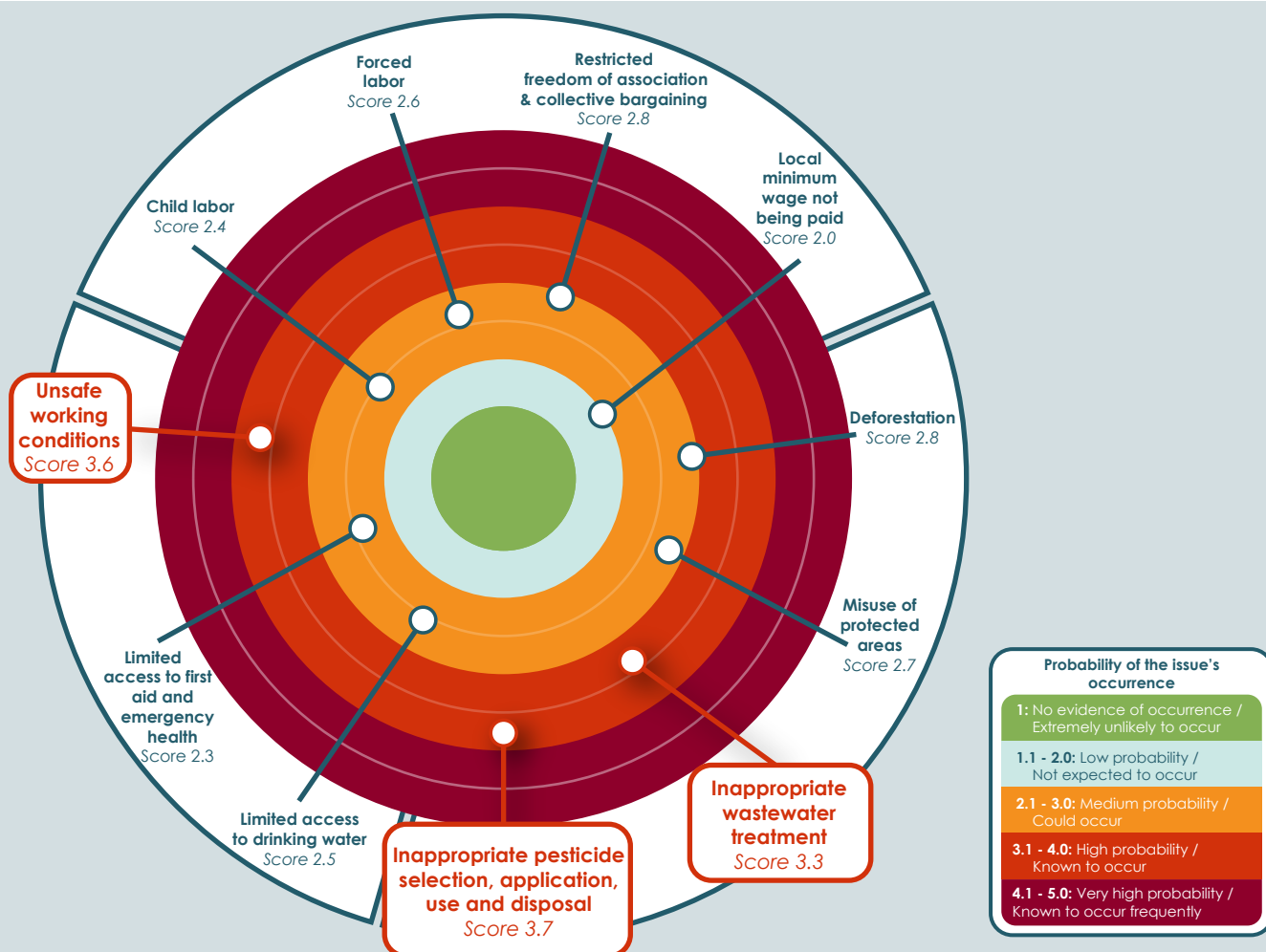


# ORIGIN ISSUE ASSESSMENT



## CHINA

Coffee has been commercially cultivated in China for 30 years. For crop year 2016/17, the ICO estimates 120,000 tonnes of coffee was produced in China, ranked 13th globally (ICO, 2018). Of this total volume, production of sustainably certified and verified coffee accounts for nearly 15% (JDE, 2018). Production is concentrated in Yunnan, Fujian, and Hainan Island and is highly specialized by region. Arabica, which makes up 95% of total production, is exclusively produced in Yunnan (Pu'er, Baoshan, Dehong and Lincang) while Robusta is grown in Fujian and Hainan and only accounts for 5% of the country's production. Today there are approximately 180,000 farmers growing coffee in China, mostly smallholders (i.e. less than 2 hectares). China has national laws in place to prevent and reduce the occurrence of the issues assessed. Law enforcement varies between environmental and social issues, i.e. more stringent regulations on forest protection and wastewater treatment.



### TOP 3 ISSUES

#### Inappropriate pesticide selection, application, use and disposal | Score 3.7

China is the second largest consumers of pesticides yet pesticide handling and monitoring measures are insufficient (GMAP, 2017). Some pesticides being used are illegal or classified as 'highly hazardous' or 'extremely hazardous' by the World Health Organisation (Green Peace, 2012; Expert interview, 2018). Coffee in China is mostly sun-grown, which makes production highly dependent on fertilizers and pesticides (Coffee habitat, 2010; Media, 2013; UTZ experts, 2018). Farmers tend to dispose pesticide containers directly on their farms (External expert, 2018). A few non-conformities related to pesticides were detected during UTZ audits and later resolved (UTZ, 2015). | *JDE performance criteria 7.1-7.4*

#### Unsafe working conditions | Score 3.6

China has national laws in place to regulate and enforce occupational health and safety regulations, especially in hazardous professions (Media, 2015; USSD, 2015). However, laws are not consistently applied or stringently enforced (Kelly & Cahill, 2010; USSD, 2015). Generally, Chinese farmers do not receive proper pesticide safety training and are not willing or able to invest in personal protective equipment (Zhang et al., 2014; Expert interviews, 2018). As a result, pesticide exposure is strongly associated with work-related injuries and pesticide poisoning has been shown to be a critical public health problem among Chinese farm workers (Zang et al., 2014). A few non-conformities related to unsafe working conditions for coffee laborers were detected during UTZ audits and later resolved (UTZ, 2015). | *JDE performance criteria 6.1 & 6.4*

#### Inappropriate wastewater treatment, separation, and quality monitoring | Score 3.3

China has national laws in place to regulate wastewater treatment. In 2016 the Chinese government has set several targets in the 13th Five Year Plan (2015–2020). This included lowering the use of chemical fertilisers and pesticides to reduce contamination from agricultural pollutants (Media, 2013, 2017; Gao et al., 2017). Distribution of wastewater treatment facilities in rural regions is extremely poor, e.g. only about 3% of villages have wastewater treatment facilities (Media, 2017). In China, almost all coffee is wet processed and only big processing units are considered to have treatment facilities (Expert interviews, 2018). A few non-conformities related to inadequate wastewater management of coffee producers were detected during UTZ audits and later resolved (UTZ, 2015). | *JDE performance criteria 9.1 - 9.3*

This document sets out information about the probability of specific sustainability issues occurring in the coffee sector in China. UTZ compiled it as part of our collaboration with JDE on their Coffee and Tea Supplier Initiative. This is not a comprehensive summary of all the sustainability issues in the country. The assessment covers the whole coffee sector, making no distinction between, for example, (i) smallholders and estates (ii) sun-dried and washed-coffee (iii) sun- and shade-grown coffee. The analysis combines public information with the expertise of UTZ employees and external contacts. UTZ cannot guarantee the accuracy or completeness of the information. Neither UTZ, nor JDE will be liable for damage as a result of inaccuracies in the information. For more information about the issues, methodology and sources please contact Nadia HoarauMwaura at [Nadia.HoarauMwaura@JDEcoffee.com](mailto:Nadia.HoarauMwaura@JDEcoffee.com) or [info@utz.org](mailto:info@utz.org).

# ORIGIN ISSUE ASSESSMENT

## CHINA

### SCORES AND SUMMARY

#### Deforestation | Score 2.8

China has national laws in place to prevent deforestation and since 2000 the country has officially rolled out a Natural Forest Protection Program focusing on forest conservation, reforestation, and afforestation (Forest Legality, 2014). Still, the general situation of forest law enforcement is inefficient. In Yunnan, the largest coffee producing region, a large area of natural forests were converted to plantations of commercial crops like rubber (Baker, 2015). Since coffee in China is mainly sun-grown, it could be the case that some coffee plantations were created by clearing forest from the hillsides (Coffee habitat, 2013). As cited in several sources, conversion of forested land to cropland is likely to happen if coffee production continues to expand rapidly in China (Coffee habitat, 2013; China Environment Forum, 2013). | *JDE performance criteria 8.1*

#### Restrictions on freedom of association & collective bargaining | Score 2.8

China has not ratified international conventions on freedom of association and collective bargaining (ILO, 2018). The law does not guarantee freedom of association because workers are not free to organize or join unions of their own choosing (USSD, 2015). There is only one state-controlled trade union in China, namely the All-China Federation of Trade Unions (ACFTU) (Freedom house, 2010; China Labor Bulletin, 2017). Collective bargaining does not occur in practice and actual worker representation does not exist (Freedom house, 2010; USSD, 2015). No specific evidence of issue occurrence has been found for coffee but multiple examples of violations of these rights have been revealed in the industrial sector (ITUC, 2010). | *JDE performance criteria 4.1*

#### Misuse of protected areas | Score 2.7

By the end of 2011, China had established 2,640 nature reserves at different levels and protected areas cover 17% of the country's total land area (CBD, 2011). However, many protected areas are called "paper parks" due to a lack of staff, management, and funding (Media, 2014; Wandesforde-Smith et al, 2014; GMAP, 2017). At country level, 58% of the nature reserves had suffered from human disturbance in core zones of which agriculture accounted for almost half of the disturbed areas (Xu et al., 2016). Although no clear evidence has been found for coffee, in Yunnan, natural forests were reported to be encroached by rubber and tea plantations (Liu et al., 2017). | *JDE performance criteria 8.2*

#### Forced labor | Score 2.6

Chinese law prohibits the use of forced and compulsory labor although there were reports of forced labor occurring in coalmines and government rehabilitation facilities and detention centers (USSD, 2015). The government has demonstrated its commitment to tackling the issue of human trafficking by issuing the National Action Plan to Combat Human Trafficking for the period of 2013-2020 (GlobalSlaveryIndex, 2018). Coffee was not included in the 2016 US Department of Labor's List of Goods Produced by Forced Labor (USDOL, 2016). One document mentioned chances of coffee and tea from China being produced by forced labour of prisoners in penal camps, however the extent of occurrence is unclear (Ergon UTZ Modern slavery, 2015). | *JDE performance criteria 3.1*

#### Limited access to drinking water | Score 2.5

In 2012, China officially issued their new national standards for drinking-water quality, in addition to the Law on Prevention Control of Water Pollution amended in 2008 (Media, 2012; Yu et al., 2015). The quality of drinking water in rural areas remains a challenge. In Yunnan, the main sources of drinking water are streams, spring, and reservoir and 18% of Yunnan's population were estimated to be short of drinking water (Baker, 2015). There is also a lack of treatment facilities in the region, with less than 2% of drinking water being properly treated (Xingwu et al., 2013). In the coffee sector, no clear evidence of the occurrence of this issue has been reported. | *JDE performance criteria 6.3*

#### Child labor | Score 2.4

China's labor law prohibits the employment of children under the age of 16. However, a significant gap remains between legislation and implementation (USSD, 2015; GMAP, 2017). There have been reports of child labour occurring in the national work-study programs, in electronics manufacturing, and textile industry (CECC, 2015; ILO, 2016; Media, 2016). No specific evidence of child labor in the coffee sector was reported but there could be a risk of using migrant child labor during the harvest season (Expert interview, 2018). Coffee was not included in the 2016 USDOL List of Goods Produced by Child Labor whilst cotton was mentioned (USDOL, 2016). | *JDE performance criteria 2.1*

#### Limited access to first aid and emergency health | Score 2.3

In 2011, Chinese law has improved regulations related to the insurance system of occupational injury. However informal workers are still dismissed by all occupation insurance schemes (Xinhua, 2017). In practice, obtaining compensation for occupational diseases and accidents remains difficult and most injured (migrant) workers use informal bargaining to receive employer's compensation (Sun & Liu, 2014; CECC, 2015). In the coffee regions, there are clinics for workers to go to in case of occupational accidents but accessibility is still an issue for farms located in remote mountainous areas (Expert interviews, 2018). | *JDE performance criteria 6.2*

#### Local minimum wage not being paid | Score 2.0

Chinese regulations on Minimum Wage (MW) stipulate the regional MW should be set between 40% and 60% of the local average wage but this has been hardly achieved in practice (China Labor Bulletin, 2017). Employers frequently disregard minimum-wage requirements and the (only) trade union in the country is not actively involved in setting the MW (Freedom house, 2015). Wages in the agriculture sector, especially for migrant workers, are expected to be lower than the country average MW (CECC, 2015; SHDB, 2018). Within the agriculture sector, wages of coffee laborers are reported to be higher than the sector's average (Expert interviews, 2018). | *JDE performance criteria 5.1*

### OTHER ISSUES:

#### Water shortage

Yunnan has experienced water scarcity and suffered from droughts in the recent years (Media, 2015). The extended drought between 2009 and 2012 has caused a 47% decrease in reserve hydropower capacity and consequently a fall in coffee yields (Wilson Center, 2013). Provided much of the coffee grown in Yunnan is sun-grown and requires much more water than shade-grown coffee, water shortage could in the near future become a great challenge faced by the coffee sector.

#### Excessive use of fertilizer

Chinese farmers, including coffee farmers, commonly over-use fertilizers (Coffee Habitat, 2010). China's first pollution census (published in 2010) cited farm fertilizer as a bigger source of water contamination than factory effluent (Facts & Details, 2014; Gao et al., 2014). The sun-grown coffee planted in Yunnan requires more chemical fertilizers than shade-grown coffee thus there is a risk of water pollution caused by use of fertilizers.