

Fair Trade Coffee: A Good Choice for Sustainability?

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Abstract

For many of us, drinking coffee is part of our daily ritual to which we are deeply attached. As a global commodity, the coffee industry embodies inequality between producers and consumers, unsustainable agricultural practices, global transportation and production waste. Some of us relieve our consciences for our participation in this by choosing Fair Trade coffee, believing this is a vote for ethical and sustainable consumption. However, as this paper demonstrates, sustainable coffee consumption is far more complex than simply choosing Fair Trade.

Introduction

The consumption of coffee embodies many sustainability issues, from industrialisation of agriculture and exploitive labour, to the generation of large volumes of waste. But our love of it, the caffeine buzz and the social gatherings it is so often centred around, means consumption continues to grow. Along with established markets in ‘developed’ countries, aspiring wealthier classes in India and China are embracing coffee as their chosen ‘picker-upper’ (Sethi 2008).

The majority of coffee production occurs in ‘developing’ nations and is characterised by injustice and inequality that exploits small-scale producers and the physical environment.

Over 25 million small-scale farmers produce 80 percent of the global coffee supply, while five companies¹ control half of the retail market (Fairtrade Foundation 2012). The fair trade model began and remains synonymous with coffee², attempting to address structural imbalances and inequalities in the market through an alternative trade mechanism.

The Fairtrade³ logo is globally recognisable and we have come to associate it with an ethical choice as consumers, and indeed a vote for sustainability. How did we get to this assumption, what do we believe the choice means, and what does fair trade really mean in the context of sustainability?

The Specialty Coffee Association of America (Germain 2007) defines ‘sustainability’ as “growth that satisfies the needs of the present without compromising the ability of the future generations to satisfy their own needs” which is an adaptation of the commonly accepted definition given in *Our Common Future* (World Commission on Environment and Development 1987). Although the paradigm of ‘unlimited growth’ is perhaps one of the most

¹ Companies controlling the global retail market: Kraft, Nestle, Proctor and Gamble, Sara Lee and Tchibo (Fairtrade Foundation 2012).

² Fair Trade has expanded, particularly in the twenty-first century, to include other commodities such as tea, chocolate and gold.

³ Distinctions are made between fair trade, Fair Trade and Fairtrade; fair trade is used in reference to the model or movement; Fair Trade the certified product in general, and Fairtrade as the specific, globally recognised label associated with Fairtrade International Organisation.

challenging issues for sustainability, it is in the context of this definition that fair trade coffee is considered.

History and cultural context

Ethiopia is widely considered the birthplace of coffee and various folklores include inadvertent discovery by a goat-herder and monks who lauded its mysterious ability to keep them awake for nightly prayers (*Coffee: pop-up plantation and Ethiopian ritual* 2013). Its growth as a beverage developed in Arabic countries during the fifteenth century, where it was valued as an exotic medicine and widely accepted as a substitute for alcohol, which was prohibited by Islamic law (Luttinger & Dicum 2006, p. 6). Consumption expanded to Europe in the sixteenth century where it was drunk in coffee houses by an emerging class of merchant traders and intellectuals. Again it was lauded for its healing abilities and visiting coffee houses was seen as almost virtuous in contrast to the alternative of alcohol serving taverns (Luttinger & Dicum 2006, p. 16).

The spread of colonialism in the eighteenth century was instrumental in the growth of coffee and in establishing the disparity between North and South⁴. Consumption was fuelled by cultivation and export from British, Dutch and Portuguese colonies and supported by substantial forest clearing to make way for expanding crops, brutal enslavement and forced exportation of indigenous people.

Emerging industrial capitalism in the nineteenth century expanded growth further. Coffee soon became part of the daily meal and served as a replacement for alcohol in factory settings where a sober, controlled workforce was seen as desirable (Fridell 2007, p. 103). Popular consumption in North America is connected to the Boston Tea Party, where Americans revolted against drinking British tea and adopted a lasting national affection for coffee (which could be imported directly from French and Dutch colonies). Drinking coffee has since been considered a patriotic act and tea drinking as un-American (Luttinger & Dicum 2006, p.33).

With trade firmly entrenched in the capitalist market, technological innovation in the twentieth century altered production, cultivation and transport patterns making coffee a truly global commodity. Today the world market is worth more than US\$23 billion, with most of the production taking place in Brazil and the majority of consumption occurring in Northern countries (Fairtrade Foundation 2012).

In Australia, more than 17 million cups are drunk a day and 48,800 tonnes of coffee are imported annually (Coffee: pop-up plantation and Ethiopian ritual 2013).

⁴ Literature around coffee generally refers to the North and South as the disparate regions of consumption and production. North refers to the 'developed' countries of America and Western Europe (and Australia), while South includes 'developing' regions of Africa, South America and East Asia, often also referred to as 'third world' countries.

Sustainability issues

The coffee industry is characterised by wealthy consumers in the North, poor producers in the South and a myriad of traders in between. Producers typically receive less than ten percent of the retail price (Fairtrade Foundation 2012) and are often left with insufficient money from the sale of their crops to escape a cycle of debt and poverty. They are at the mercy of a complex international trading market that plays out in America and Europe and has little correlation to what is occurring at the production end.

Frequently, the only avenue to increased income for producers is through expansion or higher crop yields. Being climatically sensitive plants, coffee trees naturally grow beneath a canopy of forest that provides shade, nutrients and reduces watershed. While this practice is commonly employed by small-scale producers and is consistent with better quality fruit, the yield is low and access to suitable land is limited. Modern industrialised farming that clears forest to allow for full sun crops produces higher yields and is less constricted by the suitability of existing habitats.

The clearing of forest poses issues of soil degradation, erosion and loss of biodiversity through the creation of crop monocultures.

This method exposes trees to a greater range of pests and diseases, which are managed with pesticides, and growth is supported with chemical fertilisers to compensate for diminished soil nutrients.

The fair trade model

The fair trade model attempts to address some of the injustice and inequalities of the capitalist market and facilitate more sustainable practices for small-scale producers. Its principle objective is access to markets for those shut out of the conventional model.

The development of the fair trade concept emerged in the 1990's following a collapse in world coffee prices caused principally by the 1989 breakdown of the International Coffee Agreement that dissolved established regional production quotas. Subsidised by government funding, Vietnam emerged as a new major producer of raw coffee. Along with technological innovations generating significant production increase in Brazil, the market was flooded with raw coffee, plummeting prices from over \$US3 per pound to a low of \$US0.80 in 1989 (Fairtrade International Organisation (FLO) 2013). With little adjustment to prices at the consumer end, small-scale producers in particular were exposed to market volatility and many were marginalised or shut out of the market entirely.

While fair trade was established as a mechanism to assist and protect these vulnerable farmers, it also evolved out of the recognition of an opportunity to capture a new market, that of the 'conscious consumer'. Speciality coffee represents a manufactured desire that was intended to generate demand across the industry in the face of oversupply. Fair Trade, as a differentiated product within the speciality coffee market, was envisaged to appeal to the morality of newly 'aware' consumers.

The model operates by setting a minimum price for raw coffee along with payment of a 'Fairtrade Premium' for investment in social, environmental or economic development projects (Fairtrade Australia 2012). The price is established by FLO as the global framework for Fair Trade and claims to be sufficient for producers to cover the cost of sustainable production (Fairtrade Australia 2012)⁵. Certified producers operate through a democratic cooperative, which deals with importers on their behalf. Notable reports from the World Bank (Morriset 1998) and the Consumer Choice Council (Rice & McLean 1999) in the late 1990's identified Fair Trade as one of four certified 'sustainable' coffees⁶, despite the absence of such a definition in the model itself. It has since been viewed as synonymous with 'sustainability'.

Limitations and critique of fair trade

Supporters of fair trade make impressive claims about the benefits it generates and success stories are widely published by Fairtrade and Equal Exchange organisations. However, there is no shortage of criticisms from many other sources. Of particular interest, for the purposes of this paper, are the limitations imposed by the structural framework of the Fair Trade system and how they may restrict producers achieving sustainability, both by limiting their ability to expand production as well as by imposing additional costs that do not necessarily procure commensurate income.

One such limitation arises from a disparity between supply and demand for Fair Trade coffee, with suggestions that export capacity worldwide is seven times current sales (Bacon et al. 2008). The Fair Trade market currently represents only eight percent of global coffee production. Despite committing to prescribed agricultural practices and incurring the costs of certification, producers are often left to sell large quantities of their Fair Trade beans in conventional markets due to a lack of demand. Despite their commitment to a framework that pledges greater access to the market, producers remain at the mercy of a capitalist system where cost competitiveness is the greatest driver of demand. Fair Trade producers unable to sell their beans through the intended mechanism fail to generate an increased income that allows them to transcend a cycle of poverty.

The model relies on demand being created by consumers willing to pay higher prices for Fair Trade products, based on a belief that the additional money is being paid to certified producers. Limited analysis has been carried out as to whether this actually occurs, with some reports suggesting that less than one percent of the additional price is passed on to farmers (Griffiths 2011).

Fairtrade is a licensed brand that may be used, for a fee, by retailers, wholesalers and processors to differentiate their product, allowing them to sell it at a higher price. The licensing fee is paid to the Fairtrade organisation and there is little transparency in how this money is utilised. Griffiths (2011) suggests that, for the UK Fairtrade Foundation, up to 70

⁵ The Fair Trade price (at November 2013) is \$US1.35 per pound of coffee with an additional \$US0.20 per pound 'Fairtrade Premium' (FLO 2013). By contrast, the global market price for coffee is \$US1.05 per pound (NASDAQ 2013).

⁶ Other 'sustainable coffees' are Rainforest Alliance, Bird-Friendly and Organic products. There is often overlap, although each have their own primary focus. Fair trade: terms of trade and market access for small-scale producers; Rainforest Alliance: sustainable agricultural practices, conservation and community development; Bird-Friendly: biodiversity and shade-grown coffee as bird habitat; Organic: grown, processed and roasted without chemicals such as synthetic fertilisers and pesticides (Germain 2007).

percent is spent on brand promotion in the UK itself, and there is little indication of where the remainder is spent.

Money received by producers is via a different income stream, which does not pass through the Fairtrade Organisation and is dependent on the price paid to the exporting cooperative through which the producers must operate. While this price is monitored by the FLO, they do not control the flow of money and the cooperative may utilise it at its discretion, including on business expenses and marketing. The remaining money is often spent on social projects and although these may have positive outcomes for their community, it does not necessarily provide any additional income for the producers themselves.

Claims that “Fairtrade guarantees a fair price for producers” (FLO 2013) are thus difficult to substantiate, thereby fuelling a growing mistrust from consumers about the effectiveness of their increased payment and doing little to develop demand for the product.

Additional premiums on top of the ‘Fairtrade Premium’ may also be paid for organic coffee or other certifications and offer an avenue to higher market prices. Valkila (2009) provides an insight into the industry in Nicaragua, where 50 percent of Fair Trade coffee is also organically certified. However, by committing to Fair Trade organic (shade-grown) production, crop yields are considerably lower and the ‘premium’ paid is rarely sufficient to compensate the producer for this. To transcend financial poverty, producers must increase yields; a difficult task without the use of synthetic fertilizers, or clearing forest to increase sun exposure, neither of which is permitted under the certification standards. An increase in the Fair Trade minimum price may either drive up the global market price or reduce the market share of Fair Trade products further, hence reinforcing full sun monoculture farming practices that offer higher yields as the most effective means to increase income. More income facilitates greater expansion in order to generate even more income, and with environmental costs remaining largely externalised, such growth potentially erodes sustainable farming practices.

Opportunities for change

Fair trade offers an opportunity to consider sustainability through consumer choice, but it is by no means a single solution to the perceived ‘coffee crisis’. While it brings into view issues of market inequality, its success in addressing such issues varies widely between locations and by what criteria success is measured. Its limitations are highlighted by the necessity of the fair trade model to operate within the structure of the conventional market driven by imperatives of economic growth. While the dominant paradigm remains market capitalism, Fair Trade is a means of product differentiation in the consumer market, more so than a genuine alternative way of operating for producers. What then are the opportunities as a consumer to transcend this bind and make sustainable choices?

We should first consider our perceived need to drink coffee at all. It is not an essential component of our diet and the health impacts and benefits are inconclusive. But to opt out has implications too. For millions of producers who rely on coffee crops for a livelihood, a collapse in the market would marginalise many as it did in the 1990’s. Bacon et al. highlight many areas of rural Mexico and South America where there are few, if any, alternative crops

that can match the attraction of coffee for small-scale producers, due to its long productive cycle and its characteristics as a marketable asset (Bacon et al. 2008). Small-scale producers are particularly vulnerable to reduced demand and would likely be pushed out of the market long before larger plantation producers. Potential second order consequences of this include migration to urban centres placing additional stress on often already tenuous economic, social and environmental systems.

The addictive quality of coffee is arguably a contributing factor in driving consumption beyond sustainable production limits. Should we consider decaffeinated coffee? Current decaffeination methods are limited to chemical extraction, soaking green beans in hot water or dousing them in high pressure liquid carbon dioxide (Borrell 2012). These processes are considered detrimental to the flavour of coffee and inconsistent with sustainability principles. The recent discovery of a caffeine-free arabica plant growing wild in Ethiopia offers some hope for a natural caffeine-free option, although low fruit yields and regional sensitivity of the plant currently limit the opportunity for large scale production (Borrell 2012).

Up to 200 tonnes of coffee is currently grown in Australia, principally in northern New South Wales and eastern Queensland. Australian coffee is considered to be of high quality and is naturally low in caffeine (Australian Subtropical Coffee Association 2014). Selecting locally grown products is a means of reducing some of the sustainability issues around transport and participation in inequitable global markets. While trade practices in Australia may be more ethical, agriculture is also more industrialised with few producers offering an organic shade-grown product that preserves natural biodiversity. The majority of locally produced coffee is grown in full sun monocultures, often 'supported' by chemical pesticides and fertilisers. An upscaling of the industry to fully service local demand would intensify such practices, exponentially increasing the sustainability implications, including clearing of natural habitat and loss of biodiversity.

Reconciling coffee consumption and fair trade

Coffee consumption is deeply embedded in many cultures, from traditional Ethiopian coffee drinking ceremonies central to family gatherings (*Coffee: pop-up plantation and Ethiopian ritual* 2013) to contemporary Northern culture, including Australia. It is a social elixir, a source of ritual and a rationale of many businesses, including community oriented ones and social enterprises. But if we are to drink coffee, we should be doing so with a more complete picture of what it means for ourselves and others upon whom it impacts.

Fair trade purports to facilitate consumer choice towards a more ethically based product, but it is just a small piece of the sustainability puzzle. It offers the opportunity to choose, and to acknowledge that there are inequitable and unsustainable practices in the coffee industry, but it also hands over enquiry and knowledge to someone else, arguably on false or limited pretences.

We effectively abdicate our responsibility to deeply examine our choices, to a system that has been marketed to us as embodying sustainability.

Fair trade attempts to make the existing global market system work better for those that are marginalised, but it does not necessarily facilitate a questioning of the system itself. As

discussed by Meadows (1999) in *Leverage Points*, the most effective way to intervene is to alter the paradigm of the system. Models such as fair trade act as a point that can be massaged to allow the existing system to work better, but as long as the dominant paradigm is embedded in global market capitalism, envisaging an economically, environmentally and socially sustainable future for the coffee industry at the scale we currently desire is difficult. However, through a collective questioning of why and how we do things, and a far deeper understanding of the impacts of our decisions, we can seek to transcend the bind. It is here we may find our response-ability (Fisher 2006); the ability to respond built on an understanding of *what* we know and *how* we know it, and the opportunity to have meaningful conversations about it.

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