

Weak Coffee: The Shortcomings of the Fair Trade Coffee Movement in Bringing Farmers Out of Poverty

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The fair trade movement, as a whole, is a network of organizations founded in the 1960s that works with individual farmers, growers, and craftsmen in poverty. The goal of fair trade groups like the Fairtrade Foundation and Fairtrade America is to financially support small producers in poverty, give them the necessary tools and knowledge to keep themselves above the poverty line, and ultimately ensure these workers have more control over their own lives. Fair trade certification, which spans from products like handmade jewelry to tea, promises individuals a minimum wage and additional benefits, as long as their practices are sustainable.

The fair trade coffee movement was originally founded after plummeting global coffee prices in the late 1980s hurt many small Mexican coffee growers.¹ The global supply of coffee was much higher than the demand, and prices dropped. Commercial coffee brands in America and Europe were able to adapt to this situation as large, stable companies. However, small-scale, poorer coffee growers throughout South America and notably Mexico struggled to stay afloat when forced to lower their prices. Fair trade coffee organizations were started to assist these farmers in escaping poverty and instead help them thrive as small coffee producers in a global market.

In theory, fair trade is a very straightforward, humanitarian concept. However, homing in on the coffee branch of fair trade – arguably the largest, most profitable and best known – we can take a closer look at how the fair trade practice is operated. The primary goal for these fair trade organizations is to bring as many coffee growers out of poverty and into substantial, independent success as possible. However, through close examination, we are able to see that this goal is not as well accomplished as it's perhaps assumed. While the fair trade movement certainly has aided many individual farmers over the decades in bringing them out of poverty, the mass majority are still unaddressed. The market is difficult for these farmers to make a name for themselves amidst the high-power commercial brands. And because of the way the fair trade system itself is organized, it's extremely difficult for many farmers to become certified and participate. The fair trade movement, although motivated by a good cause, appears very difficult to scale and expand in order to help increasingly more farmers in the future.

...It's the Thought That Counts?

The fair trade coffee movement is very well intentioned, and involvement with Fairtrade-certified organizations has provided several success stories to farmers in poverty. Fair Trade organizations have worked with, and provided aid for, “more than 762,392 coffee farmers globally.” They've guaranteed these farmers infrastructure assistance, financial services, enforcement of sustainable practices, and basic health and survival needs.²

The primary strength of the fair trade movement is the price floor, the minimum price level guaranteed for all farmers. This minimum set price serves as security for farmers regardless of outside market changes.³ The baseline is \$1.40 per pound, but this initial price can be raised if

the coffee is organic, or of premium quality. As the movement was founded amidst the global drop in coffee prices in the 1980s, this feature has been one of the constant, driving values for all fair trade. It is difficult enough for small coffee growers from Latin America to reach consumers abroad in massive economies like America and Britain. Then taking into account the ever-changing prices of coffee globally, this challenge only increases. With the set price floor, even when the global price for coffee (specifically arabica coffee) drops dramatically, these farmers are ensured enough money every year to survive and continue their sustainable production.

Professor and philosopher Peter Singer of Princeton University presents an argument for the advantages of fair trade. He writes:

There are advantages to Fairtrade. The growers know that they have to provide a product that consumers like, both for its taste and for the way it is grown. If their product sells well, they can take pride in having produced something that is sought after around the world. From the growers' perspective, receiving a premium by selling a Fairtrade product is preferable to receiving a charitable handout that they would get whether they worked or not and regardless of the quality of what they produce.⁴

Here Singer considers both the perspectives of a consumer and a grower at the source, and he finds that both parties benefit. Growers are motivated to produce high quality products, and enough consumers are motivated to purchase fair trade coffee as more morally conscious citizens. Fair trade seems an economically sound system, because it is one in which producers are being brought out of poverty, consumers on the receiving end feel ethical when purchasing, and the whole process is environmentally friendly and sustainable.

The fair trade coffee movement was founded with the best intentions and a seemingly solid framework for success. However, taking a closer look at the factors necessary for fair trade's success, we see that the plan to bring thousands of farmers out of poverty is not necessarily as easily attainable as it seemed.

Reluctant Retailers and a Manipulative Market: The Challenges with Expanding Fair Trade Coffee's Presence in the Western World

One of the largest challenges preventing the fair trade coffee movement from effectively bringing thousands of coffee growers out of deep poverty is the market the growers must (albeit indirectly) sell to. Europe and Northern America are the two markets with the highest levels of coffee importation and consumption. These northern markets are fundamental for the fair trade coffee movement to grow and succeed.⁵ These two continents possess some of the largest economies, but perhaps more notably the largest number of coffee consumers in the world. In data from 2016, the top ten countries with the highest coffee consumption were European, with the US right behind.⁶ These two continents – with cultures of high coffee consumption, large economies, and populations with disposable income to spend – are crucial for the growth of the fair trade coffee movement. Unfortunately, these markets are both difficult for fair trade coffee organizations to compete in, and reluctant to heavily promote said coffee.

Regardless of coffee as the specific product in question, businesses are initially closed off to simply the concept of fair trade. After conducting a study in Vancouver comparing sales of fair trade versus standard coffee, researchers Anil Hira and Jared Ferrie summarize that “businesses and governments are likely to continue to resist fair trade because of the fear of lower returns and minimal price signals.”⁷ One of the most significant values of the fair trade movement is a minimum price level for the farmers, to ensure they will remain able to live above the poverty line. However, the challenge with this principle is that farmers working with free-trade organizations cannot change their prices with supply and demand with the same freedom as other businesses and sellers. In turn, vendors are reluctant to consider buying and reselling fair trade products, “which they perceive as possibly creating a competitive disadvantage to others who do not comply.”⁸ While the good morals of the fair trade movement – supporting small farmers, bringing families out of poverty, and so on – are appealing to anyone, from a practical standpoint, many vendors feel that the higher investment will not be particularly rewarding. Put simply, for these vendors, higher costs means lower profits.

The success of the fair trade coffee movement, and its ability to continue to bring more and more farmers out of poverty, is directly controlled by its representation in the European and North American markets. However, only a small percentage of all fair trade coffee even reaches consumers to be sold. The largest coffee brands, five of which control the top two-thirds of the coffee market, offer “only a small amount of fair trade coffee.”⁹ Retail chains “claim that they cannot legitimately offer more than a few lines of fair trade coffee (generally buried amidst other competitors) because there is no proven market.”¹⁰ This seems like a bit of a paradoxical situation – retailers are afraid to sell large amounts of fair trade coffee without a “proven market,” however; there’s such a small percentage of fair trade coffee even on the market to begin with that it seems difficult to determine whether a substantial audience exists.

The market is reluctant to embrace and showcase fair trade coffee instead of the dominating, domestic brands, but to worsen this problem, presence in these major markets, even in such a small way, potentially compromises those founding values of the fair trade movement. From *Development in Practice*, authors Douglas Murray, Laura Reynolds, and Peter Taylor note that the push to send fair trade coffee into the mainstream in the Western world comes at a potential cost; the expansion of supply “may not support deepening of the movement,” a phrase they use to describe the moral, ethical basis fair trade was founded on.¹¹ An aggressive push to be represented in the northern markets versus holding fast to the original values like minimum pay levels, and ensuring health benefits for every individual farmer and his family, is a difficult scale to balance. Already, evidence suggests that the heart of the fair trade movement can get lost with an increased presence in the North American and European markets. The big-name coffee brands like Tully’s and Peet’s who carry small lines of fair trade coffee tell consumers nothing about the farmers who grew the coffee.¹² In fact, some researchers argue that these brands portray their Latin American fair trade coffee growers in a fetishized, idealized way to appeal to Northern American and European consumers.¹³ The term clean-washing is used to describe some retailers of fair trade coffee, meaning they use “fair trade as a marketing tool to upgrade one’s image as a responsible and socially concerned stakeholder.”¹⁴ Not only are many businesses and retailers reluctant to carry much, if any, fair trade coffee; the retailers who do may be doing so solely to appear “green” and socially conscious.

Access to the northern market, necessary for the growth of the fair trade coffee movement, is a challenging field for small coffee growers. Furthermore, in this push for mainstream recognition, the ethics and founding values of the fair trade movement are at risk of being compromised and forgotten.

Who's Even Getting Helped? Expanding Latin American Farmer Participation in Fair Trade Organizations

A second substantial challenge to the success of the fair trade coffee movement is the struggle to include more farmers who need help. Of all small coffee growers in Latin America who could benefit from fair trade certification, as of right now, only a very small fraction are being helped. To be able to include and assist more of these farmers would mean changing some current rules and requirements in the Fair Trade organization as a whole.

Currently, farmers face lengthy criteria to qualify for a Fair Trade partnership. The list includes “committing to volunteer activities within the cooperative, participating in cooperative governance, proving their authenticity as peasant farmers and their honesty in previous business dealings, and converting to organic farming.”¹⁵ The prerequisites vary from organization to organization, and some groups may require even more extensive qualifications for farmers. After a farmer has qualified for fair trade certification, the fair trade regulations require lengthy and detailed record keeping for each individual farmer. This record keeping is very cumbersome for both the farmers and organizations. The process is time consuming already, when only a small percentage of Latin American coffee growers participate in fair trade.¹⁶

However, in order for the fair trade movement to help more farmers escape poverty and provide international opportunities to sell their products and grow their business, expansion is necessary. Fair trade certification and involvement needs to be more accessible for the farmers in need. So what does expansion mean for fair trade coffee? Expanding fair trade to more farmers means cutting back on the pre-conditions and requirements to apply. The fair trade movement would have to allow “newer, less experienced, and less well-organized cooperatives” to operate as well, in order to encompass more of the many, many coffee growers in Latin America seeking fair trade membership.¹⁷ This is a difficult situation for fair trade groups. Organizations only want to offer assistance and a label of certification to farmers with reliability and quality products; each farmer is, after all, an investment of sorts for the organization. However, in maintaining prerequisites too lengthy or difficult to meet, fair trade organizations cannot include nearly enough farmers to make a significant impact overall.

Potentially expanding the reach of fair trade poses other problems. To begin, all of the benefits promised as a part of fair trade, tangible for the farmers and ethical for consumers, may be compromised. These benefits include minimum wages and price levels, promised fair labor conditions, scholarship programs, healthcare, quality training, and more.¹⁸ As quoted from “The Future of Fair Trade Coffee,” an article from *Development in Practice*, “broadening the impact of Fair Trade may not be consistent with deepening its impact.”¹⁹ With dramatically increased numbers of farmers to provide for, fair trade groups and organizations may not be able to wholly provide these same sets of extensive benefits. It seems that fair trade is at a standstill – pushing

to help more farmers and further their reach will compromise the founding values and integrity of the movement, and vice versa. Focusing so closely on the betterment of each individual farmer will hold back the movement from reaching thousands of other farmers in need, and prevent overall growth. The necessary steps for expansion aren't consistent with the founding vision of the Fair Trade movement.²⁰ And in fact, the argument may even be made that allowing more farmers in with looser organization rules will actually weaken the fair trade process entirely.²¹

Another issue with expanding and opening up fair trade membership to other farmers is the number of large plantation owners in Latin America who also want to participate in fair trade. If fair trade certification is accessible to other producers besides only organic, small-scale farmers, these plantation owners will join and overpower the current farmers. The plantation farmers argue that they can meet all of the same environmental and social standards as the small scale farmers.²² Several large coffee importers would make fair trade coffee a “centerpiece of their product line” if their current plantation suppliers became fair trade certified.²³ However, these massive, already successful plantations will likely drown out the small producers that fair trade was founded to help. The small-scale farmers cannot thrive in economies abroad like large plantations can, and this defeats the purpose of fair trade to begin with: helping small coffee growers out of poverty one at a time.

Conclusion

The fair trade coffee movement, albeit well intentioned and initially well designed, does not exactly have the life-changing effect on poor coffee growers that is often assumed in the mind of the average consumer in the West. Individual farmers throughout Latin America have certainly been helped by fair trade organizations, which provide them with healthcare and living services, sustainability advice, and most significantly a minimum price level to protect from the ever-changing market. However, through this research I've discovered that the fair trade coffee movement may not be much of a scalable project – at least not currently.

The Western market, key for the success of these coffee growers, has proved to be a ruthless and unforgiving field. And the range of farmers who are being helped by fair trade organizations is extremely limited, leaving thousands of farmers completely untouched. The motivation behind this movement is certainly applause-worthy and something I personally, and I know many others, stand behind. However, something I have previously wondered about, and confirmed further through my research, is the practicality of this movement. I generally assumed that fair trade coffee was the far superior, more ethical product to purchase over commercial coffee brands, and never truly thought twice about the efficiency of the entire system. I have seen my share of smiling growers on their South American farms in traditional dress, hung up from floor to ceiling in every Starbucks and Peet's coffee shop. But in taking a closer look at the fair trade system, and comparing the current state to the original visions of the movement, I feel far more educated and aware of the extent (which is less than I had assumed) of fair trade's success.

I believe the values driving the movement are certainly legitimate. Purchasing fair trade coffee is still a more sustainable option than commercial brands, as the money does return to impact individual farmers. I fully support bringing Latin American coffee growers out of poverty and into successful, sustainable careers. The next question, however, is how to make this truly

happen. How can we take the fair trade coffee movement, as it stands today, and broaden its reach without losing its core?

Notes

1. "About Coffee." FairTrade Foundation. <http://www.fairtrade.org.uk/en/farmers-and-workers/coffee/about-coffee>.
2. Ibid.
3. "Coffee." Fairtrade America. <http://fairtradeamerica.org/Fairtrade-Products/Coffee>.
4. Peter Singer. "Why Pay More for Fairness?" *Project Syndicate*, April 18, 2006. <https://www.project-syndicate.org/commentary/why-pay-more-for-fairness?barrier=accesspaylog>
5. Murray Douglas, Laura Reynolds, and Peter Taylor. "The Future of Fair Trade Coffee: Dilemmas Facing Latin America's Small-Scale Producers." *Development in Practice* 16, no. 2 (Apr. 2006): 183.
6. Lora Jones. "Coffee: Who Grows, Drinks and Pays the Most?" *BBC*, April 13, 2018. <https://www.bbc.com/news/business-43742686>.
7. Anil Hira, and Jared Ferrie. "Three Key Challenges for Reaching the Mainstream." *Journal of Business Ethics* 63, no. 2 (Jan. 2006): 114.
8. Ibid., 111.
9. Ibid., 113; Steven Topik, review of *Fair Trade Coffee: The Prospects and Pitfalls of Market Driven Social Justice*, by Gavin Fridell, *Latin American Perspectives* 37, no. 2 (March 2010): 146.
10. Anil Hira, and Jared Ferrie. "Three Key Challenges for Reaching the Mainstream." 111.
11. Murray Douglas, Laura Reynolds, and Peter Taylor. "The Future of Fair Trade Coffee: Dilemmas Facing Latin America's Small-Scale Producers." 184.
12. Steven Topik. *Fair Trade Coffee: The Prospects and Pitfalls of Market Driven Social Justice*. 146.
13. Patrick W. Staib, review of *Coffee and Community: Maya Farmers and Fair-Trade Markets*, by Sarah Lyon, *Journal of Anthropological Research* 68, no. 1 (Spring 2012): 140.
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15. Murray Douglas, Laura Reynolds, and Peter Taylor. "The Future of Fair Trade Coffee: Dilemmas Facing Latin America's Small-Scale Producers." 185.

16. Colleen Haight. "The Problem with Fair Trade Coffee." *Stanford Social Innovation Review*, Summer 2011. https://ssir.org/articles/entry/the_problem_with_fair_trade_coffee#.

17. Murray Douglas, Laura Reynolds, and Peter Taylor. "The Future of Fair Trade Coffee: Dilemmas Facing Latin America's Small-Scale Producers." 185.

18. "Fair Trade Coffee." *Grounds for Change* (blog). <https://groundsforchange.com/blogs/learn/fair-trade-coffee>.

19. Murray Douglas, Laura Reynolds, and Peter Taylor. "The Future of Fair Trade Coffee: Dilemmas Facing Latin America's Small-Scale Producers." 185.

20. Ibid.

21. Ibid.

22. Ibid., 186.

23. Ibid.

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