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Beans ripen on a Arabica plant.

How Fair is Fair Trade Coffee For the Farmers Who Grow it

By Ezra K. Fieser

EL PALMAR, Guatemala—Ever since Jesuit monks brought coffee to Guatemala three centuries ago as ornamentals for their monastery gardens, raising the beans has been a losing business for small farmers. Conditions are miserable—try lugging 100 pounds of fertilizer up a mountain. And even though coffee is the world's second-most-valuable traded commodity, after oil, the money it brings is scant.

The majority of those farmers own tiny plots. They don't grow enough to exert any influence on the global trade system to which they are beholden. As a result, they end up with a small slice of the retail price. About one percent of the price of a cup of coffee goes to the farmer.

Fair Trade was the promise of a departure

from that status quo. It is pitched to consumers—in advertising and through word-of-mouth—as trade with a conscience. Ten years ago, bags of coffee with the Fair Trade label—that one with the silhouette of a person holding a scale—hit U.S. store shelves. That label was supposed to tell consumers that the coffee inside the bag was raised in an environmentally friendly way and that the farmer who grew it was treated fairly in the deal. He or she received a minimum price—enough to support sustainable production—and the support of a cooperative. To qualify for Fair Trade, farmers must organize into a cooperative.

Over the years, the Fair Trade label has been expanded to dozens of products—from quinoa to handicrafts—but coffee is the flagship. My



The fields around the Loma Linda coffee cooperative in the department of Quetzaltenango, Guatemala.

enthusiasm for Fair Trade coffee was unchecked. I was a faithful buyer when I lived in the U.S. Whatever café I'd hit, Fair Trade would be my choice. I thought a good part of the \$3 or \$4 I was paying Starbucks—which is now the biggest buyer of Fair Trade coffee in the United States—was improving someone's life in Peru or Colombia or Guatemala.

Last month, after visiting a handful of coffee farms, I turned onto a dirt road that crawled up the volcanic mountain range that gives Guatemala the altitude and soil perfect for great coffee. Twin volcanoes sat squarely in the semicircles the wipers had cleared from my windshield. I had been disappointed by the conditions of the farms I'd visited in previous weeks: same filth, same desperation, no change from the poverty that mars Guatemala's countryside like a spreading rash. If I were going to find an example of how Fair Trade is making a difference, it would be at the end of this dirt road, amid a collection of humble concrete-block homes set off a road built in the 1970s by Catholic volunteers. The road literally ended at the Loma Linda coffee cooperative, an hour and a half from the highway.

On a bright afternoon a few weeks before the start of the coffee harvest I met Luis Antonio and Matteo Reynoso in their cramped office that smelled like mold and dirt. Antonio wore a little cap and a polo shirt emblazoned

with the logo of his cooperative. Reynoso, a fit father of eight with a smile of broken teeth, preferred the shade of a straw cowboy hat. They were in charge of the growers' cooperative.

Why did I expect Antonio's life to be discernibly better than his neighbors who were selling their coffee through conventional channels? According to what Fair Trade advocates had told me, a farmer needs a strong cooperative structure, years of experience and access to transportation and technical assistance to be successful. Antonio had all that and more. On a mountainside plot, he was growing the gold standard of progressive coffee: it was Fair Trade—and organic-certified. The secondary—or umbrella—cooperative of which he was a member provided agronomists and came and picked up his coffee in a truck during harvest. What's more, he had been part of a cooperative for some 30 years and started selling Fair Trade as soon as it became available to him.

Yet, one of the first things he told me was that he goes into debt every year to feed his family. The money he earns from selling coffee is not enough to cover half of his expenses. At times, he is not sure how he'll put food on the table.

After that visit, I received more disappointing news: Even Fair Trade coffee promoters—and pioneers of the 21-

year-old movement in the United States—had their doubts about its effectiveness. A survey by a Fair Trade coffee retailer found that more than half of some 179 farmers growing the beans had three or four months during the year in which they had trouble feeding their family. Even worse, the price paid to Fair Trade farmers had increased only once since coffee bearing the label first hit shelves a decade ago.

Could the benefits of Fair Trade be merely marginal? Could the hype that was pitched to me by countless cafes and grocers in the U.S. about Fair Trade pulling these poor farmers out of poverty through an alternative trade system be a marketing scheme that I bought into?

The Fair Trade model has been criticized, promoted and studied extensively. My intent in this newsletter is not to provide a definitive case study on the system, but only to understand a question: Why is Antonio struggling to feed his family when the image of Fair Trade that I was fed in the U.S. was one of happy, thriving farmers?

I came away believing that, by all measures, Fair Trade



Reynoso: Matteo Reynoso and Luis Antonio in front of their coffee plants.

is still the best deal for farmers like Antonio. It pays better than the market and provides countless other benefits that can help farmers. The minimum price Fair Trade paid allowed Antonio to stay on his farm while thousands of others were fleeing their land as a result of the collapse of the coffee market. But since those years, Fair Trade has stalled. Antonio's costs have increased year after year, but the price Fair Trade pays has increased only once. His dedication to the cooperative which he runs and the umbrella cooperative to which his cooperative belongs has remained steadfast, but the price he must pay for those cooperatives to be certified organic and Fair Trade have increased. In short, raising his coffee has become more expensive, but the price he receives for doing so has not kept up.

FAIR TRADE'S ROOTS ARE TRACEABLE to the 1940s when a Pennsylvania Mennonite church volunteer began buying quilts directly from makers in Puerto Rico. But not until the late 1980s did it become the organization we know today. That's when a group of non-governmental organizations joined forces with coffee producers and coffee roasters to form the Fairtrade Labeling Organization (FLO), an international group that sets standards and prices for Fair Trade-certified products. Under the system, organizations use the standards set by FLO to certify producers and retailers as Fair Trade eligible.

For coffee, the movement's reputation was polished during the coffee crisis of the early 2000s. Those years, Vietnam's production of cheap coffee rose dramatically, causing international coffee prices to plummet. A few years earlier, the price per pound was hovering around \$1.50. In the worst months of the crash, it was around 45





The organic 'fertilizer' production at the cooperative.

cents. Thousands of small farmers left their land because the prices were so low.

However, farmers who were growing Fair Trade coffee—farmers such as Antonio—received a minimum price of \$1.26 per pound. “Without it, we probably wouldn’t own our land anymore. We’d have left,” he said. “It was a big difference in those years. We just feel like it hasn’t been the same in the last few years.”

Only in 2007 did FLO increase the price. Now, Antonio receives \$1.55 per pound (\$1.35 as the Fair Trade minimum price, plus an extra 20 cents for growing organic). It’s about 10 to 15 percent more than other organic, but non-Fair Trade, coffee growers receive in the area.

The key to understanding why he still is struggling, despite the higher prices, is to look at where that \$1.55 goes.

We stepped outside of their office, its floor slippery with concrete dust, its metal roof streaked with the burnt umber trails of rust, and walked around the corner to a long shed. An uncommonly friendly man wearing a black “I Love My Job” t-shirt stood on top of two rectangular concrete basins filled with food scraps, sticks and leaves, coffee cherry pulp, dirt and, most importantly, thousands of worms.

The worms were eating through those scraps and leaving behind organic compost so rich and dark it could be confused with coffee grinds from a distance. The coop-

erative produces the compost and sells it back to the farmers to use as fertilizer.

Antonio could buy chemical fertilizer cheaper, but he needs to use organic fertilizer to keep his organic certification. He could easily increase his yields by fertilizing each plant every year. But the cooperative cannot produce enough fertilizer for each of its 78 members to fertilize every year. As a result, they do it every three years. The man in the “I Love My Job” t-shirt told me they had the space and the manpower to produce more fertilizer. The only thing keeping them back was buying more worms. And the cooperative members, already suffering financially, did not have extra money to invest in worms. They cost about \$20 for a container of 100, a local store told me.

Up a short hill from the fertilizer station, the processing mill sat on a concrete slab, shining brightly from the fresh coat of hunter-green paint it received. It sat quietly, but during the height of the harvest it hums nearly 24 hours a day. It crushes coffee cherry (coffee bean surrounded by the bright red fruit that protects it), leaving behind only the bean with a paper-like covering called parchment. The beans then ferment and are washed for some 36 hours before being turned out onto an open-air patio where they dry under the sun. The process is painstaking. The farmers take turns staying up all night to rake the beans on the patio or separate the good beans from the bad.

This was one of the main consumers of that first third

of Antonio's \$1.55: costs associated with producing the coffee. Fertilizer, the costs of electricity to run the mill, the cost of materials all go into Antonio's expenses, which suck up a little more than 50 cents of his \$1.55.

BACK DOWN THE DIRT ROAD TO the highway and two-and-a-half hours later, through mountains planted with coffee, past ramshackle villages, deep verdant valleys and volcanic peaks, Guatemala's second city, Quetzaltenango, buzzes with commerce. On the outskirts, trucks rumble past U.S. fast-food chains—MickeyD's ubiquitous golden arches, a boxy Pizza Hut restaurant.

The center of Quetzaltenango—or Xela as it's known locally—feels like another place. Its wide central plaza, manicured lawns and sculptures, is flanked by well-preserved Belle Époque architecture.

A few block from the center, on the second floor of a '70s-era office building, Carlos Reynoso turned on an electric hot plate, setting a pot of water to fill a stainless steel press of coffee. (Most everyone agrees that's the best way to make coffee.) A few fake wood desks lined the walls of the office's four rooms. One's thin metal legs looked ready to buckle under the weight of old law books. The wide-screen Mac desktops seemed out of place.

This is the office of Manos Campesinas, the secondary—or umbrella—cooperative that works with Loma

Linda and Antonio and home to the second third of Antonio's \$1.55.

Secondary cooperatives are considered imperative because they can take relatively small harvests from a number of member cooperatives and find an international buyer for the beans. Manos Campesinas—which means Farmer's Hands—works with 8 cooperatives from throughout Guatemala's Western Highlands.

It has linked its growers to major U.S. roasters, including Equal Exchange, a Massachusetts-based roaster considered one of Fair Trade's pioneer companies. It also transports the coffee beans from the farms to the exporter. It employs agronomists that teach the farmers how to better grow the coffee. It's also expensive. Antonio pays around 55 cents for every pound of his coffee to the cooperative.

Reynoso told me part of that money goes to the cooperatives expenses—mainly salaries—and a chunk also to paying the annual fees for certification. For Loma Linda to be certified as organic and Fair Trade, its farmers pay around \$7,000 a year. "It's expensive. I'm not going to tell you it's not. We have farmers that are making very little and paying a lot for these certifications. We think it works out in the long run because we have a dedicated market that we know doesn't fluctuate," Reynoso said. "The Fair Trade and organic certifications give us assurances. They give us stability."

Manos Campesinas also collects 10 cents of each pound



The center square of Quetzaltenango.

of coffee to invest in social programs for its members. The dime, known as the Fair Trade premium, has been used successfully to create various projects, such as scholarship funds for the children of farmers. Reynoso himself was the benefit of such a program. He is the son of Matteo Reynoso, from Loma Linda. "The social programs are a big advantage. We can talk about the price of coffee, and we can talk about whether it's really fair. But these extras that Fair Trade provides—such as the support of cooperatives and the social premium—are a big reason we do it."

Fair Trade advocates point to such examples of success throughout Latin America, Africa and Asia. "Pricing is clearly important and it obviously gets a lot of the focus when we talk about the effects of Fair Trade," said Paul Rice, president and CEO of TransFair USA, the California-based nonprofit that certifies coffee and other Fair Trade products under the standards set by FLO. "But sometimes what gets lost in that conversation is how strong cooperatives and these social programs are benefiting these farmers. We have plenty of cases of children of farmers going on to college thanks to these scholarship funds. That wouldn't have happened otherwise."

Antonio said the programs and cooperative support are key to his decision to continue growing Fair Trade coffee. But he sees them as separate from the pricing. "We should continue to do those things, but that has nothing to do with the amount we get per" pound, he said.

With 55 cents per pound going to Manos Campesinas and a bit more than 50 cents per pound going to his expenses, Antonio is left with less than 50 cents per pound profit.

Because Antonio, like nearly all other farmers selling their coffee through Manos Campesinas, owns only a small plot of land—less than three acres—he is left with about \$1,000 in profit for the year, or about \$2.75 a day, not enough for a small latte from Starbucks. "It covers about half of our expenses for the year," he said. "It's not enough to live on. What we earn isn't enough to buy food for our children."

Like the farmers who were surveyed in the study that found hunger is a major factor on Fair Trade farms, Antonio's most difficult months come months before the harvest. It's during the heart of the rainy season when the money earned from coffee has been depleted and the food prices begin to rise. Fair Trade farmers are eligible for pre-harvest financing, which means they can get money before delivering their harvest. Rick Peyser, the Green Mountain Coffee executive who oversaw the hunger study, said that doesn't matter. "This was not a one-time thing in which some farmers went hungry. This was an annual occurrence. These people were living with this every year. They said they would either not eat as much, buy cheaper food or go into debt to feed their families," Peyser said. "What it says is that coffee is not enough. Many of these farmers are completely planted in coffee and absolutely dependent

on it for their income and to feed their families. Even with Fair Trade pricing, coffee is not enough. It's a fact of life, it's not a condemnation of Fair Trade."

In analyzing why Fair Trade falls short, it would be easy to point to a single factor—the costs of certification are too high, or the farmers do not have enough land, or their governments have abandoned them. In fact, all those things are true. However, everyone believes that increasing the Fair Trade price would go a long way in helping those farmers.

How much?

THAT ISSUE HAS LEFT EVEN the movement's backers questioning the future of Fair Trade. Some backers raise concerns about whether it has reached the limit of how much it can help. Of the hunger survey, Peyser said, "When I got the results, I was shocked. I was ready to quit." Equal Exchange, the roaster that buys Antonio's beans and sells them for \$10 per pound in their Boston cafe, told me: "There is a potential disconnect between what the buyer thinks Fair Trade is accomplishing and the situation on the ground."

Nobody agrees on exactly how much Fair Trade would need to pay per pound to help Fair Trade live up to its promises to farmers. But there seems to be a consensus that it would be above \$2 per pound.

Fair Trade researcher Christopher Bacon of the University of California, Berkeley, figures it this way: If the Fair Trade minimum price, set in 1997, had been tied to a standard measure of inflation—such as the U.S. consumer price index—the price today would be \$2.29 per pound, instead of \$1.35 (Antonio receives more because he grows organic coffee as well). "The costs of sustainable production for organic were estimated at \$1.72 to 2.19 per pound in Latin America," Bacon told me by phone. "This was prior to the spike in food and energy costs which increased the costs of sustainable production."

Farmer advocates are urging the FLO to consider raising the price that much. But because such a big jump would probably mean Fair Trade could help fewer farmers—even Starbucks is likely to buy less java at that cost—the FLO is balking. "What good is it to have \$2-per-pound coffee if you can only serve tens of thousands of farmers instead of millions?" asks Rice, president and CEO of TransFair USA. "You risk killing the goose." Instead, the FLO's main growth strategy is to keep recruiting retailers like Starbucks. "We are going more and more mainstream," FLO chief operating officer Tuulia Syvanen told me by phone. "We're doing it to increase the market for our farmers."

In lieu of imposing a major price hike, the FLO is reviewing other ways it can help farmers. It's making cheaper loans more widely available, providing more technical assistance to help farmers grow better-quality beans and

may begin automatically adjusting its minimum price for inflation.

With \$1.75 billion in worldwide sales last year, Fair Trade is still a small player in the \$70 billion global coffee industry, dominated by leviathans like Nestlé and Kraft. Because producer countries reap only \$5 billion of that \$70 billion, Fair Trade can help growers get more of their share. “Fair Trade is still, and will remain, a better deal for farmers,” said Bacon. “But once you get inside Fair Trade, the standards are not holding up to the original vision”

Antonio believes a \$2-per-pound price would make a major difference in the way he is able to live. “I wish that [the price] would double, but I understand that probably isn’t possible,” he said. “With \$2 per pound, I think I could get ahead.

How much would U.S. consumers have to sacrifice to

make that possible? It turns out that a miniscule increase in the price of a cup of coffee could make the difference.

I asked Bacon and here’s the equation he came up with: Antonio needs another 45 cents per pound to get to \$2. From one pound of his green coffee, which loses about 20 percent of its weight during roasting and processing, a high-quality café can get about 12.8 servings: Either a cup of coffee or the coffee that goes into an espresso drink, like a latte. Bacon warned that these were using extremely conservative estimates for the sake of the argument and that many cafes brew double that amount from one pound. That means that even under a conservative estimate, less than a 4-cent-per-cup increase is needed to make up the difference between hunger and food.

Thinking back to days that I handed over \$3 or \$4 for a cup of Fair Trade coffee, that is a deal I would have gladly swallowed. □

Current Fellows

Elena Agarkova • RUSSIA

May 2008 - 2010

Elena is living in Siberia, studying management of natural resources and the relationship between Siberia's natural riches and its people. Previously, Elena was a Legal Fellow at the University of Washington's School of Law, at the Berman Environmental Law Clinic. She has clerked for Honorable Cynthia M. Rufe of the federal district court in Philadelphia, and has practiced commercial litigation at the New York office of Milbank, Tweed, Hadley & McCloy LLP. Elena was born in Moscow, Russia, and has volunteered for environmental non-profits in the Lake Baikal region of Siberia. She graduated from Georgetown University Law Center in 2001, and has received a bachelor's degree in political science from Barnard College.

Pooja Bhatia • HAITI

September 2008 - 2010

Pooja attended Harvard as an undergraduate, and then worked for the *Wall Street Journal* for a few years. She graduated from Harvard Law School. She was appointed Harvard Law School Satter Human Rights Fellow in 2007 and worked as an attorney with the Bureau des Avocats Internationaux, which advocates and litigates on behalf of Haiti's poor.

Eve Fairbanks • SOUTH AFRICA

May 2009 - 2011

Eve is a *New Republic* staff writer interested in character and in how individuals fit themselves into new or changing societies. Through that lens, she will be writing about medicine and politics in the new South Africa. At the *New Republic*, she covered the first Democratic Congress since 1992 and the 2008 presidential race; her book reviews have also appeared in the *New York Times*. She graduated with a degree in political science from Yale, where she also studied music.

Ezra Fieser • GUATEMALA

January 2008 - 2010

Ezra is interested in economic and political changes in Central America. He is an ICWA fellow living in Guatemala where he will write about the country's rapidly changing economic structure and the effects on its politics, culture and people. He was formerly the deputy city editor for *The News Journal* (Wilmington, DE), a staff writer for *Springfield Republican* (Springfield, MA) and a Pulliam Fellow at *The Arizona Republic*. He is a graduate of Emerson College in Boston.

Suzy Hansen • TURKEY

April 2007 - October 2009

A John O. Crane Memorial Fellow, Suzy will be writing about politics and religion in Turkey. A former editor at the *New York Observer*, her work has also appeared in *Salon*, the *New York Times* Book Review, the *Nation*, and other publications. She graduated from the University of Pennsylvania in 1999.

Derek Mitchell • INDIA

September 2007 - May 2010

As a Phillips Talbot Fellow, Derek will explore the impact of global trade and economic growth on Indians living in poverty. He has served for the past year as a volunteer for Swaraj Peeth, an institute in New Delhi dedicated to nonviolent conflict resolution and Mahatma Gandhi's thought. Previously he was a Fulbright scholar in India at the Gandhi Peace Foundation. He has coordinated foreign policy research at George Washington University's Institute for Communitarian Policy Studies and worked as a political organizer in New Hampshire. Derek graduated with a degree in religion from Columbia University.

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