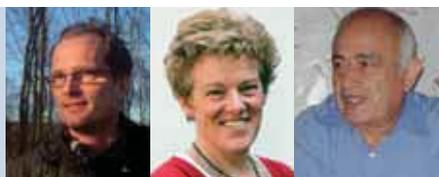


The price of empowerment



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Over the last couple of years, certification brands of coffee have steadily increased their volume of sales in Northern consumer markets, with an ever broader portfolio of products. On the face of it, this appears to be good news for groups of small producers who sell their coffee through these certification schemes. However, the growth figures are significantly lower for the brand that is most committed to working with farmers' organisations, the Fair Trade Labelling Organizations (FLO), also known as Fairtrade International, which brings together 25 fair trade initiatives from around the world.

What sustainability initiatives such as FLO, UTZ Certified and Rainforest Alliance have in common is that they offer farmers a better deal for their produce and give consumers the opportunity to contribute to poverty reduction by shopping with a conscience. However, they differ in the way they relate to farmers' organisations.

The fair trade system emerged in the 1980s when world market prices for coffee were low. These low prices made the fair trade minimum price attractive to farmers and formed the engine for organising producers into cooperatives and other similar types of organisation. As well as the guarantee of a minimum price, another cornerstone of the fair trade movement was its determination to support small-scale farmers in their struggle with the big agricultural corporations that procure and process coffee for the world market. So as well as paying a fair price, fair trade explicitly aims to strengthen the organisational capacities of producer groups – not only in terms of the logistics of

The Fair Trade Labelling Organizations (FLO) pay farmers a premium on top of the agreed fair trade price to strengthen the capacity of their organisations. However, competing certification brands don't pay such a premium.

collective marketing, but also in their activities to build political agency to influence markets. To do this, farmers' organisations require resources.

To become certified, farmers have to organise an internal control system and often have to receive training in good agricultural practices. This is costly, and feasible only when there is an organisation in place to provide these services. The certification schemes that compete with FLO tend to depend on trading companies or non-governmental organisations (NGOs) to organise farmers. However, this does not necessarily create strong and autonomous farmers' organisations.

The fair trade system is the only scheme that incorporates a built-in mechanism to generate the resources that strengthen organisational capacity. There is ample evidence that the fair trade premium has had

a positive impact on producers' organisations (see box, Fair trade strengthens producers' organisations). Nevertheless, some critics from competing certification initiatives argue that using the fair trade premium for organisational costs and investments is an 'inefficiency' – according to them, the increase in price, as a result of the certification, should flow into farmers' communities or go straight to farmers' incomes.

Under pressure

Despite the positive impact that fair trade has had on the livelihoods of farmers and on the capacities of their organisations, the fair trade system faces several threats. While fair trade coffee sales are growing steadily, other certification schemes such as UTZ Certified and the Rainforest Alliance are growing even faster (see table).

Certification Scheme	Sales 2009	Sales 2010	Growth rate
Fairtrade International	73,781	87,576	19%
UTZ Certified	81,928	121,234	48%
Rainforest Alliance	87,583	114,884	31%

Table 1: The volume of certified coffee sales (in MT)

Fair trade strengthens producers' organisations

In 2009, Valerie Nelson and Barry Pound carried out a meta-review of 33 case studies examining producers' organisations. They found that 22 reported organisational strengthening. Examples of the organisational strengthening they found were an increase in national and local influence, an improved level of democracy in decision making and levels of participation, an ability to survive better in hard times, and a better ability to attract other sources of funding. Increasing the strength of producers' groups and their bargaining power through capacity building, organisational development and marketing support are generally seen as important effects of the fair trade approach.

In another report, carried out by Douglas Murray and colleagues in 2003, the capacity to negotiate with new clients is also mentioned as an important positive consequence of fair trade improving capacity.

Most recently, research carried out by Christopher Coles in 2011 confirms that fair trade has much more far-reaching effects on producers' organisations. In fact, the mere existence of a purchasing cooperative can bring benefits to all local farmers through increased competition, which leads to securing higher prices from private buyers.

In 2010, Isabelle Vagneron and Solveig Roquigny reviewed 77 case studies that had been carried out between 1998 and 2009. Among the most documented impacts was the trade performance of producers' organisations – their ability to link their members to international markets, the ability of producers' organisations to support their members through technical advice and social projects, the ability of fair trade to help structure producers' organisations and strengthen their organisational capacities.

A number of cooperatives that have long operated within the fair trade system are beginning to sell through other sustainability schemes. Fair trade was founded when coffee prices were low and coffee farmers considered a secure market with advance contracts and minimum prices a blessing. However, the current high coffee prices are creating tensions between the short-term interests of individual farmers and the medium-term interests and obligations of the producers' organisations.

Fierce competition in coffee sourcing is the result, and intermediaries and buyers are trying to convince members of cooperatives to side-sell coffee to them instead. Cooperatives that have signed contracts with their fair trade clients several months before the harvest at what was then the market price, cannot adjust to the higher prices offered by these intermediaries at harvest time. As a result of this side-selling, many cooperatives have had problems delivering on their contracts, or have s been forced to pay prices that are far higher than the price they will receive from their fair trade buyers. Some have been pushed to the brink of bankruptcy.

In an article in the *Stanford Social Innovation Review* in 2011, Colleen Haight described another emerging problem being encountered by fair trade coffee as a result of the emergence of the speciality coffee markets that offer higher prices than the fair trade price. Generally, the fair trade market does not offer higher prices for speciality coffees that differ in smell and taste – it distinguishes only between organic coffee, conventional coffee and natural or washed Arabica and Robusta coffees. But non-fair-trade buyers offer higher prices for other, more product-specific quality attributes. The same coffee cooperatives whose bargaining capacity was built by the fair trade movement are now applying this entrepreneurial capacity to sell speciality brands of coffee that can get a higher market price outside the fair trade system, while their poorer quality coffees are sold through the fair trade system.

Another important challenge for the fair trade system was the resignation of Fair Trade USA from FLO in late 2011. They have lowered the content requirements for products allowed to use the fair trade label from 20% to 10%. Even more threatening for producers' organisations is the admission of larger coffee



Fair trade farmer in front of his store, Uganda

plantations into their new certification system. Up to now, only coffee cooperatives composed of small-scale farmers could be certified as fair trade. Corporations such as Starbucks have long pushed for this rule to be overturned so that they could expand their fair trade certification to include more of their coffee suppliers, such as coffee plantations on bigger landholdings and contract farming schemes.

The way forward

Fair trade systems will have to make adjustments in terms of being responsive to the changing market for speciality coffees. They need to ensure that good quality coffee can fetch a higher price in the fair trade market.

The fair trade premium has proven to be a key driver for small-scale producers in terms of building their capacities and strengthening their resilience in the marketplace. All certification schemes benefited from this. The UTZ Certified and Rainforest Alliance certification schemes should include similar 'resilience-building' mechanisms in their certifications schemes. They should be aware that strong farmers' organisations are a prerequisite for sustained

and sustainable development in coffee. Particularly in times of falling prices, these organisations hold together the value chains that link smallholders, buyers and consumers. Without strong farmers' organisations, these group certification schemes will not be as sustainable as they appear. <

Links

The authors collaborate in the international research and policy development programme, Empowering Smallholder Farmers in Markets, which is implemented by AGRINATURA and ten national farmers' organisations. www.esfim.org

Further reading

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Capacity building for quality production

'Fair trade has helped the process of increasing our knowledge about how to operate in the market. Our cooperatives have learnt to source materials, to track and trace quality in order to qualify for certification schemes and to produce special quality coffee under a number of brand names. We have now sixty catadores – specialist coffee tasters – who can classify coffee independently of the brand or scheme that buys the coffee. Internal pricing has been adapted: coffee with 85 points gets a higher price and coffee below 70 gets "punished". The cooperatives used the fair trade premium to invest in learning, training and infrastructure.' (Lorenzo Castillo, Junta Nacional del Café, Peru)