Fair Trade Coffee: A Case Study Deliberating the Direction of Economics and Policy Impacting Impoverished Production Communities

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Background:  

Café Latté - $3.50; Café Mocha - $3.75; Cappuccino - $3.50

This is but a sampling of the selection of caffeine fixes that are presented to the American public on a daily basis. It is by making these beverage choices that we define a little bit about who we are and what we stand for. To quote a great American movie “The whole purpose of places like Starbucks is for people with no decision-making ability whatsoever to make six decisions just to buy one cup of coffee. Short, tall, light, dark, caf, decaf, low-fat, non-fat, etc. So people who don’t know what the hell they’re doing or who on earth they are can, for only $2.95, get not just a cup of coffee but an absolutely defining sense of self: Tall. Decaf. Cappuccino” (You’ve Got Mail). But Tom Hanks missed one decidedly important option in his monologue: fair trade, which is a highly touted addition to the Starbucks line up. What is fair trade coffee, and why do retail giants utilize this product in their menus?

Fair trade can trace its roots back to the 1940’s, when church groups wanted to help refugees sell their goods in western markets. Alternative trade organizations (ATO’s) began to arise during the following decades and provided producers with higher profits. (TransFair USA) These profits were made viable because the middleman—marketers or other handlers—has been removed from the marketing equation, and the consumer is allowed to directly work with producers and offer the producers a fair price. Such Fair trade has thus been touted as a way for Western consumers to aid developing countries and the poor producers within those countries. While we as the consumer are not directly connected to producers, we are presented with “fair trade” options in our local businesses, such as Starbucks.

Coffee has become one of the staple topics within fair trade, because beginning in the early 1980’s there was a sharp decrease in the price of coffee beans, and coinciding with this price drop, large corporate entities began expanding production levels in such countries as Vietnam. With the price drop also came profit drop for low-income farming operations based primarily in developing countries, with some income levels plummeting to $220 a month, which was the figure before paying the workers to harvest the crop, which dropped the figure to $110 for a family of four. Soon fair trade came onto the scene and some retailers began paying a premium price to certain farmers, which began to raise profit levels and standards of living. At the same time, the retailers were able to market this new product to Western consumers as a way to help the impoverished coffee farmers of the world.

Questions that then arise from this situation include:

1. Are the premiums paid by western consumers actually returning to the individual producers?
2. Are retail giants abusing the “fair trade” ideal in order to achieve profit?
3. Can we go further than “fair trade”?
4. Is “fair trade” a system that can be utilized by other production systems that are facing similar hardships?
It is the purpose of this case study to discover the true effectiveness of the “fair trade” coffee system. Are we making the strides that are required to progress not only in the market place, but more importantly, in the producers’ lives? To address this situation, we will turn to three different groups: The CATO Institute (public policy research foundation), TransFair USA (a fair trade certifier), and the Community Agroecology Network (an environmentally friendly community development organization).

Activity Overview:

The case study will be presented to the World Trade Organization in the format of a public forum on developing trade policy around the world. Participants will be assigned to one of the three groups and each group presented in this case study supports fair trade, argues against it, or provides alternative ways to have a better fair trade system. Since this case study uses a role-playing method, all the participants are asked to familiarize themselves with the position of a group they are assigned to, and to support its arguments even if they do not personally agree with the particular positions. As mentioned in the introduction, participants will represent one of the following groups: CATO Institute, TransFair USA, or Community Agroecology Network.

Preparations and Procedures of Case Study Activity:

1. Read the related materials presented under the group you are assigned to. In addition to the official statements by the group represented, the readings include relevant articles discussing the opposing views on fair trade. It might be helpful to do the readings under other groups in order to strengthen the arguments for your group. As you read, make notes of main claims that the group makes for or against the fair trade. You might also want to jot down questions you would pose as you read other groups’ arguments.
2. Organize with other members of your group to discuss the points from the assigned reading. Construct the short presentation to convey your group’s arguments to the rest of class.
3. Present your case to the WTO (about 5 minutes). After the short presentation, take questions from other groups.
4. After all the groups give short presentation and have Q&A session, have a whole class discussion on the case. At this time, participants can discuss the issues surrounding fair trade regardless of the group they are assigned to. Share your own opinion about the fairness of fair trade, analyzing positive and negative aspects of fair trade, as well as discussing the best possible model for the fair trade.
Group 1: The Cato Institute

The CATO institute is a public policy research foundation founded in 1977 by Howard H. Crane. As expressed in the organization’s mission statement, CATO “seeks to broaden the parameters of public policy debate to allow consideration of the traditional American principles of limited government, individual liberty, free markets and peace. Toward that goal, the Institute strives to achieve greater involvement of the intelligent, concerned lay public in questions of policy and the proper role of government” (www.cato.org). The organization expresses great opposition towards the fair trade coffee movement. They feel that the fair trade movement has not only failed to meet proponent guarantees for struggling coffee producers but has also led to severe market distortions resulting in greater economic and social instability for these farmers and their families.

Major points:

- Entry barriers result in lack of access for the marginalized producers the program is intended to benefit
- Price guarantees promote overproduction do not offer incentives to improve quality
- Many loopholes exist in the program that result in less money going to producers
- Participants include for-profit corporations whose interests are naturally against paying higher prices to producers, making this relationship difficult

Presented below is a series of excerpts from various publications and articles relevant to CATO’s standing on the Fair Trade coffee movement.

Excerpt from:

*Cato Journal, 2007*

“Fair Trade Coffee Enthusiasts Should Confront Reality”
Jeremy Webber

From university cafeterias to supermarkets in the developed world, people are buying Fair Trade (FT) coffee certified by the FLO-Cert, the certifying entity of Fairtrade Labeling Organizations International (FLO). The assumption is that such purchases will contribute to the welfare of marginalized producers in the developing world. While sales of FT coffee in Europe have stabilized, the North American and Japanese markets are growing rapidly. Total sales increased 40 percent from 2004 to 2005, to a total volume of 33,992 metric tons (MT) (FTO 2005).
What is “Fair Trade”? According to FINE, the umbrella organization that comprises the four largest Fair Trade organizations (FLO, International Federation for Alternative Trade, Network of European World Shops, and the European Fair Trade Association), Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers—especially in the South [FINE 2001].

The FINE definition optimistically assumes that the trading partnerships and conditions promoted by Fair Trade necessarily “contribute to sustainable development.” It is true that the Fair Trade coffee system—the producers, exporters, importers, and retailers operating by the rules and standards of FLO—has improved living standards for many participating coffee growers (Bacon 2005, Raynolds 2004). Yet the system faces vexing issues such as a disconnect between promotional materials and reality, excess supply, and the marginalization of economically disadvantaged producers and groups. Those involved in Fair Trade coffee debates and governance must address these issues if Fair Trade is to be an effective mechanism for rural development in coffee producing regions.

The Search for Culprits

Unfortunately, many of those close to the movement prefer to blame profit-seeking corporations for hijacking Fair Trade instead of objectively analyzing the workings of the Fair Trade coffee system. For example, the financial manager of a Peruvian Fair Trade coffee exporter explained to me that his company’s critique of FLO is that it will allow companies like Nestle to participate, even though such companies are only in Fair Trade for the profit. Never mind that the company he works for is a privately owned, for-profit export company. As Adam Smith so well noted, the interest of the merchants (including coffee exporters) is always to narrow the competition and expand the market. Likewise, the executive director of a major retailer of Fair Trade coffee assured me that the problem with Fair Trade is the participation of too many ideologically uncommitted entities. Even though this director was new to the job and had never visited a Fair Trade coffee cooperative, he had already determined the cause of the problem. This knee-jerk, blame-greedy-corporations reaction is common among Fair Trade enthusiasts. At the 2nd International Fair Trade Colloquium held in Montreal in June of 2006 the hot topic was the participation of large corporations in the Fair Trade coffee system (Nebenzahl 2006).

The Gap: Promotional Materials and Reality
While the participation of large transnational companies may alter the dynamics of the Fair Trade coffee system, Fair Trade faces more serious practical issues. A large gap divides the story depicted by Fair Trade marketing materials from the standards of FLO and the advantages of producer participation. This misleading representation of Fair Trade has led many socially conscious coffee drinkers to hold unexamined assumptions about the benefits of Fair Trade.

In trying to boost sales many retailers claim that Fair Trade coffee guarantees a living wage to coffee growers. A major promoter of Fair Trade coffee, Global Exchange (2005), states on its website, “Fair Trade guarantees to poor farmers organized in cooperatives around the world: a living wage.” While it remains to be seen what constitutes a “living wage,” in reality, Fair Trade guarantees nothing to producers. Fair Trade ensures a minimum price to organizations of producers, but not to individual producers. The organization serves as an intermediary between the producer and the market. Producers receive the price stipulated in the organization’s export contract, which must meet or exceed the Fair Trade minimum price, minus the expenses of the organization. Since Fair Trade eliminates “unnecessary” intermediaries, producer organizations must perform the tasks previously conducted by those intermediaries. In this arrangement, an organization must obtain financing to buy coffee from its members, sort and process coffee, and coordinate export logistics. Each of those activities generates expenses which, if not managed effectively and efficiently, can consume much of the higher Fair Trade price before it reaches growers. In some cases, organizations’ export costs have been high enough to induce member producers to sell to the local market instead of to their organization for the Fair Trade market.

Many Fair Trade coffee drinkers also believe that hired laborers on a Fair Trade certified coffee farm receive a minimum wage of some sort. In the case of coffee sold by producer organizations, wage standards only apply to employees of the organization. Specific standards regarding temporary workers hired by coffee farmers do not exist. Most hired labor on small-scale coffee farms, however, is seasonal. Standards for small farmers’ organizations state, “Where workers are casually hired by farmers themselves, the organizations should take steps to improve working conditions and to ensure that such workers share the benefits of Fair Trade” (FLO 2005). Hal Weitzman of the Financial Times visited five Fair Trade farms in northern Peru and found that four of the farms paid workers below the Peruvian minimum wage (Weitzman 2006).
Such payments do not violate Fair Trade standards. In its response to the Weitzman article, the Fair Trade Foundation reiterated its norms regarding workers hired by small-scale producers and recognized “that the members of these producer organizations are small farmers who struggle to earn a decent livelihood for themselves and their families” (The Fairtrade Foundation 2006). Unfortunately, Fair Trade promotional materials have lured coffee drinkers into believing that Fair Trade guarantees farmers and workers a fair or living wage, which most consumers probably interpret to mean a wage at or above the legal minimum in the coffee-producing country.

**Trying to Strong-Arm the Market**

Another pressing matter that has received little attention in Fair Trade circles concerns primary and secondary effects of the Fair Trade movement’s attempt to strong-arm the market by establishing a minimum price of $1.24 per pound. A price floor is created if the world coffee market price is less than $1.24. As anyone who has taken basic economics would predict, a minimum price set above the market price will act as a price floor, leading to excess supply. This has been the case in the Fair Trade coffee market. The above-market price, however, does little to increase coffee production as suggested recently in *The Economist* (2006). Most Fair Trade certified producers sell a fraction of their coffee to the Fair Trade market and the rest to the conventional market. FLO increases the supply of Fair Trade coffee by certifying additional producer organizations and channeling existing production into the Fair Trade market, not by inducing farmers to grow more coffee.

The imbalance between the supply of Fair Trade certified coffee and consumer demand has existed for at least 10 years. Bob Thomson, the former director of Fair Trade Mark Canada, affirmed in 1995 that Fair Trade producers had a productive capacity of 250,000 MT of coffee for a demand of only 11,000 MT (Thomson 1995). In other words, the market only purchased around 13 percent of the production of certified coffee producers’ organizations. The imbalance between supply and demand was significant enough to cause FLO to temporarily close their registry to new members in 2002 (Vizcarra 2002). FLO estimated that the supply of Fair Trade certified coffee in Latin America, Asia, and Africa in 2002 was seven times greater than the quantity exported through Fair Trade channels (Murray, Raynolds, Taylor 2003).

The experience of the Peruvian coffee producer association, the Association of Ecological Producers (APROECO), confirms this reality. When APROECO applied for certification in 2001, FLO told the association that it already had 280 pending applications, but that it could prioritize APROECO’s
application if the association had a buyer. Because the global coffee market suffered a profound crisis in the beginning of this decade, it is not surprising that there were 280 applications before that of APROECO. At the end of 2000, coffee prices dropped from about $1.10 per pound to $0.65 per pound. Prices only began to rise in 2004.

With an excess supply of coffee, the Fair Trade market has increasingly demanded organic coffee. The dual certification of Fair Trade and organic has allowed coffee organizations to differentiate their coffee in a saturated market. Between 1996 and 2000, exports of dual certified coffee (Fair Trade and organic) grew from 86.25 MT to 5,096 MT, an increase of about 5,800 percent (Raynolds 2002). According to Fair Trade fast facts, approximately 85 percent of Fair Trade coffee sold in the United States is certified organic (TransFair USA 2006).

Quality standards have risen significantly since 2000. Furthermore, beginning in 2004 FLO began charging producer organizations $3,200 to become certified. These increasing demands are easily understood when viewed in a market context of excess supply. In other words, barriers to entering the Fair Trade market have intensified to equilibrate supply and demand in a market with a price floor.

Entry barriers affect who participates in the market. Entering the Fair Trade coffee market, especially the Fair Trade organic market, presents major difficulties for young producer organizations. Without assistance from development organizations or export companies, the very organizations and producers that Fair Trade targets have little chance of participating in the market. Obtaining the certification of the FLO requires someone within the organization to coordinate the involved certification process. The soliciting organization must also obtain an export contract and the necessary financing to buy and export coffee. Most organizations need around $15,000 in financing to export one container of Fair Trade coffee. That short-term financing is needed to complement the prefinancing offered by the Fair Trade importer. (The FLO requires Fair Trade importers to provide a minimum prefinancing of 60 percent of the value of the export contract.) In addition, the organization needs $3,200 to pay FLO for its certification (Weber 2006).

Since the Fair Trade coffee market is consistently demanding more and more organic coffee, many organizations find that they must become organic certified to obtain export contracts. The organic certification process is more expensive and demanding than that of FLO. Most organic certification programs last three years. Each year requires an external inspection from the certifying entity. An
external inspection for an organization of 100 producers can generally cost around $2,000. The more significant cost, however, is in providing technical assistance in organic production norms to participating farmers. The total cost of implementing an organic certification program in four Peruvian coffee organizations ranged from $300 to more than $1,000 per producer (Weber 2006). Increased barriers to entry have made it increasingly difficult for marginalized producers, which Fair Trade supposedly targets, to participate. As in most industries, increasing barriers to entry benefits those already established in the market. Such is the case in the Fair Trade coffee market, which is dominated primarily by those privileged groups who entered the market in its less competitive days. The Fair Trade model based on a minimum price will inevitably produce a tension between concentrating market shares to a few groups, which leaves many out of the Fair Trade system, and distributing market shares to many groups, which results in each producer selling only a fraction of his production to the Fair Trade market.

Excerpt from:

The Adam Smith Institute, 2004
“Grounds for Complaint?”
By Brink Lindsey

Executive Summary
While affluent consumers in rich countries pay several dollars for a cup of latte at the local Starbucks, millions of small-scale coffee farmers are struggling as coffee bean prices have plummeted to historic lows. The juxtaposition of the designer coffee boom and rock-bottom raw material prices strikes market critics as compelling evidence of unfairness and exploitation. They blame multinational coffee roasters and retailers for profiting at poor farmers’ expense, and they propose a number of schemes—including “fair trade” coffee, the use of new quality standards to restrict imports, and the return to political of coffee exports—to help coffee farmers by propping up coffee bean prices.

The coffee market is clearly far from the textbook model of frictionless efficiency. Its adjustment of supply and demand is subject to long lags and over shooting. Nevertheless, the story of the current coffee glut is at bottom a story of falling costs and productivity improvements on both the supply and the demand sides. In particular, prices have fallen so low primarily because of dramatically expanded
production by low-cost suppliers in Brazil and Vietnam. And those low prices are a signal to high-cost producers—for example, in Central America—to supply a higher value product or exit the market.

However well intentioned, interventionist schemes to lift prices above market levels ignore those market realities. Accordingly, they are doomed to end in failure—or to offer cures that are worse than the disease. There are constructive measures that can help to ease the plight of struggling coffee farmers, but they consist of efforts to improve the market’s performance—not block it or demonize it.

“Fair Trade” Symbolism

The “fair trade” campaign is one such well meaning dead end. Under this approach, various nongovernmental organizations now certify coffee with the “fair trade” label if it is grown by cooperatives that meet specified social criteria and sold at a minimum price well above current market levels. For example, the base price for mild Arabica coffee is set at $1.26 per pound, roughly double the level of recent market prices.

The fair trade movement has gained real prominence in the past few years as activists around the world have waged aggressive campaigns to pressure roasters and retailers to produce and sell fair trade brands. The fair trade cause scored a major symbolic victory in October 2000 when Starbucks started selling fair trade coffee beans. The chain later agreed to increase its purchases and offer fair trade brews in its stores once a month.

Symbolic victories, however, are the only kind that this movement is likely to achieve. There is a limited market of politically motivated purchasers who will purchase fair trade coffee—as well as organic and shade-grown coffee because they approve of how those products are made. But the overwhelming majority of consumers buy coffee on the basis of how it tastes—and how much it costs. And the fact is that the quality of fair trade coffee does not justify its higher price. If a consumer is willing to pay a premium price for coffee, he now has a dizzying array of choices that offer taste superior to that of politically correct brands. Accordingly, fair trade coffee now claims only about 1 percent of the U.S. retail market; in Europe, where the movement has been active longer, market share is only modestly higher.

Activist campaigns to browbeat roasters and retailers into carrying products that consumers don’t want are doomed to end in frustration. Far better conceived are the efforts of groups like Technoserve that work with farmers and help them move into high-quality, specialty coffee production. The fast-growing
specialty coffee industry is developing and serving vibrant consumer demand—and in the process creating greater economic opportunities for coffee farmers.

Although it does help a few lucky farmers, the fair trade campaign could end up inadvertently harming many others. Stigmatizing the vast majority of coffee people buy as unfairly and exploitatively produced acts as negative advertising that, to the extent it is successful, taints consumer attitudes about coffee generally. Per capita consumption of coffee in the United States is already in long-term decline: from 36 gallons a year in 1970 to 17 gallons in 2000. Guilt induced by coffee-bashing activists could accelerate that downward trend—reducing demand for coffee and further immiserating the very farmers that the activists are seeking to help.

Excerpt From:
The Economist, 2007
“Voting with your Trolley: Can you really change the world just by buying certain foods?”

HAS the supermarket trolley dethroned the ballot box? Voter turnout in most developed countries has fallen in recent decades, but sales of organic, Fairtrade and local food—each with its own political agenda—are growing fast. Such food allows shoppers to express their political opinions, from concern for the environment to support for poor farmers, every time they buy groceries. And shoppers are jumping at the opportunity, says Marion Nestle, a nutritionist at New York University and the author of “Food Politics” (2002) and “What to Eat” (2006). “What I hear as I talk to people is this phenomenal sense of despair about their inability to do anything about climate change, or the disparity between rich and poor,” she says. “But when they go into a grocery store they can do something—they can make decisions about what they are buying and send a very clear message.”

Those in the food-activism movement agree. “It definitely has a positive effect,” says Ian Bretman of Fairtrade Labelling Organisations (FLO) International, the Fairtrade umbrella group. Before the advent of ethical and organic labels, he notes, the usual way to express political views using food was to impose boycotts. But such labels make a political act out of consumption, rather than non-consumption—which is far more likely to produce results, he suggests. “That’s how you build effective, constructive engagement with companies. If you try to do a boycott or slag them off as unfair or evil, you won’t be able to get them round the table.”
Consumers have more power than they realise, says Chris Wille of the Rainforest Alliance, a conservation group. “They are at one end of the supply chain, farmers are at the other, and consumers really do have the power to send a message back all the way through that complicated supply chain,” he explains. “If the message is frequent, loud and consistent enough, then they can actually change practices, and we see that happening on the ground.”

The $30 billion organic-food industry “was created by consumers voting with their dollars,” says Michael Pollan, the author of “The Omnivore's Dilemma” (2006), another of this year's crop of books on food politics. Normally, he says, a sharp distinction is made between people's actions as citizens, in which they are expected to consider the well-being of society, and their actions as consumers, which are assumed to be selfish. Food choices appear to reconcile the two.

**How green is your organic lettuce?**

Yet even an apparently obvious claim—that organic food is better for the environment than the conventionally farmed kind—turns out to be controversial. There are many different definitions of the term “organic”, but it generally involves severe restrictions on the use of synthetic pesticides and fertilisers and a ban on genetically modified organisms. Peter Melchett of the Soil Association, Britain's leading organic lobby group, says that environmental concerns, rather than health benefits, are now cited by British consumers as their main justification for buying organic food. (There is no clear evidence that conventional food is harmful or that organic food is nutritionally superior.)

But not everyone agrees that organic farming is better for the environment. Perhaps the most eminent critic of organic farming is Norman Borlaug, the father of the “green revolution”, winner of the Nobel peace prize and an outspoken advocate of the use of synthetic fertilisers to increase crop yields. He claims the idea that organic farming is better for the environment is “ridiculous” because organic farming produces lower yields and therefore requires more land under cultivation to produce the same amount of food. Thanks to synthetic fertilisers, Mr Borlaug points out, global cereal production tripled between 1950 and 2000, but the amount of land used increased by only 10%. Using traditional techniques such as crop rotation, compost and manure to supply the soil with nitrogen and other minerals would have required a tripling of the area under cultivation. The more intensively you farm, Mr Borlaug contends, the more room you have left for rainforest.

What of the claim that organic farming is more energy-efficient? Lord Melchett points out for example that the artificial fertiliser used in conventional farming is made using natural gas, which is “completely
unsustainable”. But Anthony Trewavas, a biochemist at the University of Edinburgh, counters that organic farming actually requires more energy per tonne of food produced, because yields are lower and weeds are kept at bay by ploughing. And Mr Pollan notes that only one-fifth of the energy associated with food production across the whole food chain is consumed on the farm: the rest goes on transport and processing.

The most environmentally benign form of agriculture appears to be “no till” farming, which involves little or no ploughing and relies on cover crops and carefully applied herbicides to control weeds. This makes it hard to combine with organic methods (though some researchers are trying). Too rigid an insistence on organic farming’s somewhat arbitrary rules, then—copper, a heavy metal, can be used as an organic fungicide because it is traditional—can actually hinder the adoption of greener agricultural techniques. Alas, shoppers look in vain for “no till” labels on their food—at least so far.

**Fair enough**

What about Fairtrade? Its aim is to address “the injustice of low prices” by guaranteeing that producers receive a fair price “however unfair the conventional market is”, according to FLO International's website. In essence, it means paying producers an above-market “Fairtrade” price for their produce, provided they meet particular labour and production standards. In the case of coffee, for example, Fairtrade farmers receive a minimum of $1.26 per pound for their coffee, or $0.05 above the market price if it exceeds that floor. This premium is passed back to the producers to spend on development programmes. The market for Fairtrade products is much smaller than that for organic products, but is growing much faster: it increased by 37% to reach €1.1 billion ($1.4 billion) in 2005. Who could object to that?

Economists, for a start. The standard economic argument against Fairtrade goes like this: the low price of commodities such as coffee is due to overproduction, and ought to be a signal to producers to switch to growing other crops. Paying a guaranteed Fairtrade premium—in effect, a subsidy—both prevents this signal from getting through and, by raising the average price paid for coffee, encourages more producers to enter the market. This then drives down the price of non-Fairtrade coffee even further, making non-Fairtrade farmers poorer. Fairtrade does not address the basic problem, argues Tim Harford, author of “The Undercover Economist” (2005), which is that too much coffee is being produced in the first place. Instead, it could even encourage more production.
Mr Bretman of FLO International disagrees. In practice, he says, farmers cannot afford to diversify out of coffee when the price falls. Fairtrade producers can use the premiums they receive to make the necessary investments to diversify into other crops. But surely the price guarantee actually reduces the incentive to diversify?

Another objection to Fairtrade is that certification is predicated on political assumptions about the best way to organise labour. In particular, for some commodities (including coffee) certification is available only to co-operatives of small producers, who are deemed to be most likely to give workers a fair deal when deciding how to spend the Fairtrade premium. Coffee plantations or large family firms cannot be certified. Mr Bretman says the rules vary from commodity to commodity, but are intended to ensure that the Fairtrade system helps those most in need. Yet limiting certification to co-ops means “missing out on helping the vast majority of farm workers, who work on plantations,” says Mr Wille of the Rainforest Alliance, which certifies producers of all kinds.

Guaranteeing a minimum price also means there is no incentive to improve quality, grumble coffee-drinkers, who find that the quality of Fairtrade brews varies widely. Again, the Rainforest Alliance does things differently. It does not guarantee a minimum price or offer a premium but provides training, advice and better access to credit. That consumers are often willing to pay more for a product with the RA logo on it is an added bonus, not the result of a formal subsidy scheme; such products must still fend for themselves in the marketplace. “We want farmers to have control of their own destinies, to learn to market their products in these competitive globalised markets, so they are not dependent on some NGO,” says Mr Wille.

But perhaps the most cogent objection to Fairtrade is that it is an inefficient way to get money to poor producers. Retailers add their own enormous mark-ups to Fairtrade products and mislead consumers into thinking that all of the premium they are paying is passed on. Mr Harford calculates that only 10% of the premium paid for Fairtrade coffee in a coffee bar trickles down to the producer. Fairtrade coffee, like the organic produce sold in supermarkets, is used by retailers as a means of identifying price-insensitive consumers who will pay more, he says.

As with organic food, the Fairtrade movement is under attack both from outsiders who think it is misguided and from insiders who think it has sold its soul. In particular, the launch by Nestlé, a food giant, of Partners' Blend, a Fairtrade coffee, has convinced activists that the Fairtrade movement is caving in to big business. Nestlé sells over 8,000 non-Fairtrade products and is accused of exploiting the
Fairtrade brand to gain favourable publicity while continuing to do business as usual. Mr Bretman disagrees. “We felt it would not be responsible to turn down an opportunity to do something that would practically help hundreds or thousands of farmers,” he says. “You are winning the battle if you get corporate acceptance that these ideas are important.” He concedes that the Fairtrade movement’s supporters are “a very broad church” which includes anti-globalisation and anti-corporate types. But they can simply avoid Nestlé’s Fairtrade coffee and buy from smaller Fairtrade producers instead, he suggests.

Besides, this is how change usually comes about, notes Mr Pollan. The mainstream co-opts the fringe and shifts its position in the process; “but then you need people to stake out the fringe again.” That is what has happened with organic food in America, and is starting to happen with Fairtrade food too. “People are looking for the next frontier,” says Mr Pollan, and it already seems clear what that is: local food.

“Local is the new organic” has become the unofficial slogan of the local-food movement in the past couple of years. The rise of “Big Organic”, the large-scale production of organic food to meet growing demand, has produced a backlash and claims that the organic movement has sold its soul. Purists worry that the organic movement’s original ideals have been forgotten as large companies that produce and sell organic food on an industrial scale have muscled in.

This partly explains why food bought from local producers either directly or at farmers’ markets is growing in popularity, and why local-food advocates are now the keepers of the flame of the food-activism movement. Local food need not be organic, but buying direct from small farmers short-circuits industrial production and distribution systems in the same way that buying organic used to. As a result, local food appears to be immune to being industrialised or corporatised. Organic food used to offer people a way to make a “corporate protest”, says Mr Pollan, and now “local offers an alternative to that.”

**Think globally, act locally?**

Buying direct means producers get a fair price, with no middlemen adding big margins along the distribution chain. Nor has local food been shipped in from the other side of the country or the other side of the world, so the smaller number of “food miles” makes local food greener, too. Local food thus appeals in different ways to environmentalists, national farm lobbies and anti-corporate activists, as well as consumers who want to know more about where their food comes from.
Obviously it makes sense to choose a product that has been grown locally over an identical product shipped in from afar. But such direct comparisons are rare. And it turns out that the apparently straightforward approach of minimising the “food miles” associated with your weekly groceries does not, in fact, always result in the smallest possible environmental impact.

The term “food mile” is itself misleading, as a report published by DEFRA, Britain’s environment and farming ministry, pointed out last year. A mile travelled by a large truck full of groceries is not the same as a mile travelled by a sport-utility vehicle carrying a bag of salad. Instead, says Paul Watkiss, one of the authors of the DEFRA report, it is more helpful to think about food-vehicle miles (ie, the number of miles travelled by vehicles carrying food) and food-tonne miles (which take the tonnage being carried into account).

The DEFRA report, which analysed the supply of food in Britain, contained several counterintuitive findings. It turns out to be better for the environment to truck in tomatoes from Spain during the winter, for example, than to grow them in heated greenhouses in Britain. And it transpires that half the food-vehicle miles associated with British food are travelled by cars driving to and from the shops. Each trip is short, but there are millions of them every day. Another surprising finding was that a shift towards a local food system, and away from a supermarket-based food system, with its central distribution depots, lean supply chains and big, full trucks, might actually increase the number of food-vehicle miles being travelled locally, because things would move around in a larger number of smaller, less efficiently packed vehicles.

Research carried out at Lincoln University in New Zealand found that producing dairy products, lamb, apples and onions in that country and shipping them to Britain used less energy overall than producing them in Britain. (Farming and processing in New Zealand is much less energy intensive.) And even if flying food in from the developing world produces more emissions, that needs to be weighed against the boost to trade and development.

There is a strand of protectionism and anti-globalisation in much local-food advocacy, says Gareth Edwards-Jones of the University of Wales. Local food lets farming lobbies campaign against imports under the guise of environmentalism. A common argument is that local food is fresher, but that is not always true: green beans, for example, are picked and flown to Britain from Kenya overnight, he says. People clearly want to think that they are making environmentally or socially optimal food choices, he says, but “we don’t have enough evidence” to do so.
What should a shopper do? All food choices involve trade-offs. Even if organic farming does consume a little less energy and produce a little less pollution, that must be offset against lower yields and greater land use. Fairtrade food may help some poor farmers, but may also harm others; and even if local food reduces transport emissions, it also reduces potential for economic development. Buying all three types of food can be seen as an anti-corporate protest, yet big companies already sell organic and Fairtrade food, and local sourcing coupled with supermarkets’ efficient logistics may yet prove to be the greenest way to move food around.

Food is central to the debates on the environment, development, trade and globalisation—but the potential for food choices to change the world should not be overestimated. The idea of saving the world by shopping is appealing; but tackling climate change, boosting development and reforming the global trade system will require difficult political choices. “We have to vote with our votes as well as our food dollars,” says Mr Pollan. Conventional political activity may not be as enjoyable as shopping, but it is far more likely to make a difference.

Group 2: TransFair USA

TransFair USA, a nonprofit organization, is the only third-party certifier of Fair Trade products in the U.S. An organization that brings together industry, farmers, and US consumers in support of equitable trade, their primary activity is to oversee transactions between US companies selling certified Fair Trade products and the international suppliers of those products. Their goal is to be sure that the farmers and farm workers producing the goods are paid “a fair, above-market price.” TransFair USA is a member of Fair trade Labeling Organizations International (FLO), which conducts annual inspections to be sure the revenue of the Fair Trade Certified products are being used for socioeconomic development. As expressed by the organization’s mission statements “TransFair USA enables sustainable development and community empowerment by cultivating a more equitable global trade model that benefits farmers, workers, consumers, industry and the earth. We achieve our mission by certifying and promoting Fair Trade products.”

Major points:

- Fair trade allows producers to receive a significantly higher price for their coffee
- The program is a mechanism for farmers to receive needed credit before the sale of their crop
- Fair trade encourages healthy environments and communities
- Long-term relationships and price minimums offer farmers security
Presented below, is a series of excerpts from various publications and articles relevant to Trans-Fair’s standing on the Fair Trade coffee movement.

Excerpt from:

*The New York Times, 2007*

"Fair Trade in Bloom"

By Andrew Downie

VARGINHA, Brazil - Rafael de Paiva was skeptical at first. If he wanted a "fair trade" certification for his coffee crop, the Brazilian farmer would have to adhere to a long list of rules on pesticides, farming techniques, recycling and other matters. He even had to show that his children were enrolled in school. "I thought, 'This is difficult,'" recalled the humble farmer. But the 20 percent premium he recently received for his first fair trade harvest made the effort worthwhile, Mr. Paiva said, adding, it "helped us create a decent living."

More farmers are likely to receive such offers, as importers and retailers rush to meet a growing demand from consumers and activists to adhere to stricter environmental and social standards.

Mr. Paiva's beans will be in the store-brand coffee sold by Sam's Club, the warehouse chain of Wal-Mart Stores. Dunkin' Donuts, McDonald's and Starbucks already sell some fair trade coffee.

"We see a real momentum now with big companies and institutions switching to fair trade," said Paul Rice, president and chief executive of TransFair USA, the only independent fair trade certifier in the United States.

The International Fair Trade Association, an umbrella group of organizations in more than 70 countries, defines fair trade as reflecting "concern for the social, economic and environmental well-being of marginalized small producers" and does "not maximize profit at their expense."

According to Fairtrade Labeling Organizations International, a group of fair trade certifiers, consumers spent approximately $2.2 billion on certified products in 2006, a 42 percent increase over the previous year, benefiting over seven million people in developing countries.

Like consumer awareness of organic products a decade ago, fair trade awareness is growing. In 2006, 27 percent of Americans said they were aware of the certification, up from 12 percent in 2004, according to a study by the New York based National Coffee Association.

Fair trade products that have experienced the biggest jump in demand include coffee, cocoa and cotton, according to the Fairtrade Labeling Organizations.

Dozens of other products, including tea, pineapples, wine and flowers, are certified by organizations that visit farmers to verify that they are meeting the many criteria that bar, among other things, the use of child labor and harmful chemicals.
There is no governmental standard for fair trade certification, the same situation as with "organic" until a few years ago. Some fair trade produce also carries the organic label, but most does not. One important difference is the focus of the labels: organic refers to how food is cultivated, while fair trade is primarily concerned with the condition of the farmer and his laborers.

Big chains are marketing fair trade coffee to varying degrees. All the espresso served at the 5,400 Dunkin' Donuts stores in the United States, for example, is fair trade. All McDonald's stores in New England sell only fair trade coffee. And in 2006, Starbucks bought 50 percent more fair trade coffee than in 2005.

Fair trade produce remains a minuscule percentage of world trade, but it is growing. Only 3.3 percent of coffee sold in the United States in 2006 was certified fair trade, but that was more than eight times the level in 2001, according to TransFair USA.

Although Sam's Club already sells seven fair trade imports, including coffee, this will be the first time it has put its Member's Mark label on a fair trade product, which Mr. Rice of TransFair called "a statement of their commitment to fair trade."

He added, "The impact in terms of volume and the impact in terms of the farmers and their families is quite dramatic."

Michael Ellgass, the director of house brands for Sam's Club, said the company could afford to pay fair trade's premium because it has reduced the number of middlemen.

Coffee usually passes from farmers through roasters, packers, traders, shippers and warehouses before arriving in stores. But Sam's Club will buy shelf-ready merchandise directly from Café Bom Dia, the roaster here in Brazil's lush coffee country.

"We are cutting a number of steps out of the process by working directly with the farmer," Mr. Ellgass said.

Some critics of fair trade say that working with thousands of small farmers makes strict adherence to fair trade rules difficult.

Others argue that fair trade coffee is as exploitive as the conventional kind, especially in countries that produce the highest-quality beans - like Colombia, Ethiopia and Guatemala. Fair trade farmers there are barely paid more than their counterparts in Brazil, though their crops become gourmet brands, selling for a hefty markup, said Geoff Watts, vice president for coffee at Chicago's Intelligentsia Coffee and Tea, a coffee importer.

But in Brazil, a nation with little top-grade coffee, the partnership between small producers and big retailers is a better blend, Mr. Watts said.

Fair trade coffee farmers in Brazil are paid at least $1.29 a pound, compared with the current market rate of roughly $1.05 per pound, said Sydney Marques de Paiva, president of Café Bom Dia.
Most coffee farmers are organized into cooperatives, and some of that premium finances community projects like schools or potable water.

Like most of his cooperative’s 3,000-odd members - and three-quarters of coffee growers worldwide - Mr. Paiva, the coffee farmer (no relation to Mr. Marques de Paiva), farms less than 25 acres of land. He produces around 200 132-pound sacks for the co-op, with 70 percent of that sold as fair trade to Café Bom Dia.

The company would buy more if there were more of a market for fair trade coffee, it said.

The fair trade crop brought Mr. Paiva about 258 reais ($139) a sack, compared with about 230 reais for the sacks that were not fair trade. For the latest crop, that meant an additional 3,920 reais ($2,116) for him, a huge sum here in the impoverished mountains of Minas.

"It's been great for us," Mr. Paiva said with a huge, toothless grin. "I call the people from the co-op my family now."

Mr. Ellgass, the Sam's Club executive, said the chain hoped to expand its fair trade goods.

So do Brazil's farmers. "Everybody is doing their best to come up to standard so we can sell our coffee as fair trade," said Conceição Peres da Costa, one of the co-op's growers. "Everybody wants to earn as much as he can."

Excerpt from:

http://eatthestate.org/05-22/FairTradeCoffee.htm

“Fair Trade Coffee: for Humanity and against Corporate Monoculture”
By Troy Skeels

Fourteen people were found dead in the Arizona desert in early June, after one of the party's survivors flagged down a federal immigration officer to beg for water.

The group was composed of illegals--Mexican citizens crossing into the US illegally to work for meager pay under often miserable conditions, thousands of miles from home. Things must be pretty bad at home to inspire that kind of desperate effort.

Underscoring just how bad things are, six of those fourteen dead were coffee farmers from Veracruz state. Farmers who left their prime coffee growing land to look for work because, at a record low of 56 cents per pound on the export market, it costs more to grow the coffee than a farmer can get. "An even lower price is reaching the farmer in many cases--around 20-30 cents," according to Jeremy Simer of Transfair USA, an organization involved in promoting "fair trade" coffee.

Here at home, the coffee flows in a ceaseless flood of lattes and frappacinos, tidily iced and foamed and
dolloped into a maelstrom of liquid indulgence. Meanwhile coffee farmers are dying of thirst and dehydration in the deserts of Arizona.

There's a coffee glut on the world market. Overproduction fueled by mechanized, chemical, monoculture agribusiness. The coffee corporations consolidate and extinguish small farms and the local biodiversity under the same unrolling carpet. Tree-filled, plant and animal rich, small coffee farms are replaced with the sterile sunblasted monotony of the factory farm. Communities and their local economies are disrupted. Farmers are displaced. We pay ever more tax dollars to increase "enforcement" and "interdiction" at the border. And the price of a shot of espresso keeps going up.

What's needed is a stable, livable price floor for coffee beans on the world market. A price that sustains small farms, thereby protecting the local ecology, economy, and structures. A price that keeps families together. A price that still allows the roasters and coffee shops of the world to make a fair profit. That "fair trade" price floor, representing a living wage, is about $1.26 per pound, according to Transfair.

That's the price that the farmer has to receive for the final product to be truly considered fair trade. That is to say, responsible coffee. Coffee that does not contribute to community disintegration, habitat destruction, and more needless deaths in the Arizona desert--or anywhere else, for that matter. The crisis of the Veracruz farmers is faced by small coffee farmers everywhere. As corporate control of production and distribution is consolidated, misery is disseminated. We barely hear about deaths of marginal farmers that happen in our own country, let alone South America, Indonesia, and Africa. We do see a lot of promotional campaigns for fancy coffee drinks.

Transfair USA is working to promote fair trade coffee by providing a worldwide standard of certification and labeling of fair trade coffee. Its role is as "a non-profit monitoring organization which certifies that participating traders are following fair trade guidelines."

Associated with the international Fair Labeling Organization, based in Europe, Transfair USA is part of a collaboration to establish an international standard for fair trade labeling.

Coffee is Transfair USA's first product line. And Seattle is a key component in their effort because of "coffee's popularity here, its significance to the region, and local concern about global economic issues."

Transfair, along with Equal Exchange and a handful of other organizations, represents the other side of the "Battle of Seattle." One moment it was about stopping the WTO in its tracks. The work continues through fostering alternative trade networks, strengthening communities of resistance, and building links between the human beings that produce the goods and the human beings that buy the retail products.

Transfair maintains a register of independent growers, including a large contingent of cooperatives. "The farmers must meet various criteria including democratic organization; organic farming strategies; and commitment to a high quality product." In addition, farmers pay a fee to Transfair based on the amount
of coffee sold. In return, farmers are "guaranteed" a minimum price of $1.26 per pound. If the world price rises above this minimum, growers will get a 5 cent per pound premium over the market price.

Importers and Roasters who want to put the Transfair label on their coffee agree to a number of standards in addition to paying a fair price. They provide some "credit to farmers against future sales, helping farmers stay out of debt to local coffee coyotes or middlemen, who charge usurious rates of interest." They also agree to pay an additional premium for organic coffee, reducing the advantage of chemical subsidies. The roasters and importers sign on for "long-term trade relationships with producer groups thereby cutting out middlemen and bringing greater commercial stability to an extremely unstable market." After all the steps along the way have been monitored and approved by Transfair, roasters pay a 10 cents per pound licensing fee and can put the label on their coffee.

Transfair USA isn't the only label carrying coffee that can be said to be fair trade. Cafe Mam, Zapatista Coffee, Kailani, and numerous other independent roasters, dedicated solely to fair trade and organics, offer their own fair trade coffees. But these are primarily individual efforts, focused around specific connections between roasters and growing communities.

The rationale behind Transfair's large scale labeling effort lies in the 170 million pounds of fair trade qualified coffee produced in 2000, of which only 30 million pounds was sold under fair trade conditions. That's about 18%. That leaves a lot of room for growth in the conscious consumption segment of the market.

The farmers are producing, Transfair is busily certifying and labeling, with 88 importers and roasters signed on so far. The corporate chain cafes have signed on under pressure, and carry the beans, but they seem less than entirely enthusiastic. They carry one choice of fair trade labeled beans, but don't have any on tap. Tully's, at least, will make a press pot of fair trade, but it's two big cups worth and it takes a minute to brew, so bring a friend.

That's what it's going to take. "Consumer demand," as they call it, or you could call it "strategic purchasing."

Coffee, as one of the most valuable traded commodities in the world, worth billions of dollars annually, and employing some 20 million farmers, is well positioned as a starting point for initiating sustainable fair trade networks based on connections and exchange between producers and consumers.

As a "specialty" product, coffee comes equipped with a full range of lifestyle references and reminders to pause, reflect and get grounded. Fair trade is a natural progression, with it's emphasis on showing the authentic faces of the farmers, often community activists, and always active communities--communities taking back their own sufficiency, rebuilding their own infrastructure. Safeguarding all our futures. Strengthening the front lines of the fight against faceless corporate globalization and the depredations of greed.
The coffee trade connects the plush world of upscale Seattle with the base level of production, borne on the backs of farmers and ecosystems in the "Global South." Fair Trade coffee is putting faces on this trade, at both ends of the pipeline.

Transfair USA can be found at www.transfairusa.org, or see this issue's Activist Calendar for information on Seattle area Transfair activities, featuring meetings with visiting coffee farmers from two Nicaraguan cooperatives.

Excerpt from:


"Fair Trade: An alternative economic model"

Globalization. Its supporters say it's opening up world markets to producers from Montreal to Maputo. Its detractors claim globalization does little more than allow producers to acquire their goods from developing countries by exploiting desperately poor people.

But there's a growing movement dedicated to making sure that producers in developing countries are paid a fair price for the goods we consume.

Called fair trade, it's a strategy for poverty alleviation and sustainable development. Its purpose is to create opportunities for producers who have been disadvantaged or marginalized by the traditional economic model.

Take coffee, for instance. Canadians consume more than 40 million cups of the stuff a day – an average of about 2.6 cups daily for each coffee drinker. According to figures from the Canadian Coffee Association, 63 per cent of adult Canadians drink coffee on a daily basis.

No, not all of it is bought at retail coffee or doughnut chains. Almost two-thirds of the coffee Canadians drink is consumed at home. That means most of us buy it regularly at places like supermarkets or specialty coffee chains.

The vast majority of the coffee we buy comes from producers who are paid about 54 cents for a pound of beans – or about 11 cents for every dollar spent by the coffee-consuming public.

Under fair trade arrangements, less money goes to "middlemen" and more goes to the coffee grower. They receive about 28 cents for every dollar spent by the coffee-consuming public.

The appetite for fair trade coffee has grown to the extent that several major supermarket chains and specialty coffee shops now carry the product. In 1998, more than 21,500 kilograms of fair trade coffee was sold in Canada. By 2004, Canadians bought more than 940,000 kilograms of the product. Over the
same period, sales had jumped to $28.2 million from about $649,000.

Globally, fair trade sales have soared during the past decade. In Europe, sales of fair trade products hit about $950 million in 2005 — up 154 per cent in five years or a rate of growth of about 20 per cent a year.

On April 17, 2007, Wolfville, N.S., became Canada's first fair trade town.

Wolfville Mayor Bob Stead said when the town council was discussing the proposal of becoming a fair trade town, local producers were suffering with the closure of poultry and pork processing plants. He noted that if the town planned on committing itself to supporting farmers in developing countries, they should also back farmers in their own town.

"We'll emphasize [fair trade's principles] locally as it applies to 'buy local' and try to support our local farmers who are sometimes in some jeopardy in terms of market survivability," Stead said.

Garstang in the U.K. became the world's first fair trade town in 2000. Since then, hundreds of towns across Europe have been certified by Transfair, the agency that monitors fair trade goods in Canada.

**What are the origins of fair trade?**

The fair trade movement has its roots in the United States in the mid-1940s. A group known as Self Help Crafts began buying needlework from artisans in Puerto Rico. By 1958, Self Help Crafts — which would later become the North American chain Ten Thousand Villages — opened its first "fair trade" shop.

In Europe, Oxfam UK began selling crafts made by Chinese refugees in the 1950s. In 1964, Oxfam UK started the first fair trade organization. Three years later, Fair Trade Organisatie was established in The Netherlands. Around the same time, groups in developing countries that had been Dutch colonies began to sell cane sugar that included the message "By buying cane sugar you give people in poor countries a place in the sun of prosperity."

In 1973, Fair Trade Organisatie imported the first "fairly traded" coffee from a farmers' co-operative in Guatemala. That was later expanded to include food products like tea and cocoa.

**What are the benefits of buying fair trade products?**

Under fair trade arrangements, less money goes to "middlemen" and more goes to the producer, usually an independent farmer, member of a small co-operative or an artisan. You know that more of your money is helping to improve the incomes of regular people.

**Isn't that just helping a small number of producers in developing countries?**

Yes – and no. Under fair trade agreements, there are mechanisms in place that divert some of the money earmarked for producers to the wider community. So some of the money goes to building...
schools and improving infrastructure – and not just enriching a small number of producers.

Are fair trade products more expensive than conventionally produced products?
They can be. But you are buying a premium product. If it’s a piece of clothing, you will know that it was handmade and not stitched in a sweatshop. In the case of coffee or tea, you can be assured that it was not grown and processed on a factory farm.

How do I know if a product I buy is a fair trade product?
Read the label. If it says "Fair Trade Certified," the product has met standards set by Fairtrade Labelling Organizations International. FLO, which was set up in 1997, guarantees that products sold with a Fairtrade label conform to Fairtrade standards and contribute to the development of disadvantaged producers and workers.

In Canada, TransFair independently audits and certifies fair trade goods. But not everything that carries some form of fair trade label has received official certification. In 2006, more than 450 tonnes of coffee sold in Canada with fair trade labels were not officially certified. That has fair trade advocates calling for tougher rules.

Jeff Moore, who founded the country’s first fair-trade coffee co-operative, Just Us in Grand Pré, N.S., wants Industry Canada to protect the term. He says that the federal government should regulate certification. Federal regulations would mean that companies wanting to use a fair trade label would be subject to mandatory rules or face fines.

What are the key elements of fair trade?
-The producer is paid a fair price which covers not only the costs of production but enables production which is socially just and environmentally sound.
-Helps develop a producer’s ability to remain independent.
-Helps provide a safe and healthy working environment for producers. Children are not to be exploited as cheap labourers.
-Women’s work is properly valued and rewarded.
-Encourages better environmental practices and responsible methods of production.

What other fair trade products are available?
The list is growing beyond coffee, tea, cocoa, clothing and crafts. In April, Florimex, a B.C.-based company began importing fair trade certified roses from Kenya. The company is the first in North America to import fair trade cut flowers. Most cut flowers are imported from Latin America and East Africa, where they are grown in huge greenhouses. The workers – mainly women – are exposed to a range of chemicals that keep the flowers looking fresh.
Group 3: Community Agriculture Network (C.A.N.)

This non-profit organization founded in 2001 works with farmers on many levels to achieve a better livelihood, community, and environment for the area. Their mission is “to develop a network of rural communities and consumers that work together to support self-sufficiency and sustainable farming practices.” (About CAN) Programs set up to accomplish these goals include farm-based research, education, and marketing. Most importantly, through marketing and investments in value-added processes such as a coffee roaster, they have increased the price that the farmer receives from $1.26 per pound for fair trade coffee to $3.25 per pound (CAN). Much of this increase is due to the on-site roasting and direct marketing of the coffee. The Community Agroecology Network offers an alternative form of fair trade, adding value to the product, researching on-farm with farmers for better education results, and using some of the cooperative’s profits for diversification.

Major Points:
• Fair trade does not do enough to keep value in the community
• Diversification will result in less reliance on coffee profits for survival
• Education and on-farm research should be included in the program for stability and more farmer involvement
• Environmental and social concerns should be given more weight

Presented below, is a series of excerpts from various publications and articles relevant to CATO’s standing on the Fair Trade coffee movement.

Excerpt from:

City on a Hill Press  www.cityonahillpress.com
“The Contents of Your Cup: Coffee, CAN and a Commodity’s Crisis”
By Hannah Buoye

Coffee is the second most valuably traded commodity after oil, according to Robbie Jaffe, co-founder of Santa Cruz-based non-profit organization Community Agroecology Network (CAN). People in the United States alone consume 2.3 billion pounds of coffee per year, more than any other country.

In one year, a two-cup-a-day drinker of coffee will consume the annual harvest of 18 coffee trees, according to Trans Fair USA. Coffee is an international, economic, environmental and developmental issue we become involved in every time we order that white mocha with extra whip. But just one satisfying sip of that caffeine-filled drink can make the big picture hard to remember.

“There is a large disconnect between the producer and the consumer,” Jaffe said. “The juxtaposition that gets to me is that we sit up here and drink our lattes while there is a great potential bridge to be made between coffee drinkers and growers.”

Grown in the equatorial regions of the world, most coffee is traded ‘green,’ meaning beans are depulped and dried before selling. The value-adding processes of roasting and packaging are done in the consuming countries. Considering the beans’ fluctuating market value, the money coffee farmers make does not reflect the price consumers pay. For a pound of coffee beans, a farmer normally receives somewhere between $0.90 and $1.26 while the consumer shells out anywhere from $1 to $4 for a coffee drink and $7 to $14 for a pound of coffee. The price disparity between what is produced and what is consumed can be traced back to the difference between the “coffee” that is sold on the international market and the “coffee” that is sold to the coffee shop consumer.

An Integrated Approach to the Coffee Crisis
CAN, a unique nonprofit, targets the environmental, developmental and economic issues that surround coffee production by teaching agroecological principles and the integration of alternative markets, while providing research opportunities abroad for university students and faculty.
“[CAN] is not just marketing; it’s an opportunity to do field internships, have faculty participate in research, and create long-term relationships between communities,” said Grace Voorheis, senior intern for CAN’s campus expansion campaign.

“There is potential for something really special to happen when you get people together face to face” said Ian Bailey, former CAN intern.

The Coffee Crisis and Its Economic Paradox
It is a great risk to grow coffee, yet so many developing countries depend on coffee as an export because it creates the income they need to become “developing” countries. As a crop, it is a crucial source of revenue. In times of crisis, when prices drop or markets disappear, the farmers cannot eat coffee for nourishment; they are left with a useless commodity. Still, Voorheis points out, there is a large market demand for coffee, so it is a desirable commodity to grow.

In their book The Coffee Paradox, Benoît Daviron and Stefano Ponte explain many factors that influence the popularity of this commodity and drink. Experienced as a ‘coffee boom’ in consuming countries and a ‘coffee crisis’ in producing countries,” the “coffee paradox” is an example of a common trade dilemma in developing countries. When a commodity becomes popular and fetches a higher price in consuming countries, production increases, and demand decreases because overproduction drives prices down. With coffee, however, the price of the commodity has decreased but the price of the finished product — your latte — has increased.

Coffee, like most commodities, is subject to the boom and bust cycles of economics and production. In the 1960s, Jaffe explains, coffee prices began to stabilize with the formation of the International Coffee Agreement (ICA). The ICA was a kind of “cartel of coffee consuming and producing countries created to maintain a stable price for green coffee” said Nick Babin, a former CAN intern, citing OPEC and the control that organization has over the price of oil as a comparative example.

The Coffee Crisis was brought on in 1989, when the ICA’s regulatory structure was disrupted after U.S. withdrawal changed views toward coffee as a commodity in consuming counties.

When the United States pulled out of the ICA in 1989, the institutional framework fell apart and prices became volatile with the lack of regulation, Babin explained. In addition to the ICA’s collapse, USAID and World Bank development efforts created an overabundance of coffee production by encouraging a conversion to coffee farming in equatorial regions, like Vietnam, where coffee was not traditionally grown.

During the height of the crisis, farmers received as little as $0.40 per pound for coffee while their countries lost crucial revenue created by the exportation of coffee for development and infrastructure.

“Countries that grow coffee are largely dependent on the export and therefore became devastated when the prices dropped,” Jaffe said.
On the consuming end, coffee was just a bulk commodity until the late 80s, when the specialty market, jumpstarted by such chains as Starbucks, began to grow in popularity. While retailers and roasters were changing their attitudes toward coffee, they were also gaining profits.

Four major companies: Nestle©, Kraft, Sarah Lee and Proctor & Gamble — currently control the majority of production, packaging and distribution of coffee while 70 percent of coffee producers are small-scale farmers. Large brand names, like Folgers, reap the monopolized benefits at the consumer level, while small farmers are left receiving $0.70 a pound for coffee Starbucks will sell for $12 a pound.

Agua Buena, Costa Rica and The Coffee Crisis

When prices dropped during the Coffee Crisis, cooperatives became bankrupt and small family farms were devastated. This situation was the case for one cooperative in Agua Buena, Costa Rica.

“When Agua Buena’s local co-op, Coopabuena, which served around 400 families, went bankrupt, partly due to low prices and partly due to management, it was unable to pay farmers for a whole harvest year,” said Ian Bailey, a former CAN intern. This failure had a significant impact on both the community’s social and agricultural structures.

“The biggest response to [the Coffee Crisis] was immigration,” he continued. “People would try to sell their farm and move to the urban areas of Costa Rica; some even immigrated to the US.”

In addition to the exodus of the younger generation, the crisis incited devastating environmental practices.

According to Bailey, “People just took out all their coffee and converted it to pasture to graze cattle. Cattle grazing, not necessarily a better financial option, takes a lot less labor, allowing the farmer to go make money somewhere else, while still having the income from the cattle.”

For farmers reliant on coffee and reluctant to abandon their conventional agricultural practices, the drop in prices forced them toward more ecologically devastating methods of earning a living. These methods yielded more coffee in the short-term, but created more problems in the long-run.

Agroecology and Networks

Steve Gliessman, Environmental Studies faculty and co-founder of CAN, took a sabbatical in 2001 and returned to Agua Buena where he had previously owned and operated a farm. Visiting at the height of the coffee crisis, Gliessman saw the struggle to organize co-ops and obtain better prices for the coffee paralleled throughout Central America. When he saw the need for a network of coffee growing communities and a change in coffee production, he began to organize CAN.

CAN works with five Central American communities, two in Mexico and one in El Salvador, Nicaragua and Costa Rica. Inspired by traditional Mayan agricultural practices, Gliessman believes that a focus on the sustainable principles of agroecology will not only help produce better coffee but will restore the country’s natural landscape and improve community solidarity.
After Agua Buena’s Coopabeuna cooperative collapsed, a group of 40 families got together to form their own co-op, this time dedicated to sustainability and lasting community relationships in addition to increasing market value and price return.

“Farmers can’t afford the switch to organic to increase the price of their coffee,” said Joey Smith, a former CAN intern who now works for Food First in Oakland. “But they’re willing to find alternative farming methods that do not use pesticides and herbicides and monoculture because it is their land and they want to keep it healthy.”

The co-op decided to adopt sustainable farming practices to recuperate from the damage done to soils by conversions to pasture land and create a better network to support the community in future times of crisis, explained Roberto Jimenez, a local farmer and long time partner with the CAN internship program. His coffee is now shade-grown, incorporating other food producing trees, such as bananas, which enhance soil quality and provide edible produce. The coffee gains nutrients from the leaf-matter that falls, accumulates and decomposes into fertilizer around the coffee plants. In addition the trees provide important habitat for birds.

Speaking to a room full of UCSC students last month, Roberto explained the challenges of changing from conventional to more ecological practices.

“It is difficult because to produce in an ecological fashion you have to have a change of consciousness,” he said. “In the past we grew conventionally with out shade or protection of the land.

**CAN: Direct Marketing**

Unlike voluntary labeling, such as Fair Trade and Organic, coffee sold through CAN retains a link to the community it came from.

The idea of having voluntary labeling, like Fair Trade and Organic, explains Julie Guthman, professor of community studies at UCSC, is to provide a price premium in the market that will allow producers of a commodity to improve their agricultural practices and livelihoods.

“The label says you abide by a set of practices and the consumer will recognize that and you get that return as the farmer,” Guthman said.

Guthman, Jaffe and Voorheis had a main critique of fair trade: while the labeling does cuts out middlemen in producing countries, it isn’t doing anything to change the structure in consuming countries.

“There are already large Agroindustry players, such as Starbucks, that reduce what the label means,” Guthman said.

On a community level it is potentially dividing communities, creating more work because of compliance and dissent between cooperatives. Another concern raised by Guthman is that the labeling is only going to apply to certain people and certain commodities, like coffee, bananas and chocolate.
“[Voluntary Labeling] is a narrowly-scoped way of improving lives of peasant farmers in the third world,” Guthman said. “However, it is making people consider and make decisions based on the entire food system.”

The biggest concern is whether or not the money is getting to the producers.

Voorheis explained that fair trade does bring more money back to the community, improving “community resources,” like health centers, but there is hardly any individual family or farm improvement.

“With CAN, you can actually have the direct relationship,” Voorheis said. “Farmers receive 85 percent of the profits, get higher returns, and can invest more into the co-op and its infrastructure.”

Through CAN funds, Joey Smith pointed out, Coopepueblos was able to purchase an “ecological processing plant,” which is smaller than the previous one and also uses reclaimed water to reduce waste.

About 20 percent of the co-op’s beans are sold through CAN’s direct market. Roberto stressed on his visit that if they could increase that number to 50 percent, they could put the income toward more infrastructure investments, potentially fulfilling their long-term goal of having a cooperative-owned and operated roasting facility.

As Bailey pointed out: “CAN is only one part of what the cooperative sells; it helps to pay the electricity bills, keep the co-op office open, et cetera. But there is still a lot more to do.”

CAN hopes to expand its market and sales. Voorheis and others are targeting university dining services on other campuses through student and faculty awareness, stressing the academic opportunities and ultimate social change that could come from getting such large institutions to buy coffee directly from farmers. Currently, the UCSC community consumes around 450 pounds per month of CAN coffee.

**CAN: Internships**

Internships also bring money into the community, as Smith and Bailey both point out, and the experience is rewarding for both the students and the community.

Smith was unaware of the “interconnectivity of issues” until he spent some time in Agua Buena and observed the coffee crisis and environmental degradation around the community.

“Protecting the rainforest and biodiversity is not a separate issue from how people live or are treated,” he said.

Interacting with the community through interviews conducted for his research project, Smith was able to improve more than just his Spanish.

“I wanted to talk to people about how to do a good project,” Smith continued. “It was great to hear the theories I was learning in the classroom in the mouths of the community members.”
Guadarrama-Zugasti and Trujillo (farmers) are working with a new nonprofit, the Community Agroecology Network (CAN) recently launched by Gliessman and his wife, Robbie Jaffe. CAN connects farmers in Huatusco, Veracruz with colleagues in the US, Costa Rica and El Salvador. The group’s goal is to develop more coffee production capabilities in each community, and to eventually collaborate on marketing their coffees in the United States.

“Just like we think organic [farming] is good, and it is good, we think Fair Trade is good, and it is. We just need more,” said Gliessman.

Farmers in CAN’s Copa Buena, Costa Rica group are already processing their own beans.

On a recent visit to their California home, Gliessman and Jaffe showed me a vacuum-sealed one-pound bag of Copa Buena coffee they’d just received. It looked just like the brands I see at the supermarket. They explained the economics of the program: if they can keep the shipping costs at $3.50 per bag and sell the coffee for $8.50 per pound, farmers could realize at least two dollars per pound profit. Compare that to the 20 cents they might get with regular commercial coffee.

Gliessman and Jaffe are currently exploring ways to market the coffee, possibly to buyers cooperatives or existing “Community-Supported Agriculture” programs, which sell shares of a farmer’s harvest directly to families.

Jaffe, who has a long history of supporting family farms, seems to view the work ahead as clearly manageable: “When farmers’ markets got started in the seventies, there were all these roadblocks. We’re at the same place with coffee now.”

In the same way that farmer’s markets and community-supported agriculture programs help small farmers connect with buyers in their community, Jaffe envisions more direct linking between coffee growers and drinkers. “You can create a global village that benefits the small farmer,” she says.
Each morning when I turn on my coffee maker, I make a direct connection with coffee growers in the Costa Rican community of Agua Buena. In a unique marketing arrangement these small-scale farmers mail the coffee beans they grow and roast directly to my home in Santa Cruz each month, and to other subscribers throughout the U.S. All of the money from coffee sales goes back to the growers through the farmers’ Coopabuena coffee cooperative, which also supports conservation and education programs. In the cooperative’s words, “Behind the coffee we offer there is a farmer, a family, and a community united by a pledge to preserve the heritage of the rainforest.”

Agua Buena’s direct sales program is one outgrowth of the Community Agroecology Network (CAN). Founded in 2001 by the husband-and-wife team of UC Santa Cruz Environmental Studies professor Steve Gliessman and environmental educator Robbie Jaffe, CAN’s goal is to help rural communities in Mexico and Central America develop self-sufficiency and sustainable farming practices.

With much of CAN’s work focused on coffee-growing communities, the non-profit group faces a stark challenge.

Due to the rollback of production quotas and the subsequent surge in coffee planting, coffee prices have dropped nearly fifty percent in the last several years, leaving 25 million small-scale coffee producers worldwide in poverty. Says Jaffe, “People in countries like Nicaragua are literally starving to death because of the coffee crisis.” Growers are tearing out their coffee trees and converting the land to less sustainable uses such as pasture and chemical-intensive crops such as bananas and tomatoes.

Others are leaving their communities to seek work in the cities, or traveling to the U.S. and Canada in search of jobs. CAN hopes to counter this trend by supporting community members’ efforts to become economically viable, while at the same time protecting and improving the environment. CAN’s work combines farm-based, farmer-motivated research, community education, and farmer-controlled markets that link directly with consumers, as well as consumer education. “We want to take advantage of the whole concept of the global village and put the producer, rather than the corporations, in charge,” says Jaffe.

DEVELOPING A NETWORK BASED ON AGROECOLOGY

The idea for CAN evolved during Gliessman and Jaffe’s sabbatical year in Mexico and Central America. They were initially impressed by the work of a former UCSC graduate student at U Yits Ka’an, an ecological agriculture school in Mani on the Yucatan peninsula. Farmers from various Mayan pueblos come there for education in their traditional culture and training in sustainable agriculture practices. From the Yucatan they went on to visit former and current graduate students and associates working in small-scale coffee-growing communities in Mexico, Costa Rica, and El Salvador. In their travels, a common thread emerged—all of their colleagues were working toward helping the communities attain both economic and ecological viability, “Yet each of them was working in isolation,” says Jaffe. “At the same time, we were becoming aware of the developing coffee crisis and were thrown into its issues and challenges. Making the connection between growers and consumers seemed like a natural pathway to address some of these issues.” Gliessman and Jaffe returned from their sabbatical with the idea of
linking the disparate villages to each other and to consumers in a network that would take advantage of each community’s strength. From that vision a three-pronged effort has developed that includes—

1. Participatory research within the communities: Doing on-farm research designed to meet the questions that farmers have and involve the farmer as part of the research process.

2. Education on multiple levels: Creating training programs to help the farmers move toward more sustainable practices, and an ongoing exchange and participation among the member communities.

3. Marketing the community’s products: Improving livelihoods and linking marketing with sustainable practices as a motivation for growers, e.g., by encouraging organic growing.

As Gliessman explains, agroecology unites these efforts:

“Sustainability is the essential goal, and the approach is via agroecology. Agroecology is a way for communities to build livelihoods that integrate conservation with a way of making a living—one goes hand in hand with the other,” he says.

The researchers studying the agroecology of the communities add a unique element to the network. “These folks are immersed in the communities they work with,” says Gliessman. “They’re collaborative actors and their research takes on a different focus when they’re part of the process. They’re learning about how the farming system and social system work in a context that makes the information directly useful to those living in the community.”

“SUSTAINABILITY IS THE ESSENTIAL GOAL, AND THE APPROACH IS VIA AGROECOLOGY”

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“Finding a good market for the coffee being grown by these communities is the key need right now,” she continues. “We need to show people how they can make a difference with their purchasing power.”

Despite the recent boom in the “specialty” coffee market, the supply of coffee being grown organically or under Fair Trade standards far outstrips current demand. Ultimately, it will be up to consumers to give growers the market they need to improve their coffee growing practices and provide them with a decent living.

“It’s a positive feedback loop that works both ways: consumers buying coffee to support growers who use sustainable techniques, and growers creating a product that consumers want,” says Gliessman. By linking growers directly with consumers, CAN gives coffee drinkers the chance to make a difference both in farmers’ livelihoods and in the environmental sustainability of their communities.
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