

FAIR TRADE

FAIR TRADE CERTIFIERS CONFRONT CRITICS

BY PETER SUROWSKI

Despite its many benefits and noble goals, Fair Trade certification presents obstacles for some business models.

The Fairtrade Labelling Organizations International's fair trade movement aims to alleviate poverty among small, third world coffee. It's a high-minded mission that leads many buyers to disregard its drawbacks. Some contend it is merely a marketing scheme to ease the guilt from exploiting the people of developing nations. Others seek solutions.

Coffee and tea buyers commonly name four shortcomings of Fair Trade Certified and by speaking out hope to resolve these challenges.

THIRD WORLD

Only farms in Third World countries are eligible for fair trade certification and only those who participate in a democratically run cooperative can certify their products, even if a farmer in a first world country is just as poor, says Richard Rosenfeld, the CEO of tea company Two Leaves and a Bud, located in Basalt, Colo.

Small farmers' organizations and tea plantations (but not coffee plantations) can be certified.

As an example, La Terra e il Cielo, a farming co-op near Ancona in rural east Italy, supplies Two Leaves with barley used to make Café Orzo, a coffee-like roasted barley drink.

More than 100 farms ranging in size from 1 to 5 acres make up the co-op. "They're true family farms," Rosenfeld said.

If they were in Brazil, they would qualify as Fair Trade Certified, Rosenfeld said. Two Leaves pays more for the co-op's barley than for commodity barley so that farmers make a decent living and treat their employees well.

While small farmers in the developed world may struggle, even the poorest farmer in Europe is better off than most farmers in the third world, says Stacy Geagan Wagner of Fair Trade U.S.A. one of 24 licensed Fairtrade Labelling Organizations.

"Fair Trade right now is focusing on where the need is greatest," she says. "In the developing world, sometimes there aren't roads, let alone buses to take kids to school. And the issue is greater than simply poverty, but also extends to safe working conditions and workers' rights. Industrialized countries offer their citizens protections that aren't available in the developing world," she said.

Poverty is a problem, regardless of the country, said Rosenfeld, and Fair Trade certification would do just as much good in other countries, he said.

"This leaves legitimate small farmers with no way to distinguish themselves in consumers' minds as a Fair Trade grower," he said.

EXPENSIVE CERTIFICATIONS

Many third-world producers can ill-afford certification requirements. The Finance Alliance for Sustainable Trade estimates production from non certified producer cooperatives is equal to those that are certified.

Two Leaves buys its rooibos from a Fair Trade Certified farm in South Africa, says Rosenfeld. On a recent visit, he was surprised to see that almost all the workers at the plantation lived on several acres and grew their own rooibos.

They cannot make a living selling their own crops because the cost of certification is too high, says. "Smaller producers get marginalized," Rosenfeld contends.

Small holders seeking certification often band together and pool their funds to form co-ops, Fair Trade's Wagner counters. In addition Fair Trade offers technical assistance and grants that cover a portion of certification costs, she says. Fair Trade USA recognizes that many third world farmers are illiterate, so applying for a grant without a lot of help is impossible.

"To address this challenge, FLO has a development arm called Producer Services to assist Fair Trade farmers with business capacity and support," says Wagner. "Additionally, Fair Trade cooperatives gain access to credit, which can help them invest in certification because in the long-term they'll make more money and gain more stability under Fair Trade terms," she says.

THE HIGH PRICE OF SUCCESS

When Fair Trade USA began in 1998 (as TransFairUSA), coffee prices were very low and farmers struggled to make a living. Now, coffee prices are their highest in more than a decade. "Any coffee grower can sell everything they have for high prices," says Martin Diedrich, founder of Diedrich Coffee and Kean Coffee.

When the Fair Trade price is close to the market price, growers of the best coffee sell direct diverting funds from the cooperatives. Wagner points out that regardless of the current price Fair Trade still helps farmers by adding 10 cents per pound beyond what they would normally get. Fair Trade coffee sells for a minimum of \$1.21 per pound plus the social premium (\$.10 per pound) and an additional organic premium (\$.20 per pound) if the coffee is organic.

What growers actually get is a different matter.

Growers deliver raw fruit and must still undergo processing whether by the cooperative or others who charge to depulp, wash or rinse, dry and dehull beans before they are graded and shipped. After the cooperative gets its cut, growers typically receive 20 to 50 cents below the Fair Trade price.

Fair Trade establishes a floor, not a ceiling, she explains. This economy will end eventually, and Fair Trade will be as needed as ever to protect farmers, Wagner said. "What goes up must come down."

QUALITY CONCERNS

Coffee grown on cooperatives has a major drawback, said Diedrich.

"The great majority of the time, Fair Trade and organic coffees just aren't that good," he says. Co-ops often have a few good, seasoned farmers who grow great coffee, says Diedrich, but they also have and a lot of amateurs. The co-op mixes the beans together, diluting the quality, he says.

Fair Trade is working to improve the quality of its coffee, Wagner says. Three years ago, it started a program in Brazil to teach growers essential cupping skills. To improve their coffee, she said that cooperatives are learning to segregate the good from the bad but that reduces the amount of coffee available for sale and those seeking the best quality coffee simply refuse to pay for seconds. "Fair Trade encourages producers to see quality coffee as a means to competing in the global marketplace. But, ultimately, coffee quality is determined by the market," says Wagner. She added that Fair Trade coffee has been the fastest growing segment of specialty coffee for more than a decade.

Unscrupulous brokers and black market buyers, known as coyotes, complicate the process as they will purchase and transport coffee of any quality at prices very near that offered by the cooperative.

Erik Iverson, minister of satisfaction at Larry's Beans, Inc. in Raleigh, North Carolina, advises the Fair Trade growers to go with the flow, delivering early crop cherries to the coyotes, carefully segregating the best quality beans for the cooperative and leaving the remainder for late-calling coyotes who sometimes threaten growers.

His firm, part of a green bean buying cooperative of 20 U.S. and Canadian roasters, is determined to make a success of Fair Trade, says Iverson. Larry's Beans often pays much higher rates (\$2.30 per pound, almost twice the Fair Trade floor) enabling the coop to complete projects like schools and medical clinics that benefit growers. Coop members determine these projects and can do more if they receive top price for great coffee.

Two Leaves willingly pays more, says Rosenfeld. This may have no outward benefits, but it helps the company accomplish its mission to go beyond making a good product and profits.

"Making bad tasting coffee defeats the purpose of Fair Trade

because the goal is to make farmers sustainable," says Diedrich. "Making bad coffee is unsustainable," he says.

"After a while you get beyond the feel-good factor, especially if you're paying a premium, and you're going to opt out," Diedrich says. "If it's backed by high-quality, that's ultimately sustainable."

SUSTAINABLE COFFEE

Currently there are three strong legs supporting sustainable coffee growth. Fair Trade Certified is the most visible and well-known among consumers but sales of UTZ Kapeh Certified Coffee are comparable and sales of Rainforest Alliance certified coffees are faster growing.

Diedrich says he only buys coffee from people who grow great coffee because good product is produced by well-treated employees. Many are neither organic or Fair Trade Certified (because grower groups and plantations do not quality).

"A coffee grower doesn't want to spray any more petrochemical products on their crops than they have to. They know they have to take care of the land, the water shed, the soil, the trees and the people who work on the farm," says Diedrich. They meet certification standards by default, he observes.

Diedrich grew up on a coffee plantation in Guatemala and personally visits the growers supplying his coffee. The best coffee is picked by discerning, educated, happy employees, he says. Otherwise, the farmer hires migrants, and they fail to pick only good berries, they damage the plants and move on. Successful growers provide housing, health care and educate their employees, he says.

Rainforest Alliance may be better than Fair Trade in many ways, Diedrich said. The rules are less rigid and consider each grower individually.

"People think in these black and white terms," Diedrich said. "You have to have an understanding of the real issues on the ground."

CONSUMERS BUY FAIR TRADE

All things considered, Fair Trade does great work, says Rosenfeld. One of its biggest accomplishments is raising awareness. "They've done an amazing job getting the word out there," he says. In a 2005 study, 9 percent of participants said they knew about Fair Trade. A 2010 study showed 34 percent of respondents knew about Fair Trade.

Sales, at \$4 billion worldwide are strong says Wagner, not only in coffee and tea, but chocolate, nuts, sugar, spices, fruits and vegetables and other commodities.

Just-Food's Global Market Review estimates Fairtrade sales will reach \$20-25 billion by 2020. In 2005, Fair Trade USA's social premium amounted to \$14.2 million. In 2009, it grew to \$45.4 million. "As awareness increased, so has additional income," Wagner says, and getting more money to farmers who need it most is what Fair Trade is all about. SCR

