



“GHOST FARMS AND COFFEE LAUNDERING”:

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





Yunnan Province

With support from Coffee Watch, China Labor Watch (CLW) is publishing a report 29th November 2024 based on undercover investigations, detailing **labor abuses on coffee farms in Yunnan Province in Starbucks' and Nestlé's Chinese supply chains**. Findings reveal a stark reality: Nestlé and Starbucks consistently fail to uphold even the minimum standards outlined in their own ethical codes and certifications.

CLW conducted **three undercover investigations in 2024** on Yunnan farms supplying coffee to Starbucks and Nestlé. CLW interviewed 66 individuals, including coffee farmers, their families, and teachers from schools attended by children of coffee-farming families, to better understand child labor issues.



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.



The investigation found child labor on farms linked to **Nestlé and Starbucks**. Moreover, adult workers faced excessive hours. Workers were expected to work roughly **12 hours a day, 7 days a week, for 3 consecutive months**, through the entire harvest season, violating legal limits on working hours and overtime. They had no paid leave, and no compensation for statutory holidays, illness, or personal leave, forcing workers to choose between income or rest. The investigation found lack of medical insurance: no farmers had employer-provided medical or health insurance, despite grueling conditions, exposure to harsh conditions, agrochemicals, and occupational health risks. Workers received **no protective gear or safety equipment**, leading many to sacrifice safety for productivity, causing injuries and exposure to agrochemicals. The investigation also found gender discrimination, and environmental problems.

Low Wages were an extreme, endemic problem in Nestlé's and Starbucks' certified coffee. Despite working from sunrise to sunset, coffee workers were barely making a minimum wage, and earned around USD \$421 per month. (Outgoing Nestlé CEO Ulf Mark Schneider earned an annual salary of USD \$13 million.) **Informal employment relationships and piece-rate pay system incentivized 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 earnings. China's labor laws cap work at 8 hours a day and 44 hours a week, with overtime work not to exceed 36 hours a month. All workers interviewed worked 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.

Ulf Mark Schneider, Outgoing Nestlé CEO

Outgoing Nestlé CEO's salary:

USD \$13 million/year

Coffee workers:

USD \$421/month



A lack of direct contractual relationships between coffee firms, certified estates, and smallholder farms. Buyers such as Starbucks and Nestlé source roasted beans from large, certified estates which, in turn, follow production and labor standards. Meanwhile, small farms supplying these estates have no direct business connections with the buyers. Transnational brands purchase coffee beans from certified farms who are sourcing from small, unregulated, “**ghost farms**”, allowing coffee produced under unethical conditions to be “**laundered**” into the global market under the guise of being ethically sourced.

Tian Yu Coffee Farm, a C.A.F.E.-certified supplier

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



2001-2010: before Starbucks entered Yunnan



2010-2023: after Starbucks entered Yunnan

Abuses especially affected ethnic minorities and Indigenous communities, including the Wa, Hani, Lisu, and Lahu, who face cultural and linguistic marginalization within the coffee industry. Nestlé and Starbucks and their certification schemes should take urgent action to combat and reverse discrimination against Indigenous people in their coffee.

Abuses documented also violated the terms of both companies' certification schemes, namely C.A.F.E. Practices which is run by Conservation International for Starbucks, and 4C which Nestlé uses. Some abuses documented also constitute violations of PRC law and – given that Chinese coffee is sold in France and Germany – French and German supply chain laws.



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China's coffee production and consumption are booming, making it important to curb abuses there. The southwest region of Yunnan produces 98% of China's coffee, producing coffee for export but also rapidly expanding to meet fast-growing Chinese demand (Starbucks' China locations are poised to outnumber U.S. locations soon, with plans for 9,000 stores by end of 2025). Domestic Chinese coffee consumption is growing as much as 30% annually. From 2006 to 2016, coffee production in China has climbed from 30th highest global contributor to the 13th. Chinese coffee production is drastically transforming the relationship between labor, land, and capital in China. Today, there are around 200,000 coffee growing households in Yunnan – most of which concentrate in Pu'er, where the CLW investigation took place. 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.

The recurring pattern of neglect and abuse in coffee certified by 4C and C.A.F.E. Practices (run by Conservation International for Starbucks), calls into question whether these certifications can genuinely serve as industry benchmarks or even be considered ethical standards at all. China Labor Watch and Coffee Watch strongly urge Nestlé and Starbucks to review their alleged ethical codes, introduce direct contracts with all workers in their respective supply chains with a living hourly pay wage, and abolish the piece-rate purchasing system, to ensure that workers contributing to their coffee production are treated fairly, with dignity and respect.

