

# FAIR TRADE, FAIRTRADE AND COFFEE

*Story and photos by Georgi Djalev*

IF YOU ARE INTRIGUED BY THIS TITLE, then you are probably familiar with the term “fair trade.” You might also recognize the green-black-blue Fairtrade label on coffee bags and wonder what unites and separates these nearly identical terms. In other words, you are just like me: almost spellbound by the power of “fair,” but also uncertain of your understanding of the subject.

To answer the questions about Fairtrade that had haunted me for far too long, I recently seized an opportunity to attend an event hosted by the labeling organization that manages the certification scheme. The Fairtrade Austria Commercial Meeting 2019 in Vienna was a fitting place to meet representatives from coffee-producing countries, Fairtrade officials and a diverse range of stakeholders in the coffee value chain, including roasters and coffee retailers. This presented an excellent opportunity for an in-depth investigation and an exploration of different opinions on the topic.

## FAIR TRADE AND COFFEE

Fair trade is an economic concept whereby a buyer and a seller perform a transaction without a predetermined advantage for either party. Without an institutional arrangement such as an enforceable legal framework to ensure this equitability, the

party with a predetermined advantage could gain negotiation predominance and achieve better terms.

Translated into the language of coffee, this means that for the coffee trade to be fair, neither the coffee buyers nor the coffee producers should have overwhelming bargaining power, given the fact that there are no globally applicable business laws.

Reality tells a different story. More than 35 percent of roasting is concentrated in the hands of 10 companies from importing countries (the biggest one being Nestlé), according to the 2018 Coffee Barometer. At the same time, per a 2015 Specialty Coffee Association report, 80 percent of the production comes from no less than 25 million smallholder farmers owning on average 2 hectares of land (the equivalent of three soccer fields).

One could ask whether this imbalance is misused. Judging by the figures—even if the numbers have changed slightly in recent years—it seems so. Revenues from retailing coffee in the consuming world are increasing dramatically, while payments to producers are decreasing. For example, in Germany, which is the second-largest importer of coffee in the world, the value of green coffee purchased from coffee producers and imported into the country fell by 10 percent over the past 20 years, while the corresponding sales value increased by 139 percent, according to a 2018 report by Fairtrade International.



Many smallholder farmers dry the freshly washed coffee seeds on unsheltered patios, as they cannot afford any weather-protected or automated solution.

## FAIRTRADE COFFEE

This is where Fairtrade as a certification scheme comes in. An agricultural product like coffee that has been labeled as Fairtrade must be produced along certain economic, social and environmental criteria. Among these are a minimum purchase price, a monetary premium to invest in social projects, requirements on democratic self-organization, prohibited child and forced labor, agriculturally sound practices and more. The label on the coffee packaging thus

signals to the coffee lover that a certain set of standards has been met.

Fairtrade is a multi-stakeholder decision-making organization. It is 50 percent owned by farmers and workers and, since 2000, has distributed over €1 billion in premiums to certified producers. In 2018 alone, the scheme distributed €76 million exclusively to coffee farmers.

Even more impressive than the monetary impact is the awareness generated by the initiative. The Fairtrade mark is





A major reason for the imbalance in negotiation power between coffee producing and consuming countries is consumers' lack of knowledge about who produces this crop, and where and how it's grown.

the most widely recognized ethical certification label globally and is nearly universally known in countries like Germany and Austria (84 percent and 90 percent recognition respectively). Also not to be underestimated is the annual revenue growth of certified products at a rate of 20 percent since 2002.

## THE PURPORTED BENEFITS OF FAIRTRADE

Fairtrade, of course, has defined long-term goals apart from short-term financial and awareness numbers. These objectives are aligned with its “theory of change” that, according to a Fairtrade report released in 2018, “describes the change that (Fairtrade) wishes to see in the world and its understanding of how it will contribute to that change.” The program sets out to enable sustainable livelihoods and empowerment for small-scale farmers and agricultural workers, and regularly assesses the achievement of these goals.

A recent research paper, commissioned by Fairtrade and prepared by the Overseas Development Institute,

concludes that the Fairtrade premium generates positive impact, that Fairtrade producers benefit from higher prices and stronger producer organizations, and that workers benefit from a positive impact on labor standards. But it also finds that the evidence for impact on producer income and well-being are mixed.

## IS FAIRTRADE A PANACEA FOR THE UNFAIRNESS IN COFFEE TRADE?

The critics of the standard argue outright that the impact is small. Of the 25 million coffee producers in the world, fewer than 1 million (3.1 percent) are Fairtrade certified. In 2017, they received a total of €687 million (in the form of the minimum price plus premium) for 472 million pounds of coffee, which amounts to 0.2 percent of the entire revenue made by the industry (€337 billion in 2017).

What is more, a growing group of coffee growers, roasters and importers believe that fair-trade-certified coffee is not living up to its chief promise to reduce poverty, according to a 2011 *Stanford Social Innovation*

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**TOP** Coffee is often assigned an overstated weight in global trade. It does, however, have prime importance as an exporting good for coffee-producing countries.

**MIDDLE** Victor Cordero, secretary of CLAC, and Stefanie Heidinger of Heidingerhof present the development of the Fairtrade initiative in Latin America over recent years.

**BOTTOM** Hartwig Kirner (right), CEO of Fairtrade Austria, introduces CLAC Secretary Victor Cordero to the organization's stakeholders.

Review article on the fair trade movement. Some of the reasons, the critics argue, are that the premiums might land in the wrong hands, the minimum price is used as an excuse to sell lower-quality coffee at above-market prices, and the burdens of certification outweigh the benefits for the producers.

### “A TUG OF FAIR TRADE”

The more I dived deeper into the topic, the more I found myself at a loss. As it does within the coffee industry, the Fairtrade certification creates a tug of war between the different participants, including producers, exporters, importers, roasters, distributors, certification organizations and governments, which all fight for the attention of the coffee lover.

Among the people that I met during the event were Victor Cordero, the secretary of the largest producing organization within the Fairtrade network—the Latin American and Caribbean Network of Fair Trade Small Producers and Workers (CLAC)—and Hartwig Kirner, the CEO of Fairtrade Austria, which serves one of the five largest consuming countries in the network. I discussed the doubts I had with both.

Cordero, whom I knew from a coffee project in Colombia, thought carefully for a minute when I asked his opinion of the criticisms. Instead of diving into numbers, as I had expected, he carefully expressed hope for an increased impact of the standard in the future—“the same way every other ethical certification hopes for an increased impact.” Then he added with noticeable emotion in his voice that an impact that would hardly be documented well enough even by the most rigorous study had been the sense of being appreciated and respected that had permeated the producing countries since the introduction of the Fairtrade standard. “It makes a real difference in the way certified coffee-growing families handle their micro-business,” he concluded.

Kirner of Fairtrade Austria also chose to talk about people instead of numbers and expanded on the dedication of the organization’s staff to create something meaningful. At the end of our conversation, he added something that touched a chord with me.

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Mildred Niebles is the owner of a coffee farm in Colombia. If she weren't a member of a cooperative—in her case the Red Ecolsierra—she would probably have had little chance of winning back her family-owned land from the guerrillas a decade ago.

“Good intentions don’t count,” he said, referring to the ease with which many criticize but rarely turn words into action.

**FOR THE LOVE OF COFFEE**

One early morning, back from my trip to Vienna, I was having a cup of my favorite Colombian washed Castillo. Deep down, I wasn’t satisfied with the answers I had found about how to tackle the problem with fairness in the coffee business and was looking for closure.

I suddenly realized that, while busy with my investigation, I had missed the forest for the trees. I hastily got up, opened the cupboard and looked at the coffee bag to check which of the many ethical certifications it carried. To my surprise, there were none. It simply stated, “Grown by Rodrigo Moreno at Esperanza.”

Intrigued, I visited the shop that had roasted the beans, and the owner amiably agreed to tell me the story of that coffee. She was Colombian, in her early 30s, and spoke with a passion for coffee that reassured me of her deep understanding of the trade.

“We don’t discriminate coffees by whether they are carrying a certification or not,” she said. “In fact, many of our coffees are Fairtrade-certified and almost all are certified as organic. But I happen to

know Rodrigo since my childhood and believe that there is hardly any label that can replace an honest human relationship. When I opened my roastery here, in Germany, I asked him whether he can sell me some of his best and most environmentally friendly coffee. This is all.”

When I told her that this had been my favorite coffee for a while now, her face lit up in a smile. She said that in the end, great coffee was a result of the symbiosis between the plant, the people and the environment. “I believe that when it feels right to drink it, then it’s really fair,” were her final words.

These words made me realize that instead of looking for an ultimate answer in any of the ethical certifications, we could support fair trade directly.

One way to achieve this as consumers is by demanding transparency. We could intentionally inform ourselves where the coffee that we drink comes from. Is it sold by a trustworthy local roaster who readily shares information on the origin and the producer? Does it come from a region well known for focusing on specialty coffee? Is there evidence that the producer is investing in the improvement of the coffee quality, or maybe directly in education and infrastructure?

A different route is even simpler and potentially more powerful in the long run—demanding higher



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The mountain chain Sierra Nevada de Santa Marta is exemplary for the spectacular scenery that Colombia, the world's third-largest coffee producer, has to offer.

quality. Consciously selecting coffees that offer better taste and more freshness and searching for a variety of origin and flavor will gradually empower the producers. A farming family that knows that quality and selection are more important than quantity may choose to invest in the soil, the land, the workers and the community to achieve a better crop in the next years. Then it will be able to offer its production to the market at a premium.

CONCLUSION

I am glad that I attended the Fairtrade Austria Commercial Meeting. It made me think about a question that I used to neglect and opened my eyes to the different opinions surrounding Fairtrade that turn a simple concept into a complicated reality.

It also helped me realize that those who are importing and retailing agricultural goods coming from developing countries—whether coffee or not—could support a gradual change in the mindset of the consumers. The use of ethics from a heart-centered perspective can be far more powerful in the long term than any certification or label.

Coincidentally, just days after visiting Fairtrade Austria, I listened to former U.S. President Barack Obama share his opinion on the role of climate activist

Greta Thunberg: “She is obviously a brave little girl, but the question is not what I think about her or her role. The question is, why are we allowing a 16-year-old to carry that burden? Aren’t there any adults left?”

Along those lines, we should not be asking whether we need a Fairtrade label, or whether the Fairtrade certification is fair, but rather we should be focusing on the real problem: Why do we need a certification in the first place to indicate what is fair or not, and what can we do to make as much of the trade as fair as possible? Until we have figured this out for ourselves, it is important to have organizations like Fairtrade leading the way.



**GEORGI DJALEV** is a writer and entrepreneur who spent 14 months circumnavigating the globe in search of sustainable business models and their stories. He found both in Colombia, consulting pro bono for cooperatives on exporting strategy. Currently, he is setting up a coffee retailing company in Europe based on value chain transparency. He holds a bachelor's degree in economics (LMU, Munich) and a Master of Business Administration (ESADE, Barcelona), and spent the past five years scaling online businesses at Amazon.



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