



## **COOCAFE, R.L**

### Teaching Note

#### **OBJECTIVE**

*For more than a decade, WRI's Sustainable Enterprise Program (SEP) has harnessed the power of business to create profitable solutions to environment and development challenges. BELL, a project of SEP, is focused on working with managers and academics to make companies more competitive by approaching social and environmental challenges as unmet market needs that provide business growth opportunities through entrepreneurship, innovation, and organizational change.*

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The objective of this case is to introduce the student to the dangers of a company making environmental claims for a product that is not completely environmentally benign.

In late 1994, Coocafe, R.L. had been exporting Café Foresta brand coffee from Costa Rica to Germany through “fair trade” channels of distribution for 2 years. Retail customers in Germany paid an extra \$1 per package, with the money going to a foundation that supported sustainable development projects within Costa Rica. Café Foresta was positioned as environmentally friendly with purchasers advised that they could both contribute to Latin American society and help preserve its threatened rain forest eco-system at the same time. Café Foresta, however, came in a non-recyclable package and was not an organic coffee since it was grown with the use (albeit reduced use) of chemical pesticides, herbicides, and fertilizers. Environmental groups may be about to initiate campaigns which would advise consumers that Café Foresta’s coffee production could prove damaging to the environment as the conservation projects supported by Café Foresta were beneficial.

## Discussion Questions

### 1. What is Coocafe's mission?

Coocafe has a social mission -- to unite cooperatives representing the smallest and poorest coffee growers in Costa Rica to provide them with the market power to obtain a fair price for their product, to aid the economic development of rural areas, and to help the growers maintain their culture, social structure and natural environments. Coocafe provided business, marketing, technical, and financial assistance. They also assisted their cooperatives in establishing reforestation projects, soil conservation programs, and plans for environmental protection. Coocafe exported 5 brands of coffee and macadamia nuts, generally through alternative channels that sold products from developing world producers.

### 2. What is the marketing mix of Cafe Foresta?

Cafe Foresta was developed as a high quality coffee that would be attractive to environmentally aware consumers in developed nations. Consumers were charged \$1 extra per Kg with the promise that the money would go to support reforestation projects initiated by the poor coffee growers. It would also help these growers preserve their social and cultural structure. The coffee was offered in two sizes, regular and espresso roasts, and in whole beans or ground. The package was a laminate of aluminum, paper and polypropylene to protect the coffee from light and oxygen and to give it a shelf life of 1 year. In late 1994, most of Cafe Foresta was sold in Europe for \$8 for 500 g (1.1 lb) versus \$6.67 for standard coffees.

Cafe Foresta was distributed by Neuteboom in Germany and Holland to stores specializing in eco-friendly and "fair trade" products; it was also sold in eco-product stores, eco-supermarkets, regular supermarkets, and the direct mail catalog of the Swiss chapter of the World Wildlife Fund. It was promoted through eco-news media, eco-fairs, etc. Cafe Foresta had received the Max Havelaar and Transfair "fair price" or "fair trade" seals, indicating that profits from the sales of the product went to small cooperative producers from developing countries. This "fair price" enabled producers to preserve the cultural and social traditions of their societies.

### 3. What are the environmental problems of coffee production?

Coffee is the third most chemically treated agricultural crop in the world, frequently with the use of 15 different types of chemicals applied to the crop, which is usually planted in full sun conditions in vulnerable monocultural environments. These chemicals then pollute streams, harming fish, plants, animals and humans. Since coffee is a hand-picked crop, many workers are exposed to high concentrations of chemicals for long periods of time. Some of the chemical products, like Paraquat, were used in Costa Rica even though their use was banned in the U.S. and in Costa Rica. Coffee processing creates solid wastes and waste waters that are traditionally released directly into rivers, often accounting for 60% of all river waste contamination. The roasting process can also discharge airborne pollution.

4. How is Coocafe coffee grown -- what are its environmental impacts?

The poor, small coffee growers organized by Coocafe traditionally do not have enough resources to purchase and use high levels of agrichemicals. Thus, they use agrichemicals, but just not in the high levels of concentration other coffee growers might. Also, most of Coocafe's coffee was not grown in monocultural environments since the small farmers needed to have subsistence crops for their family's use grown together with the coffee. Coocafe's milling process was designed to reduce the mill's impact and to create a byproduct of organic fertilizer that could be used by the cooperatives. Finally, roasting occurred in roasters equipped with catalytic converters.

At the same time, however, Coocafe coffee production can be criticized because some agrichemicals were used, few of the growers used protective clothing in the fields, and the packaging used was not recyclable.

5. What are the pros and cons of Cafe Foresta's positioning, particularly the positioning of the product as environmentally friendly?

Pros	Cons
Germany is highly pro-environmental; consumers should respond to environmental claims.	Cafe Foresta is not organic.
The fair trade and eco-friendly markets are growing in Germany.	The price is higher than other coffee.
Coocafe does not have enough capacity to distribute in traditional channels.	The packaging is nonrecyclable.
Cafe Foresta has the Max Havelaar seal indicating that profits from sales go to small cooperative producers from developing countries.	Its growers do not use protective clothing and are therefore exposed to chemicals.
	The German environmental consumer would view Cafe Foresta negatively if it knew about the environmental and worker safety problems.

6. What recommendations would you give to Coocafe? What are the pros and cons of each?

a. Stop the positioning and distribution as environmentally friendly. Clearly there is enormous potential for embarrassment when the major environmentally friendly activity is reforestation while environmentally damaging practices and unsafe grower exposure to agrichemicals continues. It is not hard to imagine the impact of pictures of poor, ill workers, reports of higher than average cancer rates, etc. The current distribution and promotion is through an unusually sensitive societal marketing channel which would likely publicly disavow the Cafe Foresta product and perhaps all of Coocafe's products should there be the kind of negative publicity which is anticipated. If, however, this channel/positioning is dropped, the mission of Coocafe is also abandoned.

b. Continue the positioning but move as quickly as possible to be more environmentally friendly. Be prepared to fully admit the problems as well as the process being used to correct them. As deforestation is not the only environmental problem affecting this society of poor coffee growers, perhaps the Foundation's funds could be used to address some of the following environmental and worker safety problems:

- Recyclable packaging -- While this packaging is necessary and available, its cost appears to be out of reach of Coocafe, but can they afford not to employ it?
- Organic production -- This option would likely be resisted by the growers, who have become accustomed to the higher yields available even under limited chemical applications.
- Protective clothing for the workers -- This is another good idea that might be difficult to implement with the small, poor growers. It would perhaps take specific educational and technical training programs to get grower cooperation. It seems however that this is exactly what Coocafe does, and therefore should be achievable. Both the training for organic production and the grower practices would seem to come under Coocafe's mission of technical services.

The risk with this strategy is that it is defensive and difficult to communicate should there be a strong attack from environmentalists. Offensive communication strategies are therefore probably necessary to stave off those attacks.

*The topics in this case include environmental problems of coffee production, alternative fair trade distribution channels, price sensitivity, and information about the global and Costa Rican coffee industries. It provides information on societal marketing, and on the dangers of making insupportable environmental claims.*