

- ▶ supplier contracts
- ▶ negotiating a solution

8.6 Case study Green Hills Coffee

Discussion

1 Explain these two quotations. Is there a place in business today for a gentleman's agreement?

An Englishman's word is his bond. – a sixteenth-century proverb

A verbal contract is not worth the paper it's written on! – Sam Goldwyn


Reading


2 Fiona Hills is President and CEO of Green Hills Coffee. Read the memo she received from her CFO and the attachment, and answer the questions.

- 1 What is the main problem, and what is the risk for Green Hills?
- 2 What does the CFO want Fiona to do?
- 3 What special circumstances might affect Fiona's judgement?
- 4 Which clauses of the contract are Green Hills concerned about?



Re:

I heard yesterday that farmers in Guatemala are still employing child labour on coffee farms, although there are no contracts of course, so we can't prove it. I also discovered our biggest supplier is planting in virgin forest areas and using increasing amounts of pesticides – all clearly in breach of the terms of our contract (see attached). I know your father had a special relationship with the Cabrera family and used to turn a blind eye, but we have to sort this out quickly. There are other suppliers whose beans are just as good. We're already under pressure from fair trade brands. Fair trade sales grew 40% last year and we simply can't afford to be associated with these practices. 

- 3.1 New planting in virgin forest areas is prohibited. 
- 3.2 The supplier shall make continual reductions in the toxicity and use of agrochemicals.
- 3.3 Materials on the ICGA Prohibited Materials List may not be used.
- 4.1 All workers shall be employed under legally binding labour contracts.
- 4.2 Children below the age of sixteen may not be employed.
- 4.3 Working shall not jeopardize schooling or the social, moral or physical development of the young person.

