative enactment. Firms may be involved in the process, for instance through lobbying, but this is considered indirect influence because the final action of enacting legislation is entirely in the hands of state actors [26].

This mapping gives an overall impression of the structure of the scheme and is intended to make schemes comparable, even if they appear different on the surface [27]. Mapping schemes within the triangle prioritizes positioning schemes relative to other schemes over precise positioning of these complex schemes within the triangle [26]. This structural comparison helps in analyzing the strengths and weaknesses of various approaches, as different actors tend to have different levels of capacity in necessary competencies for regulation, such as expertise, operational capacity, independence and representativeness [26].

We use the regulatory standard-setting framework to compare the development of direct trade voluntary schemes in the US and Scandinavia. We analyze coalitions of actors involved in developing the schemes in order to explore differing outcomes in direct trade usage between the US and Scandinavia related to actor competencies.

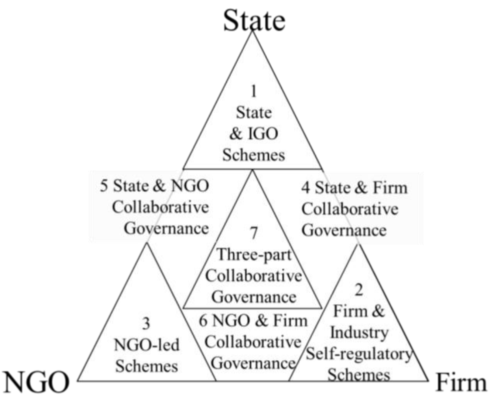

Figure 2. Abbott and Snidal's regulatory triangle [26] visualizes the involvement of state, non-governmental organizations (NGO), and firm actors in regulatory standard-setting within regulatory space. The closer a regulatory scheme is to any corner of the triangle (zones 1–3) the more one type of actor dominated the regulatory standard-setting process. The spaces between triangles (zones 4–6) represent co-regulation between two actor types and the triangle in the middle (zone 7) represents a collaborative scheme involving all three types of actors. Examples of schemes involving firm actors include: zone 2 Sustainable Forestry Initiative, zone 4 UN Global Compact Caring for Climate, zone 6 Fairtrade Labeling Organization, and zone 7 Roundtable on Sustainable Biofuels [26,27]. IGO stands for intergovernmental organization. Adapted from Abbott & Snidal [26] (p. 50) with permission from Princeton University Press.

3. Methods

In our study of direct trade voluntary schemes, we analyzed six firms' public communications related to direct trade by studying their websites from 2015 and 2016 as well as conducting interviews with representatives from four of the firms in 2016. This analysis focused on the stages of the regulatory standard-setting process, looked for changes from 2015 to 2016, and investigated motivations behind these changes.

3.1. Case Selection

We selected six direct trade roasting firms, three US (Counter Culture Coffee, Intelligentsia Coffee and Stumptown Coffee Roasters) and three Scandinavian (The Coffee Collective, Johan & Nyström and Koppi) because these firms are the creators or owners of direct trade (Table 1). We studied influential firms because direct trade is informally structured with no single spokesperson or unified organization. The three US firms were selected because they are widely credited as being foundational in developing and popularizing direct trade, they were identified by the Scandinavian firms as leaders in an international context and they explicitly define their coffee as direct trade [28–30]. In Denmark and Sweden the term direct trade itself is trademarked by individual firms (Table 1) so we chose to study trademark-owning firms in these countries—The Coffee Collective and Johan & Nyström, respectively. We selected one additional Swedish firm, Koppi, because when the study began in 2015 they used the term direct trade differently than the Swedish trademark owner, although they have since stopped using the term.

Table 1. Profiles of the six direct trade firms analyzed in this study. Location refers to the number of cafes, roasteries and training centers of each firm. This number is intended to give an impression of the size of these firms, although their products are sold in many more locations through wholesale and by other retailers. Information was taken from company websites in spring 2015 and fall 2016 [31–37].

Firm	City & Year Founded	Founding Firm	Number of Locations
			In 2016
Counter Culture Coffee (hereafter Counter Culture)	Durham, NC, United States, 1995	Yes	10
Intelligentsia Coffee, Inc. [1] (hereafter Intelligentsia)	Chicago, IL, United States, 1995	Yes	15
Johan & Nyström	Tullinge, Sweden, 2004	No	5
Koppi	Helsingborg, Sweden, 2007	No	1
Stumptown Coffee Roasters [2] (hereafter Stumptown)	Portland, OR, United States, 1999	Yes	12
The Coffee Collective	Copenhagen, Denmark, 2007	No	3

[1] Peet's Coffee acquired majority stake in Intelligentsia in October 2015 [38]; [2] Stumptown Coffee was bought by Peet's Coffee in October 2015 [39].

3.2. Text Analysis

We examined the development of direct trade voluntary schemes in the US and Scandinavia by conducting text analysis of the six firms' websites [31–37] between January and April 2015 and then again between June and September 2016. Hundreds of webpages were studied and 194 webpages were categorized as relevant based on explicit reference to direct trade or related standards, which were then collected, saved and analyzed using NVIVO [40]. In 2015, we collected webpages, including blog posts, and documents on webpages explicitly referencing direct trade or direct trade standards as well as firm history and mission statements (107 webpages). In 2016 we collected the equivalent updated webpages and documents (87 webpages). We compared the standards, definitions, descriptions, prominence and placement of direct trade between the 2015 and 2016 webpages to highlight changes and the justification provided by firms for these changes.

3.3. Interviews

In order to corroborate the findings of the initial text analysis and to explore more deeply how and why direct trade as a voluntary scheme has changed, we conducted semi-structured interviews with individuals from the firms. We invited all six firms via repeated targeted emails, phone calls and website-based inquiry where available. Employees from four of the six firms agreed to be interviewed in spring 2016. All interviewees gave their informed consent for inclusion before they participated in the study. In order to protect individual privacy, we refer to interviewees based on the company they represent (Table 2). Interviewees selected have extensive and daily experience with direct trade at their firm. Themes covered in these interviews included how interviewees define direct trade, why they use direct trade, how standards were initially developed, how standards are adapted, changes in direct trade usage in the last year within their own firm and in general usage and why they think direct trade has changed. Responses were analyzed to identify changes in direct trade regulatory practice at their company, interviewee perception of direct trade changes more generally and motivations for change.

Table 2. Four 45-minute semi-structured interviews were conducted via Skype or in person with individuals from four direct trade coffee firms. Interviewees will be referenced within this paper using the interviewee codes listed below.

Firm	Date of Interview	Interview Code
Counter Culture Coffee	20 April 2016	CCC
Johan & Nyström	11 May 2016	JN
Stumptown	2 May 2016	ST
The Coffee Collective	18 May 2016	TCC

4. Results

This section begins with a systematic overview, based on data drawn from website analysis and interviews, of each firm's direct trade scheme content (Table 3), development (Table 4), and usage and prominence (Table 5) between 2015 and 2016. The sub-sections then describe in greater depth the development of direct trade in the contexts of the US and Scandinavia through the regulatory standard-setting stages.

The content of standards within direct trade voluntary schemes differs somewhat by firm (Table 3). The most widely shared topics of direct trade standards relate to coffee quality, price premiums and regular visits of the roasting firm to the producer, and in 2015 all schemes had at least one quantifiable standard. Coffee quality in this context relates to cupping scores, meaning the taste of the coffee, and price is based on incentivizing coffee quality, sometimes with a guaranteed minimum price. All firms using direct trade logos also have a standard related to financial transparency. We defined financial transparency as, at minimum, the roaster knowing whom the producer is and paying them directly, but more stringent standards require additional disclosures to producers or consumers. Sustainable social practices, environmental requirements and long-term commitment have standards only for some schemes. External auditing is rare; it was only used by Counter Culture as part of their certification program.

The actors involved in the stages of regulatory standard-setting for these direct trade voluntary schemes heavily—but not exclusively—involved firms (Table 4). Regulatory agendas of direct trade schemes were set by and schemes were implemented by individual firms internally across the board. Monitoring was primarily done by firms internally, meaning that individual firms verify and self-report compliance. Counter Culture Direct Trade Certification was the exception in that the NGO Quality Certification Services monitored and verified the firm Counter Culture's compliance. In the US, interviewees (CCC, ST) emphasized the pressure coming from other firms in the industry in the continued development of direct trade schemes, as seen in the negotiation of standards column (Table 4). Similarly, all interviewees acknowledged the lack of formal enforcement capable of preventing or penalizing misuse of direct trade schemes in the US; additionally US interviewees (CCC, ST) stated reluctance to call out scheme misuse by other firms. Without formal penalties or shaming tactics, US firms attempted enforcement through soft power of influence and convincing others. By contrast, two Scandinavian firms involved state actors in negotiation and enforcement stages through trademarking direct trade schemes within their own countries.

Table 3. Shows the content of direct trade voluntary schemes in 2015 and 2016 across firms by identifying content of standards within schemes and claimed indirect benefits of those standards. Symbols represent presence of a standard or claimed benefit in a particular topic; symbols do not assess quality or stringency of standards. Based on firm webpages defining direct trade schemes in 2015 and 2016 [36,41–46].

Firm	Year	Coffee Quality	Price Premium	Regular Visits to Producer	Quantifiable Standard (at Least One)	Financial Transparency	Use of Logo	Direct Communication with Producer	Social Practices (Excluding Pay)	Environmental Requirements	Long-Term Commitment	External Auditor
Counter Culture	2015	●	●	●	●	●	●	●	◐	◐	◐	●
	2016 *	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Johan & Nyström	2015	●	●	●	●	●	●	●	●	●	●	○
	2016	●	●	●	●	●	●	●	●	●	●	○
Intelligentsia	2015	●	●	●	●	●	●	●	●	●	○	○
	2016	●	●	●	●	●	●	●	●	●	○	○
Stumptown	2015	●	●	●	●	●	●	●	○	○	●	○
	2016	●	◐	◐	○	●	○	●	○	◐	◐	○
The Coffee Collective	2015	●	●	●	●	●	●	◐	○	○	○	○
	2016	●	●	●	●	●	●	◐	○	○	○	○
Koppi	2015	●	●	●	●	○	○	◐	●	◐	○	○
	2016 *	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

* Firms still use most of these standards, but not as a part of a direct trade scheme. Legend: ●: Presence of standard; ◐: Claimed benefit from standard; ○: Lack of standard; n/a: Not applicable as firm no longer uses direct trade scheme.

Table 4. Summarizes the actors involved in each stage of the regulatory standard-setting process for each firm. Actors in parentheses play a passive or less powerful role in the stage. Information was taken from interviews and company websites in spring 2015 and fall 2016 [31–37].

Firm	Country	Agenda	Negotiation	Implementation	Monitoring	Enforcement
Counter Culture (certification scheme)	US	Firm internal	Industry	Firm internal	NGO & firm	(Firm internal)
Intelligentsia	US	Firm internal	Industry	Firm internal	Firm internal	(Firm internal)
Johan & Nyström	Sweden	Firm internal	Firm internal (& state)	Firm internal	Firm internal	Firm internal & state
Koppi	Sweden		Unknown [not described on website & not available for interview]			
Stumptown	US	Firm internal	Industry	Firm internal	Firm internal	(Firm internal)
The Coffee Collective	Denmark	Firm internal	Firm internal (& state)	Firm internal	Firm internal	Firm internal & state

The period from 2015 to 2016 represented rapid change in general usage of and prominence of direct trade schemes. All firms must have made active decisions about how to present direct trade voluntary schemes online because five of the six firms restructured and redesigned their websites during this time period and the sixth firm, The Coffee Collective, revised and restructured the specific webpage on which their scheme is defined. Two firms no longer use direct trade voluntary schemes; Counter Culture terminated its Counter Culture Direct Trade Certification scheme and Koppi rebranded their scheme (Table 5). Through restructuring their websites, both Stumptown and Intelligentsia decreased the visibility of their direct trade schemes (Table 5). In updating direct trade specific webpages Intelligentsia revised the wording of their direct trade scheme while maintaining the content of the standards (Table 3) and their commitment to the scheme [47]. The Stumptown interviewee indicated there were not changes to Stumptown's direct trade scheme. However, the restructured Stumptown website in 2016 no longer has a dedicated direct trade webpage and the new text describing direct trade is shorter, less detailed and states fewer standards (Table 3), so communication of the scheme has changed. The two Scandinavian firms with trademarked voluntary schemes maintained the use, content and prominence of their schemes during this time.

Table 5. This table summarizes the prominence and use of direct trade by firms. Direct trade web presence was determined based on links to direct trade from homepage, direct trade filter for purchasing, dedicated direct trade definition, identification of individual products as direct trade and use of direct trade logo. The use of direct trade columns summarize firm direct trade practice for a given year: voluntary scheme refers to actual regulatory programs guaranteeing specified criteria as opposed to use as a concept without specified criteria, and not used means firms no longer use the term to describe products. Information was taken from company websites in spring 2015 and fall 2016 [31–37].

Firm Name	2015 Use of Direct Trade	2016 Use of Direct Trade	Direct Trade Web Presence 2015–2016
Counter Culture	Voluntary scheme (formal certification)	Not used	Decrease
Koppi	Voluntary scheme	Not used	Decrease
Stumptown	Voluntary scheme	Voluntary scheme (not quantified)	Decrease
Intelligentsia	Voluntary scheme		Slight decrease
Johan & Nyström	Voluntary scheme (trademarked)		Stable
The Coffee Collective	Voluntary scheme (trademarked)		Stable

4.1. Development of Direct Trade in the US

Here we examine the development of direct trade as a regulatory standard-setting process in the context of the US by focusing on three founding firms introduced below. We do this by examining agenda-setting, negotiation of standards, implementation, monitoring and enforcement stages individually and then mapping their regulatory approach within the governance triangle.

Intelligentsia is a quality-driven, rapidly growing firm that claims to have "pioneer[ed] the concept of direct trade" [47]. One notable element of their direct trade scheme is their annual Extraordinary Coffee Workshop [48], which brings together actors from across the supply chain to a producer region for five days.

Counter Culture Coffee is known for their sustainable business mission. They were already identified by the New York Times as a direct trade roaster in 2007 [23], but it officially launched the first third-party authenticated direct trade certification scheme in May 2008 [49]. They presented their direct trade scheme as a "quality-driving approach to sustainability" supporting "sustainability-focused business practices" and "informed purchasing decisions" [49]. The widespread use of the term direct trade, without similar standards, led Counter Culture to abandon its direct trade certification scheme in 2015, replacing it with "Purchasing Principles" [50] (CCC).

Stumptown Coffee Roasters is a rapidly expanding firm characterized by its pursuit of highest quality coffee. The Stumptown interviewee explained the use of their direct trade scheme based on business, saying direct trade is what allows Stumptown to regularly obtain large quantities of high-quality coffee, but they also claim sustainability benefits result from it. Stumptown's direct trade scheme emphasizes context, arguing for contextually applied practices and against universal standards regardless of context (ST).

4.1.1. Agenda-Setting in the US

Agenda-setting in the US context reflects the concerns of roasting firms, namely desires for quality and claims backed by data. The regulatory agenda for the development of direct trade is grounded in business practices of roasting companies working with high-quality coffee. The Stumptown interviewee described direct trade as not "simply a marketing tool ... not because we want to feel good; it's ... the best way to get the best coffee" (ST). As this regulatory agenda represents the perspective of roasting firms, there is an emphasis on making good sourcing practices marketable or "how do we best use everything we're doing to be able to sell the coffee as well" (ST). As Counter Culture put it "We originally created DT [direct trade] certification as a way to capture how we buy coffee" [50].

This desire for high-quality coffee justifies the need for direct trade in the eyes of founding companies and they criticize the limitations of commodity and certified coffees. Coffee sold as a commodity is criticized for its lack of quality and lack of "transparency along the supply chain" with the direct trade scheme being presented as an "alternative method of exchange to source, procure and develop relationships in coffee" (ST). Certified coffees, Fair Trade in particular, were criticized for their lack of quality incentives: "[With Fair Trade] we realized the prices that we're paying are not tied to quality at all, so it's really hard to improve quality because there aren't any incentives to do so. And that's why we kind of moved to ... make our own Direct Trade Certification." (CCC).

This suggests that the founders of direct trade schemes prefer high-quality coffee over ethically produced certified coffee of lesser quality, which demonstrates that sustainability is not the primary driver of direct trade. "You know we can only accept a very high quality of coffee so even if something is certified as being ethically sourced or ethically produced it doesn't always work. So that quality component becomes crucial ... " (ST). However, firms do make sustainability claims as they consider sustainability to be an outcome of the direct trade scheme. The same Stumptown interviewee quoted above connects these issues of quality and sustainability directly, arguing that direct trade "contributes incredibly to sustainable practices in the long term" because in order to obtain "year after year consistent quality" the producer must have a "well managed forest" that "very carefully" maintains "shade canopy ... biodiversity ... clean water source." Similarly, individual direct trade standards are presented as sustainable, as in "sustainable prices" [42] and "sustainable social practices" [43].

While direct trade is a rejection of existing certification schemes, it is still focused on the idea of credible claims. Many high-quality coffee firms tell stories of farmers and claim to pay good prices, but founding firms critiqued their inability to back up those claims with data: "We could write a lot about how we buy coffee, but it doesn't mean much without the data to back it up" [50]. Direct trade schemes strongly value "transparency along the supply chain" (ST).

4.1.2. Negotiation of Standards in the US

Each firm internally defines its own direct trade scheme's standards. Initially the negotiation of standards across the market was dominated by the founding firms who had quite similar standards. However, weaker direct trade schemes are increasingly common, as more firms have developed their own direct trade schemes with weaker standards. In all cases, the initial development of and amending of each scheme's standards were presented as a process involving only roaster firms without involvement from state or non-governmental actors. When specifically asked about the roles of these actors in the development of standards, interviewees' responses could be summarized as "Not so much . . . " (ST).

Direct trade schemes' standards are negotiated within individual firms, with the three founding firms using similar standards. For founding firms, developing direct trade standards was about "captur[ing] our coffee-buying philosophy" [50] and was a formalization of existing good coffee sourcing practices. The standards themselves were developed among small groups of individuals that have worked together for years within a single firm, such as the coffee team or founders. These small groups still control implementation and changes to direct trade standards within each firm.

> "So we have a coffee team here—it's coffee sourcing, our head roaster, our director of coffee, our head of quality control—and we're all working on these things day in and day out... We simply get together and adapt. We have our basic parameters of what direct trade is . . . we've had a few sincere re-evaluations and come to the conclusion that we're going to keep doing it the way we've been doing it . . . "
>
> (ST)

Founding firms initially disagreed on whether direct trade should aim to become a more formal certification program, but now the three founders use a firm self-regulatory approach and they describe each other's standards as "the most similar" (ST).

As many firms began using their own direct trade schemes, the discourse of what direct trade standards entail shifted to weaker definitions in the US, according to interviewees (ST, CCC, TCC). Interviewees noted a general increase in the use of the term direct trade by other firms and presented this in a negative light. The Stumptown interviewee described the "popping up" of "hundreds" of roasters in Portland that "claim to be direct trade roasters" but was dismissive of their version of direct trade in which "they might have gone on an origin visit, they might have taken a picture and met the farmer" but do it simply as a "marketing tool." Counter Culture described the same phenomenon in which "lots of other coffee companies are using the term 'direct trade' . . . [leading] to the term becoming somewhat diluted and nebulous and hence confusing [as] consumers are getting a lot of different messages" [50].

4.1.3. Implementation in the US

Despite the growing popularity of the term direct trade within the US, founding firms have been quietly backing away from direct trade voluntary schemes over time. This is most noticeable with Counter Culture Coffee, who ended their Direct Trade Certification program in 2015. This trend can also be seen through web presence of direct trade schemes across firms (Table 5) and small actions that de-emphasize the term direct trade.

Counter Culture Coffee replaced their Direct Trade Certification program with Purchasing Principles. By comparing the main tenents of their direct trade certification scheme, using their old certification scheme standards, to the current Purchasing Principles, we identified differences between them (Table 6). Counter Culture claims the move from direct trade certification to Purchasing Principles "is not a change in our coffee-buying practices, rather it's an evolution in the way we communicate those practices" [50]. We found the changes constitute a regulatory shift away from an NGO and firm collaborative governance through third-party certification (Table 6). Counter Culture claims to maintain the good sourcing practices of direct trade and to have expanded the scope of such practices to all coffee products, though the Purchasing Principles are guidelines rather than guaranteed standards with quantified minimum requirements. Rather than third-party verification, the firm releases data directly to consumers, in the form of annual transparency and sustainability reports [51]. Counter Culture argues this represents increased transparency as more data, covering additional aspects of production and more products, are being released to consumers.

Table 6. Counter Culture's change from direct trade certification standards in the beginning of 2015 to Purchasing Principles in mid-2016, based on analysis of website and company materials.

Issue	2015 Direct Trade Certification Standards [42]	Move from Direct Trade to Purchasing Principles (End of 2015) [50]	2016 Purchasing Principles [52]	Summary of Change
Third-Party Certification	"… External auditor on an annual basis to verify Counter Culture's compliance with four quantifiable measures … "	"We've come to realize that consumer trust comes not from a third party check, but from sharing information and data to backup our DT [direct trade] claims."	"We seek continuous improvement" "We share information"	No longer third-party certified More data about coffees are released to consumers
Direct communication	"Counter Culture has visited all growers of certified coffees on a biennial basis, at minimum."	"Once a relationship is established … the most effective mode of communication isn't visiting the farm once every few years, it's emails and phone conversations every few weeks."	"We visit"	Focus shifted from visits to regular communication
Price premium	"Counter Culture has paid at least $1.60/lb. F.O. B. [free on board] for green coffee."	"We'll report the FOB [free on board] prices for all coffees we sold … and a comparison of FOB vs. the cmarket [commodity market] price every year."	"We pay"	More price data reported, but no guaranteed minimum price
Coffee quality	"Coffees have scored at least 85 on a 100 point cup quality scale."	"We will continue to report a cupping score for each coffee that we sell … "	"We value quality"	More coffee quality data reported, but no guaranteed minimum quality
Financial transparency	"All relevant financial information is available to all parties, always."	Memo again refers to "reporting on FOB [free on board] prices..."	No equivalent	Financial disclosure defined only as price reporting
Environmental standards	"Encourage ecologically responsible cultivation" without quantified standard	n/a	"We evaluate environmental conditions"	Stronger environment-related language

Counter Culture explained their reasoning for discontinuing their direct trade certification scheme and developing Purchasing Principles as due to general problems with certification, confusion around the term direct trade due to competing firms' standards and a move to broaden the scope of sourcing practices and reporting [50,52]. Their first argument is that certification "creates a false separation in our coffees" [50] meaning that it divides products between certified presumed good products and non-certified presumed bad products, which limits visibility of "continuous improvement" (CCC). Confusion around the term direct trade is a problem that comes from negotiation and enforcement stages, yet led to changes in implementation. "[Direct trade] can be greenwashing for sure and that's why we're trying to—I don't want to say step away from the term direct trade because that still describes what we're trying to do, but not to try to codify it, and own it anymore . . . " (CCC).

Counter Culture no longer puts a direct trade logo on their packaging (Table 3), but the interviewee stated when prompted that all their coffees could be considered direct trade because they follow purchasing principles. Purchasing Principles is the term Counter Culture now uses to market their sourcing practices.

Stumptown has quietly backed away from describing itself as direct trade. According to the interviewee, Stumptown maintained direct trade practices, but changes to their website de-emphasize the term. Stumptown no longer has a webpage dedicated to explaining direct trade as they had in 2015 [41]; instead there is only a short description of direct trade buried within the sourcing sub-section of their webpage about the company [45]. In 2015, direct trade was presented as representing specific pillars related to sourcing practices, whereas now it is presented more broadly as "We shoot for sustainability, and not just in the environmental sense" [45]. When purchasing coffee online, consumers are no longer able to filter results for direct trade coffees [53] as they were previously [54]. Individual products are still described as direct trade, but Stumptown's direct trade logo is no longer on product webpages [55].

4.1.4. Monitoring in the US

Monitoring practices in the US context have changed since 2015, most notably within Counter Culture, who ended their third-party certification, and now all founding firms self-report and release data to consumers. In 2015 Counter Culture Coffee was the only founding firm who collaborated with a non-governmental organization in monitoring their compliance with standards. This collaboration meant that Counter Culture represented a different regulatory approach than the other two US firms (Figure 3). By ending their third-party certification program, they shifted their regulatory approach to more strongly firm-led. All founding firms now monitor standard compliance internally and self-report compliance. Counter Culture Coffee argued in ending their direct trade certification scheme that monitoring should be more about data than verification (Table 6). In response to perceived co-optation, founding firms have emphasized backing up claims with data. Counter Culture claims that their move away from third-party verification is actually a move towards greater transparency. Data that in 2015 were released only about direct trade coffees is now provided for every coffee product and they now report on environmental conditions [52,56].

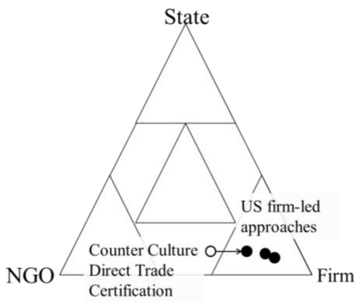

Figure 3. Conceptual figure visualizing US direct trade regulatory standard-setting processes within regulatory space, using Abbott and Snidal's [26] regulatory triangle. The black dots represent the three founding firm direct trade schemes in 2016 and are placed within the firm self-regulatory corner of the triangle. Collaboration between non-governmental organizations (NGOs) and firms played a strong role in Counter Culture Direct Trade Certification, which began in 2008, and is represented by an unfilled circle. The arrow represents the termination of the Counter Culture Direct Trade Certification in 2015 and Counter Culture's subsequent shift to a strongly firm self-regulatory approach. Adapted from Abbott & Snidal [26] (p. 50) with permission from Princeton University Press.

4.1.5. Enforcement in the US

The US context demonstrates a lack of control over who can use the term direct trade and enforce common standards as there is no penalty for firms who misuse the term. Founding firms lack the power to enforce their own direct trade standards on other firms or prevent other firms from misusing the term. "You can call anything direct trade and you're not going to get in trouble by anyone, in the legal sense" (CCC). Founding companies have also been reluctant to shame firms that they feel are misusing the term. "As a company [we] are not going to call out other companies and be like ... 'you're saying direct trade and it doesn't mean anything, it's an empty statement', which I personally would love to say" (CCC).

This use of the term direct trade by firms with weaker standards is a form of co-optation. "We [Stumptown] also call ourselves direct trade and I think the label has been co-opted by many people who are simply trying to greenwash" resulting in "very fair negative attention" which frustrated founding firms because "at the same time some really substantial and really positive work that's been done behind that name [direct trade]" (ST). Co-optation in this situation means firms are calling themselves direct trade, yet using weaker standards than are the founding firms. While Counter Culture uses milder language their argument remains the same. Founding firms are concerned that the firms that developed weak direct trade schemes are allowed to continue to call themselves direct trade; there is nothing in the US context to stop other firms from misusing the term or to force adoption of stronger schemes.

Interviewees saw co-optation as enabled by the nature of direct trade and the "lack" of a "universal standard" (ST). The Stumptown interviewee believed factions within direct trade result from the conflicted nature of direct trade as "a sourcing model or ... a model for merchandizing your coffee" noting that "merging those two" is "complicated" (ST). Counter Culture further adds that the misuse of direct trade is possible because "the definition of direct trade has never been codified in an international standard ... " [50].

4.1.6. Mapping US Regulatory Structures

Based on the actors involved through these stages (Table 4), we mapped the regulatory standard-setting processes of these three firms' voluntary schemes within the governance triangle (Figure 3). We argue that the US regulatory process now represents a strongly industry and firm self-regulatory structure. Counter Culture Direct Trade Certification used to collaborate with a non-governmental organization through third-party certification, but they now have an internally monitored scheme.

4.2. Development of Direct Trade in Scandinavia

We find that within the Scandinavian context, the use and content of direct trade voluntary schemes has remained stable for trademark-owning firms. Here, we briefly introduce the Scandinavian firms' history with direct trade, examine the development of their direct trade schemes through regulatory standard-setting's five stages, and then categorize the scheme's regulatory approaches.

The Coffee Collective owners recognized both the promise and problems of US-based direct trade. They asked for permission to use direct trade from Intelligentsia, which was granted on the condition of protecting the "integrity" of the term (TCC). The interviewee presented obtaining the direct trade trademark in Denmark as protecting direct trade's integrity from the problem of many direct trade definitions by different US roasters already developing in 2007. Any firm using the term direct trade in Denmark must be approved by The Coffee Collective; the Coffee Collective authenticates the compliance of other firms with their own trademarked direct trade scheme (TCC). Firms not verified or not in compliance with the Coffee Collective's scheme are sent cease and desist letters (TCC).

Johan & Nyström was prevented from selling coffee marketed as direct trade in Denmark by the Coffee Collective; Johan & Nyström responded by applying for the trademark within Sweden (JN). This was problematic for them because they had seen direct trade schemes as open source (JN). According to the interviewee, Johan & Nyström are open to other firms using direct trade within Sweden, but they are not aware of any firms doing so and there is no authentication system for other firms in place as there is in Denmark (JN).

Koppi is a small, single-café independent roaster. In 2015 they called all of their coffee direct trade and described the sourcing policy entailed by that, but did not use a logo on packaging. Their scheme was informal, briefly describing their sourcing policy. They maintained the exact policy, but changed the name to "sustainable coffee trading" by the end of 2015 [36].

4.2.1. Agenda-Setting in Scandinavia

Agenda-setting for Scandinavian direct trade reflects the problems and opportunities of roasting firms. The desire for quality coffee is the primary motivation behind direct trade: "we wanted to form a transparent trade model that would guarantee us the best quality of produce, and guarantee the producers payment that meets that better quality" [46]. The problem as they saw it was "that coffee is normally being traded as a commodity," (JN) and within commodity markets "nobody really cares first and foremost about quality" (JN). They pointed out "limitations" of Fair Trade in obtaining high-quality specialty coffee (TCC). Simultaneously, the specialty coffee market was critiqued for its "hollow communication" (TCC) that offered stories of farmers and claimed to pay good prices but offered no guarantees or data to back up those claims.

Scandinavian firms assert that direct trade schemes contribute to sustainability, although quality is the top priority. In describing why Johan & Nyström decided to work with direct trade, the interviewee talked "first and foremost about quality" and "secondly the sustainable aspects" related to producers. The interviewee also argued that the only way to consistently produce high-quality (good-tasting) coffee is in an "environmentally friendly" way, thus arguing high-quality direct trade coffee implies good environmental practices.

4.2.2. Negotiation of Standards in Scandinavia

Standards for Scandinavian direct trade were defined and continue to be negotiated internally within individual firms. The Coffee Collective's standards were developed by the co-founders of the firm after requesting and receiving permission to use the term direct trade from Intelligentsia (TCC).

The Johan & Nyström interviewee described the standard development process as "We've always been doing what we believe and just learning by heart."

4.2.3. Implementation in Scandinavia

For trademark-owning firms, the usage of the direct trade schemes has remained stable between 2015 and 2016. The Coffee Collective interviewee discussed how clear and simple standards, which have not changed, allow consumers to recognize "what it [direct trade] signifies" (TCC). Direct trade communicates sourcing practices in a marketable form as it enables communication "on different levels of complexity" for consumers (TCC). This consistent usage of direct trade terminology and practice demonstrates how Scandinavian firms have maintained trademarked voluntary direct trade schemes that make sourcing practices marketable.

Koppi ceased to use the term direct trade, but maintains the same sourcing practices. In early 2015 Koppi used the term direct trade to describe their sourcing practices and coffee, but by late 2015 they had stopped using the term direct trade. This change is shown on their homepage where the header "Direct Trade Coffee" became "Sustainable Coffee Trading" [36] followed by the exact same text describing their sourcing practices. This demonstrates firms' abilities to change their marketing strategy and thus their regulatory strategy by changing terminology, meanwhile maintaining the practices underlying it.

4.2.4. Monitoring in Scandinavia

Monitoring compliance is done internally within firms, although firms are increasingly reporting on their monitoring to consumers and other verification models are being considered. The Coffee Collective direct trade products have a high degree of transparency throughout the value chain. Each Coffee Collective direct trade product is traceable to the producer level, origin visits are reported within the firm's blog and during the time of our study they decided to begin listing the price paid to producer on the packaging of each product as well as the product webpage (TCC), which provides data backing up their price standard.

Johan & Nyström's reporting on fulfillment of standards is less systematic. Johan & Nyström direct trade products are traceable to a producer level, but precise numbers for price paid to producers, quality (cupping) score, date of latest origin visit and farm level sustainability policies are not available for all direct trade products. The interviewee recognized a need to systematize reporting and stated that there are active discussions about beginning an NGO-verified direct trade certification, with both processes modeled after Counter Culture Coffee (JN). The interviewee was not aware at the time that Counter Culture Coffee had abandoned their certification.

4.2.5. Enforcement in Scandinavia

The Coffee Collective and Johan & Nyström trademarked the term "direct trade" within their respective countries, giving them the power to enforce their own direct trade scheme definitions. Trademark ownership allows firms to enforce their own direct trade schemes via legal control over how the term may be used by other firms. The Coffee Collective interviewee stated they did this in order to protect the term direct trade so that consumers would know "what's meant by it [direct trade]" (TCC). The Coffee Collective interviewee contrasted their level of control over direct trade usage with the situation in the US where direct trade has "a longstanding problem" of having "different meanings for every company" (TCC). Similarly, the Johan & Nyström interviewee stated the "big downside" of direct trade is that it "does not have any controlling agencies" and is therefore based on "how you choose to believe in the company that you buy from" (JN).

Firms within Sweden and Denmark that do not own the trademark have either had to conform to the trademark owner's standards or cease to use the term direct trade. Within Denmark, firms can ask The Coffee Collective for permission to use the term direct trade. Firms will only receive permission if they agree to regularly submit documentation to The Coffee Collective to verify that they fulfill The Coffee Collective's direct trade standards.

4.2.6. Mapping Scandinavian Regulatory Structures

Based on the actors involved through these stages, we mapped these Scandinavian schemes within the governance triangle (Figure 4). We argue that, for the trademark-owning firms, the regulatory standard-setting process of their direct trade schemes is on the boundary between firm self-regulation and firm-state collaborative governance. While the regulatory process was led by firms, firms strategically brought in state actors who control decision-making power at particular stages of the regulatory standard-setting process. Firms did this in order to pursue a strategy of trademarking.

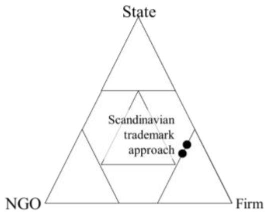

Figure 4. Conceptual figure uses Abbott and Snidal's [26] regulatory triangle to map regulatory standard-setting process of Swedish and Danish schemes. Two firms pursued a trademarking approach in their respective countries so their processes were primarily firm-led yet strategically involved state actors, particularly within the standard-negotiation and enforcement stages. The third firm's scheme (Koppi) is not included due to lack of data and ceasing to use direct trade schemes. Adapted from Abbott & Snidal [26] (p. 50) with permission from Princeton University Press.

Trademarking in this Scandinavian context was done in a particularly powerful way. Scandinavian firms trademarked the broad concept of direct trade, rather than a narrow firm- or initiative-specific trademark. In other words, The Coffee Collective broadly trademarked "direct trade" and not the narrower "The Coffee Collective direct trade." This broad trademarking differs from narrow trademarking seen in the US context, such as Counter Culture Direct Trade Certification, which is trademarked but narrowly refers to the scheme and not to all instances of direct trade. The Scandinavian broad trademarking strategy also differs from the use of trademarks seen in firm self-regulatory schemes like the Sustainable Forestry Initiative [26] (Figure 2). The difference between narrow and broad trademarks is the difference between narrowly trademarking the "Sustainable Forestry Initiative" and broadly trademarking the term "sustainable forestry" itself.

Trademarking and, specifically, broad trademarks played a major role in the development of direct trade as a voluntary scheme in Scandinavia, particularly within the stages of standards negotiation and enforcement.

Broad trademarks enable greater control by trademark-owning firms through enforcement in a wider array of cases. Through a broad direct trade trademark, trademark-owning firms may control the usage of the term direct trade within their country regardless of whether use is related to their own trademarked scheme, the development of a different direct trade scheme or even use of the term direct trade as a concept. By contrast, narrow trademarks would only enable control over the usage of their individual voluntary scheme. This is a powerful position for trademark-owning firms as direct trade was already a popular term in the coffee industry internationally. Trademarks are a powerful regulatory tool of the state and were strategically used by Scandinavian firms in the development of their direct trade schemes.

We consider this regulatory approach to be more than firm self-regulation because of the important decision-making power held by state actors. Trademarking is not a regulatory strategy a firm could pursue without some level of direct involvement of state actors and broad trademarking greatly enhances the importance of state actor involvement. State actors directly participated through approving trademark applications. These decisions of state actors to grant broad direct trade trademarks enable trademark-owning firms to enforce their definitions, again mediated through state actors who ultimately decide whether infringement occurred and determine penalties for infringement.

The Scandinavian direct trade schemes were positioned relative to other schemes in the regulatory triangle in a border area between firm and state collaborative governance and firm self-regulation. State actor direct participation and decision-making power was important in the development of the Scandinavian schemes, but was not seen in the US schemes, which now clearly represent firm self-regulatory schemes. On the other hand, firm and state collaborative governance schemes such as the UN Global Compact Caring for Climate [26] (Figure 2) demonstrate a more active role for state actors than the Scandinavian schemes. This border area between firm self-regulation and firm and state collaborative governance where we position the Scandinavian trademarked schemes is an area that tends to be empty of schemes in classifications [26,27]. Due to the direct and important participation of both firm and state actors in broad trademark schemes and the comparison to other schemes positioned within the triangle, we determined that the Scandinavian schemes should be positioned in this border area between firm self-regulation and state and firm collaborative governance.

5. Discussion

Direct trade in the US and Scandinavia followed different regulatory approaches leading to different outcomes. In the US, direct trade changed rapidly and now represents only firm self-regulatory approaches, while in Scandinavia state actors have played a passive but influential role in regulatory governance. Founding US firms have backed away from direct trade, while Scandinavian firms' trademarked direct trade schemes have remained stable. In this section, we discuss the implications of this direct trade case in terms of how regulatory standard-setting processes and structures contributed to differing outcomes in US and Scandinavia, focusing on what we can learn from this case about the development of voluntary sustainability schemes coming from various regulatory approaches involving firms.

5.1. Relevance of Firm-Framed Agenda

Agenda-setting is problematic for direct trade because the lack of representation of other actors within this stage led to the development of standards that prioritize the needs of roasting firms. This led to the development of a voluntary scheme motivated primarily by narrow vested business interests of capture rather than public good [57]. For the six firms we studied, standards were developed based primarily on the desire for consistent supply of high-quality coffee. Through this regulatory agenda the scheme was optimized for this particular business concern rather than to maximize livelihood improvements, to target the most vulnerable producers, to protect areas with high biodiversity, to reduce negative environmental impacts or other public good concerns. This is problematic because the scheme is marketed in part on its contribution to the public good, although incentives within this voluntary scheme are not aligned to produce an optimal result for public good.

5.2. Rapid Change of Firm Negotiated Standards

The negotiation of standards by individual firms within a firm-led regulatory process allowed standards to change rapidly in the US. This process goes against established good practices for the development of a credible sustainability label [58], such as having multi-stakeholder decision-making groups or building on existing standards systems. This level of individual firm control, flexibility of standards, and low entry costs may be part of the appeal of such schemes for firms. The lack of universal standards allowed for negotiation of standards within individual firms, creating conditions in which standards could be weakened by individual firms and ultimately contributing to co-optation in the US context. Weakening of standards has also been identified as the central mechanism in the co-optation of Fair Trade [59]. Co-optation of direct trade voluntary schemes refers to the accusation that new direct trade schemes have weaker standards and are more about marketing than guaranteeing good sourcing practices (Figure 5). Similarly the use of direct trade as a marketing strategy without being supported by a voluntary scheme is increasingly common, but perceived by those using direct trade voluntary schemes as co-optation of the term direct trade.

Figure 5. Conceptual figure depicts co-optation in the context of direct trade voluntary schemes, shortened to Vol. Sch. in the figure. Co-optation in this context refers to direct trade voluntary schemes that use direct trade to market coffee with weaker guaranteed coffee sourcing standards.

5.3. Increasing reliance on consumer as monitor

In response to the co-optation of direct trade in the US, founding firms shifted their strategy from a voluntary scheme toward greater transparency by increasing the amount of data provided to consumers, which implies a large and increasing role for consumers within regulatory governance. All firms discussed the importance of providing data to back up claims specifically to consumers. Figure 6 visualizes how Counter Culture might conceptualize the end of third-party certification as a move toward consumer regulated markets, rather than greater firm control. Other US firms might also present their approaches not as self-regulation, but as developing a greater role for consumers in regulatory governance. We argue this creates greater responsibilities for consumers because data release without third-party certification in effect makes consumers responsible for monitoring released data and enforcement through purchasing practices.

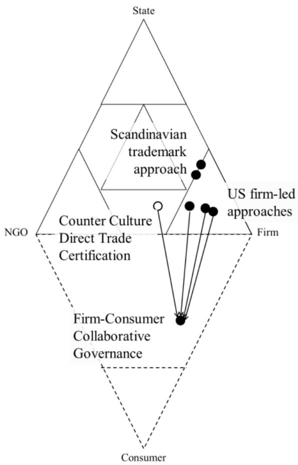

Figure 6. Conceptual figure showing Abbott and Snidal's governance triangle with consumers added as a main actor in regulatory governance for the case of direct trade coffee. US direct trade schemes are represented as moving into a regulatory approach involving firm and consumer collaboration because they are trying to involve individual consumers in monitoring and enforcement of standards through direct release of data to consumers. Adapted from Abbott & Snidal [26] (p. 50) with permission from Princeton University Press.

We argue these additional consumer responsibilities will not improve regulatory governance. The data released by firms to back up claims tend to be complex, requiring analytical context and technical competencies to be meaningful, which few individual consumers likely have. Data are provided by firms because firms want consumers to distinguish between strong and weak schemes, yet co-optation was possible in part due to consumer failure to distinguish between different schemes. Research on Fair Trade, a well-known voluntary regulatory certification scheme, has shown that most consumers feel overburdened by detailed information and have difficulty distinguishing between Fair Trade labels [60]. The informality and larger number of different schemes would make distinguishing between direct trade schemes even more difficult for consumers.

Co-optation can cause consumer confusion through changing standards. This difficultly of staying up-to-date with shifting standards leads to uninformed purchasing decisions, which undermines the logic of sustainable consumption. This is problematic because it means that a trade model based on transparency and harnessing the power of consumers to improve business practices through purposeful purchasing has led to a situation in which it is difficult for consumers to make informed purchasing decisions. We therefore argue that the individual consumer may not be an appropriate actor for such monitoring and evaluation responsibilities in a regulatory standard-setting process.

5.4. Lack of Enforcement and an Environment for Co-Optation

In the US context, lack of enforcement contributed to an environment that made co-optation possible. In competition between firms, strong standard direct trade firms could not stop weak standard firms from calling themselves direct trade. An example of this weak standard direct trade could be Target's in-house brand Archer Farms. In 2015 and 2016 Archer Farms direct trade products were not all traceable to their specific origins, not even to a country level, and products from different regions used the same film clip of the same producer [61,62]. In July 2016 Target announced a redesign and expansion of Archer Farms direct trade [63] so there is now traceability for some but not all direct trade products [64], but online packaging and product webpages still do not state explicit standards related to price, quality, or traceability or include a link to more information about their direct trade scheme as of November 2016 [64]. Target reaches more consumers than the founding firms through sheer size, giving it a powerful position communicating direct trade to consumers. Target currently has 1802 locations [65]. Only state actors have the power to penalize firms and in the US context there are not penalties for misusing the direct trade scheme.

We consider the US context to represent failure to self-regulate because it represents a strongly firm self-regulatory approach in contrast to the Scandinavian schemes in which state actors were strategically introduced into regulatory governance by firms. The Scandinavian context demonstrates the possibility to maintain a stable voluntary scheme in terms of content and marketability by defining and enforcing the scheme and use of the concept through a broad trademark. The outcome in the Scandinavian context is not an example of successful industry self-regulation (Figure 4), but rather demonstrates the power of involving other actors within regulatory governance, in this case state actors through trademarking. State actors are powerful because they can issue penalties, as seen in the use of the legal system with trademarking. Although the role of state actors was largely passive in terms of development of standard content, it still had a major impact on the development of the scheme through decision-making power in the negotiation and enforcement stages. Of course, there are other differences beyond trademarking between the US and Scandinavian contexts in the size and competitiveness of the specialty coffee markets.

However, a trademarked voluntary scheme presents a unique set of problems for negotiating standards and enforcement. Namely, the standards within trademarked voluntary schemes are defined by whoever is granted the trademark, generally meaning whoever first applies for the trademark. The first firm to apply for the trademark is not necessarily defining the best or strongest sustainability standards for their voluntary sustainability scheme. If the trademark were granted to a weak scheme, then the weak scheme could enforce its definition on stronger schemes that could be forced to either adopt the weak scheme standards or change the name of their scheme.

5.5. Regulatory Approach

There is sound logic behind having a more open regulatory approach that allows change within voluntary schemes and enables social innovation. The founders of direct trade in the US seem to have envisaged a more open approach to voluntary schemes than either formal certification or trademarked schemes. From the interviews, it would appear that the original creators of the direct trade schemes envisaged that social innovation could be furthered through communities of practice in direct trade and social learning to further the development of the schemes. It is likely that the founders wanted to support the shared learning and innovation that comes from informal communities of practice across the industry [66] and small groups crossing organizational boundaries [67] in this case, developing social innovation [68] aimed at creating new ways of improving coffee quality and producer livelihoods. Furthermore, past experience with Fair Trade seems to have caused concern for the roasters about how well the system works in different contexts, a justifiable concern [69–71]. Given the potential benefits of social innovation through communities of practice and social learning, it is reasonable that a more open approach to voluntary schemes was pursued.

The downside of the more open approach seen in this case is the possibility of co-optation. Co-optation undermines sustainable production by incentivizing lower standards and undermines sustainable consumption by making informed purchasing decisions difficult for consumers. We found that actor structures in regulatory governance may influence co-optation. In particular, state actors are able to penalize and thus enforce schemes in a way that firms were not. Higher levels of involvement of state or non-governmental organization actors in the agenda-setting stage would mean greater representativeness, which could lead to schemes' greater prioritization of public good. Private interests are important as voluntary schemes depend on firms to decide to be involved. Our case supports the argument of Abbott and Snidal [26] that no single actor—in our case firms—has all the necessary competencies to successfully navigate every stage of the regulatory standard-setting process, and therefore we argue for more collaborative regulatory governance structures to promote more sustainable production and consumption.

6. Conclusions

We found that direct trade as a voluntary regulatory scheme was an attempt to market and codify good sourcing practices, but that founding firms began distancing themselves from the term due to co-optation, in which direct trade came to represent more of a marketing strategy than the substantive sourcing standards of a voluntary sustainability scheme. Direct trade is not working well in the US; it is more beneficial to those that co-opted it than to those that take it most seriously. The open industry self-regulatory standard-setting pathway followed by the US firms was intended to foster communities of practice for social innovation but created an environment in which co-optation was enabled through the re-negotiation of standards without the power of enforcement. The firms we studied reacted to co-optation by releasing large amounts of data, effectively expecting consumers to act as monitors and enforcers of standards, but we argue this will not improve regulatory governance. Scandinavian firms maintained stable trademarked voluntary schemes. A trademarked scheme's regulatory strategy benefits stability and rewards the first scheme to be granted trademark, which is not necessarily the best scheme. Both the US and Scandinavian contexts demonstrate the weakness of firm-led agenda-setting with the creation of a schemes optimized for firms' private interest, in this case concerns for taste quality, rather than public interest in sustainable development. The examination of direct trade has demonstrated the limitations of firm and industry self-regulatory standard-setting processes, particularly in terms of developing relevant regulatory agendas, the threat of co-optation and the potential problem of consumer-based regulatory governance. These discussions are relevant to other voluntary schemes heavily involving firms in regulatory standard-setting and to trade models based on transparency to consumers.

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Does Voluntary Governance Work?

Agricultural businesses contribute to sustainability problems, but they are also increasingly central to the effort to develop solutions. One claimed way of moving toward sustainability is through voluntary market-based regulatory initiatives, a set of rules that businesses or organizations choose to be involved in that rely on market logic. In this thesis, I investigate two kinds of these initiatives: 1) certification, through studying the development of direct trade labels within specialty coffee in the US and Scandinavia; and 2) disclosure, through studying sustainability reporting systems and the practice of reporting within the specialty coffee industry. I look at the specialty coffee industry because coffee is the poster child of green consumerism movements, and specialty coffee industry, civil society, and consumer actors have high levels of experience, support, and interest in voluntary market-based initiatives. My research indicates that voluntary market-based regulatory initiatives could contribute to governance for sustainability through involving businesses and consumers in governance, but there are limitations to what can be achieved using a voluntary market-based approach.

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LUCID is a Linnaeus Centre at Lund University. It is funded by the Swedish Research Council Formas, comprises six disciplines from three faculties and is coordinated by LUCSUS as a faculty independent research centre. Research aims at the integration of social and natural dimensions of sustainability in the context of grand sustainability challenges such as climate change, biodiversity loss, water scarcity and land use change. The scope is broad, the ambition is bold and the modes of operation are collaborative. Over the course of ten years we will develop sustainability as a research field from multidisciplinarity to interdisciplinarity to transdisciplinarity.

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