Fairtrade or fifty-fifty: The consequences of shifts in African perceptions of Fairtrade for development education practitioners

Jonathan Penson examines the prized reputation Fairtrade has established among consumers for ethical trading, and finds that there is evidence that problems with Fairtrade institutions are encouraging some African coffee producers to exit the Fairtrade system, and that alternatives to Fairtrade are arising. Given that Fairtrade is so often and so successfully used as a synecdoche by development education practitioners for wider issues of advocacy around trade justice, this finding may have important repercussions for them.

Introduction

The Fairtrade logo has become an instantly recognisable symbol on our supermarket shelves and cafés. Supported by impressive marketing and the moral authority of being the 'right thing to do', the sales growth of Fairtrade products far surpasses almost any other product range you could mention. Fairtrade sales grew by 46% last year alone, and now run in excess of £300m a year (Fairtrade Foundation, 2007). More than 50% of the UK population recognises the logo and many have made a strong connection between Fairtrade purchases and a positive impact on the global poor (FLO, 2006).

For some time now, the visibility and positivity of Fairtrade have provided global education practitioners with an apparently ideal entry point for awareness raising about numerous issues. Economics, trade justice, community values, global citizenship, the politics of aid: all these learning points and more come together in tangible and accessible products – products which everyone uses on a daily basis. In many ways Fairtrade is a global educator's dream: political action inherent in the purchase of a consumer product. The shortening of the value chain creates stronger relationships between consumers and producers, engendering the cross-cultural and international relationships which are the stuff of the best global education. Case studies of producers promote empathy and a sense of the global community. Awareness of the advocacy necessary to get our politicians to change unfair trade rules transforms our students into active global citizens.

But the iconic simplicity of what Fairtrade represents can lead us along some dangerous paths. The principal peril is that we can think buying Fairtrade is enough. Popping a packet of Cafédirect into the trolley once a week becomes the solution to global inequality. Informed global educators, of course, will go beyond the goal of promoting the product to explore the global political conditions which make Fairtrade necessary. But thinking of Fairtrade as a *solution* rather than a *symptom* remains dominant. And this provides another entry point, but this one for free-marketeer detractors of Fairtrade. This is best exemplified by the frequent criticism of Fairtrade in the *Economist*, by the Adam Smith Institute, or by WorldWrite, whose film, *The Bitter Aftertaste*, caustically deconstructs what it would call the myths of Fairtrade. The core argument of the free-marketeers is that paying increased prices for primary commodities encourages increased dependence on them, preventing the diversification and modernisation of developing country economies which would provide the capital necessary to make real, sustained development possible, and augmenting the problem of over-supply in the world market which causes depressed prices in the first place (Thompson, 2005). In this view, Fairtrade becomes a sentimental sop to guilt-ridden *Guardian* readers, and actually works against the interests of the poor.

As global educators, we need to be aware of this debate. But what is happening on the ground, among the beneficiaries of the Fairtrade project? In the summer of 2006, I returned to Uganda and Rwanda to find out. I had lived in Rwanda before, when I found out about an inspirational Fairtrade coffee co-operative which was bringing real benefits to its community. Together with a team of global educators, I was inspired to contribute towards a series of global education resources for teachers based on the co-operative, including PowerPoint presentations and a resource booklet (visit www.vso.org.uk/thecoffeeproject). The co-operative itself was considered a model of good practice and being replicated throughout Rwanda. And yet, on my return to Rwanda, I discovered that the co-operative was about to have its Fairtrade certification revoked, as it was failing to meet the required standards. This coincided with the rise of an alternative model of ethical trading, initiated and managed by Africans in Uganda, which rejected Fairtrade as yet another inappropriate development project imposed by the West. Were these two developments connected?

This article is about my findings, and aims to inform global educators about the shifts which are occurring in the Fairtrade debate. We will begin by looking at the global trading conditions Fairtrade is designed to circumvent.

Taming 'the brutal restructuring': politics, premiums and redistribution

The basic premise of a capitalist trading system is that increasing demand increases prices, whilst increasing supply tends to reduce them. Similarly, increasing prices tend to increase supply. In the relationship between coffee supply, demand and price, however, there are numerous complicating factors. When prices rise - creating an incentive to plant more coffee to increase production - the coffee tree will not yield produce for three years, or reach peak levels for five. So when, for example, Brazil, the largest producer, is hit by a frost which reduces its production and causes a worldwide shortage (as happened in 1994), many other producers will plant coffee simultaneously, responding to the momentarily high prices. This causes the market to be flooded once the price peak has passed, creating a surplus which depresses the price (as in 2001). This results in a cycle of exaggeratedly high and low prices, creating instability for coffee farmers that make it difficult for them to invest.

Volatility is not the only problem, however; there has also been a long term decline in market value: 3% per annum for Arabica and 5% per annum for Robusta since 1970 (Lewin *et al*, 2004). The International Coffee Agreement, which attempted to control the amount of coffee on the market, ended in 1989. Since then, there has been a strong trend towards the concentration of value-retention and aggravitation of power to the retail end of the commodity chain (Ponte, 2001). In the late 1980s, the producer was expected to retain 30% of the retail price of coffee (Lewin *et al*, 2004). That share has fallen to 7% (Gresser & Tickell, 2002). This concentration of buying power explains the long-term fall in price paid to producers.

The reasons for this concentration are complex. The era of mergers and acquisitions of the 1980s and 1990s left a few large multinational corporations (MNCs) dominant in the coffee buying and roasting sectors. The five largest coffee buyers control about 46% of their market (Ponte, 2001), whilst the five largest roasters control between 44% (Volcafe, 2000, cited in Gresser & Tickell, 2002) and 69% (van Djik *et al*, 1998, cited in Ponte, 2001) of theirs.

It is this redistribution of value which the Fairtrade movement attempts to address. Fairtrade offers a guaranteed minimum price, long-term buying contracts and 60% prepayment of orders. It also circumvents traditional purchasing routes, putting producers into direct relationships with processors, and aims to address the volatility of the market by allowing investment in quality coffee, that ensures producers receive a higher proportion of the value of their coffee, thus guaranteeing a basic level of employment conditions. As such it has both a 'developmentally specific goal' (Blowfield, 1999) and roles of regulation and redistribution, compensating for market failure (Raynolds, 2002). It should not therefore be considered a distortion of the market but a correction of a distorted market, re-introducing competition:

> "Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South" (IFAT, 2006).

Fairtrade is, then, primarily a mechanism for re-distributing value in the commodity chain, and thus its principal effect will be on producer prices. Milford (2004) has shown how the presence of a Fairtrade co-operative can improve prices not just for members but throughout the local market. Moreover, private firms paying an enhanced price can achieve the same effect in the local market as Fairtrade co-operatives. This is achieved through similar mechanisms – the shortening of the commodity chain and the use of consumer reputation – similarly mediated by ethical principles on behalf of the firm. This demonstrates that existing pricing mechanisms and levels can be used to achieve the same effect as the 'parallel market'. This counters a number of the objections to Fairtrade that paying a minimum price acts as an effective subsidy, encouraging the persistence of high-cost producers, lowering quality and competitiveness, and contributing towards a surplus – in short that Fairtrade is a 'sticking plaster solution'. If a private firm can have a general price-increasing effect and remain profitable and competitive, and its products clear the market, so too can the Fairtrade model.

However, there is the possibility that within Fairtrade's undeniable success there lay the seeds of its decline. Fairtrade expansion has mostly taken place within the context of an extended and particularly deep trough in prices, which meant that the Fairtrade guaranteed minimum price of $1.21/lb was frequently twice the New York market price. The world price has recently recovered somewhat and Fairtrade prices, although guaranteed to be a minimum $0.05/lb above the market price, no longer offer a significant premium to growers above that offered by the market. Indeed, for some co-operatives in Rwanda Fairtrade prices are actually less. Moreover, the majority of the margin generated by Fairtrade still remains in consuming countries, and so its redistributive effect is beginning to be questioned (Ashurst, 2006). Thus Fairtrade faces perhaps its biggest test yet, and in the next section we will explore the possibility that some producers in East Africa may be turning their backs on it, and that alternative models are arising.

The dilemma: the Abahuzamugambi co-operative, Rwanda

Both Rwanda and Uganda are heavily dependent on coffee. It forms the largest component of Uganda's exports – $100m in 2003 and 27% of export revenue (UBOS, 2003) with a similar scenario obtaining in Rwanda. In 1999, a co-operative called Abahuzamugambi was started in Maraba, Rwanda, which attracted the support of a USAID-funded non-governmental organisation (NGO) called PEARL (Fairtrade Foundation, 2006). PEARL, having identified Rwanda as having great potential in the speciality coffee market, concentrated on building the infrastructure and knowledge necessary to improve quality, particularly in the construction of a coffee washing station in Maraba. Abahuzamugambi became the first Fairtrade-certified co-operative in Rwanda in 2002.

Interviews with members of the co-operative held in October 2003 and July 2006 confirm that they have received substantial economic benefits from the co-operative. As well as the substantially higher price paid, these include the provision of healthcare and local banking facilities, improved diet and employment by the co-operative for some (the co-operative employs 48 staff). All the interviewees' school-age children attended school, and most spoke of improved living conditions such as new or renovated houses, new clothes and recently purchased land and livestock which they attributed to the increased income supplied by the co-operative.

These positive outcomes however are tempered by the fact that Fairtrade rules unintentionally mean that the co-operative has recently been faced with the choice between excluding the poorest of the poor and exiting the Fairtrade system. Some interviewees at Maraba reported that they were forced into pre-selling coffee to other local buyers, at a lower price, in order to address short-term cash-flow problems. They simply could not afford to wait until the co-operative paid them at harvest time, and either could not access credit to see them through, or could not afford interest on loans. Other coffee farmers were too poor to join the co-operative, which charges a membership fee, or did not have sufficient land to produce enough coffee to meet the minimum requirements of the co-operative. The co-operative's response was to allow the poorer farmers to sell their coffee to it without holding full membership. But this transgresses Fairtrade standards of accountability and transparency, and as a consequence, the co-operative was warned that it faced having its Fairtrade certification revoked. The rules set by the Fairtrade Labelling Organisation, the international certification agency responsible for awarding Fairtrade certified status, which were designed to ensure that trade really is socially beneficial, were having the opposite effect. As Bihogo Etienne, the Director of the Rwandan Smallholders Speciality Coffee Company, which has taken up PEARL's role commented in July 2006, there seems to be a fundamental incompatibility between the Fairtrade concept of trade, which is still based firmly in the Western traditions of rule-based accountability and notions of universality, and African trading systems which are traditionally more contingent on circumstance, making them more flexible and accommodating of individual relationships.

An African response: Rwenzori Finest Coffee Company, Uganda

Rwenzori Finest Coffee Company (RFC) is a private company founded in 2002 by Ugandan entrepreneur Andrew Rugasira. It aims to market quality African coffee in a way that contributes to sustainable development for all primary stakeholders, which it takes to be growers, employees, shareholders and the environment (RFC, 2005). It sources coffee primarily from Kasese District, Western Uganda, where farming and local market conditions are very similar to those in Rwanda. It operates in partnership with PrimeWest, a USAID-funded NGO. RFC's role is to provide a market for the coffee and to organise and train the coffee farmers to provide the necessary infrastructure and knowledge to bring quality coffee to that market. RFC works with over 10,000 farmers through Producer Organisations (PO), each comprising of 50 farmers, and claims to include all farmers in the district so that none is marginalised.

RFC intends to add and retain value in Uganda whilst paying farmers a fair price. It sells directly to the Waitrose supermarket group in the UK and the Shoprite chain in South Africa (UCTF, 2005). Despite only being introduced in 2005, RFC's brand, Good African Coffee, already accounts for 5% of Waitrose roast/ground coffee sales. There are plans to begin roasting the coffee in Kampala, to produce instant coffee and to open cafés. This shortening of the commodity chain allows RFC to pay producers a minimum 30% more than the market price for coffee. In addition, 50% of the company's profits are shared with the producers. The first full season's 50%

was used to offset training costs, but from the 2006 season this 50% will be distributed to POs through the Good African NGO, which advises on and implements social projects, although POs will have the freedom to choose how to spend the money.

All this means that the effect on local communities is very similar to that of Fairtrade. Since RFC started trading, new houses have been built, people's diets are better, more children are in school. As in Rwanda, other buyers in the local market have had to increase the prices they pay, even to non-co-operative members, if they are to secure their own supply of coffee, thus multiplying the beneficial economic effects in the community beyond the immediate members of the co-operative or POs. And yet this is a trade concept which has set itself deliberately outside the Fairtrade paradigm, believing that local, indigenous, free-market based ethical systems are more likely to meet with sustainable success.

The implications for global educators

Some current academic research similarly points to a certain dissatisfaction with the Fairtrade system among producers beyond Africa. Anna Milford, for example, will show in a forthcoming publication that Latin American coffee producers are forming their own fair trade organisations, partly as a response to dissatisfaction with the FLO's award of Fairtrade status to some Nestlé and other major manufacturers' lines, believing that the ideological roots of the alternative trading organisations from which Fairtrade grew are being unacceptably compromised. Whilst the African case studies may express more economic and cultural dissatisfaction than ideological, it is clearly of no small significance when the intended beneficiaries of a system are rejecting that system.

This situation raises important themes for discussion for global educators. First, the simplistic dichotomy of 'Fairtrade good: Starbucks bad' can be usefully challenged. To see the world in this way reinforces restrictive, dualistic interpretations of the world, into black and white, good and evil. Reality is, of course, far more complex, but this simplification of the system to ease its understanding risks signing up to a world view understood only through Western-centric notions of 'with us or against us'. As global educators, we seek to break down these stereotypical, dualistic ways of perceiving the world, and by looking at the compromises and innovations coffee producers are making in order to take control of their own development, we can aim to engender a holistic and empathetic understanding of their dilemmas.

Second, looking at Fairtrade from an analytically critical viewpoint forces us to re-examine the role and consequences of the West's developmental agenda. In particular, by seeing Fairtrade as a development intervention, we can understand its role not as an alternative to tradition interventions, but as an evolution of them. This is, after all, the way coffee farmers in Africa appear to view it. This opens the possibility of seeing the neo-imperialist cultural assumptions inherent in any Western development model, and, importantly, adapting them, or rejecting them, as necessary.

Few people would argue that Fairtrade is, overall, a positive thing. In order for it to continue to be such, we need to be aware of its weaknesses: treating it as an irreproachably positive initiative risks blinding us to failings which, if left unaddressed, could bring about its ultimate rejection and demise. We should be unafraid, therefore, to encourage debate about the negative aspects as well as the positive. Fairtrade should be the subject of analysis just as much as unfair trade rules to ensure that we advocate change with the best possible outcome for all those engaged in the global commodity.

But how can we integrate these themes into our classroom practice? First, we need to move beyond the issue of the price we pay for primary commodities. Whilst the clear injustice of the low prices paid for commodities can provide an easy point of engagement for young people, who tend to respond to injustice in open and concerned ways, we need to highlight the issue of value retention in developing countries. If we do not, our practice risks lagging a long way behind development theory, which has long recognised that one of the central problems for developing countries is their reliance on low value-added primary commodities.

Second, I think we need explicitly to recognise that even the most progressive development interventions are still designed according to Western models of understanding the world. We need to provide the space for other voices to be heard, and actively encourage voices from the South which do not simply provide feel-good marketing sound bites for the positive aspects of Fairtrade, but also those which fervently disagree with the premises upon which Fairtrade is based.

Lastly, we need to address our efforts at advocacy at not only those institutions which appear to have become demonised by many in the progressive development community, such as the international finance institutions or the members of Group of Eight leading industrialised countries (G8). In a world where many development NGOs – including those with very powerful voices in the public realm – have little real accountability, we need to ensure that we remain critical of their programmes, constantly comparing their claims with those voices from the South to which we have access.

Conclusion

An excellent film called *Black Gold* is currently on release. The film tracks the efforts of Tadesse Meskela, an Ethiopian who represents coffee farmers in his country, to secure a better price for his farmers in the Machiavellian world of the hypercorporates. Beautifully photographed and passionate about trade justice, the film is moving and informative. And yet the film falls into some of the counterproductive dichotomies mentioned above. One editing decision sticks with me particularly. The film cuts straight from a gushing young American Starbucks manager effusing about what a people-oriented company she works for, to a feeding station in the area in Ethiopia from which Starbucks sources coffee. Not subtle. And problematic in all sorts of ways. But a powerful opportunity nonetheless. This film, together with the WorldWrite film *The Bitter Aftertaste: A Film About Fairtrade*, which gives the neoliberal response to Fairtrade, could form the basis of an excellent scheme of work on trade justice. But any analysis of Fairtrade needs to be informed by the framework outlined above: of genuinely trying to deconstruct the ideological positions of the 'sides', in order to ascertain what would really constitute meaningful action to reduce the poverty of commodity farmers; of examining how voices from the global South are mediated; and of allowing students the information necessary to form their own conclusions.

Bibliography

Ashurst, M (2006) *Helping Ourselves* radio programme; BBC Radio 4, 2 May 2006 20:00-20:40:
http://www.bbc.co.uk/radio4/news/pip/ah9qe/.1

Black Gold (2006) Film, Fulcrum Productions, London.

Blowfield, M (1999) 'Ethical Trade: A Review of Developments and Issues', *Third World Quarterly*, Vol. 20, No. 4, pp. 753-770:
http://taylorandfrancis.metapress.com/media/4g117bqyuj2wvjmngadt/contributions/8/j/5/j/8j5j00uegu2bfetr.pdf.

Fairtrade Foundation (2006) *Producer Profile: Abahuzamugambi Coffee Farmers' Co-operative, Rwanda*:
www.fairtrade.org.uk/downloads/pdf/abah_profile.pdf 14.6.06.

Fairtrade Foundation (2007) *Boost for Farmers as Record Fairtrade Sales Figures Are Announced – Fairtrade Foundation Calls for even Greater Pressure for Change:*
http://www.fairtrade.org.uk/pr260207.htm 6.4.07.

FLO (2006) *Annual Report 2005*:
http://www.fairtrade.net/uploads/media/FLO_Annual_Report_01.pdf 14.6.06

Gresser, C & Tickell, S (2002) *Mugged: Poverty in Your Coffee Cup*, Oxford: Oxfam:
http://www.maketradefair.com/assets/english/mugged.pdf.

IFAT (2006) *About Fair Trade*, International Fair Trade Association
http://www.ifat.org/whatisft.shtml 2.9.06.

Lewin, B, Giovannucci, D & Varangis, P (2004) *Coffee Markets: New Paradigms in Global Supply and Demand*, Washington: The International Bank for Reconstruction and Development, Agriculture and Rural Development Department:
http://lnweb18.worldbank.org/ESSD/ardext.nsf/11ByDocName/CoffeeMarketsNewParadigmsinGlobalSupplyandDemand/$FILE/CoffeeMarkets-ArdDp3.pdf.

Milford, A (2004) *Coffee, Co-operatives and Competition: The Impact of Fair Trade*, Bergen: Chr. Michelsen Institute:
http://www.cmi.no/publications/2004/rep/r2004-6.pdf.

Penson, J (2006) *Fairtrade or 50/50: Are African Coffee Producers Forsaking Fairtrade?,* http://www.zweland.net/dear_all/fairtradeorfifty-fifty.pdf.

Penson, J, Edström, S & Chamberland, A (2004) *Coffee, Fairtrade & Rwanda*, Global Awareness Syndicate, http://www.vso.org.uk/thecoffeeproject.

Ponte, S (2001) *The 'Latte Revolution'? Winners and Losers in the Restructuring of the Global Coffee Marketing Chain*, Copenhagen: Centre for Development Research:
http://www.diis.dk/graphics/CDR_Publications/cdr_publications/working_papers/wp-01-3.pdf.

Raynolds, LT, Murray, D & Taylor, PL (2004) 'Fair Trade Coffee: Building Producer Capacity via Global Networks', *Journal of International Development*, 16, pp. 1109–1121:
http://www3.interscience.wiley.com/cgi-bin/fulltext/109751924/PDFSTART.

RFC (2005) *About Us*, Internet site, Uganda:
http://www.goodafrican.com/index.php?option=com_content&task=view&id=12&Itemid=30.

Thompson, P (2005) *The Bitter Aftertaste: A Film About Fairtrade*; London: WorldWrite: http://www.worldwrite.org.uk/bitter/index.htm 6.4.07.

UBOS (2003) *Uganda Bureau of Statistics 2003 Statistical Abstract*: http://www.ubos.org/Abstract%202003.pdf 14.6.06.

UCTF (2005) *Coffee Yearbook 2004/2005*, Kampala, Ugandan Coffee Trade Federation.

Jonathan Penson is a Researcher/Consultant with the CfBT Education Trust, where he is currently researching education reform in fragile states. He has previously worked as a teacher and teacher trainer in the UK, Botswana, Nepal and Rwanda. He is on the DfID Global Educators Register. Contact jonathanpenson2000@yahoo.co.uk.