

Aaron Campbell

ENGL 102

Ms. Wendler

4/3/09

How Fair is Fair Trade Coffee?

“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. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade”

www.european-fair-trade-association.org/efta/Doc/What.pdf

In the coffee industry, Fair Trade is considered to be an extremely important asset because coffee is one of the few internationally traded products that are still largely produced by peasant farmers on small plots of land. In fact, according to the scholarly journal “Development in Practice,” the coffee bean industry has “almost 70 percent of production coming from producers who farm less than ten acres of land,” (Karla Utting-Chamorro 584). Supporters of Fair Trade coffee believe that they contribute to not only bettering the farmers’ lives but to helping to protect the environments these farmers live in. While many believe that the Fair Trade movement has done wonders for the communities it supports controversy has risen around the topic. Many groups either believe that, while Fair Trade Coffee is a great idea, it is not doing much to better the lives of these farming communities. Others say that Fair Trade coffee is used as a ploy to make you pay more for your cup so that the companies who sell it make more

money. Critiques of Fair Trade coffee also claim that the quality of the coffee is low and not worth the premium. This research paper will discuss the controversies circling about the effectiveness of the Fair Trade coffee movement.

BACKGROUND

Trade is what drives almost every aspect of our lives. So much relies on trade, from the local to the global scale. We trade food, energy, crafts, knowledge, entertainment, transportation. If it has value, it is traded. Everyone has their place in the trade network. As consumers it's our job to buy the goods produced, but there is so much more behind the scenes that we don't take into appreciation. As a result we have let injustices go by unnoticed. The biggest injustice in trade is the mistreatment of the people who produce much of the goods we purchase. Companies exploit these people, making them work ungodly hours in the harshest conditions for next to nothing. Companies like these take people's land from them, destroying the environments that they live in and rely on, all while we sit back in ignorance. These acts and the public's unawareness are what brought the Fair Trade movement into fruition.

The Fair Trade movement can trace its origins back to the 1960s with the start of the Fair Trade Organization in Oxfam, UK and Fair Trade Original in the Netherlands. Soon after similar programs began to appear across Europe and the Fair Trade movement was under way. The movement then crossed into other continents and soon after gained international recognition through the United Nations Conference on Trade and Development (UNCTD). This is where the phrase "Trade not Aid" was coined (www.wfto.com). The phrase was made to inspire countries and industries to not just send these underprivileged workers aid, but to actually treat them as equals in the trade chain.

Fair Trade covers all different types of goods from lumber to handicrafts. One of the largest goods that can be found under the Fair Trade umbrella is coffee and, as a result, has been the center of much debate concerning the Fair Trade movement. Coffee is the world's second largest commodity. In such a large business it's not uncommon that corporations look for as many loopholes as possible to make the process of getting you your coffee fast and efficient. What many people don't know is that doing this created major problems in the coffee industry. According to a September, 2007 article in the scholarly journal, Environmental Health Perspectives, the price of coffee beans plummeted in the late 1990s. "Prices sank from around US\$1.50 per pound in 1997 to about a third that amount in 2001," (David A. Taylor 457). The major drop in price, mainly a result of cheap and underhanded business practices, and other factors are what spurred the rise of the Fair Trade coffee movement.

FAIR TRADE COFFEE: BETTER LIVING & ECO-FRIENDLY

As if coffee growers weren't already struggling to get by, the downward spiral of global coffee prices make it virtually impossible for the growers to support themselves or their communities. This poverty is caused for a couple of reasons. Coffee growers on small plots often have no choice but to sell to local buyers whose rates border, if not pass, legal pricings. These farmers also may have to sell before the coffee beans are even produced just to pay for harvesting them. Both force debt upon the growers and their communities and create dependency to the local buyers.

Fair Trade coffee has tackled this problem from multiple angles. First, the Fair Trade coffee movement has set price floor of \$1.26 per pound of coffee produced. If general coffee prices come close to or match this price floor, Fair Trade produced coffee would sell for "no less than \$0.10 more per pound than uncertified coffee" (David A. Taylor 458). Also, a buyer, who

must be Fair Trade certified, must create a contract with growers and provide credit at low interest rates for the production of their coffee beans at the beginning of every growing season. The credit can vary but goes up to around 60 percent of the contract. As a result it is common that the credit becomes unnecessary after a strong relation between buyers and growers has formed. Through the contracts, low interest credits, and the \$1.26 price floor, coffee growers are able to receive real, stable wages and have a good standard of living. Along with personal betterment, the rates from Fair Trade organizations help to fund the communities or cooperatives of the growers. With funding to their local infrastructures coffee communities and cooperatives can have better schools, health facilities, stores, and more.

This is an easily defensible argument made in favor of the Fair Trade coffee movement because there are multiple case studies to support these claims that Fair Trade makes. For instance, the Fair Trade coffee movement has helped with debt on coffee growing communities like those in the case study performed by Karla Utting-Chamorro in 2003 on communities and families in Nicaragua. Government corruption, major bank closures, and other local economic struggles put large debts on these coffee growing families. Due to these local factors along with the global coffee crisis, these families were forced into selling to local buyers and fell into the same debts discussed earlier. Fair Trade organizations involved in South America came and created democratically based cooperatives, as they require of all growers they deal with, and gave them Fair Trade wages and a market to sell in at Fair Trade prices.

On top of helping communities financially, Fair Trade coffee works to save environments that the coffee communities grow in. It is common that small, coffee farming families and communities struggle to get by on just coffee in such a rocky market. As a result, some may strip extra land to make way for alternative crops to try and subsidize their lack of income.

Whether this helps generate more money is questionable, but it does harm the environment. By stripping the land of native plant life, growers run a high risk of destroying many animals' homes and migration paths, depleting the nutrients from the soil, and causing erosion. This also strips the land of plants that are used for shade-grown coffee. Shade-grown coffee, which is very common in Latin American countries, is a large part of organic coffee growing. The trees provide cover for the coffee from excessive sun exposure, keep some animals that eat the plants away, and help in retaining moisture for the coffee plants.

Through my research I have found that this topic has both defensible and indefensible aspects. It is indefensible because my research never touched on whether any animals have been harmed from the clearing of land areas, so no examples can be provided. It is defensible because my research has provided evidence of how environments have been destroyed to produce secondary crops and how Fair Trade certification of coffee farms helps to save the environment. An example of the alarming amount of land stripped for alternative crops in coffee growing communities is shown in the scholarly journal, Environmental Health Perspectives. In the journal's article by David Taylor, this issue in Oaxaca, Mexico is discussed. Like every other coffee producing community, the global market price of coffee during the crisis in the 1990s and early 2000s did not create a life sustaining income for people in Oaxaca. As a result many growers cleared large areas of land for corn or beans. "Between 1993 and 2001, clearing had destroyed 3% of the areas forest – about 8,000 hectares, roughly half the size of Washington D.C." (David A. Taylor 458).

To prevent cases like Oaxaca's from occurring under their watch, Fair Trade requires that the coffee farming communities and cooperatives it supports practice environmental

sustainability, meaning they use ecologically friendly methods to produce their coffee beans. This standard of environmental protection is called “Fair Trade Certified.”

“Fair Trade Certified ensures that farmers obey internationally-monitored environmental standards, while empowering farmers and farm workers with financial incentives and resources for organic conversion, reforestation, water conservation and environmental education.”

(www.transfairusa.org)

There are many requirements that farmers have to abide by for certification. These include things such as a list of chemicals prohibited from use, becoming properly educated on waste management, and no gathering materials from protected areas.

FAIR TRADE COFFEE: THE MOVEMENT YOU WISH WORKED

Of all the questions circling Fair Trade coffee out there, the most commonly discussed is whether the movement can become a main contender to mainstream coffee and sustain itself in the global market. Grounds for Agreement, by John Talbot discusses this issue under what he calls the “Five Contradictions,” which includes the yuppie syndrome, the oversupply problem, the tyranny of the “C” contract, Bluewash, and the exclusiveness of certification (Talbot 207-210). The yuppie syndrome refers to the cost of Fair Trade coffee and how only the wealthy can regularly afford it. This makes Fair Trade have a very limited market, which wouldn’t really be able to support Fair Trade in the global market.

The yuppie syndrome directly affects the oversupply “contradiction” because Fair Trade doesn’t just produce enough coffee for the small, wealthy market. This causes a surplus of sorts. On top of this, the growers are paid for all coffee produced and not just that sold, which means a loss for the Fair Trade organizations. This could prevent the movement from going forward in the global market. The “C” contract, what all coffee prices are based off of, doesn’t hinder Fair

Trade coffee now because of the \$1.26 price floor. The risk here is that if coffee prices drop to low below the Fair Trade price floor no one will want to buy the coffee and Fair Trade runs the risk of bankruptcy. The oversupply and “C” contract arguments are both very defensible because Fair Trade growers do risk producing a surplus, which would hurt the industry and if prices of coffee drop, which is very possible, the “C” contract argument could bankrupt Fair Trade. The yuppie argument is a fairly indefensible claim because, while Fair Trade prices make it a luxury item, many people will buy the coffee because of what Fair Trade does for the coffee growers, their communities, and the environment. This makes Fair Trade big in “granola” towns (towns with large nature-lover population) like Flagstaff or Missoula, Montana.

The task of becoming a certified Fair Trade coffee company is too arduous and costly of a process. This belief is part of the reason why the Fair Trade Coffee industry is still a fairly small movement, especially in the United States, which has only started recognizing the Fair Trade movement as a whole publically since the late 1990s, but the certification argument contradicts itself. In 2003, a local coffee business owner, Michael Campbell, began searching for a Fair Trade coffee roaster to do business with and came in contact with the Pierce Brothers, a roaster based in Massachusetts. Mr. Campbell got in contact with the owners to ask some questions about Fair Trade coffee. One question was about the process of becoming certified Fair Trade. The owners claimed that the process of certification was actually fairly easy, even a little flimsy. This was in the early years of America’s public acknowledgement of Fair Trade coffee, so certification should not have been a deterrent because of difficulty.

The claim of certification being a rigorous and pricey process is a large indefensible claim because it was the exact opposite, at least in America. Since the movement has been around much longer in Europe, the certification process may have been more difficult through

those branches of Fair Trade and the basis for the claim, but this is only speculation. The real issue was that the certification process then was too flimsy, according to Mr. Campbell's account of his meeting and his personal research of Fair Trade coffee. The ease of certification allowed for many loopholes and Mr. Campbell and the Pierce Brothers company both found multiple fake Fair Trade certified coffee companies online. This was the real deterrent to U.S. coffee companies. It was hard to tell who you could trust. Since then certification has been revamped and falsified Fair Trade certification is extremely rare to find.

Bluewash is an advertising strategy used when companies come under fire for bad human rights practices. The company pushes a relatively small amount of money into supporting a human rights group or activity and then spends a significantly larger amount on promoting their good deed. The Fair Trade coffee industry does not do this themselves, but this is what Starbucks has been doing for years now. Over the years, Starbucks has come under scrutiny for their awful treatment of coffee growers on their plantation in Guatemala. To get out of trouble, one thing Starbucks did was invest in Fair Trade coffee and then spent a large sum of money promoting this fact. The truth is Starbucks' Fair Trade coffee only makes up about 5 percent of their coffee (Talbot 209).

Bluewash, in relation to Fair Trade coffee is split between being a defensible and an indefensible claim. It is defensible because Talbot shows how negative it can be with evidence of Starbucks continued mistreatment of workers in Guatemala. On the other hand it is an indefensible claim because, while this is a cheap and tricky way to get out of trouble, Starbucks has ended up contributing a large amount of free publicity for Fair Trade. As the largest coffee company in the U.S. the promotions they do for Fair Trade coffee could show to be extremely helpful in spurring the movement forward into the American mainstream market.

Another claim made is that the Fair Trade coffee industry only makes up a fraction of the overall market and is too small to make any noticeable difference for its coffee growers. This argument is partly true, but overall is indefensible. The Fair Trade coffee market is only a small portion of the coffee market, but the coffee is the world's second most traded commodity. Of the small fraction that is Fair Trade coffee out of the entire market, the United States accounts for 15 percent of the Fair Trade coffee industry according to an estimate from the year 2000. That 15 percent, however, was 4.7 billion pounds of coffee. If the Fair Trade coffee was sold that year at its price floor of \$1.26 the total sales would add up to be \$5.92 billion dollars from the United States alone. The overall sales estimate from 2000 was 29.1 billion pounds and would produce \$36.67 billion.

Another large argument over Fair Trade coffee is its quality. "No coffee is 'sustainably produced if it is not, first and foremost, a great-tasting coffee'" (Talbot 205). It is too much of a risk for specialty vendors to carry Fair Trade. Since the coffee is bad consumers could just as easily assume that all of a company's products were just as bad and hurt business. This is an indefensible claim because it is actually an outdated argument that some continue to try and use. In September of 2007 "Coffee Review," the leading online buying guide for coffee conducted a sampling in which 8 of 24 Fair Trade coffees scored in the 90 percentile (Kenneth Davids par.4). Since Fair Trade mainly targeted the specialty coffee sector, the standards on taste was extremely high and Fair Trade just wasn't as good enough to match the Arabica beans of specialty coffee blends in its early years. Today the quality of Fair Trade coffee has increased significantly and matches almost any specialty coffee out there. Mr. Campbell's company, Charity Blends Coffee & Tea Co., is a great example of excellent premium, gourmet coffee that is all Fair Trade, shade-grown, organic, and kosher.

CONCLUSION

Controversy has risen over the past two decades about whether or not the Fair Trade coffee can sustain itself in the global market. Fair Trade coffee's goal is to allow peasant coffee farmers and their communities to live comfortable lives, which is wonderful but does create some deterrents. Fair Trade is a traded commodity and as Mr. Campbell says, "profit drives everybody." Many companies are reluctant to join because Fair Trade coffee costs more than mainstream coffee. Fair Trade has also been under scrutiny over its quality, the ability to become Fair Trade, and its limited market. If I was asked to write this paper only five or six years ago I would have agreed with the validity of these arguments, but Fair Trade has evolved since then. Certification, while costly, is not very hard to do, the quality rivals the best specialty coffees, and the market place is not limited to the upper crust of incomes. Today people demand that coffee companies incorporate Fair Trade in their business because of what it does. This is the reason Mr. Campbell's company, Charity Blends, switched from regular coffee to purely Fair Trade. People want to help those in need, especially when all they have to do is buy a product that's a little bit more expensive. This is why I believe Fair Trade coffee is sustainable in the long run and may possibly even become the main coffee used in the market.

Works Cited

Cambell, Micheal R. Personal Interview. 29 March 2009.

"Fair Trade Certified – The Gold Standard of Sustainability." Fair Trade Certified. March 27 2009.

March 30 2009. < <http://www.transfairusa.org/>>

Talbot, John M. *Grounds for Agreement: The Political Economy of the Coffee Commodity Chain*. Lanham, MD: Rowman & Littlefield Publishers, Inc., 2004

Taylor, David A. *Certified Coffee: Does the Premium Pay Off?* <http://www.jstor.org>, Sep. 2007

Utting-Chamorro, Karla *Does Fair Trade Make a Difference? The Case of Small Coffee Producers in Nicaragua*. <http://www.jstor.org>, June 2005

Davids, Kenneth. *Fair-Trade Coffees: The Controversy and the Cup*.

<<http://www.coffeereview.com/article.cfm?ID=136>>, Sep. 2007"

EFTA – Fair Trade in Europe." EFTA - European Fair Trade Association. 11 Mar. 2009

< <http://www.european-fair-trade-association.org/efta/>>.