



Miguel Zamora discusses Fair Trade USA pilot project goals in Brasil

Fair Trade USA's Pilot Projects What Do They Mean for Farm Workers in Indonesia?

**Small holders who
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of a cooperative
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By Jenny Neill

Fair Trade USA's decision to split from Fairtrade International has many people buzzing, and not from the caffeine. But the controversial move was not without hints that change was coming. Transfair changed its name to Fair Trade USA in 2010, updated the design of its certification label the following January, and ultimately announced it was breaking away from Fairtrade International (previously known as Fairtrade Labeling Organization or FLO) in September, 2011.

One of the main criticisms levied by Paul Rice of Fair Trade USA against the FLO system is that it isn't available to enough poverty-stricken workers. Smallholders, owners of small plots of farmed land who are not members of a cooperative, are unable to take advantage of the minimum pricing model guaranteed by the fair trade system. No protections are offered to coffee workers on large estates. These two points have long been a bone of contention between Fair Trade USA and FLO, and certainly contributed to the decision by the US-based organization to break away.

Fair Trade USA first proposed extending fair trade standards to include plantation workers in 2003-04. Commodity prices were climbing up from a severe crash at the time. In fact, similar economic conditions in the past were one of the reasons that there

is a floor, or minimum guaranteed price, as a key component to the fair trade system for coffee. If the going price drops below the established floor figure, certified growers continue to sell green coffee to contracted fair trade buyers at the fair price, in theory guaranteeing a living wage during lean times.

Commodity prices for coffee fluctuated between US\$.50 and US\$.80 per pound in 2003-4. Fair trade co-op grower members argued that adding more certified coffee to the system would only make it more difficult for them. They only managed to sell about 25% of their fair trade certified green beans in those years.

Since then, prices have seemed to stabilize at close to the current fair trade floor price. As of March 2011, FLO fixed a price floor of US\$1.40 per pound of green coffee beans. FLO also indexes that floor to the New York Coffee Exchange price, so that when prices rise above US\$1.40 per pound for commodity, or non-specialty, coffee, the fair trade price paid is always at least 20 cents per pound higher than the price for commodity coffee.

When the c-market is doing well and buyers pay above the commodity price for coffee, many producers would prefer not to be locked into long-term contracts in the fair trade system. Growers see opportunity for earning more than a living wage by selling on the commodity market or through a direct trade model instead. Green beans from acclaimed origins can fetch prices at least five times higher than the fair trade floor price. However, another steep decline in the commodity markets could spell doom for farmers not participating in fair trade. Another such price crash could be imminent given current economic conditions in Europe and China.



This color version of the new design is already available to Fair Trade USA licensees for use internationally

Fair trade failures in Indonesia

Despite a growing middle class creating a healthy domestic market, exporters in Indonesia hope to capitalize on increased demand for q-rated beans. One reason fair trade has not always been successful there is that exporters are still heavily involved in promoting trade. Also, Indonesia's colonial history and ongoing civil unrest has made it difficult to sustain this trading model there.

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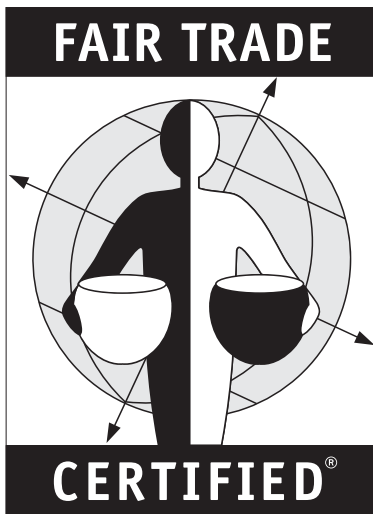
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“Fair Trade for All” aims to find ways to double the impact of fair trade for farmers by 2015

More than 90% of Indonesian coffee comes from farms of one hectare or less. This proliferation of small farms dates back to when the country, having declared its independence in 1945, won recognition of statehood from the Dutch Empire. Language issues make it a challenge for the system to work. With over 50 Indonesian dialects, communication typically goes through exporters or other middlemen. Certifiers have often had difficulty validating that fair trade standards were being adhered to.

Recent efforts to increase awareness of Indonesian coffee have included the creation of the Specialty Coffee Association of Indonesia (SCAI) in 2007. In 2010, SCAI membership included 12 co-operatives representing more than 10,000 farmers. Even for these organized smallholders, attaining and keeping fair trade certification has been problematic.

Heavy rainfall, unusual timing for harvests, and the need to draw-down held inventory to make up for lower than expected yields all contributed to growers failing to fulfill fair trade contract obligations. In addition, price rallies for Indonesian coffee in the past couple of years because of these shortages led to an increase in price prospecting and alleged corruption.

“Over time we had too many de-certifications in Sumatra, Indonesia,” Miguel Zamora, director of coffee innovation and producer relations for Fair Trade USA, explained. “They were pretty significant. There were significant causes. The people who have contracted coffee in fair trade were not getting the product that they were supposed to get.” Despite the challenges, Zamora still hopes to get a pilot started in Sumatra.

Fair for All Pilots: innovation for fair trade models

Fair Trade USA created “Fair Trade for All” (FT4A), a strategy to explore ways to extend fair trade benefits to more farmers and coffee workers. Its goal is to find ways to double the impact of fair trade for farmers by 2015.

“[It involves] deepening our efforts to strengthen existing Fair Trade cooperatives, innovating the model to deliver far more impact to far more people, and engaging consumers to drive awareness and demand for Fair Trade products overall,” Jenna Larson, communications coordinator for Fair Trade USA clarified. She and Zamora want to clear up some misconceptions about what the change in strategy will mean and to explain the pilot projects his team may take on.

Zamora oversees the development of pilot projects for the FT4A initiative. These pilots are intended to test the feasibility of adapting the existing and rigorous fair trade standards in order to be able to apply them to a broader range of coffee growers and pickers. Selected independent smallholders and large estates will commit to adhering to existing standards developed for other fair trade products. A specific goal will be to closely evaluate whether the standards work in the context of large or small coffee farms and to adapt them according to the experience of pilot participants. Fair Trade USA plans to conduct 10 to 20 such projects over the next two years. According to Zamora, a lot of effort goes into choosing the farms and the non-government organization (NGO) partners involved in the pilots.

“Before we agree on a pilot, there are a lot of conversations,” Zamora said. “What is the expectation of the pilot? We explain that ... we might be showing the results of the pilot to a broader audience or try to bring people to that pilot so that they can see first-hand what is going on. We might have workshops with different pilots. So, we can learn [together] what’s working and what’s not working.” He explained that it can take “... weeks or months before we get to the point of saying ‘OK, we want to work there.’”

One point of contention is the question of what Fair Trade USA means by “impact” in its goal of doubling it by 2015.

“Broadly, our definition of success is that we wanted to create a system that provides significant impact to farm workers and independent smallholders while increasing the market of the co-ops,” Zamora stated. “So, in theory, it’s a win-win-win; everybody wins.” Fair Trade USA will report progress “...at a macro level, on the sales from the co-op system. We have that information quarter to quarter. Does it increase? Decrease?”

“We will assess results at both the farm level and the sector level, reporting on system-wide sales for both cooperatives and pilot farms to ensure that new producers are not displacing the sales of existing cooperatives,” Larson expanded further.

“The other is at the farm level, in the specific pilot. For that, we really want to have a transparent process and as independent as we can,” Zamora concluded.

Transparency matters to Zamora. His hope is to cement partnerships with NGOs to help define what to measure locally. Catholic Relief Services (CRS) is one example. Michael Sheridan of CRS has written extensively about why, despite concerns, this NGO has agreed to participate in the FT4A pilot in Nariño, Colombia..

“The four key characteristics of our support are the hallmarks of a true pilot project,” he wrote on June 4, clarifying the CRS position. “We are testing an idea we believe has potential to serve poor people; we have made a time-bound commitment to work on a small scale in a single place; we are focusing on learning and we are open to the possibility of failure.”

Increasing fair trade in Indonesia

The requirement to be part of a cooperative may be part of why fair trade isn't working in parts of Indonesia. “In the past, the concept of cooperatives was an imposed fair trade concept,” Zamora said. “It was something that the farmers had to do. Because of the resistance being in some areas, there was difficulty to be part of a co-op. Co-ops might not necessarily be the best option in every case for Indonesia.”

He admitted that establishing a relationship with an NGO partner there may not be easy. “I'm hoping that we can get partners there and maybe we can get a startup partner. Like, say, CRS is willing to come there and to help with the evaluation. Is that ideal? No. Of course, it would be better to have a local partner that knows the region for this work. We're hoping that we're going to be able to find that.”

And if they can't? “We'll probably try to have something either way because I don't feel comfortable not testing this there,” he asserted. “I want to be able to test these pilots in difficult situations.” ☕

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