Human Rights Impact Assessment
Coffee from Peru

Final Report
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Executive Summary

In 2021, Morrisons contracted Ergon Associates, a consultancy specialising in labour and human rights, to conduct human rights impact assessments (HRIAs) in relation to the coffee blend sold in its in-store barista bars, cafes and coffee machines under the BREW brand. This report summarises key findings and recommendations from the HRIA conducted in relation to the Peruvian supply chain. A parallel study was conducted on the supply chain in Brazil.

The study looked at potential impacts across the Peruvian coffee supply chain more broadly, rather than solely Morrisons' Rainforest Alliance (RA)-certified supply chain, in order to provide a more complete understanding of challenges and issues in the sector as a whole, as Morrisons scales up its in-store coffee offer.

Summary of methodology
The methodology used was designed to identify actual and potential (positive and negative) human rights impacts arising from specific business activities and relationships and evaluate them to determine saliency. The methodology aligned with international standards and frameworks including the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines on Multinational Enterprises.

The key stages of the HRIA are set out in the table below:

HRIA stage	Description	Timeline
Partnering with local expert	• Contracting Peruvian partner with sectoral expertise to provide insight on the value chain context and conduct stakeholder interviews	February 2022
Review of business and supply chain activities and processes	• Review of relevant business and supply chain activities and relationships • Interviews with internal Morrisons stakeholders (buyers, ethical trade) • Interviews with external stakeholders (suppliers, traders)	February – April 2022
Scoping of potentially impacted human rights and rightsholders	• Identifying shortlist of potential rights impacted according to each business activity. • Determining structure for impact assessment	April 2022
Baseline analysis	• Desk review of legal framework and existing situation in Peru • Identification of underlying factors affecting enjoyment of rights	April 2022

HRIA stage	Description	Timeline
Field visit and stakeholder engagement	• Mapping key stakeholders • Visits to farms belonging to cooperatives supplying Morrisons and interviews with farmers and workers (led by local partner) • Interviews with selected third-party stakeholders (led by local partner)	**May - June 2022**
Impact assessment	• Determining saliency of identified impacts. • Root cause analysis and determination of Morrisons linkage • Identifying highest saliency impacts and Morrisons' leverage to address them	**June – July 2022**
Recommendations	• Determining appropriate actions to address impacts. • Development of recommendations for Human Rights Action Plan	**August 2022**

The assessment considered the different perspectives of people that are affected by activities within the Peruvian coffee supply chain. Potentially impacted rightsholders, as well as key supply chain actors – such as suppliers, traders and key Morrisons staff – were identified through desk research and early engagement. A broader selection of stakeholders' expertise on the sector and knowledge of issues facing vulnerable groups - including trade unions and civil society organisations – were also engaged.

Impact assessment

The impact assessment focused on production and processing-level activities in Peru.

For each activity, relevant rights that might be impacted were selected from a longlist of more than 70 human rights defined by international conventions and other instruments. Assessment of relevant rights was made on the basis of background desk research and interviews with rightsholders and other stakeholders. The saliency of potential impacts was determined according to factors including its (direct or indirect) attribution to the supply chain activity, the likelihood of the impact occurring, the severity if it did, and the possibility of remediation.

A root cause analysis was then undertaken to assess the key drivers of impacts. Key root causes were clustered around:

- **Commercial, sectoral and business drivers: e.g.** low coffee prices; lack of institutionalisation; unaffordability of pesticides and fertilisers; informal production context and seasonality
- **Legal and institutional drivers: e.g.** weak regulation and lack of enforcement
- **Other contextual social drivers: e.g.** climate change; societal gender norms; remoteness and poor infrastructure

The root cause analysis helped to determine the level of attribution of each impact to Morrisons in line with the UNGPs – i.e. through causation, contribution and linkage.

Identified salient impacts for each supply chain activity are summarised in the table below.

Summary of impact scores by rights category and business activity	Crop development, farm maintenance, processing	Harvest	Processing
Working conditions			
OHS			
Freedom of association and collective bargaining			
Forced labour			
Child labour			
Non-discrimination and equal opportunities (labour)			
Gender-based violence and harassment (at the workplace)			
Right to health			
Adequate standard of living (housing, land, property, food, water, livelihoods)			
Rights of indigenous peoples			
Right to an effective remedy			
Right to non-discrimination			

As displayed above, the most salient human rights impacts identified by this study include:

- **Child labour (Crop development, farm maintenance, processing):** Child labour is a risk issue in Peruvian coffee production, particularly on non-certified farms. The small-scale family farming nature of Peruvian coffee production, which often takes place in remote areas, is central to this risk. Poor access to childcare, schools and school closures during the COVID-19 pandemic exacerbate the risk. Gaps in legislation and weak law enforcement in remote areas also contribute to risk.
- **Adequate standard of living (Crop development, farm maintenance, processing):** Many coffee producers struggle to make a decent livelihood from coffee farming. Low prices, rising production costs, limited technological knowledge and access, as well as climate change and crop disease are drivers of this. Land disputes and contamination of water are also issues affecting standards of living in coffee-growing areas.
- **Working conditions (Harvest):** Informal migrant workers on smallholder farms are particularly vulnerable to adverse impacts related to working conditions. Recruitment is generally through verbal contracts. Piece rate work incentivises excessive hours and generally, labourers' earnings

are reportedly well below living costs. The informal context also means that workers do not receive health, social security and other benefits.

- **OHS (Harvest):** Workers tend to bring their own PPE and OHS training is often not provided. Common OHS issues include snake and insect bites and flu-like illnesses from exposure to rains. The informal context, weak regulation and enforcement (and high prevalence of workplace accidents generally in Peru) and lack of training are risk factors. A lack of clean drinking water on the farms, which are very remote, is also reportedly a common challenge.
- **Child labour (Harvest):** Child labour is a key risk issue in the context of small-scale family and may also affect the children of hired labourers, as well as smallholder farmers – with workers bringing children with them to the farms during the harvest. While children may not be engaged in work, there is a possibility of them assisting with harvesting (including potentially hazardous activities) – especially where payment is made by piece-rate.

The findings of the impact assessment informed recommended mitigation actions developed by Ergon, which correspond to the BREW supply chain from both Peru and Brazil. The recommendations form the basis of a human rights action plan to be independently developed by Morrisons.

Contents

1. Introduction and background

A human rights impact assessment (HRIA) is a specialist study designed to support an organisation's due diligence efforts in relation to international standards and frameworks including the UN Guiding Principles on Business and Human Rights and the OECD Guidelines on Multinational Enterprises.

In 2021, Morrisons contracted Ergon Associates, a consultancy specialising in labour and human rights, to conduct HRIAs in relation to the coffee blend sold in its in-store barista bars, cafés and coffee machines under the BREW brand. BREW is sourced from Brazil and Peru, and research was conducted in both supply chains in the first half of 2022. This report summarises key findings and recommendations from the HRIA of the Peruvian supply chain.

These supply chains were selected as the focus for HRIAs following a risk assessment (also conducted by Ergon Associates) in 2021 across 60 commodities, which identified coffee as a high-risk product. The BREW supply chain specifically was selected for focus based on Morrisons' objective to significantly scale up sourcing of BREW coffee over the coming years, and its commitment to ensure high social sustainability standards in relation to the BREW brand.

The aim of the HRIA was to provide:

- An understanding of where and how specific supply chain relationships and activities have the potential to impact internationally recognised human rights.
- Expanded information on key risks, including any root causes.
- Engagement with relevant 'rightsholders' and incorporation of their views related to actual or potential impacts.
- Recommendations to mitigate, prevent and / or remedy identified adverse actual or potential impacts, as well as generate more positive impacts

Based on the findings and recommendations set out in this report, Morrisons is developing its own time-bound action plan for addressing identified impacts.

2. Methodology

2.1 Overview

The methodology used was designed to identify actual and potential human rights impacts arising from specific business activities and relationships and evaluate them to determine saliency. In this context, *potential* negative human rights impact refers to the *risk* of an adverse impact on the enjoyment of rights that should be prevented or mitigated – distinct from an *actual* human rights impact, which refers to situations where human rights impacts have *already occurred*, and require intervention and remediation.[1] The study also aimed to identify potential positive impacts so actions could be developed to maintain and / or enhance such impacts.

While Morrisons requires all BREW coffee to be Rainforest Alliance (RA) certified, this study looked at impacts across the Peruvian coffee supply chain. The purpose of this was for Morrisons to have a more complete understanding of challenges and issues in the sector as a whole as it scales up its sourcing of BREW.

2.2 Key stages of the HRIA process

The key stages of the process for this HRIA are summarised below.

HRIA stage	Description	Timeline
Partnering with local expert	• Ergon partnered with a Peruvian consultant (Evelyn Pretel), who was selected for her deep knowledge of social and economic issues in the Peruvian agricultural sector to conduct interviews with cooperatives, producers and additional stakeholders.	**February 2022**
Review of business and supply chain activities and processes	• Desk research and engagement with supply chain actors identified the key supply chain activities for coffee sourced from Peru for BREW. This process included: • Interviews with internal Morrisons stakeholders (buyers, ethical trade, technical) • Interviews with external stakeholders (suppliers, traders) • Review of Morrisons' policies, governance documents and procedures related to procurement and supply chain management (including human rights standards and due diligence processes, along with information and plans related specifically to BREW coffee).	**February – April 2022**
Scoping of potentially impacted human rights and rightsholders	• A scoping process was carried out to identify a shortlist of rights and corresponding rightsholders potentially impacted by each supply chain activity to determine the structure for the impact assessment	**April 2022**
Baseline analysis	• A desk-based 'baseline analysis' was carried out to provide context for the rest of the study.	**April 2022**

HRIA stage	Description	Timeline
	• This process involved a review of key national legislation and regulations for the protection of rights and research on the situation regarding the enjoyment of rights in practice, at both the national and sectoral level. • This research aimed to capture research reports, industry analysis, and relevant news items. • The analysis was framed around the shortlist of rights and rightsholders in scope and used as the framework for identifying research questions and areas of focus for the field visit and stakeholder engagement stage.	
Field visit and stakeholder engagement	• Visits were conducted to two cooperatives supplying BREW in San Martín over five days in May and June 2022. A sample of member farms producing RA-certified coffee was selected by the cooperatives. In addition to being RA-certified, Ergon requested that the sample included a range of characteristics, including farm size, use of hired labour, male / female and young / old producers to get as broad as possible an understanding of the supply chain. • Key external stakeholders were identified and prioritised through desk research and expert input from the local consultant. Organisations and individual experts with relevant knowledge and expertise provided valuable input on wider issues affecting rightsholders in the coffee supply chain in Peru (see 'Stakeholder list' below) • Semi-structured interviews were conducted with cooperative management and human resources staff, as well as producers and harvest workers. The visits were scheduled to coincide with harvest to ensure engagement with these workers. Interviews with farmers were arranged through the cooperative. Some unplanned conversations with producers in a community-based setting provided valuable additional information.	**May - June 2022**
Impact assessment	• Information gathered during the stakeholder engagement phase, as well as background desk research, was used to identify impacts and / or potential impacts and rank them according to their saliency. • The saliency ranking was based on an assessment of the likelihood of the impact occurring, severity or magnitude of the impact, the potential for remediation if the impact occurred, and whether the impact is directly or indirectly linked to the supply chain activity. • Analysis was undertaken to identify underlying drivers or root causes of salient impacts and to understand the extent to which Morrisons might *cause*, *contribute to* or be *directly linked* to impacts through its business practices and relationships – in line with the UNGP framework.	**June – July 2022**
Recommendations	• Following the impact assessment, Ergon developed a series of preliminary recommendations for Morrisons to mitigate identified negative impacts and create or enhance potential positive impacts. These recommendations were then workshopped with Morrisons staff, including representatives of the ethical trade team and the buying team, to understand their feasibility in relation to Morrisons' existing and planned policies and activities. Based on this workshop, Morrisons is developing a time-bound human rights action plan.	**August 2022**

2.3 Structure of the impact assessment

The initial scoping phases of the project identified core supply chain activities in Peru and a shortlist of relevant human rights and rightsholders on which to focus.

2.3.1 Core supply chain activities

The detailed impact assessment focused on the core activities related to primary production and processing: *year-round crop development and farm maintenance activities*, *harvesting* and *processing*. These activities were prioritised after initial assessment of the full supply chain identified primary production and processing as highest risk in terms of actual and potential human rights impacts. Although there are known risks associated with several other mid-and downstream activities – such as international shipping and logistics and distribution in destination markets – these are not considered specific or unique to the coffee supply chain and are better assessed through wider sectoral or business activity assessments.

2.3.2 Shortlist of rights

The following shortlist of relevant rights associated with the supply chain activities in scope was developed from an initial list of more than 70 human rights articulated in international covenants and conventions. The shortlist formed a starting point and was updated as appropriate throughout the development of the HRIA.

Labour rights	• Working conditions • Occupational health and safety (OHS) • Freedom of association and collective bargaining • Forced labour • Child labour • Right to non-discrimination and equal opportunities • Gender-based violence and harassment
Economic and social rights	• Adequate standard of living (food, water, housing, land, property, livelihood) • Adequate standard of living (health)
Civil and political rights	• Right to life and physical integrity • Freedom of opinion and expression (including access to information) and non-corruption • Freedom of association
Cross-category rights	• Right to an effective remedy • Indigenous peoples • Right to non-discrimination

2.3.3 Shortlist of rightsholders

The following list of rightsholders represents the groups and individuals assessed to be potentially impacted by supply chain activities. As with rights categories, this list was updated as appropriate throughout the development of the HRIA. Few categories of rightsholders are fully distinct – and there may be some overlap between different categories, for example women / migrant workers. It is also important to note that different categories of rightsholders might be impacted by the same activity in different ways.

Smallholder farmers

Harvest workers

Children

Factory workers

Communities

Women

Migrant workers

Indigenous peoples

2.4 Stakeholder engagement

As well as direct input from rightsholders, the perspective of a broader range of stakeholders with knowledge of the supply chain and / or issues facing vulnerable groups, formed a key part of the assessment.

Stakeholders and rightsholders engaged included:

- 1 UK-based roaster (the first-tier supplier of BREW to Morrisons)
- 2 traders / importers (second-tier suppliers of BREW)
- 2 cooperatives in San Martín supplying BREW coffee
- 14 smallholder farmers (men and women)
- 7 farm workers (men and women)
- 1 trade union
- 1 Peru-based women’s coffee organisation
- 1 indigenous rights organisation
- 1 industry association
- 2 certification organisations / MSIs

The San Martín regional government, a smallholder association and an additional human-rights focused NGO either did not respond to or declined requests for interviews.

Ensuring meaningful engagement

Several measures were taken to ensure meaningful stakeholder engagement:

- Issues and priorities for engagement were tailored to the stakeholders and rightsholders. Topics for consultation and the resulting interview questions for remote stakeholder engagement were tailored for each organisation based on their knowledge areas and experience.

- Measures were taken to create safe spaces for stakeholders to express their views. The confidentiality of the engagement process was explicitly communicated to all participating stakeholders.

- Steps were taken to secure informed participation of all participating stakeholders. All prospective stakeholders received a Spanish-language introduction letter that outlined the HRIA process and its objectives, as well as the objectives of stakeholder engagement.

- Data collection and stakeholder engagement aimed to ensure an effective capture of diverse views and experiences. Targeted engagement with experts specialising in gender and indigenous issues strengthened the focus on vulnerable groups throughout the impact assessment.

- The HRIA findings will be communicated to all participating stakeholders. Morrisons will be available to respond to any questions concerning the HRIA or next steps to be taken.

2.5 Limitations

The methodology followed for this HRIA is considered to provide an effective means for identifying potential impacts and developing recommendations for action areas. However, some limitations should be acknowledged:

- It was not possible to visit the processing facilities used by the cooperatives, as had been originally planned. The reason given for this was a lack of staff capacity to facilitate the visit given that it was harvest season, and therefore a very busy time. This meant that no direct engagement with workers at the plants was possible and assessment of impacts for this activity was based instead on an understanding of risks inherent to the activity (e.g. use of heavy machinery) and the national context (e.g. weak occupational health and safety regulation and enforcement).
- Visits were conducted only at RA-certified farms and associated farmers as these were directly within the BREW supply chain. Therefore, direct rightsholder input relates only to these RA-certified farms. It was also the case that heavy rain prevented visits to some more outlying farms. However, research (including stakeholder interviews) was conducted on the Peruvian coffee sector as a whole, which provides a reasonable level of comparative information on conditions more widely.
- A general limitation was the relative lack of information and wider research studies relating to Peruvian coffee production as compared to other origins e.g. Brazil. However, we hope this study goes some way to filling that information gap.

3. Country and value chain context

3.1 Sector and supply chain overview

3.1.1 Key facts and figures

Economic importance	• For two decades, coffee was Peru's most important agricultural crop. Although today it has been overtaken by high-value crops like grapes, avocados and blueberries[2], it remains of huge importance to Peru's economy – comprising 25 percent of national agricultural income.[3]
Social importance	• One third of all agricultural employment in Peru is connected to coffee[4] • 223,000 families depend on coffee crops for their livelihood while the sector generates 855,000 jobs, many in isolated areas that might otherwise be vulnerable to extreme poverty[5]. It is estimated that in total, 2 million Peruvians are involved in the coffee production chain.[6] • The government, through the National Commission for Development and Life Without Drugs (DEVIDA), encourages coffee production as an alternative crop to coca leaf cultivation[7]
Production volumes	• Production for marketing year (MY) 2022/2023 is forecast at 4.03 million 60 Kg bags – a 2 percent increase from the previous year[8] (compared to a 17 percent increase between MY 2020/2021 and MY 2021/2022)[9] • Total production in 2021 was 373,694.32 tns[10]
Price	• As of November 2021, the farm price per Kg was PEN 7.80 (USD 2.10)[11] • Export prices increased by 32 percent in MY 2021/21, averaging USD 3,946 per MT[12]
Sales and export	• Peru was the world's 10th biggest producer, and 9th biggest exporter, of coffee in 2020 accounting for around 2 percent of global production[13] • In 2019, coffee was Peru's 10th biggest export and 2nd biggest agricultural export (by value)[14] • With 90,000 certified organic hectares, Peru is the world's leading exporter of organic coffee[15] • The United States is the top market for Peruvian coffee – accounting for 22 percent of total exports in MY 2021/22. This is followed by Germany (20 percent) and Colombia and Belgium (11 percent each).[16] • Despite increasing significantly in recent years, domestic consumption remains small, accounting only for a forecast 230,000 bags in MY 2022/23. Soluble (instant) coffee accounts for 75 percent of total domestic consumption.[17]

3.1.2 Sectoral overview

Geography and types

Coffee is cultivated in 17 regions (67 provinces and 338 districts) of Peru[18] although the vast majority (91 percent in 2018) of production occurs in seven regions. In 2021, San Martín and Cajamarca each accounted for 21 percent of total production, followed by Junín (19 percent) and Amazonas (13 percent).[19] Production has been gradually shifting from Chanchamayo (Junín) in the central highlands to the northern highlands (Amazonas and Martín).[20]

Peruvian coffee is predominantly grown at elevations ranging from 1000 – 1800 metres above sea level, contributing to a diverse flavour profile among Peruvian coffees.[21]

The last national agricultural census (in 2012) recorded 425,416 Ha of land - around 6 percent of total agricultural land - dedicated to coffee production.[22] This is compared to a forecast 335,000 Ha in MY 2022/2023,[23] (although overall production rose over this period).[24]

Peru produces almost exclusively Arabica coffee, of which it is the world's fifth largest exporter.[25] More than 70 percent of this is the Typica Variety, followed by Caturra (20 percent) and other varieties (10 percent).[26] Peru is the world's leading producer of certified Fair Trade and organic Arabica coffee.[27]More than 90,000 Ha of land are certified organic. In addition to these certified hectares, a large portion of Peru's coffee exports are organic by default, due to the prohibitive cost for small growers of chemical fertilisers and pesticides.[28]

Production calendar and yields

The main harvest season commences in April and peaks in June to September – with about 85 percent of the crop harvested between April and July.[29] However, Peru is unique in that the range of elevations and microclimates across and within its growing regions means that coffee can be harvested year-round.[30]

There is considerable variety between producers in coffee yields, but well-managed plantations can reach 42 60-Kg bags (2,520 Kg) per Ha.[31]

Producer profile

According to the Ministry of Agriculture, there was a total of 223,738 coffee producers at the end of 2021. The 2012 agricultural census reported that 85 percent of farmers had less than five Ha.[32] More recent data suggests that the average farm size is three Ha.[33]

Women are significantly involved in the coffee supply chain – one study estimated that 55 percent of work related to coffee production is carried out by women[34] – but this tends to be in supportive, rather than farm-management or commercially-oriented, roles. There is significant gender separation of roles: women and men both participate in planting and crop maintenance, fermentation and washing (and harvesting). However, women tend to take responsibility for tending nurseries and supervising drying, while men are more likely to be engaged in preparing land, transporting crops, de-pulping, delivery and sale and receiving and recording deliveries.[35]

Indigenous peoples are involved in coffee production – including in San Martín,[36] and for the European market[37]– though there is limited data on numbers involved, or the overall importance of the coffee sector to Indigenous livelihoods.

Workforce profile

Most labour in relation to smallholder production is provided by smallholders themselves and their family members. However, it is common for smallholders to use additional labour for the more labour-intensive harvesting activities[38]– usually neighbours who also have their own coffee farms. Migrant labourers, who take advantage of Peru's long harvest season, moving between different growing regions, are also present in the supply chain. There is limited data on the numbers of these workers engaged, however, a 10 percent drop in coffee output during 2021 was partly attributed by the head of the national coffee council (the JNC) to migrant labour shortages caused by COVID-19 – suggesting that this group comprise a reasonably significant proportion of the workforce.[39]

Political and policy context

Key actors in the national coffee sector include: the National Coffee Council (JNC) which exists to support and develop the sector, and promote Peruvian coffee in the international market, and the National Institute of Agrarian Innovation (INIA), which undertakes research, development and innovation activities and supports the development and implementation of national policy related to coffee and the agricultural innovation plan.

In 2018, a National Coffee Action Plan (2018-2030) was launched by the Ministry of Agriculture and Irrigation and JNC in collaboration with the Swiss Secretariat for Economic Affairs and the Green Commodities Programme of the UN. Key objectives set out in the plan include: growing coffee exports by 120 percent, decreasing GHG emissions by 1.73 million tonnes CO2 eq. and improving living conditions in the coffee sector.

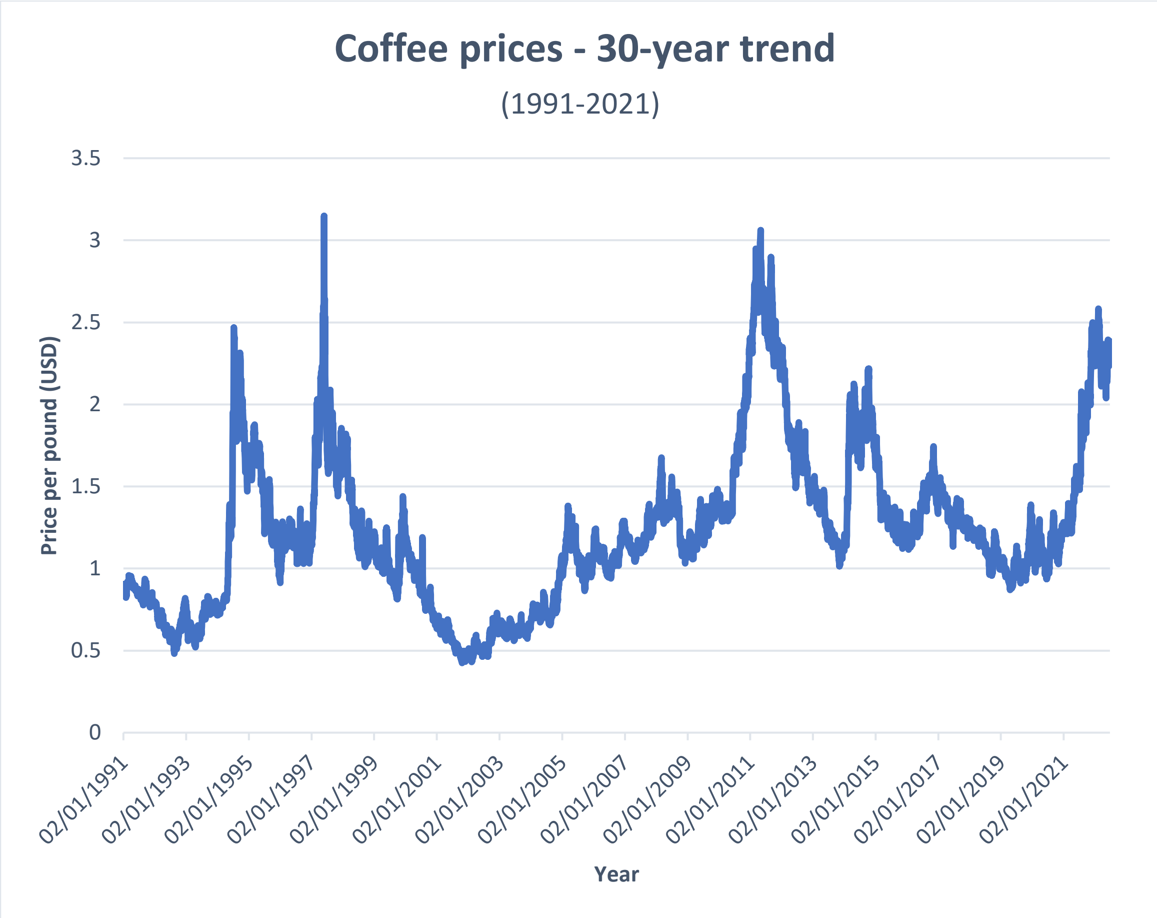
Sales and export

Some smallholders rely on cooperatives for secondary processing, sales and marketing of their coffee – as well as, in some cases, training and extension services, and producer loans.[40]The largest of these represent up to 2,000 farmers.[41] However, the majority of small farmers do not belong to co-ops[42] meaning they miss out on valuable support, such as technical assistance and financing, and are vulnerable to exploitation by intermediary buyers - selling their coffee for below market price.[43] These buyers collect and aggregate small volumes of coffee from across geographically dispersed areas and sell them on to exporters once they have collected sufficient quantities to be commercially viable. This often involves mixing coffee with different specifications, from different origins - reducing the quality of the final product. In many cases, exporters finance the intermediaries so that they in turn can buy from farmers through advances. While this provides farmers with some security and can be beneficial in the absence of other financing options, it also denies them the ability to negotiate the best price for their coffee post-harvest.[44]

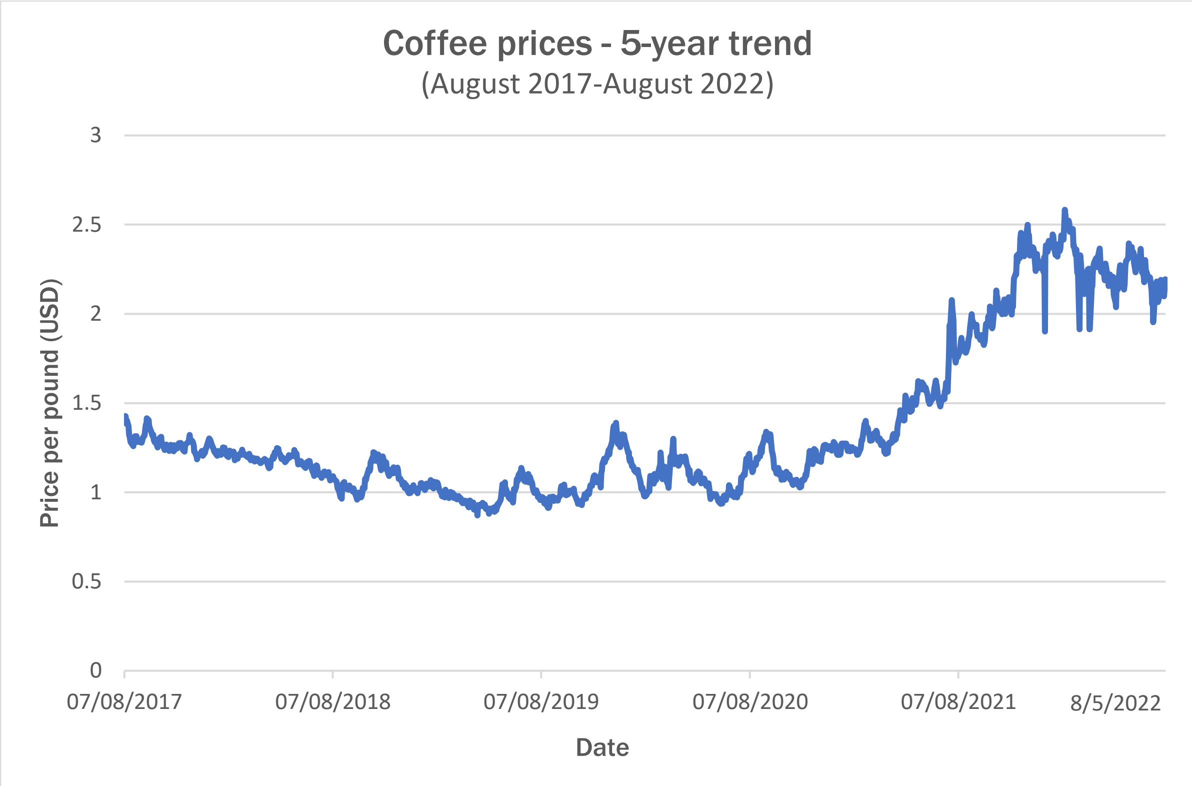
Pricing and demand

The ICE Futures "C" price is the world benchmark for Arabica coffee. Base prices for Arabica coffee are determined by the ICE Futures (NY) commodity exchange in New York. This global benchmark is known as the 'C' price and provides a starting point for traders to set a price for the actual coffee they buy. Other factors such as certification and grade of coffee are then factored in, often expressed as C+/-X. As with all commodities, the setting of a base or reference price relies on the assumption that one unit of production is interchangeable with another – i.e. that coffee can be sourced from any coffee-producing country, region or farm, and that a drop in supply from one country (for example because of drought) can be compensated for by increase in supply from another. When the biggest producing countries (such as Brazil) experience a drop in production, this has an impact on the global supply, pushing up global prices for coffee – as has recently occurred. The fact that the base price for coffee is determined by global supply and demand, as well as speculation by traders (often based on short-term projections that are not reflective of real market conditions), means that producers have little ability to raise their prices in line with rising costs of production and living, or to negotiate prices with buyers[45].

Average long-term prices have barely changed for nearly 30 years (see chart below) – meaning coffee production has become less and less profitable, and farmers often have no choice but to sell coffee for prices below the cost of production. In marketing year (MY) 2020/21 for example, coffee farmers in Peru were paid an average of USD 1.56 per Kg, compared to production costs of around USD 2.20 per Kg.[46]



ICE Futures C price – 1991-2021. Data from Macrotrends, [2022]



ICE Futures C price – August 2017- August 2022. Data from Nasdaq, 2022.

In addition to low base prices, the global coffee market is volatile, and producers are vulnerable to external factors over which they have no control such as currency exchange rates and production trends in other producing countries. Currently, this is working in Peru's favor, with a global coffee deficit in part related to extreme weather reducing yields in Brazil pushing up international prices. However, between 2017 and 2020, world coffee prices traded about 30 percent lower than the prior 10-year average (Reuters, 2020), pointing to the overall volatility of the market, which puts producers in a vulnerable position.

Key challenges faced by the sector

- **Diseases and pests.** Peru's coffee production is still recovering from a coffee leaf rust ('la roya') outbreak that occurred in 2013 and affected 50 percent of the crop. Additionally, in 2020, there was a coffee borer ('broca') infestation which affected coffee fields, particularly in lands under 1,500 metres above sea level (which applies to much of San Martín).[47]These outbreaks had significant impacts on yields.[48] Diseases like coffee leaf rust are made more likely by climate change so may become an even bigger concern for the industry in the coming years. Moreover, the prevalence of organic coffee growing in Peru – related in part to the prohibitive cost of pesticides and herbicides – has made farmers less able to respond to such outbreaks.

- **Climate change** is an increasing challenge for coffee producers – with erratic rainfall patterns and droughts altering production cycles. As well as sometimes resulting in reduced yields, events like harvest rain can significantly reduce coffee quality.[49] As most coffee farmers in Peru rely on traditional drying techniques, whereby coffee cherries are laid out on large racks in the sun to dry, rather than using mechanised air dryers, atypical rain patterns can also have an impact on post-harvest processing.

- **Logistical challenges and poor infrastructure**. In comparison with other Latin American countries, there is under-investment in supportive infrastructure such as roads. Twelve-hour journeys from the biggest city in a production zone to the smallest city are common – and it is often even further to the farms themselves. Many Peruvian roads only have one lane, meaning that transportation of coffee can be slow, expensive and in some cases even dangerous.[50] There is also a lack of general infrastructure such as telecommunications and banking. This is a significant factor in increasing costs, both of inputs (fertiliser, equipment, labour, technical assistance) and outputs (processing facilities, transport, storage, etc.).[51]

- **Low prices and high costs of production**. Low international coffee prices make it difficult for Peruvian coffee farmers to earn a viable income – especially in light of rising costs of production and living. Producer representatives cite low long-term international market price (combined with the relatively higher cost of production compared to some competitor countries) as the principal factor constraining the development of the Peruvian coffee sector, and contributing to consistently low earnings of producers and 'migration' to other crops.[52] However it should be noted that prices have recently increased, due to a scarcity on the market, related in particular to extreme weather conditions affecting production in Brazil.[53]

- **Lack of know-how**. Lack of technical (agronomic) expertise as well as lack of business management knowledge and capacity are widely cited as significant issues affecting productivity, sustainability, and competitiveness – including in terms of resilience to challenges like climate change and pests and diseases.[54]

- **Poor access to credit**. Many small farmers struggle to access credit. Peru's private banks reportedly refuse to accept untitled land as loan collateral, forcing most producers to obtain credit either from coffee buyers or informal lenders – resulting in small producers being burdened with fixed-price sales contracts and / or high repayment interest rates.[55] Lack of basic banking infrastructure in many coffee producing regions is a further constraint on access to finance for producers. Additionally, there is a wider tendency for external financing options (including those via government schemes) to focus on the commercialisation phase of the value chain (export, marketing), resulting in few financial mechanisms through which to support installation, renovation, or rehabilitation of coffee farms.[56]

- **Weak integration and institutionalisation.** Most smallholders – at least 85 percent (according to the 2012 agriculture census) – are 'unorganised'; that is, they are not part of a cooperative or association. The national coffee council (JNC) that represents coffee producers is estimated to represent no more than 20 percent of producers (and only those that are organised). There is reportedly very limited cooperation between exporters and producers in areas such as technical assistance, strategy, or financing. There is no central coordinating body for the sector and frequent disagreement between the public and private sectors.[57] The lack of institutionalisation and integration undermines sector development and competitiveness and contributes to low productivity and poor sustainability practices (through lack of technical and management expertise) and high production costs (due to lack of coordination and cooperation), which in turn contribute to low earnings for producers.

Declining producer base and productive area. The long-term future of the industry is threatened by coffee farmers increasingly deserting coffee for other crops – such as coca (for both legal and illegal markets) or cocoa – which are seen as more attractive (profitable) in the face of these sectoral challenges, especially low international coffee prices that fail to cover costs of production.[58]

3.2 Key supply chain activities

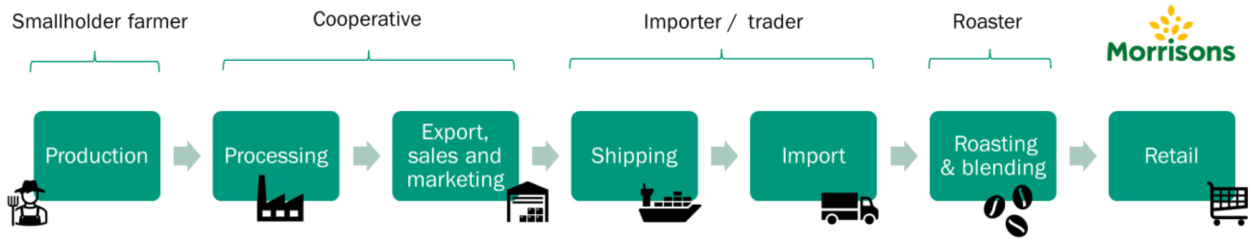
The table below provides an overview of the key activities in the lower tiers of the supply chain that were the focus for this study.

Activity	Description
Production	
Farm maintenance and crop development	• Key activities include soil preparation, fertilisation, planting, pruning and other general year-round farm maintenance tasks. 
Harvest	• Harvest is the most labour-intensive time, during which coffee cherries are picked from trees and gathered into 60 Kg sacks. Harvesting is largely done by hand, or with the use of a machete.[59] 
Processing	
Initial processing	• The initial processing stage is carried out on coffee farms. Most Peruvian farmers use the wet or washed processing method, whereby cherries are de-pulped, soaked and fermented before being washed and dried. Coffee cherries are laid out to dry in the sun (or occasionally dried with a machine[60]and sold to co-operatives or other coffee buyers. 
Secondary processing	• After initial processing on the farm, dried coffee is further processed in dry mills – this may be facilitated by the cooperative (for associated farmers), or the exporter, where coffee is bought by an intermediary. Some cooperatives have processing facilities on site, while others may own or make use of a separate facility.  • At this stage beans are cleaned, hulled, polished, and graded ready for export (or more rarely, domestic sale).

4. Morrisons' business practices

4.1 BREW supply chain from Peru

The graphic below shows the key stages of the BREW supply chain and the relevant actor at each stage.



4.2 How Morrisons purchases BREW coffee

4.2.1 Morrisons' and supplier buying practices

Overview	• BREW coffee is currently sold in in-store cafés, barista bars and front-of-store self-serve machines. • BREW is sourced from Brazil (70%) and Peru (30%). Coffee from these two origin countries is generally blended for BREW, but there is also a single-origin Peruvian BREW coffee. • There is currently one first-tier supplier of BREW coffee – and related equipment and training – a UK-based roaster, which in turn sources from traders. • Another supplier provides a different blend of coffee (not branded as BREW) for cafés and barista bars. This currently comprises the majority, but Morrisons is in the process of scaling up sourcing of BREW with the long-term aim of phasing out non-BREW coffee from its cafés and barista bars completely.
Tendering and contracting	• Tenders are issued to existing suppliers and potential additional suppliers, stipulating price, volume, product specifications (according to a pre-determined profile) and any certification or sustainability requirements. Before on-boarding new suppliers, Morrisons carries out site visits, audits and product tests (these are mostly focused on technical standards (e.g. food safety) rather than ethical trade or human rights). • All suppliers must, however, agree to meet the requirements of Morrisons Ethical Trading Code and cascade this throughout their supply chain. Tier-one, own-brand suppliers must additionally share information with Morrisons via the Suppliers Ethical Data Exchange (Sedex) and demonstrate compliance with Morrisons Ethical Trading Policy.
Contractual arrangements with suppliers	• Morrisons prioritises long-term, stable partnerships with suppliers and has been working with its BREW supplier for several years.
Volumes	• Morrisons has scaled up sourcing of BREW coffee from 25 tonnes to 300 tonnes since BREW's inception.

Pricing	• Coffee prices are determined by a number of factors, including the reference price from global commodity exchanges, currency exchange rates, freight and shipping costs and local variables (such as harvest quality and volumes). On the basis of these (and other) factors, prices are agreed between Morrisons and the first-tier roaster every six months.
Visibility	• Morrisons has no direct commercial relationships with producers and cooperatives, instead purchasing through a roaster. Both the roaster and traders have good visibility to the level of cooperatives, processors and exporters.
Supplier buying practices	• Morrisons' BREW supplier has a stable supply base. The direct commercial relationship is with traders, who in turn buy from cooperatives in Peru, but the roaster has visibility to this level of the supply chain, and regularly conducts visits to producers, producer groups and processing facilities. • The roaster aims to work as much as possible with the same traders and producer groups (while remaining flexible to ensure stability and consistency of supply). It has been working with its biggest supplier – a UK-based trader / importer – for more than 40 years. • Awarding of contracts is based on a consideration of quality, reliability and price, while the importance of maintaining strong relationships with traders and cooperatives, and balancing supply between different suppliers, is also taken into account. • Generally, coffee is bought on a futures basis, aggregated for all customers, rather than bought 'on spot' (i.e. in direct response to a specific customer order at the time). Volumes are determined by the previous year's orders, as well as an analysis of current market conditions (for example, conditions affecting production in sourcing countries or customers' planned growth). • The roaster aims to secure contracts early in the year for the length of the harvest. This is mutually beneficial as it provides cooperatives and producers with some security (which makes it easier for producers to secure loans and financing) and means the roaster can obtain a more competitive price.

4.2.2 Morrisons' and supplier ethical trade considerations

Morrisons' requirements for BREW coffee	• In addition to the onboarding checks undertaken by their primary supplier, Morrisons uses certification to provide assurances regarding social standards in the BREW supply chain - all BREW coffee must be RA-certified.
Morrisons' supplier evaluation	• The Ethical Trade team was not directly involved in decisions in the selection of the incumbent supplier but all Morrisons suppliers must review and agree to comply with the requirements of Morrisons Ethical Trading Code. • They are also in the process of developing systems (such as a supplier scorecard) to better integrate ethical trade considerations into the supplier selection process for their café and barista bar operations. • Given the direct incumbent supplier is UK-based, ongoing monitoring from an ethical trade perspective is limited. However, regular meetings are scheduled to discuss risk mitigation and improvement.
Projects and collaborations	• Morrisons has recently established a human rights working group, focusing on four pillars of activity over four years: worker representation, living wage, forced labour and gender. • The working group makes up part of Morrisons' overarching ESG improvement programme - Sustain.

Supplier ethical trade standards	• Morrisons' first-tier supplier of BREW requires traders (i.e. direct commercial relationships) to fill out a self-assessment questionnaire, and requests completion of a risk assessment that goes to producers or exporters (i.e. the next tier of the supply chain) to provide as much detail as possible about the supply chain. • Over 90 percent of coffee sourced by Morrisons' first-tier supplier is certified as RA, Fairtrade, or Organic. A previous target to source 100% RA-certified coffee as a minimum requirement (even if it could not all be sold on as RA-certified) is on hold due to challenges related to COVID-19, and a drop in RA-certified production following the introduction of the 2020 standard. • The ethical trade standards (including certification requirements) of second-tier suppliers, as importers, are driven largely by their end clients – their role is to pass requirements and policies down the supply chain. However, the biggest supplier to Morrisons' first-tier supplier sources more than 50 percent certified coffee and is active in a number of industry-wide initiatives and groups focused on sustainability and social conditions in the coffee supply chain.

5. Impact assessment

This section sets out the key findings arising from the impact assessment, which was based on information gathered through the baseline assessment, fieldwork and additional stakeholder engagement. The impact findings are separated into sections relating to each supply chain activity in scope.

The impacts are rated according to saliency. This assessment takes into account whether the impact is positive or negative, whether it is directly attributable to the activity in question, whether it is remediable, the likelihood of the impact occurring, and its magnitude.

Where both a positive and negative impact associated with an activity was identified, the negative impact prevailed – for example, the positive impact of the coffee sector in supporting rural economies was outweighed by the negative impact of farmer incomes being too low to sustain a decent standard of living (as reported in some cases). As a result, no positive impacts are recorded in the impact assessment findings, but the potential for Morrisons to drive or enhance positive impacts is reflected in the recommendations made by Ergon to inform Morrisons' independent action plan. Impacts were assessed on the basis of general supply chain conditions (i.e. without considering Morrisons' RA-certification requirement as a mitigation). Where certification was identified to have a notable effect on mitigating adverse impacts or enhancing positive ones, this has been flagged in the description of impacts below.

5.1 Summary of impact saliency by rights category and supply chain activity

The table below displays only the most salient impacts identified as part of this study to enable prioritisation of impacts and related mitigation actions. Each box represents an impact finding in relation to the supply chain activity (columns) and the rights category (rows). The highest scores (orange) reflect the most salient impacts identified by this study.

Most salient impacts	Other salient impacts

Summary of impact scores by rights category and business activity	Crop development, farm maintenance, processing	Harvest	Processing
Working conditions			
OHS			
Freedom of association and collective bargaining			
Forced labour			
Child labour			
Non-discrimination and equal opportunities (labour)			
Gender-based violence and harassment (at the workplace)			
Right to health			
Adequate standard of living (housing, land, property, food, water, livelihoods)			
Rights of indigenous peoples			
Right to an effective remedy			
Right to non-discrimination			

5.2 Impact findings by activity

5.2.1 Crop development, farm maintenance, processing

This activity concerns the year-round (i.e. non-harvest related) task carried out on coffee farms. This includes planting and cultivation, maintenance of buildings and forest management, and initial processing of the coffee. Impacts in relation to this activity have been assessed on the basis a farmer carrying out these tasks with the assistance of their family. In exceptional circumstances (i.e. very elderly farmers who cannot carry out these tasks themselves) additional labour may be engaged for these tasks but this is not the norm.

Rights issue and rightsholders	Description of impact	Impact rating
Child labour (Children)	Child labour was not observed on farms visited during the course of research for this study, and while farmers and interviewed reported that child labour was prohibited on their farms, several said that they knew of it occurring in the sector in general – in particular on - 'unassociated' farms (i.e. those that are not part of a cooperative or association) and / or non-certified farms. The context of much Peruvian coffee farming - small-scale family farming in remote areas – is a key risk factor. It was commonly reported in interviews with farmers that there is a lack of childcare facilities, and even schools for children over the age of 11 (it is common for the nearest secondary school to be up to 2.5 hours away, with no transport provided). The risk has been exacerbated by COVID-19, during which schools were closed for long periods. Moreover, parents are keen to educate their children in coffee farming in the context of concerns about succession and long-term viability of the farms. Additional risk factors related to the legislative and regulatory framework are that Peruvian law allows children ages 12 to 14 to do light work without specifying the activities in which children may work, and that enforcement capacity in relation to all aspects of labour law is limited. This may be further exacerbated by the remoteness of many coffee-growing areas. Given the informal context, lack of age verification of hired labourers by farmers is likely, which may result in the employment of minors. It should be noted that there is no evidence of 'exploitative' recruitment and employment of children – the high saliency rating is based on the potential for interference with education, the potential for children to be engaged in hazardous activities and the likelihood of the impact occurring. ***Potential mitigation factor in Morrisons' supply chain***: *farmers reported that prevalence of child labour was lower on associated and certified coffee farms – in part because of outreach and awareness-raising by cooperatives.*	
Right to an adequate standard of living (food, water, housing, land,	A number of different issues were assessed under this rights category. The impact rating reflects the most salient impact – farmer livelihoods – but other identified impacts are covered below. 1) **Livelihoods**: Many coffee producers struggle to make a decent livelihood from coffee farming, and many have turned to alternative crops.[61] Despite a recent rise in prices due to a scarcity of coffee on the international market pushing up demand for	

Rights issue and rightsholders	Description of impact	Impact rating
property, livelihoods) (Smallholder farmers)	Peruvian coffee, the long-term trend is towards low prices that make it a challenge for farmers to meet rising costs of production and living. As well as low international prices set by global commodity exchanges, other factors contributing to the constraining of farmers' incomes are a lack technological know-how because of a lack of training opportunities and access to information, particularly among the older generation and among farmers who do not belong to a cooperative or other association. In interviews with producers, only one reported having access to information about international coffee prices online - others have no information that they can use to negotiate with buyers. Levels of literacy are low among women farmers in particular which may further impede access to information and opportunities to implement better practices to support improved productivity. Vulnerability to pests and diseases – particularly given the largely organic production context – and climate impacts also contribute to precarious livelihoods for many farmers. Pesticides and fertilisers are not widely used because of their prohibitive cost - which has increased even further since the onset of the war in Ukraine which has generated a global shortage of fertiliser[62] - but this contributes to a cycle of low productivity and lack of resilience. 2) **Land**: Several farmers interviewed referred to 'land invasions' - sometimes this is by groups of migrants from other areas that take over uninhabited land in theory protected by the state and sell it, other times it is coffee farmers illegally expanding their land for coffee farming. This affects both indigenous groups whose forest land is affected by these activities, and coffee-growing farmers and communities more broadly. 3) **Water**: Without proper wastewater treatment facilities, contamination from coffee processing waste is an issue. Low awareness and lack of training – especially among unassociated farmers – increase the likelihood of coffee being processed without adequate treatment of waste. ***Potential mitigation factors in Morrisons' supply chain:*** *Coffee was reported to be profitable by most farmers interviewed – who were all RA-certified and members of a cooperative (though it should be noted that this study was carried out during a period of unusually high prices on the international market for Peruvian coffee). Farmers overwhelmingly reported that they can achieve higher prices for their coffee through co-ops than through intermediaries and other buyers.*	

Rights issue and rightsholders	Description of impact	Impact rating
	Co-op membership has also enabled farmers to establish proper waste treatment systems, mitigating potential environmental impacts from coffee processing at farm level. Land invasion issues cited are reportedly lower – or at least more easily remediated – in associated coffee communities.	
Occupational health and safety (OHS) (Smallholder farmers)	No reports were identified (through desk research, fieldwork or stakeholder engagement) of severe OHS impacts occurring in relation to the coffee supply chain specifically. The saliency rating is based on contextual risks – i.e. the high rate of occupational accident rates nationally, including a particularly high rate of fatal accidents[63], inadequate legislation and enforcement, the informal and remote context of coffee farming and low awareness of the risks. All of these factors mean there is a high risk of key mitigation measures not being in place. Agrochemicals are not widely used in Peruvian coffee production meaning risks associated with their application and storage are relatively lower than in other producing countries. However, the informal context and low awareness of the risks linked to inadequate training and education means that where they are used, there is a risk of OHS incidents occurring as a result of inadequate storage and / or protective equipment. It should also be noted that the use of agrochemicals is increasing due to the increasing impacts of climate change.[64] ***Potential mitigation factor in relation to Morrisons' supply chain:*** *membership of a cooperative tends to confer higher OHS standards – with training provided through farmer outreach*.	
Rights of indigenous peoples (Indigenous peoples)	Deforestation and encroachment onto Indigenous lands for expansion of coffee production by small coffee farmers is reported. According to an Indigenous rights NGO interviewed for this study, the scale of the problem in relation to agriculture in general is massive, and occurs frequently in the vast majority of territories, though information on the scale of the issue in relation to coffee specifically is limited. In the case of coffee, conversion of forest land for cultivation is more remediable than with crops such as rice, as it is easier to reforest land taken over for coffee cultivation. The extent to which remediation happens in practice is unknown.	

Rights issue and rightsholders	Description of impact	Impact rating
Non-discrimination (Women)	Women are significantly involved in coffee production but do not tend to share in the economic benefits to the extent that men do. This is largely due to societal gender norms that have a discriminatory effect. During fieldwork, it was reported that women's involvement in coffee production mainly involved providing meals for workers, rather than engaging in production activities. It appeared to be common for cooperatives to encourage registration of farms in a woman's name due to a perception that this would be looked upon favourably by international buyers and support them to access certain funding opportunities. However, in reality this did not appear to translate into women having a true commercial stake in the business. Lack of understanding about cooperative membership, certification and other aspects related to the business of the farm was observed generally, but among women producers in particular. Access to land is much lower for women than for men[65], and inequitable distribution of land by families between men and women reportedly occurs.	

5.2.2 Harvest

Harvest involves the manual picking of coffee cherries from trees. This is done manually or with the use of a machete – machinery is not used. Farmers often hire additional labour to help them with harvest activities. Often, these workers are friends and neighbours who also have their own coffee farms – this labour can be entirely reciprocal, or remunerated by piece or daily rate by the farmer. In some cases, farmers also hire migrant workers, who move around between different regions – and sometimes different crops – according to harvest. All workers are engaged informally (i.e. without written contracts or social benefits). They are expected to provide their own equipment and are paid either a daily or piece rate (according to 'can' of coffee picked) – in some cases food is also provided by the farmer. Some farmers provide accommodation to harvest workers[66], but this did not occur at the farms visited in San Martín.

Rights issue and rightsholders	Description of impact	Impact rating
Child labour (Children)	As described in relation to 'Crop development, farm maintenance and processing' above, child labour is a key risk issue in the context of small-scale family farming in remote areas. In relation to harvesting activities, child labour may affect the children of hired labourers as well as smallholder farmers. This is in part due to a lack of childcare options which	

Rights issue and rightsholders	Description of impact	Impact rating
	necessitates parents bringing their children with them to the farm. While this doesn't necessarily mean that children will be engaged in work, there is a risk that they will assist with harvesting (including potentially hazardous activities) – especially where payment is made by piece-rate. Key risk factors are a lack of childcare facilities, local schools and transport, an ambiguous legal framework and lack of enforcement.	
Working conditions (incl. wages) (Workers)	The informal context and lack of enforcement of the labour law are key risk factors. Migrant workers are particularly vulnerable to adverse impacts related to working conditions. Recruitment is generally done by word of mouth and there are verbal agreements rather than written contracts. Workers may be paid on a piece rate (by 'can') or per day - some workers expressed a preference for the former, although this may incentivise longer working hours. Workers who are paid by the day (rather than a piece rate) reportedly earn 30-50 Soles (approximately USD 7.70 to USD 12.80) per day. Even 50 Soles constitutes little more than half the average living costs for a single person, and so is below the level needed to support a family. Like farmers, workers are vulnerable to fluctuations in coffee prices. At the time of the visits, workers reported that they were receiving 10 Soles (USD 2.60) per can, but less than two years previously, had only been receiving 5 Soles (USD 1.30) per can. The informal context means that workers do not receive health, social security and other benefits.	
OHS (Workers)	In interviews, it was reported that workers generally provide their own protective equipment. Most are familiar with coffee production and training is rarely provided. The most commonly reported OHS issues were snake and insect bites and flu-like illnesses when workers have been exposed to rains. Most workers said that they wear boots and gloves to protect against the former. No serious incidents were reported by farmers or workers, nor identified in relation to coffee from background research. However, the informal context, weak regulation and enforcement (and high prevalence of workplace accidents generally) and lack of training are risk factors. An additional issue is lack of access to clean drinking water on farms. This was reported by workers during interviews, who said they relied on rainwater, and is supported by wider research – a Fairtrade study in 2021	

Rights issue and rightsholders	Description of impact	Impact rating
	found that 72% of households across coffee-growing communities on the eastern slope of the Andes did not have access to safe drinking water.[67]	
Freedom of association and collective bargaining (Harvest workers, migrant workers)	Workers are not unionised. This is due to the informal context of coffee farming specifically, combined with contextual factors at the wider sectoral and national level – including a high legal threshold for the minimum membership numbers (20) required for enterprise-level union formation and weak unions nationwide (especially in agriculture).	
Forced labour (Harvest workers, migrant workers)	Occurrence of forced labour is thought to be low, due to the family-farming structure of most coffee production. Nevertheless, factors that make workers vulnerable to forced labour in Peru include conditions that characterise the smallholder coffee sector – such as the use of temporary labour at peak periods, lack of written contracts, remote work sites, and presence of internal migrant workers – as well as payment by piece rate.[68]	
Non-discrimination and equal opportunities (labour) (Women, workers)	While not reported as a key issue during stakeholder engagement, gender discrimination, including in relation to employment, is widespread in Peru and significant pay gaps persist. Most hired workers on the farms visited for the study were men. Structural barriers - such as lack of access to childcare - as well as the persistence of societal norms may restrict women's access to these jobs, even where there is no evidence of direct discrimination in hiring on the part of the farmer. Nationwide, arbitrary dismissal of pregnant women, workplace discrimination against woman and paying women less for the same work as men (in contravention of equal pay laws) are reportedly common.[69]	

Rights issue and rightsholders	Description of impact	Impact rating
Gender-based violence and harassment (GBVH) (Women)	GBVH was not reported as a significant issue by farmers and workers interviewed for this study, however there are broader indications that it is a potential impact. GBVH is widespread across Peruvian workplaces (and society more broadly).[70] A 2019 report[71] found high prevalence of intimate partner violence (including in the workplace) among coffee harvesters in the central jungle area of Junín (a major coffee-growing region) – with significant impacts on productivity and quality of the coffee harvest. Remote locations, minimal enforcement of relevant legislation[72] and traditional gender norms are key risk factors. One stakeholder with expertise on issues facing women in the coffee sector said that harassment of women coffee workers does occur, though is reducing. It should also be noted that women harvest workers always work in groups with family or friends, which makes them less vulnerable.	
Right to an effective remedy (Harvest workers, migrant workers)	Given the highly informal nature of smallholder production, formal grievance mechanisms at farm level do not exist. There was no evidence of an effective grievance mechanism for farm workers in place at the cooperative-level – despite this being required by the Rainforest Alliance 2020 Standard - and it was observed that farm workers are generally a low priority for cooperatives. In general farm workers lack awareness about their rights and characteristics of the farm (i.e. whether it's associated, certified etc). While farmers cited the effectiveness of community-based mechanisms in resolving issues like land disputes, the extent to which similar mechanisms could be used by harvest workers – and migrant workers in particular – to resolve grievances with the farmer is unclear. At the national level, the effectiveness of judicial mechanisms is limited by resource constraints (as well as a lack of awareness and / or trust) by affected parties.	

5.2.3 Processing

Dry milling and grading of coffee is undertaken at cooperatives or at local plants to which the cooperative subcontracts, or large plants operated by exporters and multinationals. Workers are generally formally recruited and contracted. In the case of the cooperatives, many of these workers come from coffee-farming families or have coffee farms themselves.

Rights issue and rightsholder	Impact	Impact rating
OHS (Factory workers)	Although there were no reports of injuries in relation to coffee processing at the cooperatives visited for this study, there are inherent risks related to the nature of the activity (heavy machinery) and high prevalence of workplace accidents nationwide, including in agricultural processing, in the context of weak regulation and enforcement.	
Freedom of association and collective bargaining (Factory workers)	The plants attached to cooperatives visited for this study did not meet the legal minimum workforce threshold (20 workers) for enterprise-level union formation. However, in the sector more broadly – particularly at larger plants operated by exporters and multinationals – anti-union activity on the part of employers is reported as a risk. While not reported in relation to coffee specifically, union-busting, discrimination against union leaders and members and other anti-union activity reported in the wider agri-processing sector.[73]	
Right to an effective remedy (Factory workers)	Cooperatives reported having mechanisms in place to deal with workers' complaints, but that they had never been used, which may indicate lack of awareness or trust rather than an absence of grievances.	

6. Understanding root causes, linkage and scope for action

6.1 Root causes and drivers of impact

To further understand the human rights impacts (actual and potential) identified in this HRIA, a root cause analysis was undertaken. Root causes are underlying structural or contextual factors which are considered to drive human rights impacts and affect the enjoyment of human rights by rightsholders. The root cause analysis is important for the development of appropriate actions to mitigate or remedy impacts, as well as to prevent further impacts.

This analysis demonstrated that each human rights impact is frequently driven by multiple root causes, and these root causes often contribute to multiple impacts. Where there are multiple root causes driving these impacts, this may also compound or exacerbate specific impacts.

The root causes are categorised under three main categories: (e.*g. commercial sectoral and business drivers, legal and institutional framework and other contextual social drivers).*

Commercial, sectoral and business drivers

Root cause	Description
Low coffee prices	Although coffee prices have risen in Peru in the last couple of years, the long-term trend is one of low prices – often below the costs of production - that make it difficult for farmers to earn a sufficient income to support themselves and their families. Low prices have a knock-on effect on conditions on farms, constraining farmers' ability to pay a decent wage to hired labour for example, and to invest in health and safety measures. This trend also threatens the long-term viability of the supply chain, as farmers move away from coffee towards more profitable crops (including coca).
Lack of institutionalisation	Most production is done by smallholders and most producers are 'unassociated' – that is they do not belong to a cooperative or association.[1] There is reportedly very limited cooperation between exporters and producers in areas such as technical assistance, strategy, or financing. The lack of institutionalisation and integration undermines sector development and competitiveness and contributes to low productivity and poor sustainability practices (through lack of technical and management expertise, for example) and high production costs (through lack of coordination and cooperation), which in turn contribute to low earnings for producers.

[1] N.B. this refers to conditions in the sector in general, not in Morrisons' supply chain specifically – the certification requirement for BREW means that all producers belong to a cooperative or association.

Root cause	Description
Unaffordability of pesticides and fertilisers	Most coffee production in Peru is organic by default, due to the prohibitive cost of chemical pesticides, herbicides and fertilisers. However, the unaffordability of these items is a challenge for producers - who cite pests and diseases as key issues – contributing to the low productivity of Peruvian coffee farmers relative to many other production contexts, and low farmer earnings.
Informal production context and seasonality	High levels of informality in the rural labour market mean hired workers are unlikely to be registered, with elevated risk of non-compliance with labour laws (especially those related to hours and OHS). Uneven demands for labour throughout the year also contribute to employment that is inherently precarious in nature – particularly for migrant workers.

Legal and institutional framework

Root cause	Description
Weak regulation and lack of enforcement	Weak regulation and lack of enforcement of the legislation that does exist contribute to the risk of adverse impact in relation to the enjoyment of numerous rights in the coffee supply chain – including working conditions (such as long hours) child labour, gender-based violence and harassment and occupational health and safety. The government's response to land invasions is reportedly inadequate. Restrictive union laws (e.g. a high threshold for number of workers needed to form enterprise-level unions (20) and inadequate enforcement of basic protections of the right to freedom of association contribute to weak unionisation nationwide, and in agriculture specifically.

Other contextual social drivers

Root cause	Description
Climate change	Climate change is an increasing issue, making production cycles more unpredictable. Heavy rains for example may affect both the crop, and the ability to process coffee post-harvest, as this process relies on laying coffee cherries out in the sun to dry. Climate change is also a driver of pests and diseases.

Root cause	Description
Societal gender norms	Traditional gender norms mean women's role in coffee production is generally a supportive one, and they do not fully participate in the economic benefits. Such norms may also drive discrimination in pay and hiring, and gender-based violence and harassment.
Remoteness and poor infrastructure	Most coffee communities are in remote areas with poor infrastructure, including telecommunications, transport and schools and childcare facilities. This affects farmers' ability to access information related to coffee prices, for example, increases production costs (due to difficulty / slowness of transporting both inputs and outputs) and raises the risk of child labour occurring. Remoteness also makes enforcement of labour laws, through workplace inspections for example, more challenging.

6.2 Attribution of impacts to Morrisons

The UN Guiding Principles outline three ways that a human rights impact can be attributed to a company:

- Causation
- Contribution
- Linkage

Understanding a company's relationship to impacts is important for determining its leverage, or the capability of a company to influence conditions, positively or negatively, in the supply chain. This understanding helps prioritise the impacts to be addressed and helps identify the most effective actions that can mitigate impacts or prevent potential impacts on rightsholders in the shortest timeframe. Nevertheless, it is important to highlight that a relationship to an impact through causation, contribution or linkage are not pre-requisites for action by companies, which should consider ways in which they can address all impacts or potential impacts identified.

In order to develop and prioritise recommended actions for Morrisons, Ergon undertook an internal analysis to identify the nature of Morrisons' relationship – through prices paid, supplier selection and requirements and other sourcing and purchasing decisions - to each of salient impacts identified in this HRIA (e.g. causation, contribution, linkage). This process was central to the development of the subsequent recommendations.

As an end buyer with no direct contractual or investment relationships to the lower tiers of the supply chain (i.e. production and processing activities in Peru), Morrisons' activities alone are not sufficient to *cause* an impact to occur. Its connections to impacts are therefore through *contribution* or *linkage* – as set out in the table below.

Contributions can be positive as well as negative, and in many cases Morrisons is contributing positively to an extent through their requirement for all coffee to be purchased as Rainforest Alliance certified, which has the potential to mitigate negative impacts.

Crop development, farm maintenance and processing

Rights issue	Attribution	Description
Child labour	Linkage	Child labour occurs largely as the result of inadequate childcare, school and transport provision by the state, coupled with the remoteness of coffee growing communities, and farmers’ desire to educate their children in coffee production – factors which can result in children assisting on farms. Whether or not it occurs is unlikely to be significantly affected by Morrisons’ policies and standards, and although certified farmers emphasised that cooperatives prohibit child labour and undertake awareness-raising activities, certification alone is unlikely to be a sufficient mitigation factor in this context.
Right to an adequate standard of living	Contribution	As the end buyer, Morrisons contributes to prices paid to producers through the prices it negotiates with its suppliers. While RA-certified producers belonging to cooperatives supplying Morrisons suggested that coffee was profitable and that cooperative membership enabled them to secure higher prices for their coffee than ‘unassociated’ farmers, this should be contextualised with wider reports of coffee prices failing to meet costs of production, and the (likely temporary) spike in prices at the time the research was conducted.
Rights of indigenous peoples	Linkage	Encroachment onto Indigenous land and deforestation occurs in relation to smallholder coffee production. It cannot be concluded that this activity is made more or less likely by action (or lack of action) on the part of Morrisons and therefore the attribution is one of linkage rather than contribution.

Harvest

Rights issue	Attribution	Description
Working conditions	Contribution	Prices paid by Morrisons are passed down the supply chain and can impact on the ability of other supply chain actors, such as producers, to ensure adequate working conditions on farms – this includes workers’ wages and working hours (long working hours may be incentivised by piece rates, even more so when prices are low).

Rights issue	Attribution	Description
Occupational health and safety	Contribution	Prices paid by Morrisons are passed down the supply chain and can impact on the ability of other supply chain actors, such as producers, to ensure adequate OHS measures are in place. While certification was observed to have a positive effect on OHS to some extent, it cannot be seen as sufficient mitigation in itself.
Child labour	Linkage	Child labour occurs largely as the result of inadequate childcare, school and transport provision by the state, coupled with the remoteness of coffee growing communities – factors which can result in children assisting with harvesting and other activities. Whether or not it occurs is unlikely to be significantly affected by Morrisons' policies and standards, and although certified farmers emphasised that cooperatives prohibit child labour and undertake awareness-raising activities, certification alone is unlikely to be a sufficient mitigation factor in this context.
Gender-based violence and harassment	Linkage	This impact is driven by societal gender norms, and while mitigating steps can be taken by producers and cooperatives, it is hard to conclude that purchasing and procurement decisions taken by Morrisons would alone be enough to have a material effect - i.e. that Morrisons is contributing to the impact. However, because the impact could be perpetrated by a supply chain actor, such as a producer, to whom Morrisons is directly linked by its business relationships, the attribution is one of linkage.

Rights issue	Attribution	Description
Freedom of association	Linkage	Morrisons has limited scope to mitigate against anti-union discrimination on the part of specific employers at the bottom of its supply chain through decisions taken at sourcing / purchasing level but the possibility of this impact occurring at the hands of a supply chain actor to which Morrisons is directly linked through its business relationships means that Morrisons is linked to the potential impact.

Rights issue	Attribution	Description
Right to an effective remedy	Contribution	Morrisons could work with suppliers to ensure adequate grievance mechanisms are in place for all workers in the supply chain. A lack of mechanisms for farm workers observed at cooperatives visited indicates that reliance on certification alone to ensure mechanisms are in place is insufficient.

Based on the findings of this impact assessment, recommended mitigation actions were developed by Ergon in relation to the BREW supply chain from both Peru and Brazil. As they correspond to both HRIAs, the recommendations have been published in a separate document.

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