



# **“GHOST FARMS AND COFFEE LAUNDERING”:**

**how labor violations enter Starbucks’  
and Nestlé’s Chinese coffee supply chain**



# Executive Summary

This report details labor conditions on coffee farms in Yunnan Province based on three undercover field investigations, which found substantial abuses in Starbucks' and Nestlé's supply chains, especially affecting Indigenous communities. These abuses violated the terms of both companies' certification schemes, namely C.A.F.E. Practices that is run by Conservation International for Starbucks, and 4C which Nestlé uses.

The southwest region of Yunnan produces 98% of China's coffee and drives the booming industry, which reached a market value of [approximately \\$38.5 billion USD](#). Major chains like Starbucks and Nestlé are rapidly expanding to meet fast-growing Chinese demand, with Starbucks' China locations poised to outnumber U.S. locations soon. Growth in Chinese coffee consumption and production necessitates an intensified scrutiny on labor practices, as ever more local and global buyers seek beans from Yunnan's farms.

In 2024, China Labor Watch (CLW) conducted three undercover investigations on Yunnan farms supplying coffee to Starbucks and Nestlé. The first investigation took place during peak harvest season, from January to February 2024; the second

occurred from February to March; and the third was conducted during the off-peak season, between July and August 2024. In total, CLW interviewed 66 individuals, including coffee farmers, family members, as well as teachers from schools attended by children of coffee-farming families, to better understand child labor issues.

Our investigation revealed two institutional issues in Yunnan's Pu'er City coffee industry that created an informal, precarious labor environment:

1. **Informal employment relationships and piece-rate pay system incentivise labor rights violations.**

All farmers interviewed in Yunnan were informal workers paid at a piece-rate (e.g., per kilo of coffee cherry picked), without signing a labor contract. As the coffee harvest season only spans three months, farmers are incentivized to work illegal hours and seek familial assistance – sometimes meaning informal child labor – to maximize their earnings. Meanwhile, the lack of labor relationships between farmworkers and their employers render them legally unprotected.



2. **A lack of direct contractual relationships between coffee firms, certified estates, and smallholder farms.** More broadly, buyers such as Starbucks and Nestlé source roasted beans from large, certified estates which, in turn, follow production and labor standards. Meanwhile, small – oftentimes family-owned – farms supplying these estates have no direct business connections with the buyers. This, in practice, makes small farms exempt from production standards set by buyers. Transnational brands purchase coffee beans from certified farms who are sourcing from small, unregulated, “ghost farms”, allowing coffee produced under poor, unethical conditions to be “laundered” into the global market under the guise of ethically sourced branding.

These structural issues enabled routinized and systematized patterns of labor violations to occur despite Starbucks’ and Nestlé’s declared standards. The following labor violations were documented by CLW on Starbucks C.A.F.E. certified and Nestlé 4C certified estates, as well as uncertified smallholder farms hidden in these brands’ supply chains:

1. **Child Labor** (SR-HP4 and Criterion 2.1.3): Instances of child labor were observed on farms linked to Nestlé and Starbucks. Children help with tasks like picking coffee, especially during school breaks, despite

exposure to agrochemicals in unsafe living conditions. Children working with exposure to agrochemicals may be considered by the ILO to be in “hazardous child labor.”

2. **Low Wages** (SR-HP1 and Criterion 2.1.10, 2.1.11, 2.1.12): Coffee pickers are paid based on weight, earning RMB 80-200/day (USD \$11.25 - \$28.12 per day), barely meeting minimum wage. Excessive hours inflate earnings, and some rely on family members, including minors, to help meet demands.
3. **Excessive Hours** (SR-HP3 and Criterion 2.1.13): Workers typically work 7 days a week during peak harvest, from sunrise to sunset, violating legal limits on working hours and overtime.
4. **No Paid Leave:** There is no compensation for statutory holidays, illness, or personal leave, forcing workers to choose between income or rest.
5. **Lack of Medical Insurance** (SR-WC3 and Criterion 2.2.4): Farmers have no employer-provided medical or health insurance, despite exposure to harsh conditions, agrochemicals, and occupational health risks.
6. **No Protective Gear** (SR-WC4 and Criterion 2.2.5): Workers are not provided with safety equipment, leading many to sacrifice safety for productivity, causing injuries like hand wounds and bug bites, and exposure to agrochemicals.

In the final section, we provide recommendations for both Starbucks and Nestlé, referencing their respective ethical standards - C.A.F.E. standards (Starbucks) and the 4C's (Nestlé). In addition to this, China Labor Watch strongly urges both Nestlé and Starbucks to review their alleged ethical codes, introduce direct contracts with *all* workers in their respective supply chains, and abolish the piece-rate purchasing

system. These measures are specifically aimed at ensuring adequate protections for small-farm owners and hired pickers, as they lack direct contractual relationships with major coffee firms. We call on Nestlé and Starbucks to address these underlying systemic issues to ensure that all workers contributing to their coffee production are treated fairly, with dignity and respect.

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# History & Background

## Made in China: Coffee Farms in Pu'er City, Yunnan, China

Yunnan province is the most ethnically diverse province in China, and one of the poorest. With a population of 47 million, it is home to 25 ethnic minorities and Indigenous peoples such as the Wa, Hani, Lisu and Lahu peoples.<sup>1</sup> The mountainous region where the majority of domestic coffee growing occurs - Yunnan's Pu'er and Xishuangbanna prefecture - are some of the most under-developed areas in China.<sup>2</sup> Up until 2019, Yunnan had the country's largest remaining impoverished population, despite heavy-handed anti-poverty measures from the government.

Companies like Starbucks and Nestlé, as well as the tens of thousands of farmers who harvest beans for these companies, have rapidly transformed agricultural production and rural life in Yunnan since the 1990s. From 2006 to 2016, coffee production in China has dramatically climbed from 30th highest global contributor to the 13th<sup>3</sup> - a large

feat considering Chinese production of coffee is largely unknown outside the country as it is overwhelmingly destined for domestic consumption. As such, coffee production has drastically transformed the relationship between labor, land, and capital in China.<sup>4</sup>

Today, there are around 200,000 coffee growing households in Yunnan - most of which concentrate in Pu'er.<sup>5</sup> With domestic Chinese coffee consumption growing at 30% annually, the number of coffee-growing households in Pu'er is projected to rise sharply, especially as China consolidates its position in the export market.<sup>6</sup> Yunnan's rapid coffee expansion, driven by ambitious growth targets, raises concerns about labor sustainability. While ethical sourcing initiatives like Nestlé's 4C certification and Starbucks' C.A.F.E. standards aim to promote sustainability and protect farmer welfare, farm workers remain vulnerable to exploitation in Pu'er's coffee industry.





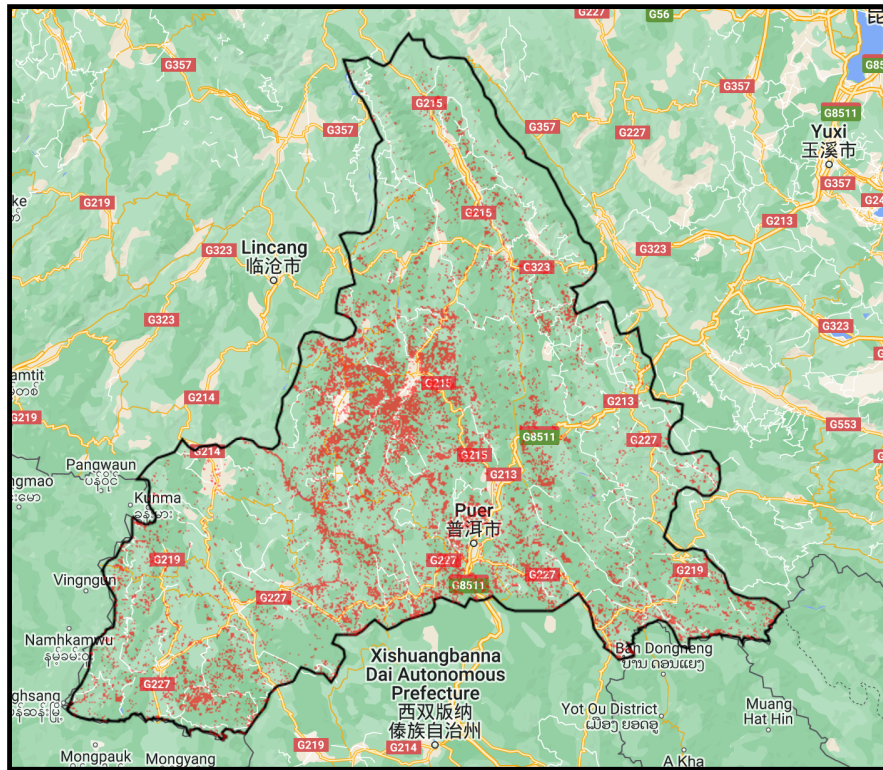
An elevated highway weaving through the mountainous, agricultural region of Pu'er, Yunnan

## **A History of Starbucks and Nestlé Businesses in Yunnan, and Their Certifications**

In the 1980s, Nestlé was the first international coffee company to tap into socialist China's newly opened market economy. Through a joint project with the United Nations Development Program (UNDP), Nestlé introduced coffee to a region with no prior economic or social ties to the crop. Recognizing the region's geological and population potentials, Nestlé established agricultural support in Yunnan in 1997, providing technical training to over 16,000 farmers.<sup>7</sup> The company also established experimental farms and stationed agronomists in Yunnan's Pu'er area, to further offer technical support to local farmers.<sup>8</sup> This strategic investment not only rooted coffee as a viable cash crop but also cemented Nestlé's role as the region's largest single buyer, attracting

further foreign investment and shaping the future of China's coffee industry.

Increasing production necessitated production standards. In 2011, Nestlé launched its Nescafe Plan in Yunnan to optimize its coffee supply chain through a partnership with the 4C (Common Code for the Coffee Community) association. The 4C Code is divided into three broad "dimensions": economic, social and environmental, with its certification process involving randomly reviewing farms within larger units, with failure by one farm resulting in the entire unit losing certification. While 4C does not exclusively cater to Nestlé, informants have revealed that roughly 83% of all 4C certified coffee is Nestlé's.



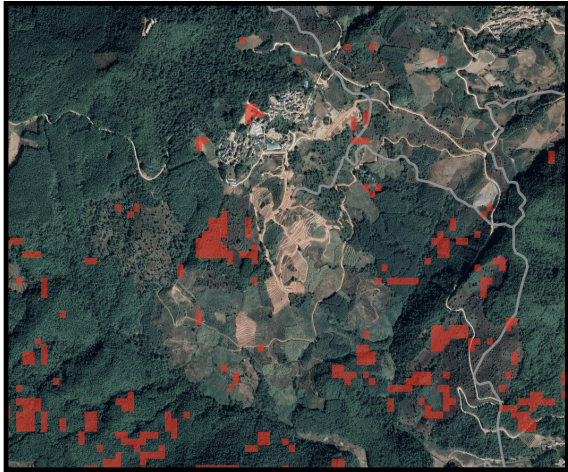
This map visualizes UMD forest loss alerts (2001-2023) in Pu'er, shown as red pixelation. Black dots represent the locations of farms visited by CLW. (Source: Jackson Harris, Coffee Watch, November

Unlike Nestlé, Starbucks only entered the Chinese coffee production scene later, with the Yunnan local government's support and after its retail successes in China in 2010. This time also marked an influx of international capital to Yunnan's coffee production in the recent decades - a momentum which prompted the Yunnan government's 2010 plan to expand coffee plantations to 1 million mu (around 164737 acres) by 2020 - being prematurely met in 2013. Yunnan now boasts around 120,000 hectares of coffee. Institutional support for coffee-

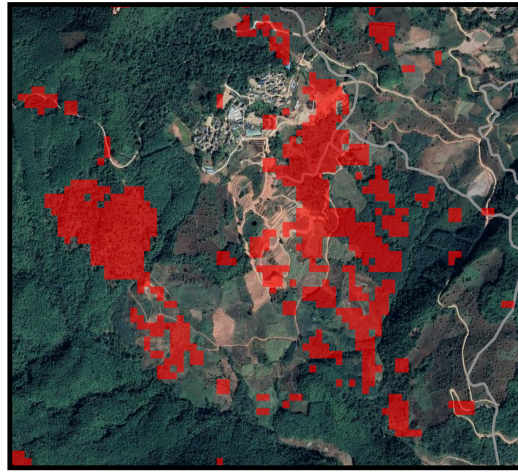
growing in the region is heavily propped up through agreements between the state and selected firms such as Nestlé and Starbucks.<sup>2</sup> Today, Nestlé dominates China's instant and ready-to-drink coffee markets, holding 70% of both sectors.<sup>10</sup> Meanwhile, Starbucks has continued its rapid expansion, opening its 6,000th store in China in 2022, with plans for 9,000 by 2025.<sup>11</sup> In September 2023, Starbucks invested US\$200 million in a new production and distribution center in China—their largest investment outside the U.S.<sup>12</sup>

## Tian Yu Coffee Farm, a C.A.F.E.-certified Starbucks supplier visited by CLW

2001 - 2010 (Before Starbucks entered Yunnan)



2010 - 2023 (After Starbucks entered Yunnan)



*(Source: Jackson Harris, Coffee Watch, November 2024)*

With the rapid expansion of international conglomerates in Pu'er City, concerns about deforestation for coffee cultivation in China are becoming increasingly urgent. The map on the left shows 11.8 hectares of deforestation at Tian Yu Coffee Farm, a C.A.F.E. Practices certified Starbucks supplier, from 2001 to 2010. In contrast, the map on the right depicts 32.7 hectares of deforestation at the same farm from 2010 to 2023, coinciding with Starbucks' entry into Yunnan in 2010. Via C.A.F.E. Practices and the NGO 'Conservation International' that runs it, Starbucks claims it has maintained a strict no-deforestation policy in its coffee supply chains since 2004. Ethical sourcing is supposedly Starbucks' badge of honor, and was integrated in the firm's lexicon in 2004, years before Nestlé unveiled its Nescafe Plan.

Starbucks claims to source 99% of its coffee from farms that have passed the C.A.F.E. certification. C.A.F.E. Practices are a set of allegedly ethical sourcing standards developed for Starbucks by US-based Conservation International, one of the largest environmental organizations in America. No coffee company other than Starbucks uses C.A.F.E. Practices. Similar to 4C, C.A.F.E. Practices is split into three broad categories of "Economic Accountability", "Social Responsibility" and "Environmental Leadership - Coffee Growing". Once a farm is C.A.F.E. certified, it allegedly means that it has been verified to protect the well-being of coffee farmers, their families, and their communities, while promoting sustainable, transparent, and profitable coffee growing practices.<sup>13</sup>





From left to right: Starbucks C.A.F.E. Practices Certified Estate signage, Rainforest Alliance Certification signage and a sign depicting Nestlé's Agroforestry Project in Pu'er –each photographed

## Context on the Farming System and Types of Farmers

In the mountainous and ethnically diverse region of Yunnan, coffee farms are generally divided into two categories: large certified farms, and small uncertified farms.

Companies such as Nestlé and Starbucks serve as buyers for the final product – the roasted coffee beans. Large, certified farms have direct business relationships with buyers such as Nestlé and Starbucks, and typically own processing facilities to hull coffee cherries (in other words, removing the parchment shells, to deliver green coffee beans) and even facilities to roast green coffee beans. Small farms are often uncertified, and because of their lack of processing facilities, usually rely on larger farms to purchase their harvested coffee cherries. Small farms are the ones that become 'ghost farms', whose coffee is 'laundered' into larger certified farms and then purchased by companies such as Nestlé and Starbucks.

The farm-to-buyer chain involves multiple parties. Below is a glossary of different players in the coffee production process:

### 1. Farmers

In China, land use is a complex topic. Citizens with a rural hukou<sup>14</sup> (or household registration) are granted – oftentimes by the local government – the usage right to a plot of land. Although rural residents cannot freely sell or use their land as collateral for loans, they can otherwise use the land as their own. Small coffee farms are often created and operated by farmers who use their own land to grow and sell the cash crop for a profit.

In some cases, after local governments had allocated arable land to residents, certain areas—often mountainous or otherwise arable—remain unused and retain their status as state property. Large coffee farms may rent these unused



farmers to create extensive plantations where coffee is systematically grown, harvested, and produced. Larger "farmers" typically manage hundreds of acres of land and hire workers to carry out all farm labor. Their primary responsibilities include overseeing farm operations, hiring workers, implementing infrastructural improvements required to maintain certification (Starbucks' C.A.F.E. Practices or Nestlé's 4C), developing and cultivating new coffee varieties, maintaining essential networks within the coffee industry, and creating a "friendly" and "ethical" image for media, public, or business inquiries.

## 2. Hired Farmworkers

Hired farmworkers are employed by land contract holders for regular land maintenance, such as weeding and

fertilizing, and are also hired seasonally for coffee harvesting. During peak harvest period (December to February), they engage in physically demanding tasks such as picking coffee cherries. This labor is highly seasonal, with most income concentrated during the harvest period. As a result, hired pickers face an unstable job market, forced to rely on inconsistent temporary work throughout the year without any social security or support programs from major coffee companies.

On smaller farms, land maintenance is performed in whole or in part by the farm owners themselves, and their families. In these cases, additional temporary laborers are only hired on a daily basis when necessary, for tasks such as weeding or fertilizing.



*Hired farm workers at C.A.F.E. certified farms*

These hired workers are the most affected by a precarious piece rate pay system, with low unit prices compelling them to work long hours to increase their earnings. They frequently lack protective gear or equipment, exposing them to occupational hazards without safeguards. Furthermore, they do not receive labor contracts or health insurance, leaving them vulnerable to job insecurity and health risks.

### 3. Workshop/Factory Workers

Workshop employees are responsible for the initial processing of coffee cherries into green beans at a processing facility. They typically work at a piece-rate in small factories or workshops in or near large coffee farms, and are heavily impacted by extended working hours during the peak season. Similar to farmworkers, major labor rights concern for these workers is the lack of health protections, particularly when handling machinery or hazardous materials. As most of these positions are seasonal, processing workers face precarious employment conditions, often without formal contracts or benefits.

### 4. Loading and Unloading Workers

Before coffee beans are sent to Starbucks or Nestlé's collection centers in Pu'er (which are located side by side), they undergo sampling tests. If the beans fail to meet quality standards, they must be re-sorted and re-graded at nearby factories. Loading and unloading workers are responsible for loading large



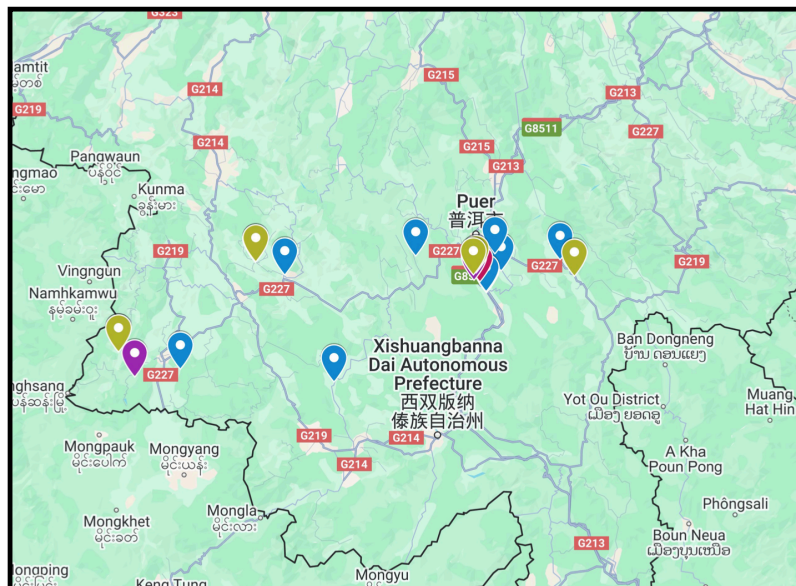
Workshop Facility in Pu'er

quantities of beans onto trucks, a task that is paid by weight. This pay structure directly ties their income to the volume of beans handled, making the work physically intensive but poorly compensated. Like other labor categories, they endure long hours during peak seasons, with no direct contracts, leaving them vulnerable to labor disputes and workplace injuries without medical assistance or recourse.

All these categories of workers work in an unstable, underpaid, and unsafe environment without formal ties with their employers that grant them social protection and bargaining power that might be otherwise available.

Below is a summary of findings from CLW's on-the-ground investigations.

# Findings



A map containing the pins of the farms visited by CLW from Jan 2024 - August 2024

In 2024, China Labor Watch went undercover twice to understand the day-to-day reality of Nestlé and Starbucks farmers in 4C and C.A.F.E. certified farms in Yunnan. The first and second undercover investigations during peak-harvest for the coffee season (January-March) aimed to observe the coffee bean cultivation process, and assess if the high standards that Nestlé and Starbucks has set for itself have been met. The third undercover investigation conducted during off-peak season (July-August) aimed to assess and confirm the previous findings, as well as implement research on how farmers financially sustain themselves throughout the year and the broader socio-economic issues in the

region inter-connected with the coffee industry.

All farmers interviewed were compensated for daily coffee harvests through a piece-rate purchasing fee for each kilogram of coffee bean sold. While a highly-skilled picker in peak physical condition would be able to sell up to 200 kilograms a day, most workers sell around 80-100 kilograms a day. The price of the coffee beans can fluctuate depending on demand and supply, as well as climatic conditions - both beyond the control of individual pickers. Without a standardized pay system or social security, they have no choice but to endure the financial instability of market fluctuations.

# Labor Rights Violations

## 1. Child labor and working minors

Of the select farms we visited, 2 instances of child labor were observed, with one associated with Nestlé, and the other linked to Starbucks. One of the children was picking coffee cherries at a C.A.F.E. certified farm though it is not confirmed whether they were working under a hired workers' contract. The second child was observed performing workshop labor, sorting defective beans, which were to be sold to Nestlé.

While the issue does not seem pervasive based on our site visits, the farmers we interviewed have casually mentioned that young family members do help out especially during the summer break. During this period, children typically help with tasks like picking and sorting coffee cherries, and arduous work, such as carrying heavy loads, is less common. However, since many of their parents' jobs involve handling agrochemicals, and their homes are small, makeshift shelters near the farms, children are often exposed to these chemicals. The lack of separation between living and working spaces makes it difficult to keep hazardous materials away from children and to ensure safe storage or disposal of hazardous agrochemicals.

Overall, locals were sensitive towards questions regarding child labor, and were reticent if asked more about it. According to interviews with local teachers, the dropout rate for children over 12 is high, as many are required to travel far to attend middle school in town. Those who do not attend school are more likely to join their families in farm labor, often caring for younger siblings or helping elderly family members.

Under China's Labor Laws, children under the age of 16 cannot be legally employed. Exceptions to this are only made for children pursuing artistic or athletic work.<sup>15</sup> By allowing children under the age of 16 to work, Nestlé and Starbucks are violating Article 61 of the Law on the Protection of Minors as well as Article 13 of the Provisions on the Prohibition of the Use of Child Labor. Moreover, by allowing children under the age of 16 to work, Nestlé and Starbucks appear to be violating their own certifications' codes of conduct, and ILO Conventions on child labor. The poverty of coffee farmers and farmworkers in Nestlé and Starbucks' supply chains makes child labor more likely.





Entrance of a coffee processing workshop in a coffee-growing village in the mountainous region of Pu'er. The girl pictured on the far left is 15 years old and is sorting defective beans during the off-season. These beans were later sold to Nestlé.

## 2. Low wages

Hired workers are compensated on a piece-rate system, earning around 1 RMB per kilogram (USD \$0.14), with daily averages ranging from 80 - 200 kilograms, or 80 - 200 RMB per day (USD \$11.25 - \$28.12 per day). The wide range of coffee cherries harvested daily is indicative of the varied demographics on the plantations, with many being elderly and others having informal "family work" assisting their harvest. With a median daily harvest of 100 kilograms, this would translate to a monthly income of RMB 3000 (USD \$421.77), if they worked 7 days a week. This laborious 7-day work week schedule is often endured for three

consecutive months, through the entire harvest season.

The Global Living Wage Coalition does not study Yunnan but estimates that a living wage in 2023 in Shenzhen region would be RMB 3,719 per month (USD \$519)<sup>16</sup> and RMB 3,166 per month (USD \$436) in Chengdu.<sup>17</sup> Based on this and other research,<sup>18</sup> CLW believes it is likely that coffee workers are below a living wage, unless they work sunrise to sunset, seven days a week, for the entire 3 months of the harvest season, including with family help (and child labor).



Left: A hired farmer's picking route lined with bags of picked coffee cherries, Right: Sacks full of coffee cherries picked by farmers

As the monthly minimum wage in Southern Yunnan is 1,690 RMB (USD \$233.33), by comparison, coffee pickers on average make minimum wage or slightly higher depending on their daily harvest.<sup>19</sup> **However, the monthly income of hired coffee pickers is inflated by the excessive hours worked**, and it is unclear if their income would even meet the minimum wage if they worked hours that are stipulated by local laws. A coffee farmer we spoke to shared that the cost of one cup of Starbucks coffee was equivalent to their wages for harvesting six or seven kilograms of coffee beans - her story is detailed below.

### 3. Excessive working hours with no rest days

At farms where cherries were sourced to both Starbucks and Nestlé, a culture of working seven days a week, from sunrise to sunset, was the norm amongst the hired pickers interviewed. As hired

workers are paid by the weight of their harvest and are limited to peak-harvest months, there is a pressured incentive to maximize their yield, to maximize their seasonal income.

This is a violation of Article 36 and 41 of China's labor laws,<sup>20</sup> which states that laborers, "Shall work for no more than eight hours a day and no more than 44 hours a week on the average," and that any overtime work should not exceed 36 hours a month.

In political and social terms, these hired worker coffee farmers have the least bargaining power. As there is no contract between the "employer" and the "employee" to state the terms of employment and working hours, such farmers are most susceptible to labor relations that exploit this dependence.

### **Mrs. Liu's story**

Under the scorching sun, Mrs. Liu is decked out in long clothes, long trousers, thick gloves and a big hat. She is wrapped in her clothes and walks through the steep coffee forest with a large bamboo basket slung across her body. This is her family's coffee plantation.

12 acres of land may not be much for a farm. But due to her husband's poor health and because her children are busy and unable to help, Mrs. Liu is the busiest during the coffee picking months. After feeding the pigs and chickens every day, she rides a motorcycle to the family's coffee farm on the mountain to pick fresh cherries from sunrise to sunset, and then sells the fresh coffee beans picked that day.

The market is good this year, and the purchase price is 4.2-4.5 yuan/kg (USD ~60 cents/kg). One person cannot pick all the coffee beans spread across the 12 acres of land, so she must ask for help. Mrs. Liu will pay the bean picker 1.2 yuan/kg (USD 20 cents/kg) for their labor.

Her 12-year-old grandson also helps to pick beans during the holiday period, and he gets all the money from the harvest. During one winter vacation, her 12-year-old grandson harvested more than 500 kilograms and earned more than 2,000 yuan (USD \$276).

Mrs. Liu said that Starbucks donated money to build houses and roads in their village to develop tourism. The houses built were for tourists to live in and had nothing to do with them. People from Starbucks have previously visited their coffee plantations, and drones are dispatched to spray chemicals on the coffee trees in their village every year.

Mrs. Liu said that the coffee beans are sold to Starbucks. Her family does not keep any coffee for themselves, and do not have the habit of drinking coffee. Her daughter once took her to drink Starbucks coffee, but it was too expensive and tasted bad – one cup of coffee sold at Starbucks was enough to buy six or seven kilograms of coffee beans from the farmers.

#### 4. No leave entitlement

Similar to the above findings, hired farm workers that sourced to both Starbucks and Nestlé were not entitled to any wage compensation for statutory holidays, marriage, reproductive health reasons such as pregnancy, leave of absence, or hospitalization leave. If farmers “take time off”, i.e. do not show up for work, they will have no harvest for the day and will not be provided any compensation.

#### 5. Lack of medical and health insurance

Medical and health insurance is not provided to farmers we interviewed in Starbucks and Nestlé’s supply chains. However, some farmers who were interviewed purchased the New Rural Cooperative Medical Insurance, and paid the fee of 380 yuan per year (USD \$53) on their own. This medical insurance was introduced in China in 2003, and is a voluntary scheme designed for residents in rural areas.

#### **Mrs. Wang’s Worries**

Mrs. Wang picks coffee beans and sells them to Starbucks. She lives 2 kilometers (1.3 miles) away from her workplace, and is responsible for the coffee picking work in the farm.

The day we met, her son was accompanying her to pick coffee beans. Her son is still in school, but said that his mother was working too hard so he came to help under the guise of an “internship”. They are paid 2 yuan/kg (USD 0.28 cents/kg) for their harvests, and there are no benefits such as medical care and work-related injury insurance. They bring lunch from home.

Her son feels confused about his future. Graduation is looming, and he is unwilling to return to farming. He laments that he is thin and cannot carry a 40 kilogram bag of coffee beans. Mrs. Wang is often the one to carry the bags of picked coffee beans from the coffee plantation.

Regarding the current situation, Mrs. Wang feels she is both helpless and lucky: “helpless” because she has had a hard life, but “lucky” because despite harsh labor, she is paid a little more than the other pickers. Regarding the future, Mrs. Wang only hopes that her son can find a good job, and her years of hard work will be worth it.



Farmers often toil in the heat and rugged terrain, picking and sorting coffee beans with recurrent exposure to agrochemicals. The lack of medical and health insurance for any farmer places them in a vulnerable position should any serious health risks develop. This also extends to the children who accompany their parents for land maintenance tasks, who are also not covered by familial health insurance.

In addition to the health risks from agrochemical exposure, many workers suffer from chronic occupational conditions such as herniated discs, arthritis, and rheumatism, all stemming from the physically demanding nature of their work.

## 6. No contracts

The absence of a formal employment contract between hired farmworkers and both Starbucks and Nestlé requires explanation here. What this means is that farmworkers have no bargaining or negotiating agreement – no platform to discuss terms of employment, working conditions, labor protection, or wages. Farmers provide labor in exchange for capital and are left to mediate issues on their own if any were to arise. In addition to lacking institutional protections, this also makes labor abuses more difficult to trace, address, and rectify—allowing corporate actors to evade accountability. The relationship is transient, making

farmers vulnerable to any risk and shocks or unfavorable terms of trade they may endure within the open market.

### Bumps and Bruises

The majority of workers at a Starbucks coffee bean peeling, washing, and drying facility live in nearby villages. They work at the facility for more than three months every year, more than ten hours a day, and earn a little bit over 100 RMB (USD \$13.81) a day. There is no so-called overtime pay and no labor contract. As the facility is built against a mountain, the coffee bean processing factory has a cramped site with steep slopes and many stairs.

## 7. No provision of protective gear or equipment

On both Starbucks' C.A.F.E. certified farms and Nestlé's 4C farms, hired workers are neither provided equipment nor protective gear, and bear any costs associated with the procurement of such goods. Specifically, no farmers were seen wearing goggles or masks, and only some were observed using gloves, which were heavily worn. The costs associated with the purchase of such equipment are often prohibitively high, and farmers are thus heavily dependent on their ability to carry out manual labor, within the scope of any gear or equipment they are able

to afford. Some farmers reported avoiding gloves altogether, as they believe gloves slow down their picking speed. Under the piece-rate pay system, speed directly impacts daily wages, leading workers to sacrifice safety for productivity. Consequently, nearly all observed coffee pickers had severe hand injuries, such as cracked skin and wounds

caused by manual labor. Two broad patterns emerged: some farmers used damaged equipment to avoid spending their wages on replacements, while others abandoned protective gear altogether, prioritizing higher productivity and wages over their own safety.

### **Of bugs and beans**

In a C.A.F.E. certified farm, we spoke to female workers who are responsible for picking coffee beans. They are around 60 years old, and are all residents of nearby villages and towns. Some of them live close to home, while those from further away live in simple dormitories in the coffee peeling factory area. They have to take care of their own meals and take food to the coffee plantations on the mountains for lunch. The picking fee is 1.1 RMB (\$0.15 USD)/kg, and there is no other remuneration.

Walking through the coffee plantations every day, their shoes and clothes wear out easily, especially gloves. Sometimes gloves are worn out in a day.

Hats and masks are also crucial, but most pickers do not wear masks.

Dry weather during the picking season causes dust and fragments from the coffee trees to fly, seriously affecting their health. There are also a lot of insects on the coffee trees, especially when it is cooler in the morning. It is common to be bitten by insects. The bites of some will be very itchy, swollen for several days, and abscesses will develop. But pickers are used to it. If they really can't stand it, they buy some ointment and rub it on. After picking coffee beans, they go to pick tea. This is repeated every year in the coffee and tea picking season.



Damaged gloves belonging to hired farm pickers

### **Scratches**

Mr. Zhang has been planting coffee beans for Starbucks for over 10 years.

In the first few years when the saplings did not grow coffee beans, Starbucks gave Mr. Zhang 50 RMB/per acre (USD \$7/acre) as a planting management fee. Mr. Zhang said that once the beans grow, there is no subsidy or fee provided. Nowadays, Mr. Zhang sells his beans at a price of 6 RMB/kg after picking them (USD \$0.83). The type of coffee beans that he grows have a high yield per acre. Mr. Zhang climbs up and down the steep hillside wearing flip-flops instead of closed shoes or protective boots, and

## Social Impacts of the Coffee Industry

In addition to documenting labor rights violations, CLW investigations revealed that the socio-economic conditions of the coffee agricultural industry perpetuate broader human rights problems. This subsection highlights three interrelated problems that contribute to the ongoing cycle of discrimination and neglect: (1) the lack of protection for Indigenous peoples, (2) gender discrimination, and (3) environmental problems. These issues are not isolated; rather, they stem from a business-centered model that prioritizes profit over individual and community rights, and the planet. Major coffee companies such as Nestlé and Starbucks in Pu'er appear to be sustaining and reproducing existing social inequalities. By enforcing hyper-capitalist production practices, the coffee companies *and their certifications* undermine fundamental rights and well-being of Indigenous communities and the environment. Without a paradigm shift, these problems will continue to flourish. Urgent action is needed to address systemic injustices rooted in the industry.

### 1. Impact on Indigenous Communities

The investigation revealed that ethnic minorities, including the Wa, Hani, Lisu,

Lahu and others, face cultural and linguistic marginalization within the coffee industry. Many of these workers do not speak Mandarin, making communication with management difficult. This language barrier further isolates them and limits their ability to negotiate for better working conditions or assert their rights. Management, predominantly Han and Mandarin-speaking, often neglect to provide necessary training or information in minority languages, which exacerbates exploitation of these workers. The lack of inclusive communication practices makes it almost impossible for these communities to organize or improve their labor conditions, leaving them particularly vulnerable.

Below, a vignette of an Indigenous Wa woman outlines how the rapidly growing Han-dominated coffee industry in Yunnan has accelerated Indigenous cultural and linguistic erosion.

Nestlé and Starbucks and their certification schemes should take urgent action to combat and reverse discrimination against Indigenous people in their coffee supply chains.

## **The Rise of Coffee and Decline of Indigenous Culture**

Farmer Ning is a woman in her fifties who wears traditional Wa ethnic clothing every day, while her descendants dress in Han Chinese attire and speak Mandarin, China's official language. Though many workers at the local coffee factory are from ethnic minority groups, Mandarin is still the required language for communication, as the management speaks it. As a result, she explained, very few people born after the 1990s still speak their native minority languages.

Her family is prominent in the village, and her brother's descendants own a large coffee farm and company that regularly supplies beans to Starbucks and Nestlé. Due to her family's status, she had the opportunity to learn Mandarin when she was younger, which allows her to communicate with outsiders.

Her family's coffee estate hires local villagers to tend the land, and after the coffee is harvested, the beans are processed through her brother's company. However, not all minority farmers in the region enjoy such connections. During peak coffee seasons, if coffee from a particular area becomes highly sought after, predominantly Han processing factory representatives have been known to block the roads down the mountain to prevent smaller farmers, often from Indigenous communities, from selling their coffee to other buyers.

Because there are no direct contracts between large estates and small farmers, large plantations buy beans at lower prices from local farmers and then resell them for more to Nestlé or Starbucks. Her grandson, sitting nearby, is currently attending kindergarten, already immersed in a world where Mandarin has replaced their ancestral language.

## **2. Gender Discrimination**

Gender discrimination is widespread in coffee farming communities, particularly in land maintenance jobs, which are almost exclusively assigned to men or male-headed households. Single women are typically excluded from these

opportunities, while married women are only recognized as part of the labor force when working alongside their husbands. This reflects a broader pattern in which women's labor is viewed as supplementary to men's rather than as independent contributions.

An example observed during CLW's investigation involved an 800-acre estate

where the land was contracted to six families at a rate of 40 RMB (USD \$5.6) per acre per month. Eligibility to contract the land was determined by household status, and single women were not considered eligible. The families who secured these contracts lived on the land, making it easier for their children to also participate in the labor. Despite how many family members contributed to the work, the payment remained fixed at 40 RMB per acre per month. Families who were able to take on more work could contract additional land, allowing them to increase their income by managing more acreage.

Nestlé and Starbucks and their certification schemes should take urgent action to combat gender discrimination in their coffee supply chains and ensure equality and parity for women.

### **3. Challenges of Environmentally Sustainable Farming**

Our investigation found that environmentally sustainable farming practices were not effectively implemented due to a lack of long-term funding and support. Contract farmers expressed frustration, finding environmentally recommended methods labor-intensive and impractical without financial aid. Environmental agronomists typically

spend only a few days in the village, giving lectures at the office and staying in local hotels, rarely visiting farmers' fields. Instead, these outsiders focus on demonstration plots managed by large estate owners.

For example, agronomists suggest digging half-meter trenches next to coffee plants to reduce nitrogen loss and increase fertilizer efficiency by 35% to 45% per harvest. However, with over 10,000 plants to manage, the labor cost of this method far exceeds the 10% savings on fertilizer, leading farmers to opt for simply applying more fertilizer instead. Another example involves pest management, where agronomists recommend applying lime water to prevent insect eggs from spreading. However, due to time constraints and the method's unsuitability for large-scale production, farmers often skip the procedure and simply cut down infected trees to prevent the spread of pests.

For small farmers, these additional labor requirements are economically unfeasible and only add to the already heavy workload. Farmers *who lease land* at 40 RMB per acre per month (US \$5.52) need to manage about 30 acres (20,000 square meters) just to secure a monthly family income of 1,200 RMB (USD \$165.68). Digging trenches to reduce fertilizer use does not increase their income—it only adds to their labor. Similarly for farmers who lease, planting shade trees to prevent coffee rust and

improve soil retention requires more labor for planting and maintenance, with no guaranteed returns. For small-scale farmers struggling to meet basic needs, these long-term sustainability initiatives are unappealing without insurance or subsidies to support them.

Corporations like Nestlé promote sustainable agriculture through demonstration plots, but small-scale farmers often lack

the resources or motivation to adopt these practices.

While companies may highlight a few successful plots for media attention, most farmers see little practical benefit. Nestlé's Rainforest Alliance initiatives advocate sustainable farming, but these efforts largely remain theoretical. In reality, many farmers

continue using conventional methods, such as heavy fertilizer use, to boost short-term yields.

In steep, mountainous coffee fields where machinery cannot be used, farmers must carry tools in harsh conditions. Though reducing fertilizer use is encouraged for sustainability, fertilizer is cheap and reduces labor

needs. For farmers, increasing fertilizer use is often more practical and cost-effective than hiring additional labor for more sustainable practices, which would raise their costs and further reduce their already low incomes.

Nestlé and Starbucks and their certification schemes should immediately roll out programs to support farmers to implement



Rows of solar panels lining Pu'er City's mountains

scientifically sound agroforestry (also known as shade-grown coffee), agrochemical reduction, and other environmental efforts. It is particularly troubling that the environmental organization Conservation International is not enabling and ensuring ecologically sound practices in the coffee that it certifies for Starbucks.



## Broader Reform: Wage System and Direct Contracts

The labor violations observed in Yunnan, such as child labor and excessive working hours bred by coffee farms' inadequate piece-rate wage and contractual systems, all tell a story of transnational corporations' profit-driven business and supply chain practices that override human- and community-centered care.

Making practices on coffee farms sustainable would require a deep interrogation into the structures that repeatedly feed a work environment that incentivises labor violations, while brands such as Starbucks and Nestlé profit off of alleged ethical branding, despite issues such as child labor, excessive overtime, and low wages, hidden in plain sight. It also would take shifting the global profit-driven business model to a more

community-driven, sustainable mindset, particularly for certified coffee. We are still far from that goalpost.

In this section, we analyze the systemic issues associated with the piece-rate pay system and the absence of direct contracts between workers and coffee companies. We then explore the indirect human rights concerns ingrained in Yunnan's coffee industry, which relies heavily on marginalized and largely Indigenous rural communities, undocumented workers, the elderly, and individuals unable to seek urban employment. The economic and geographical restriction of these groups is taken advantage of - where they must endure the harsh and exploitative conditions imposed by the farms, as they have little to no viable alternatives.



## Wage System and Seasonal Work

Central to the instability of the wage system, is the highly seasonal nature of the coffee harvesting industry. With peak harvest periods only ranging from December to February, there is an immense pressure to ensure any income produced during this period is able to be stretched to sustain their livelihoods in the following months.

In the off-season hired workers usually take on routine land maintenance roles where typically one worker oversees a single acre. In exchange for maintaining the land through caretaking, weeding, fertilizing and so forth, the worker is compensated a meager 40 RMB (USD \$5.52) per acre per month. Alternatively, land maintenance duties are allocated per household, which usually consists of couples. They are often contracted up to 20-80 acres a year and live in makeshift homes near the fields they work on. This alone however, does not generate an adequate living income for them.

To supplement this, many hired workers turn to tea harvesting in the spring. The agricultural cycle of tea complements that of coffee, allowing farmers to alternate between coffee and tea production. Most coffee farmers in Pu'er also have tea fields and participate in tea growing, as well as other agricultural

activities, such as cultivating wood, figs, jackfruit, and ginger. Outside of farming, some workers are hired for local construction jobs, while others may open small stores.

Those who leave the village may seek temporary work in other provinces, though that labor is often insecure and lacks protection precisely because of its temporary nature. However, many hired workers are restricted to working in Pu'er in order to carry out their familial or domestic duties, such as caring for elderly family members and children. Thus, seeking higher paid employment in urban areas out of province, is not a viable economic option for many.

When asked about seasonal support from major companies like Nestlé or Starbucks, all interviewees indicated that no off-season employment programs or social security benefits are offered after the coffee harvest. Although both coffee companies provide crop varieties to help meet external production demands, this assistance appears to be the only financial support available, and it is limited in scope. As a result, the uncertainty of off-season earnings compels hired workers to maximize their income through a compensation system that is fundamentally flawed.

The piece-rate pay system is primarily designed to maximize Starbucks' and Nestlé's profit margins, and it is not designed to account for the fundamental human rights of workers, or their needs. Financial compensation based on harvest weight anonymizes workers. It actively denies the variance of gender, age, and physicality of the work; incentivizes child labor euphemized as "familial work", and knowingly perpetuates excessive, labor-

intensive work hours. This situation creates a cycle of insecurity, forcing workers to rely on inadequate pay structures that do not fairly reflect their labor or provide sufficient financial stability. **Genuinely addressing the host of labor violations on Pu'er farms, means abolishing the piece-rate system to ensure all workers are paid a decent and livable hourly wage.**



The home of a hired worker, situated next to the farm he tends during the off-season. He earns 40 RMB (less than 6 USD) per Chinese acre (666 square meters) per month for his labor

## Direct Worker Contracts and Protecting All Workers

A second structural issue that requires immediate reform, is the lack of direct contracts with hired pickers, workshop/factory workers, and loading workers. The current absence of contracts places farmers at an extremely disadvantaged position with zero bargaining powers and the inability to negotiate out of poor employment terms. Contract farming can take on many forms, and in the most basic form, it only necessitates an agreement between the hired worker and the coffee firm their harvest is distributed to. Research demonstrates advantages of contract farming in ensuring poverty alleviation. Without a fundamental legal document that is created with informed consent across both parties, workers have little to no authority to advocate for their basic rights.

CLW's investigations also uncovered that C.A.F.E. and 4C certified farms in Pu'er frequently source coffee cherries from uncertified smallholder farms. With no direct contracts in place, large plantations exploit this gap by purchasing cherries from local farmers at lower prices and reselling the processed beans to major companies like Nestlé and Starbucks. Small farmers, who lack

the processing facilities needed to convert cherries into beans, face economic pressure to sell to these larger farms. This dynamic is driven by the fact that Starbucks and Nestlé collection centers only accept processed coffee beans, not cherries, effectively forcing smallholders into an unequal and dependent relationship with certified estates.

This has created an informal, yet widespread, purchasing system where workers on small farms—who are often unprotected—have no formal connection to Starbucks or Nestlé, despite their labor contributing to the final product. This offers a loophole, where major coffee corporations use “coffee laundering” practices, outsourcing legal liability and insulating their brand name from any violations that occur on uncertified farms. As a result, Nestlé and Starbucks are able to claim ignorance and avoid responsibility for the human rights abuses occurring on these smaller farms. Without direct contracts with hired workers on small farms, yet alone on certified C.A.F.E. and 4C farms – workers are left legally unprotected within a fragmented and untraceable supply chain.

The absence of a contract with hired workers also allows companies to avoid direct accountability when employing undocumented laborers. By outsourcing labor through intermediaries and keeping these workers at arm's length, large corporations like Nestlé and Starbucks can distance themselves from accusations of labor exploitation linked to undocumented workers. Specifically, the proximity of Pu'er to the Myanmar border has led to undocumented workers from Myanmar frequently finding employment on coffee farms in areas such as Menglian County. In Menglian, local authorities have set up checkpoints on highways and in rural areas to check identification, effectively restricting movement for those without proper documentation. Subsequently, undocumented workers are confined to working within the county, unable to seek jobs elsewhere. These workers, often involved in tasks like land maintenance, receive lower wages and lack basic labor protections. They remain hidden within the supply chain, as the coffee they help cultivate eventually reaches global companies like Nestlé and Starbucks through certified farms and processing facilities.

Yunnan's coffee industry draws in workers who face significant socio-economic barriers and rural communities from the margins due to its geography, poor pay and working conditions. Some of these demographics include elderly

workers who cannot secure factory jobs; non-Mandarin speakers or illiterate workers who struggle to navigate the urban job market; undocumented foreign workers who lack the legal status to leave rural jurisdictions; and workers who are tethered to familial responsibilities preventing them from vacating their villages for other economic opportunities. Thus, coffee firms like Starbucks and Nestlé are able to take advantage of the restricted mobility and opportunities of said demographics by neglecting to improve working conditions and failing to support their workers.

As a result, companies like Starbucks and Nestlé exploit the limited mobility and opportunities of these vulnerable workers by failing to improve conditions or provide adequate support. Large coffee corporations sustain their profit margins by normalizing poor rural working conditions. Addressing these issues requires a systemic overhaul involving governments, policymakers, labor unions, and other institutions.

**However, Starbucks and Nestlé, as key stakeholders, can take immediate action by offering direct contracts to all workers in their supply chain, including hired pickers.** These contracts would provide marginalized workers with legal protections and allow them to collectively bargain for their fundamental human and labor rights.

**While workers aren't able to control the broader economic forces limiting their mobility and autonomy, they should, at the very least, be granted the legal means to protect their rights while working in Yunnan's coffee industry.**

Investigations into labor conditions on Yunnan's coffee farms uncovered deep-rooted systemic issues, including "coffee laundering" practices, lack of contracts, and inadequate pay systems— areas that Starbucks and Nestlé's alleged ethical codes fail to even acknowledge, let alone curb. Not only do the above findings illustrate labor conditions of coffee farmers in Yunnan that infringe upon

local labor laws, they also show how C.A.F.E. standards and 4C guidelines are not met.

More concerning still, the minimal human rights standards that these companies and their certifications claim to uphold are set at an already low bar and, in practice, are not being met.

With this in mind, the following section details China Labor Watch's recommendations for Starbucks and Nestlé and their certifications C.A.F.E. Practices and 4C. Immediate rectifications must be put in place, and we detail recommendations below.



# Recommendations for Starbucks and Nestle

Starbucks has publicly stated that the “cornerstone” of its ethical sourcing approach is informed by the [Coffee and Farmer Equity \(C.A.F.E\) Practices](#), which was launched in 2004. The intent is to “promote transparent, profitable and sustainable coffee growing practices while also protecting the well-being of coffee farmers and workers, their families and their communities”. C.A.F.E. Practices is a verification program, overseen by the third party Conservation International, which is responsible for ensuring that the evaluation criteria of C.A.F.E. Practices are met by C.A.F.E. certified farms.

Nestlé has instead primarily opted for the Common Code for the Coffee Community (4C), a sustainability standard for the coffee sector. [4C’s Code of Conduct](#) allegedly aims to promote sustainability across coffee supply chains through third-party audits that verify compliance with economic, social, and environmental criteria. Certified entities, known as “4C Units,” include a Managing Entity and its Business Partners. As mentioned previously, a “unit” is composed of multiple farms - and if a single farm is reported infringing on 4C criteria, the whole unit risks losing its certification.

The four criteria areas that C.A.F.E farms are evaluated on include [social](#)

[responsibility, economic transparency, environmental leadership, and quality](#), which include close to 200 indicators.<sup>21</sup> China Labor Watch’s investigation in the C.A.F.E certified farms suggest that **at least 15 evaluative criteria under “social responsibility” have not been met, with three that Starbucks have indicated “zero tolerance” for.**

Concurrently, Nestlé’s 4C Code of Conduct is divided into three broad categories: [economic dimension, social dimension and environmental dimension](#). For the purpose of this report, this section extracts the criteria from the “social dimension” and found that **Nestlé has infringed upon at least eight of its 21 social dimension criteria.**

In this section, we juxtapose China Labor Watch’s findings to the relevant coffee firms’ ethical guidelines - Starbucks’ C.A.F.E. Practices standards and Nestlé’s 4C Code of Conduct, with a focus on the indicators for social responsibility. We suggest recommendations for both Starbucks and Nestlé and call on the companies to adopt these recommendations in ensuring that ethical sourcing and certification standards are met.

- d. SR-HP1.15: The use of continuous short-term employment contracts or the practice of terminating and then rehiring workers is not permitted as a means to avoid legal obligations related to wages and benefits.

Additionally, the following 4C criteria has not been met on Nestlé's source farms:

a. Criterion: 2.1.11

At least the minimum wage is paid to all workers in a timely manner

1. Wages for all workers are in compliance with at least the national minimum wages or sector agreements (whichever is higher) (not applicable for smallholders)
2. Remuneration for all workers is in compliance with the living wage (not applicable for smallholders)

b. Criterion: 2.1.12

All workers receive the same benefits (e.g., housing, food, transport, hygiene)

1. Temporary and permanent workers receive the same benefits (beyond wages) (not applicable for smallholders)

c. Criterion: 2.1.10

Fair labor contracts are in place and adhered to

1. Labour contracts are available and adhered to
2. Employment conditions of Business Partner's (BP) workers comply with legal regulations and/or collective bargaining agreements

**We recommend for Starbucks and Nestlé to enter into contracts with local contract holder farmers, which also stipulate the terms of employment for hired workers, including a living hourly pay wage rather than by weight of harvest. The current model of payment by weight, coupled with an absence of a contract to safeguard overtime pay, perpetuates a culture of labor where hired workers can be easily exploited.**

We also call on Starbucks and Nestlé to ensure that these farms meet C.A.F.E. Practices and 4C standards by ensuring that legally required benefits are paid for.

## Infringements on C.A.F.E. 'Social Responsibility' Indicators and 4C 'Social Dimension' Criteria

The C.A.F.E. Practices scorecard includes nine criteria under "social responsibility," aimed at ensuring a safe, fair, and humane work environment and protecting workers' rights. Similarly, Nestlé's 4C "social dimension" has two principles—"human rights and labor" and "working conditions"—which encompass

21 criteria. Both C.A.F.E. and 4C address wages, benefits, hiring practices, work hours, protective equipment, and access to medical care and education.

Our investigation found that at least five of the nine C.A.F.E. criteria were not met, and eight of the 21 4C criteria were also unmet, as outlined below:

### 1. Wages and benefits

We found that hired workers sourcing both Nestlé and Starbucks are paid per weight of harvest, instead of per hour. This has resulted in a culture of excessive overtime, as workers are incentivized to maximize their harvest, but they are not paid for overtime work. In addition, workers shared that they do not receive any benefits.

As such, the following indicators in Starbucks' C.A.F.E. Practices scorecard have not been met:

- a. SR-HP1.2: (Zero tolerance) All temporary and seasonal workers are paid the nationally or regionally established minimum wage. If minimum wages for temporary/seasonal workers have not been established, all temporary/seasonal workers are paid the local industry standard wage. If workers are paid by production, wages meet the nationally or regionally established minimum wage, or, where minimum wage has not been established, the local industry standard wage.
- b. SR-HP1.8: Employer pays for any national, legally required benefits (social security, vacation, disability) for temporary and seasonal workers.
- c. SR-HP1.9: Overtime pay meets national requirements. If workers are paid by production, overtime wages meet the local/regional/national requirements. If overtime pay has not been established by law, overtime is calculated at 150% of regular pay. If workers are paid by production, wages meet the above requirements.

## 2. Hours of Work

We found that coffee farmers and hired pickers sourcing for both Starbucks and Nestlé work on average 11-12 hours per day, from sunrise to sunset, seven days a week. This amounts to ~80 hours per week. Hired workers are also not provided annual leave or compensation for taking time off.

These findings contravene multiple indicators under the C.A.F.E scorecard, extracted below:

- a. SR-HP3.1: All workers do not work more regular hours (before overtime) per day or week than allowed by local law. If regular hours are not established, regular hours are considered as 8 hours per day, 48 hours per week.
- b. SR-HP3.3: All workers must not work more total hours (including overtime) in one day or week than allowed by local laws. If total hours have not been established by law, workers do not work more than 60 hours per week, except where a written agreement exists between workers and management.
- c. SR-HP3.4: If overtime work is required as part of the job, such requirements are clear at the time of hiring and recorded in writing and signed by the employee.
- d. SR-HP3.5: Hours worked on potentially hazardous activities (e.g., pesticide exposure, very heavy labor, etc.) are limited according to the law. If hours have not been established by law, the activities are limited to six hours per day.
- e. SR-HP 3.7: Employer has an annual leave (vacation) program as required by law. If laws have not been established, annual leave for permanent workers is a minimum of ten working days per year (prorated in cases of less than one year of employment).
- f. SR-HP 3.8: If workers do not take annual leave (vacation), the employer can either allow vacation time to accrue or can pay wages for the equivalent amount of time accrued under the regular pay scale, where permissible by law.

Additionally, the following 4C criterion has not been met on Nestlé's source farms:

- a. Criterion 2.1.13

Fair working conditions with regard to working hours are in place

- 1. Working time for all workers does not exceed 48 hours weekly or fewer if provided by national law (not applicable for smallholders)

2. Overtime is voluntary and fully remunerated for workers, not exceeding twelve hours per week (not applicable for smallholders)
3. Workers have at least one day off for every six days worked and continuous working days never exceed 21 days (not applicable for smallholders)
4. Workers are entitled to maternity/paternity leave and other benefits in accordance with national law
5. Workers who take maternity/paternity leave are entitled to return to their employment at the same terms and conditions of prior employment (not applicable for smallholders)

We call on Starbucks and Nestlé to stipulate clear working hours for hired workers, ensure that the working hours adhere to local laws, introduce overtime pay, and to concurrently review the current payment model of wages by harvest weight. The current payment model does not allow for a measure of the number of hours worked, which makes farmers vulnerable to exploitative practices of working in excess, with no proper compensation for overtime. In addition, as the workers at the coffee farms do not sign a contract, they are unable to negotiate overtime or number of hours worked - the importance of a contract will continue to be emphasized throughout this segment. It is also unclear what is defined as “very heavy labor” per SR.HP.3.5, and whether coffee farmers that harvest 100 kilograms of beans per day would qualify for the stipulation of six hour work days, and clarity on this indicator would be helpful.

### **3. Child Labor and Working Minors**

We physically observed two instances of child labor (Case 1 was under 12 years old and Case 2 under 16 years old) during the undercover investigation. Case 1 was picking cherries on a farm that sourced to Starbucks, called: “*Shanghai-Yunnan Collaboration - Starbucks, Shared Value, Beautiful Village*”. While this farm didn't display explicit C.A.F.E. signage, Starbucks asserts that 99% of its coffee meets C.A.F.E. Practice standards.<sup>22</sup> This makes it highly likely that the coffee from this farm is certified, particularly since the farm's name references the coffee company directly. Case 2 was seen sorting defective beans sourced to Nestlé. We were also told other stories where child labor was casually mentioned, and observed another instance of a working minor (under 18). This finding contravenes the C.A.F.E. practices which has been indicated as “zero tolerance”, as extracted below:



- a. SR-HP4.1: (Zero tolerance) Employer does not directly or indirectly employ any persons who are under the age of 14 or the legal working age (ILO Conventions 10 and 138).
- b. SR-HP4.2: (Zero tolerance) Employment of authorized minors follows all legal requirements, including, but not limited to, work hours, wages, education, working conditions, and does not conflict with or limit their access to education (ILO Convention 10).

In addition to this, there were reports of increasing dropout rates of children above 12 due to inaccessibility of the secondary school, and economic restraints at home – violating the C.A.F.E. standard on ensuring there is accessible secondary education for children of workers who live onsite.

- a. SR-WC2.1 (Zero tolerance): Children of legal school age who live onsite or accompany family members who are working onsite attend school. -
- b. SR-WC2.3 If reasonable access to public education does not exist, secondary school aged children of workers who live on-site have access to secondary education, facilities and materials equal to national or regional requirements.

Concurrently, the following 4C criterion has not been met on Nestlé’s source farms:

- a. Criterion 2.1.3

Child labor does not exist

1. Children under the age of 15 (or children of legal school age) are not part of the regular workforce
2. Children under the age of 15 (or children of legal school age) attend school
3. Children under the age of 18 do not perform hazardous/harmful work
4. Facilities to take care of children during the working hours of their parents are available (not applicable for smallholders)
5. Transportation is available for the BP’s and its worker’s children to take to school, if required (not applicable for smallholders)

We recommend Starbucks amend their child labor C.A.F.E. Practices guidelines to provide clarity on what constitutes child labor. Specifically, this pertains to the distinction between “family work”, “light work” and “authorized minor employment”. While “light work” and “authorized minor employment” have clear age minimums being two years below legal working age and over the legal working age, respectively. “Family work” has no clearly stated age minimum which leaves young

children of farm operators or managers vulnerable to economic exploitation.

Additionally, Nestlé's [4C's Guidance on the Protection of Children's Rights](#) (Annex II) stipulates that children under the age of 16 in China are prohibited to partake in any form of work - including "light work" or "restricted work". This contradicts their general guideline which allows age-appropriate child work as long as it's not a part of the "regular workforce". Thus, we recommend Nestlé clearly define what is considered the "regular workforce", as without direct contracts with any hired workers, regardless of age, there is currently no legally bound "regular workforce". Therefore, a more comprehensive distinction should be made between assisting a family member, "light work", and the "regular workforce".

A simplistic recommendation would be to urge Starbucks and Nestlé to eliminate child labor, but this alone would not address the root cause of why children in Yunnan help harvest coffee beans. Our interviews revealed that children were not coerced into labor, but might have felt compelled to support the family in any way possible. This suggests that the core issue is that low wages and the piece-rate payment system perpetuate a culture whereby farm workers and their children have to work long hours to gather a higher quantity out of economic necessity. While it might be easy to blame adult farmers for involving their children, the real problem is the suppressed wages and the current pay-by-weight model. This system inadvertently exploits those living in or near poverty - while it might give an impression that the system rewards 'hard work', in practice the farm workers are powerless in the face of these working conditions, and work long-hours just to be able to barely make the statutory minimum wage.

We call on Starbucks and Nestlé to pay farmers per hour that adheres to a living wage, inclusive of overtime pay, and to ensure that child labor is not used in the harvest of coffee beans.

We also call on Starbucks and Nestlé to commission an independent third-party assessment of education levels in Pu'er's coffee-growing region to better understand the scope and impact of child labor. Based on the findings, we urge them to implement a comprehensive Child Labor Monitoring and Remediation System, and support education for children of all coffee workers in their supply chains.

#### **4. Access to Medical Care**

Interviewees sourcing for both Starbucks and Nestlé told us that they are not aware of any work-related injury benefits, and should they suffer a work injury, they would have to bear the cost of treatment on their end.

This contravenes the C.A.F.E. indicator below:

- a. SR-WC3.6: Employer pays for all medical costs associated with documented work-related injuries and illnesses if not covered by other programs or services.

This also infringes on the following Nestlé 4C criterion:

- a. Criterion: 2.2.4

A health and safety program is in place

1. A risk assessment has been conducted to identify major health and safety risks at the workplace
2. A health and safety program is implemented based on the risk assessment
3. Health insurance fees and/or treatment costs linked to work-related injuries or illnesses are covered by the BP (not applicable for smallholders)

If coffee farmers in Yunnan are indeed eligible for work-related injury benefits, we call on Starbucks and Nestlé to make this known to farmers. Otherwise, we call on Starbucks and Nestlé to ensure that the medical costs associated with work injuries are provided for, per the C.A.F.E. Practices and 4C indicators.

## **5. Worker Safety and Training**

Interviewees working on farms that sourced to both Starbucks and Nestlé told us that protective equipment and gear has to be purchased on their own accord. There was also no mention of the provision of training. Both the absence of any protective gear and training exposes pickers to hazardous, potentially illegal, agrichemicals with long-term effects on their health.

This contravenes multiple C.A.F.E indicators, extracted below:

- a. SR-WC4.1: Employer provides appropriate Personal Protective Equipment (PPE) to all applicable workers at no cost.
  1. For farms: respirators with filters, goggles, rubber boots, water-proof gloves, impermeable clothing
  2. For dry mills: goggles, ear plugs, masks
- b. SR-WC4.3: Health and safety training occurs for all workers at least once a year, free of charge, and during regular working hours. Training is documented including instructors, agendas and attendance.

This also infringes on the following Nestlé 4C Criteria:

a. Criterion: 2.2.4

A health and safety program is in place

1. Workers are aware of and trained according to health and safety risks and measures (not applicable for smallholders)
2. Safe procedures to handle pesticides and hazardous chemicals are in place
3. Clear and permanent warning signs are placed at potential risk areas (not applicable for smallholders)
4. All accidents are documented, appropriate medical treatment is provided, and actions are taken to prevent similar accidents in the future (not applicable for smallholders)

b. Criterion: 2.2.5

All workers and Business Partners are provided with suitable protective clothing and equipment according to legal requirements

1. The BP and all of its workers are trained on and equipped with suitable protective clothing and equipment in accordance with legal requirements
2. Protective clothing and equipment are in a good state and regularly cleaned
3. Facilities to deal with accidents and accidental contaminations caused by the operator are available and sufficiently equipped

We call on Starbucks and Nestlé to provide personal protective equipment to workers at no cost and to provide mandatory health and safety training to all workers.

## **6. Social Impacts: Discrimination and Surrounding Communities**

Interviewees reported cultural and linguistic biases against Indigenous communities working in the coffee industry, as well as gender-discriminatory land management practices on farms supplying both Nestlé and Starbucks.

This contravenes the C.A.F.E indicator below:

- a. SR-HP4.3 (Zero Tolerance): Employer enforces a policy of prohibiting discrimination on the basis of gender, race, ethnicity, age or religion (ILO Convention 111). Written policy required for large/medium farms, mills, and warehouses with more than 5 employees.

This also infringes upon the 4C criteria extracted below:

a. Criteria: 2.1.6

Discrimination does not exist

1. An assessment has been conducted to identify if there exists any potentially vulnerable group to discrimination among the BP's workers (not applicable for smallholders)
2. The BP ensures that equal rights to its workers are secured with respect to age, gender, national origin, religion, race/colour, physical conditions, and political views
3. There is evidence that actions to remove possible obstacles that foster discrimination are being developed (not applicable for smallholders)

We urge Starbucks and Nestlé to honor their commitments to anti-discrimination policies on their farms, ensuring that all workers, including Indigenous peoples and women, have equal access to employment and are treated fairly.



## Export and Supply Chain Due Diligence Laws

In addition to the need to respect PRC law, to respect C.A.F.E. Practices and 4C guidelines, Nestlé and Starbucks also have the duty to ensure that their sourcing and production practices meet the standards of the respective due diligence laws in countries that import Chinese coffee. According to Kunming Customs officials, Yunnan province exported approximately 30,000 tons of coffee beans in the first three quarters of 2024.<sup>24</sup> This indicates a 371% year on year increase, with EU countries such as Germany, France, Italy and the Netherlands being the top export partners.

Thus, there is a growing imperative to assure the coffee sourcing in Pu'er meets the human rights legal standards in the Europe, including:

- the German Act on Corporate Due Diligence Obligations in Supply Chains ("Lieferkettensorgfaltspflichtengesetz", or LkSG)
- the French duty of vigilance law ("LOI n° 2017-399 du 27 mars 2017 relative au devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre"), and
- the recently passed EU Deforestation Regulation (EUDR) and EU Corporate Sustainability

Due Diligence Directive (CSDDD), the latter which is set to be transposed into national legislation in 2026.

Since 2024, the German LkSG has expanded its scope to include German registered branches of international companies – which would pertain to Nestlé Deutschland AG and Starbucks Coffee Deutschland GmbH. LkSG obligations range from the extraction process of raw materials to the delivery goods, regardless of the geography, and mandates action and meaningful remediation. According to Section 2 of the Act, Nestlé and Starbucks have potentially infringed upon 5 of 11 human rights related obligations, as paraphrased here: (1) employment of a child of 15 years or younger (2) child labor of children under 18 (5) disregard of the local applicable rules of workplace safety and working conditions and (7) discrimination in employment.<sup>25</sup> In accordance with Section 7 (Remedial Action) of LkSG, Nestlé and Starbucks have the opportunity to draft a timetabled implementation plan to end or minimize the presence of human rights violations in their Yunnan suppliers – to avoid terminating business relationships in the region. This could also present the occasion to assess the role of "coffee laundering" in

exacerbating labor rights violations in their coffee harvesting and processing procedures, and incorporate their findings into their Risk Analysis (as required under Section 5).

Similarly, France's Duty of Vigilance Law purview also includes indirect French-based subsidiaries such as Nestlé France, the coffee trader LDC, and major French supermarkets or other companies large enough to be over the threshold requirements of the law and that retail Starbucks coffee. Companies and subsidiaries that fall under the law's framework are obligated to draft a Vigilance Plan to allow for risk identification and prevention of severe violations of human rights or health risks that result directly or indirectly from the

operations of the company and its suppliers. Thus this report can serve as a preliminary resource to support the drafting process of future Vigilance Plans in relation to Starbucks and Nestlé suppliers in Yunnan. Specifically, the systemized practice of "coffee laundering" in Yunnan can be integrated into Nestlé's upcoming Vigilance Plans, and those of companies retailing and Starbucks coffee, as a contextual means to better identify and remedy structural underpinnings of human rights violations in their corresponding supply chains.

# Conclusion

The investigation into the working conditions of Starbucks and Nestlé coffee farmers reveals an environment characterized by excessive working hours without overtime pay, the presence of child labor, the absence of medical and health insurance, lack of safety gear, low wages, and the absence of paid leave. These findings not only suggest an infringement of local labor laws in China but also a violation of many indicators on both Starbucks' C.A.F.E. scorecard and Nestlé's 4C responsible sourcing guidelines.

A closer look at the structural conditions reveals that these labor abuses are symptoms of two entrenched, systemic problems: (1) the absence of legal contracts, enabling a "coffee laundering" system, and (2) a piece-rate pay structure that encourages excessive hours and informal child labor. The current coffee procurement model in Yunnan allows Starbucks and Nestlé maximize profits while outsourcing exploitative labor conditions to uncertified farms, evading accountability under the guise of ethical sourcing. Furthermore, Yunnan's socio-economic landscape—pervaded by poverty and limited economic opportunities—creates fertile ground for the exploitation of marginalized groups, including Indigenous peoples, elderly

workers, and undocumented migrants, who are often forced to accept the low-wage, high-risk terms of piece-rate work due to economic constraints. This extractive business model does not only fail to uplift the community but actively deepens the social inequalities of Pu'er, leaving its most vulnerable workers entrapped in cycles of exploitation.

Starbucks has long emphasized its commitment to ethical sourcing and poverty alleviation in Yunnan, but the stories of farmers interviewed suggest this may be more of a marketing tool, and potentially a case of consumer fraud, rather than a substantive effort. Despite its gross profit of \$25 billion in 2023, Starbucks' \$20 million pledge over five years (starting in 2018) to create pathways out of poverty for farmers in Yunnan remains a small fraction of its annual profit. Concurrently, Nestlé, the world's largest food and beverage company, posted a revenue of \$104 billion in 2023. Despite the scale of its profits, allegations persist regarding its treatment of farmers, many of whom endure conditions of low pay and poor safety measures.

Some might argue that farmers in Yunnan, whether supplying Starbucks or Nestlé, are better off today than in previous years. While it can be stated

that both corporations provide a stable market through large-volume purchasing, and for many farmers from one of China's poorest regions, selling to these global giants can seem like a lifeline. But the financial benefits that reach farm workers are minuscule compared to the profits reaped by these multi-billion-dollar conglomerates. A trickle of wealth is not enough. Both Starbucks and Nestlé have the capacity to accelerate the flow of sustainable

development to rural communities, ensuring fair pay and improved working conditions.

For companies that proudly wear ethical sourcing and certifications as badges of honor, Starbucks and Nestlé can—and must—do better. We call on both corporations to introduce the following changes, categorized by the indicators of their respective responsible sourcing frameworks.

- 1. Wages and Benefits: SR-HP1 and Criterion 2.1.10, 2.1.11, 2.1.12**
  - a.** Enter into a contract with local coffee farmers
  - b.** Stipulate terms of employment where farmers are paid per hour, instead of by weight of harvest.
  - c.** Ensure that legally required benefits are paid for.
- 2. Hours of Work: SR-HP3 and Criterion 2.1.13**
  - a.** Stipulate clear working hours for hired farmers, ensure that the working hours adhere to local laws, introduce overtime pay, and to concurrently review the current payment model of wages by harvest weight.
  - b.** Make clear the definition of “very heavy labor” per SR.HP.3.5.
- 3. Child Labor: SR-HP4 and Criterion 2.1.3**
  - a.** We call on Starbucks and Nestlé to pay farmers per hour that adheres to a local living wage, inclusive of overtime pay, and to ensure that child labor is not used in the harvest of coffee beans.
- 4. Access to Medical Care: SR-WC3 and Criterion 2.2.4**
  - a.** We call on Starbucks and Nestlé to make the provision of medical care known to all farmers, including hired temporary workers, and/or if it is not provided, we call on Starbucks and Nestlé to ensure that the medical costs associated with work injuries are provided for.
- 5. Worker Safety and Training: SR-WC4 and Criterion 2.2.5**
  - a.** We call on Starbucks and Nestlé to provide personal protective equipment to workers at no cost.
- 6. Discrimination and Negative Impacts: SR-HP4.3 and Criterion: 2.1.6, 2.1.14**
  - a.** We call on Starbucks and Nestlé to enforce anti-discrimination policies to protect workers from various marginalized backgrounds, including implementing measures to include workers who do not speak Mandarin, or

Our findings reveal a stark reality: Nestlé and Starbucks consistently fail to uphold even the minimum standards outlined in their own ethical codes and certifications.

This recurring pattern of neglect, across multiple geographies, calls into question whether these codes can genuinely serve as industry benchmarks or even be considered robust ethical standards at all. China Labor Watch strongly urges Nestlé, Starbucks, Conservation International, and 4C to conduct a comprehensive review and reassessment of their ethical guidelines, given their repeated failure to protect the safety and well-being of farmers on both certified and uncertified farms supplying these corporations. China Labor Watch also calls for a rigorous overhaul of ethical codes to address structural issues. This includes mandating legal protections for all supply chain workers through direct, enforceable contracts and reforming the piece-rate system to guarantee a stable, livable income for every worker.

On a macro level, the labor relations documented here are not unique to Starbucks or Nestlé alone. Large corporations like Starbucks and Nestlé are known for leveraging opaque supply chains and fragmented ground practices

to conduct business, often distancing themselves from the daily realities of their workers. Scattered, isolated producers—far removed from the watchful eyes of consumers—combined with ambiguous labor contracting practices, create conditions where corporations can easily evade direct accountability.

Starbucks, boasting annual gross profits exceeding \$20 billion since 2021, and Nestlé, which reported a net profit of over \$11 billion in 2023, possess the financial resources necessary to implement all the recommendations outlined above. As China witnesses unprecedented growth in coffee production, fueled by booming domestic consumption and a rapidly expanding export market, local and international coffee buyers face an urgent imperative: they must thoroughly revise and rigorously enforce their ethical codes and provide essential programmatic support to workers to prevent issues from escalating and becoming more pervasive. We call on Starbucks and Nestlé to live up to their promises of ethical sourcing by implementing tangible, measurable changes that benefit all their supply chain workers.



 **COFFEE WATCH**