FAIRCHAIN: NEW PERSPECTIVES ON FAIR TRADE
An Elaborated Overview of the Global Coffee Market

By Isabella Kropholler
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<tr>
<td>ATO</td>
<td>Alternative Trading Organization</td>
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<tr>
<td>CAFE</td>
<td>Coffee and Farmers Equity Programme</td>
</tr>
<tr>
<td>CBI</td>
<td>Centre for Promotion of Imports from Developing Countries</td>
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<td>EU</td>
<td>European Union</td>
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<td>ECX</td>
<td>Ethiopian Commodity Exchange</td>
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<td>FAO</td>
<td>Food and Agricultural Organization of the UN</td>
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<td>FLO</td>
<td>Fairtrade International</td>
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<td>FTUSA</td>
<td>Fairtrade USA</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GMO</td>
<td>Genetically Modified Organism</td>
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<td>GSP</td>
<td>Generalised Scheme of Preferences</td>
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<tr>
<td>HACCP</td>
<td>Hazard Analysis Critical Control Points</td>
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<td>ICA</td>
<td>International Coffee Agreement</td>
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<td>ICO</td>
<td>International Coffee Organization</td>
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<td>NGO</td>
<td>Non Governmental Organization</td>
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<td>NIC</td>
<td>Newly Industrialized Country</td>
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<td>RCDA</td>
<td>Rwanda Coffee Development Authority</td>
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<tr>
<td>SMI</td>
<td>Supplier Managed Inventory System</td>
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<tr>
<td>SOAS</td>
<td>School of Oriental and African Studies</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<td>USA</td>
<td>United States of America</td>
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<td>VOC</td>
<td>East Indian Trading Company</td>
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<td>SME</td>
<td>Small and Medium Sized Enterprise</td>
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INTRODUCTION

Coffee is one of the most popular beverages in the world and one of the most widely traded commodities worldwide (ICO, 2015). The European Union (EU) imports by far the most coffee in the world, accounting for 45% of the total coffee production (European Coffee Report, 2014). European customers are willing to pay high prices for their early morning coffees. However, do these coffee addicts know what story a cup of coffee tells? Do they know that millions of smallholder coffee producers and plantation workers barely earn enough to cover their production- and their living costs? While in the meantime the big retail companies and global roasters earn millions of dollars a day? (Furgus, Gray, 2014: 360). This research will provide an insight in the global coffee value chain focussed on Fairtrade* coffee and alternative coffee trade models.

The global coffee market

The global coffee value chain is characterized by an embedded imbalance between the producing and the consuming countries. According to the Food and Agricultural Organisation of the United Nations (FAO) coffee is the single most important commodity for tropical countries, accounting for over half of the total exports of tropical products (FAO, 2009). The vast majority of the coffee production takes place in the global south; Brazil for example is the largest producer of green coffee beans (European Coffee Report, 2014). But also smaller and underdeveloped countries in Latin America, Asia and Africa are heavily dependent on the exports of coffee. Between 1962 and 1989 coffee prices where relatively stable and high (Furgus, Gray, 2014: 361). The various International Coffee Agreements (ICAs) which included both coffee importing- and exporting countries, made sure that the coffee production was strictly regulated using quotas to prevent overproduction and falling coffee prices (ICO, 2015) (Furgus, Gray, 2014: 361). However, in 1989 Brazil and the United States of America (USA) withdrew from the ICA. As a result the ICA collapsed because it was impossible to hold the export quotas without the two main players. As the biggest consumer country the USA demanded lower prices and as major producing country Brazil wanted a larger share of the total production (Furgus, Gray, 2014: 361). This situation led to an enormous imbalance on the global coffee market resulting in extremely low coffee prices for producers and high profits for large roasters in the global north (Furgus, Gray, 2014: 361). During, as what is now known as the ‘Coffee Crisis’ the coffee prices dropped in October 2001 to an all-time low of US $45 cents per pound. The ‘Coffee Crisis’ showed how vulnerable small-scale farmers were to market volatility by putting thousands of farmers out of business (Osorio, 2002: 1). In the mean time customers continued to pay outstandingly high prices for their specialty coffees without knowing the difficulties farmers and plantation workers faced.

Change?

Recent decades have seen an increasing awareness of the structural iniquities within the coffee production distribution chain. We have seen various efforts that introduce social justice and sustainability standards into the international global coffee market. Buzzwords such as ‘environmental conservation’, ‘sustainability’, ‘economical viability for farmers’, ‘social responsibility’ and ‘ethical trade’ are all presented as concepts reflecting the continued growth of consumer awareness and ethical consumerism (Ponte, 2004: 9). In the 2000s the demand for ethical- and sustainable coffee increased even more when under pressure from several non-governmental organizations (NGOs) large coffee retailers such as Starbucks started to

* Written together and with a capital, Fairtrade in this particular research refers to all the activities and products of the several Fairtrade labelling organizations including Fairtrade International (FLO), FTUSA
sell a Fairtrade blend (Elder, Lister, dauvergne, 2014: 80)(Furgus, Gray, 2014: 363). Subsequently numerous standard systems and certification programmes with all their distinct (and partly overlapping) objectives have been created to increase corporate social responsibility and consumer awareness of the harsh working conditions and the environmental consequences of the global coffee industry. Certification programmes such as Utz Certified, Organic coffee, Shade-grown coffee (including) Smithsonian ‘Bird-friendly’ coffee and ‘Rainforest Alliance-certified coffee’ and of course Fairtrade all focus on specific aspects of the production of coffee.

Fairtrade
The Fairtrade movement arose out of frustration with the inherent inequalities of coffee trade and distribution systems (Furgus, Gray, 2014: 361). In 1988 Frans van der Hoff and Nico Roozen started a fair trade initiative under the name of ‘Max Havelaar’ (Max Havelaar, 2015). They were inspired by an urgent call from Mexican farmers who stated that development aid was good but an honest price for their coffee would be even better, in that way they could provide for themselves instead of being dependent on international donors and development aid (Max Havelaar, 2015).

The Fairtrade is built on three core principles aiming at social, environmental and economic development (Furgus, Gray, 2014: 362). Fairtrade offers coffee producers 1. Stable minimum prices and access to credit, 2. A premium used for social development, 3. Influence over minimum prices, standards and the overall Fairtrade strategy and 4. Empowerment of small-scale farmers and workers in the form of the above mentioned objectives and the establishment of democratic producer organizations (Fairtrade, 2015) (Valkila, Haaparanta, Niemi, 2010) (Dragusanu, Giovacci, Nunn: 2014, 219-220). Although there are some obvious benefits to the Fairtrade model (higher prices, easier access to the market, community development), farmers still have difficulties making ends meet (Lipton, April: 2012: 21). In many cases farmers sell only a fraction of their total produce under the Fairtrade label, the rest is sold on conventional markets without the additional benefits of Fairtrade (Tellman, Gray, Bacon, 2011: 108). According to critics the accession of large roasters into the Fairtrade system has forced a lower minimum price because of the bargaining power available to large multinationals (Furgus, Gray, 2014: 363). Currently there is a lot of discussion and criticism as to whether the Fairtrade model is economically feasible on a large scale and sustainable in the long run (Dragusanu, Giovannucci, Nunn: 2014: 217).

In his book: The Fair Trade Scandal: Marketing Poverty to Benefit the Rich (Sylla, 2014) Ndongo Samba Sylla a Senegalese development economist proposes that Fairtrade has failed to help the poorest of the poor and cannot produce evidence to the contrary (The Economist, 2014). He continues that the success of Fairtrade has only to do with their ability of good marketing and not with helping the most needed out of poverty. Furthermore Sylla states that most of the wealth generated through Fairtrade, primarily mainly benefits the big retail companies instead of the farmers (The Economist, 2014). Although it has been suggested that Fairtrade is the remedy to unequal trade relations, the conclusion drawn from the critics mentioned above indicates that it might be time to investigate some alternatives to Fairtrade.

Alternative trade models
Against the background of these quarrels other ‘fair’ trade models have emerged. In addition to the Fairtrade model and other certification programmes already mentioned above there are several ‘alternative’ programmes in which certification is not required and which provide the same (or even better) benefits for coffee smallholders according to themselves (Tellman, Gray, Bacon, 2011: 109). Coffee roasters like Intelligentsia, Counter Culture, Equal Exchange and Cooperative Coffees have pioneered alongside other trade models such as Direct Trade, a quality incentive based model (Tellman, Gray, Bacon, 2011: 109)(Macatonia, 2013:1).
Among these ‘alternative’ initiatives is the Dutch coffee company Moyee. Moyee coffee started in 2012 with the production of ‘radical good coffee’ with the intention to change the global coffee value chain, resulting in the Moyee Fairchain model. Moyee disagreed with the current organization of the global coffee market and felt that the division of profits could be distributed much more equally. The aim of Moyee is to change the global coffee value chain by the introduction of the Moyee Fairchain Model. The idea is that by giving coffee producing countries their ‘fair’ share, development countries get a real chance in overcoming poverty and ending their dependence on development aid.

What makes this model distinct from certification programmes or other ‘alternative’ coffee programmes is that Moyee roasts its beans in the country of origin. Most large multinationals import unprocessed green beans. However Moyee coffee is among the first coffee companies to roast its beans in the country of origin. By doing so more added value stays in the production country instead of in the hands of large multinationals and middlemen. Moyee claims that by changing the structure of the global coffee chain development aid would be unnecessary. However little research has been done to examine whether alternative trading models such as the Moyee Fairchain model could serve as a viable alternative systems such as the Fairtrade model.

Therefore this research aims at investigating to what extent the alternative trade models including the Fairchain model of the Dutch Coffee Company Moyee, can make a sustainable contribution to the empowerment* and development of small-scale coffee farmers and plantation workers and serves as a viable alternative to the Fairtrade coffee model. The main question of this research will therefore be:

To what extent can alternative trade models such as for example the Fairchain model as developed by Moyee Coffee be regarded as a viable alternative for Fairtrade in the global coffee market?

To answer this question the research is structured as follows: In chapter one the mainstream coffee market is explained including an explanation of the production process of coffee from cherry to cup, which is the coffee supply chain. Furthermore chapter one contains an historical overview of the construction of the global coffee market and coffee value chain including price mechanisms and production regions, explaining the current organization of the global coffee market. Most of the research in this part will be conducted through extensive qualitative analysis including mostly literature studies.

In the second chapter, the Fairtrade model is explained giving a deep understanding of the Fairtrade movement, in this part there will be a large emphasis on the different views of Fairtrade including those of opponents and proponents of the Fairtrade model, whilst leaving much room for discussion. Particular much attention is given to the several studies on the social impact of Fairtrade. Furthermore a selection of other important certification schemes is considered.

In the third chapter, the research moves away from the Fairtrade movement and will focus on the existing alternative trade models. The Fairchain model of the Moyee coffee company will be closely considered and to a lesser extent the Direct Trade model. Furthermore the process of value-adding in developing countries, which is one of the main principles of the Fairchain model will be explained and discussed in this chapter. The main purpose of this chapter is to investigate the possibility of Fairchain to serve as an alternative to Fairtrade. To establish whether Fairchain can be a viable alternative for Fairtrade, the Fairchain model is tested to a set of criteria specially developed for the purpose of this research. These criteria are based on

* In this research the following definition for farmers empowerment is used: ‘a process that increases the capabilities of smallholder farmers and farmer groups to make choices and to influence collective decisions towards desired actions and outcomes on the basis of those choices’ (Abdolmaleky, 2012: 1417).
several conditions for empowerment investigated by the World Bank and the most important development objectives of the Fairtrade model. The criteria are: 1. The ability of Fairchain to increase the farmers capabilities and assets, 2. The ability of Fairchain to improve farmers organizational capabilities and 3. The transparency and accountability of farmers organizations in regard to Fairchain. These criteria will be further explained in chapter three. Finally the results founded in the previous parts of the research will be discussed and analysed in the conclusion.

By using a mixed-method approach mainly existing out of qualitative research methods including mostly literature studies and interviews providing in-depth research, this research aims at providing a more academic perspective counterpointing the alternatives trade models to Fairtrade and provide a clearer view of the on-going discussion around the efficacy of Fairtrade.

Furthermore with the help of the specially developed criteria, the Fairchain model will be compared and analysed with Fairtrade. A great deal of research has been done on the effects of the social impact of Fairtrade on small-scale farmers. However Fairtrade and certainly most of the alternative trade models are relatively new and under researched. The objective of this research is to combine these investigations into a clear overview of this topic.
THE GLOBAL COFFEE MARKET

Over the past centuries the organization of the global coffee market has gone through enormous changes. In the twentieth century the liberalization of the coffee market and the end of the quota system initiated by the ICA (1962) resulted in major changes in the power balances within the global coffee market (Ponte, 2002: 1099). In recent years consumption patterns have changed in favour of specialty, high quality and ethical approved coffees (Ponte, 2002: 1099). Today coffee bars like Starbucks and many others have emerged within the growing shift towards the consumption of premium specialty-, organic- and Fairtrade coffees (Ponte, 2002: 1099). Besides the abundance of certified coffees, customers can now choose from different bean varieties, added flavours, different regions, several packaging materials, brewing and roasting preferences. It seems like consumer awareness and preference is growing towards taste, origin and the circumstances under which the coffee of their choice is produced. Although customer awareness of the circumstances affecting the production of coffee is growing it still only represents a niche market. Most of the small-scale coffee farmers still suffer from disempowerment within the global coffee market and have a very small income compared to stakeholders in the importing countries (Tuvhag, 2008: 6).

In this chapter the organization of the global coffee market is described including both the coffee supply chain and coffee value chain. This chapter starts by giving a concise overview of the historical developments of the global coffee market focussing especially on the 18th and 19th century explaining how coffee has turned into a global commodity. Secondly the contemporary coffee market is described including an explanation of how the market is organized, how it is regulated and how coffee prices come into being. Furthermore this chapter provides an overview of the global coffee supply chain including the production process of coffee and the top producing coffee regions. Knowledge of- and becoming familiar with the structure of the global coffee market is important to understand the rest of this study.

History

Coffee is one of the oldest and most traded commodities in the world. For at least five hundred years coffee has been grown on five different continents in approximately 70 countries around the world (Clarence-Smith, Topik, 2003: 1). The importance of coffee and how this commodity has formed the world economy is not to be underestimated. 125 million people are estimated to be dependent on the production of coffee and even more people are effected by the global coffee market, which makes coffee a pre-eminent global commodity (Clarence-Smith, Topik, 2003: 5)(ICO, 2015). Today your cup of coffee has become so ubiquitous that you forget or not even consider how much world history is packed together in one cup of coffee. To provide a deeper understanding of the coffee market a short historical overview is given in this part of the chapter. The history of coffee is important and shows the influence of coffee on our societies over the centuries. Some researchers even say that coffee and its stimulating effects fostered the ‘enlightment’ and the rise of newspapers (Reich, 2010:10). So enough reasons to elaborate more on the history of this illuminating drink.

The beginning

Originally coffee comes from Sub-Saharan Africa. According to a popular legend coffee was discovered in Kaffa a region in Ethiopia by a goatherd named Kaldi who observed peculiar behaviour after his goats ate berries from a specific tree (National Coffee Association USA, 2015). Rumour spread to the Arabic Peninsula where the coffee beans where roasted and coffee as we know it was created (Reich, 2010: 9)(National Coffee Association USA, 2015). Coffee was used for all kinds of religious purposes and rapidly the black drank became popular in the whole of the Arabic world. Besides religious purposes in the early beginning coffee was consumed in coffee houses in the Middle East, where coffee was considered as an
intellectual stimulant without the negative side effects as for example alcohol (which was also forbidden under religious law) (Pendergrast, 2011: 11). People came together in these coffee houses to discuss daily politics, arts, and engaged in all kinds of other interesting and stimulating conversations (Pendergrast, 2011:11). For almost a century Arabia managed to monopolize the coffee production by creating strict rules for the coffee exports (Reich, 2010: 9). Nevertheless by the 15th century coffee had spread to Turkey, Persia, Egypt and Syria through the hands of mostly Muslim Hajj pilgrims and it would not take long for the European powers got their hands on this expensive and exotic drink (Reich, 2010: 9) (National Coffee Association USA, 2015). The taste of coffee spread to Europe during the 17th century and the first European coffee houses emerged (Morris, 2013: 215). The Dutch became the first European-colonial power to successfully cultivate the crop in one of its colonies (Java) from the end of the 16th century (Topik, 2004: 27).

Colonialism
Since the publication of Edward Said’s Orientalism (1978) the role and importance of colonial expansion and trade has increasingly come to demand a more intensive study. The colonial history of the coffee trade is important here because of the degree to which the models as established through colonial trade, remarkably survived influential to this day. Coffee production was imposed in the tropical colonies on the indigenous people to enrich the colonizing European countries where the coffee beans where processed and consumed (Rugasira, 2013:36). Together with the use of slave- and coerced labour, coffee grew to be a global commodity.
In the early part of the 19th century most coffee was produced in European colonies (Topik, 2004: 7, 19). The Dutch East India Company (VOC) initiated the cultivation and production of coffee on Java and later in Suriname too. In Java by means of coercion, indigenous farmers where forced to produce coffee and sell it to the VOC far below the world market price generating huge profits for the company (Breman, 2010:13). Although production on Java was inefficient and not market driven the Dutch benefited considerably from the rising demand and high taxes imposed on coffee in Europe. Amsterdam grew to be the most important port for the importation of coffee in the whole of Europe (Daviron, Ponte, 2010: 68).
France started somewhat later with the production of coffee but by the end of the 18th century two thirds of the total coffee production came from French territories overseas (Topik, 2004: 18). In 1789 the island St. Dominique (Haiti) grew to be the largest coffee producer in the world (Topik, 2004: 16). However the French revolution fostered rebellion of the slaves in the French colonies and eventually led to the independence of St. Dominique (1791) and resulting in a spectacular decline of coffee production on Haiti (Topik, 2004: 17).
Other parts of the Caribbean suffered the same problems, at the end of the 18th century and the beginning of the 19th century coffee prices increased enormously due to this shortage which in turn created new opportunities for emerging coffee producers (Morris, 2013: 219). Notably Brazil stepped up fill the production gap. The enormous rise in Brazilian coffee production was based on a number of contributing factors: a favourable climate, an abundance of slave-labour (which was mainly used for the cultivation of sugar) and cheap fertile lands. The construction of the railroad made transport cheaper and increased the ease of access to the fertile lands in the interior Daviron, Ponte, 2010: 63) (Topik, 2004: 21).

Despite the end of colonialism and slavery the unequal relationship between farmers, workers and their buyers inherited from the past remained in tact. In South-America colonisers were replaced by oligarchs who were not keen on ending coerced coffee production (Topik, 2004: 30).
In Africa post-independent political replacement was not able to end the economic and social distortions imposed by the colonial powers (Topik, 2004: 30). According to Andrew Rugasira an Ugandan economist, the colonial presence has left a deep economic scar in many coffee producing countries. Especially in Africa these distorted colonial economic structures still reflected in post-colonial economic structures (Rugasira, 2013: 54). In the colonial system there was little room for indigenous people to engage in other activities than basic farming, value-adding activities such as processing or manufacturing for the country as a whole were also totally absent and reserved for the colonizers. This absence of industrialisation and a successful indigenous entrepreneurial class leaves many former colonies with an undeveloped economy where little value is added (Rugasira, 2013: 54).

These remainders of colonial heritage can be identified as a contribution to the unequal revenue distribution between the producing countries and the consuming countries. This development can be linked to the growing ideas and strategies linking development aid with the accusation of current day historic colonialism as described by Dambisa Moyo (Moyo, 2009).

Reaching the mass and the three coffee ‘waves’

Until the 19th century coffee was mainly a product for the rich and considered to be a bourgeois drink supported by the high taxes imposed by the colonial powers (Topik, 2004: 23). In the beginning of the 19th century a turning point occurred when Brazil’s cheap mass production flooded the coffee markets (the USA in particular). Together with reduced international shipping costs and a skyrocketing demand in Europe and the USA coffee grew to become a product of the masses (Topik, Clarence-Smith, 2003:7) (Topik, 2004: 24). Coffee had become a truly global commodity. In the USA, coffee consumption grew throughout the 19th century and onward mainly due to the US government decision to remove import taxes and finally abolishing them altogether in 1873 (Topik, 2004: 24). Besides tariff reductions the explosion of the US population followed by an enormous increase of coffee consumption as a stimulant drank in first the Civil War (1861-1865), then the First World War (1914-1918) and finally the Second World War (1939-1945) coffee consumption per capita in the USA became the largest in the world by importing over 40 percent of the world’s coffee (Morris, 2013: 220). Mass advertisement by the few large coffee roasters, who had taken over and divided the coffee market, together with new innovations such as the decaffeination process and the creation of soluble (instant) (1890) coffee contributed to the growth and popularity of the beverage (Morris, 2013: 222). This period in which coffee grew out to be a mass product is often identified as the ‘first wave’ in coffee consumption characterized by poor quality coffee and mass marketing campaigns (Morris, 2013: 222). The ‘second wave’ refers to the increased popularity of specialty coffees as opposed to the low quality coffee of the first coffee wave (Craft Beverage Jobs, 2015). New coffee machines such as the ‘espresso machine’ speeded up the brewing process and besides created a whole new arsenal of coffees choices: cappuccino, espresso and café latte increased in popularity due to the rise of the new machinery and new brewing and roasting techniques (Morris, 2013: 223). In the same period the famous coffee company Starbucks opened its doors in 1971 and created a whole new coffee experience by introducing the coffee shop experience (Morris, 2013: 223). Coffee consumption out of the house became popular and with the emergence of the ‘World Barista Championships’ initiated in Scandinavia, coffee had become a craftsmanship (Morris, 2013: 223). During the second wave of coffee consumption coffee prices fell to an all-time low record. By the late 1980s, the end of the ICAs combined with the accession of Vietnam as mass producer led to overproduction resulting in falling coffee prices (Craft Beverage Jobs, 2015). Partly in reaction to the poor working conditions and financial difficulties of small-scale farmers but also the low-quality coffee flooding the markets, the ‘third wave’ of coffee emerged.
The ‘third coffee wave’ emerged partly in reaction to the poor working conditions and financial difficulties of small-scale farmers, but also because of low-quality coffee flooding the markets. The third wave encouraged consumer awareness and ethical consumerism emphasising on quality, taste, origin and production conditions. Certification programmes such as Fairtrade, Rainforest Alliance and many others gained popularity and Starbucks was stigmatized for unfair trading practices (Morris, 2013: 223). Many other NGOs such as Oxfam Novib started campaigning against the inequalities caused by international trade and globalisation (Lawrence, Vidal, Morris, 2003: 1). Transparency, traceability, equal trade relations, a fair price within the coffee industry and artisanal and high quality specialty coffee became important factors of the third coffee wave.

Coffee Regions

Although coffee originally comes from Sub-Saharan Africa, four centuries after the commercial development of coffee as a commodity, the bean has spread around the world and is now found in regions around the equatorial zone where the climate conditions are considered best. In the last 50 years coffee has benefited from an increase in production and the importance of coffee for the global economy is enormous (ICO, 2014: 4). Many countries around the world are dependent on the production of coffee for their foreign exchange incomes, tax revenues and gross domestic product (see table 1) and many farmers and field workers owe their livelihoods to the production of coffee. In the year 2013-2014 the total value of the coffee export was approximately US$ 18.4 billion for the exporting countries and in that same year 111.8 millions bags of 60 kg each where shipped (ICO, 2015: 8). Coffee production is highly unstable and is effected by weather conditions, diseases and has in most countries a biennial cycle*. The lion share of the coffee production today takes place in three regions: Africa, Asia and Latin-America around the equatorial zone also referred to as the ‘Bean Belt’ (National Coffee Association USA, 2015). In this part of the chapter more attention is given to the production regions and their production profiles.

* Especially in Brazil coffee production is characterized by a biennial cycle. This means that the coffee production can be divided in one year with high coffee yields followed by a second year with low coffee yield. This has to do with the fact that the tree has to recover from high yields it produced in the previous year (ICO, 2014: 8).
Tabel 1: Share of coffee exports in their total export earnings in the period 2000-2010 (International Trade Centre, 2015).

<table>
<thead>
<tr>
<th>Country</th>
<th>Share of Coffee Exports</th>
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<tbody>
<tr>
<td>Burundi</td>
<td>30%</td>
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<tr>
<td>Ethiopia</td>
<td>45%</td>
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<tr>
<td>Rwanda</td>
<td>20%</td>
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<td>Honduras</td>
<td>15%</td>
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<td>Uganda</td>
<td>10%</td>
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<td>Nicaragua</td>
<td>5%</td>
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<td>Guatemala</td>
<td>3%</td>
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<tr>
<td>El Salvador</td>
<td>2%</td>
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<td>Colombia</td>
<td>1%</td>
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<td>Tanzania</td>
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<td>Kenya</td>
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<td>Papua New Guinea</td>
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<td>Costa Rica</td>
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<td>Sierra Leone</td>
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<td>Cote d’Ivoire</td>
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<td>Brazil</td>
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<td>Cameroon</td>
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<td>Jamaica</td>
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<td>Peru</td>
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<td>Vietnam</td>
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![World coffee production and consumption graph]
Africa
Ethiopia is considered to be the birthplace of Arabica coffee and its coffee is considered to be among the best in the world. Keeping this in mind it makes sense that Ethiopia today is Africa’s biggest producer of coffee. Together with countries such as Rwanda, Uganda, Kenya, Burundi, Ivory Coast, Tanzania, Africa’s coffee production accounts for 12.8 percent of the total world coffee production with Uganda, just behind Ethiopia leading the chart (George, 2015: 14). Rwanda and Ethiopian are becoming recognized as high quality speciality coffee producers (Owen, 2015). The total production of all African countries combined in 2014 was around 16.2 millions of 60kg bags (ICO, 2015).

Domestic coffee consumption in Africa is very small, however Ethiopia is because of its long tradition of coffee the largest African consumer (George, 2015: 4) (International Trade Centre, 2011: 6). Most of the coffee produced in Africa is exported to Europe with France, Switzerland, the United Kingdom (UK) and Portugal as main importers (George, 2015: 6).

Many African countries are dependent on the exports of coffee for their foreign exchange incomes and leaving them very vulnerable for price fluctuations (see table 1)(Topik, Clarence-Smith, 2003:3).

Over the last 50 years Africa has suffered from a decline in its production (ICO, 2014: 4). The collapse of the regulations set by the ICO decreased production from 19.1 million bags to 15.8 million bags. Furthermore free market regulations together with structural factors such as low coffee yields from old trees decreased output (ICO, 2014: 5). Although many African countries are far behind compared to the production numbers of Central- and Latin America, African (and Asian) countries are catching up (Topik, Clarence-Smith, 2003:3) Today the amount of acres planted with coffee in Africa equals almost Latin-America’s plantings (Topik, Clarence-Smith, 2003:3). Most of the African coffee is produced by small-scale farmers who are organized in cooperatives.

Asia and Oceania
Asia and Oceania combined account for almost one third of the total coffee production and produced in the year 2013-2014 46.6 millions of 60Kg bags (ICO, 2014:7). Vietnam, Indonesia and India are the main coffee producers of the region and respectively second, fourth and sixth largest producer worldwide (ICO, 2014: 7). In contrast to the production decrease in Africa, Asia has shown the strongest production growth over the last 50 years.
The strong growth has mainly to do with the emergence of Vietnam as leading coffee producer, which benefitted enormously from the collapse of the ICAs. Since the 1990s Vietnam has risen to be the largest coffee producer in Asia, growing mostly low quality Robusta coffee. Today Asia and Oceania are responsible for two third of the total Robusta production (ICO, 2014: 7). However Indonesia is home to one of the most expensive and appreciated coffees in the world namely the kopi luwak*.

Coffee consumption in Asia compared to Europe and the USA is very low as the majority in these regions prefer tea over coffee, however coffee demand is growing especially in Indonesia, South-Korea, and Vietnam and large coffee roasters have opened their doors (ICO, 2014: 8). Coffee is predominately produced by small-scale farmers on small plantations (National Coffee Association USA, 2015). The main coffee importers of Asian coffee are Germany, USA followed by Spain, Italy, Belgium, Japan, and South Korea (Summers, 2014).

Central- and Latin America

In the period of 2013-2014 Central-America accounted for the production of 16,8 millions of 60 kg bags (ICO, 2014:7). Honduras, Mexico, Guatemala, Nicaragua, Costa Rica and El Salvador are major contributors to the total coffee production of Central-America (ICO, 2014:7). The Latin-American countries including, coffee giants such as Brazil and Colombia produced together 67,2 millions of 60kg bags (ICO, 2014:7). Climate change is affecting Latin-American countries severely and in 2012-2013 regions in Central-America were afflicted with an severe outbreak of coffee leaf rust** which devastated the harvest with a total estimated damage of 2,7 million bags (ICO, 2014: 7). Most of the coffee produced in Central-America is produced by small-scale farmers who may be unable to cope with such loses (ICO, 2014: 7).

Brazil is not only the largest coffee producer in the world but has also the highest domestic coffee consumption in Latin-America. As a leading producer since the 19th century Brazil plays an important role in the coffee market and Brazil is responsible for almost one half of the world’s total Arabica exports and is for one third responsible for the world’s total coffee production (George, 2014: 2). The second largest producer of Latin-America is Colombia and produces mostly Arabica beans considered to be among the best in the world (National Coffee Association USA, 2015). In Central America countries as Mexico, Puerto Rico, Guatemala and Costa Rica also managed to produce high quality coffees (National Coffee Association USA, 2015).

Coffee production and the Coffee Supply Chain

Before a red coffee cherry is processed into your steaming hot coffee, the coffee bean has travelled a long way and has changed from many different owners along its path. In this part of the chapter this ‘path’ of the coffee cherry from cherry to cup is explained. The coffee supply chain is often complex and may vary per country and company. The coffee supply chain encompasses all activities and processes from cultivation to the end product. This includes the following stages: planting, harvesting and processing the cherries (removing the pulp from the bean), drying and grading the beans, exporting the beans, roasting the beans, grinding and finally the brewing of the coffee at home or in coffee cafés (National Coffee Association USA, 2015). Typical stakeholders of the coffee supply chain are: farmers, intermediaries or middlemen, processors, government agencies, exporters, dealers and

* Kopi Luwak is coffee made from coffee beans that are eaten by a cat-like animal called a luwak. The animal cannot digest the actual bean so it remains in its faeces. The beans are then collected and thoroughly washed (The Guardian, 2013).

** Coffee leaf rust is a fungus caused by climate change that harms the leaves of the coffee tree and withholds the cherries from ripening (ICO, 2013: 7).
brokers, roasters and retailers. In the following section of this chapter the most important steps of the coffee supply chain are further described.

**From cherry to cup: the coffee supply chain**

Coffee belongs to the botanical family called ‘Rubiaceae’, which includes more than 6,000 species (ICO, 2015). The Arabica and Robusta variety are roughly speaking commercially the most important varieties (ICO, 2015). The Arabica variety is in general considered to have superior flavour, whilst the Robusta variety is stronger in taste and contains twice as much caffeine (ICO, 2015). Furthermore Arabica beans are more prone to diseases and require cultivation at higher altitudes, and thus more labour intensive and costly (Daviron, Ponte, 2005: 52). Coffee is a complex agricultural product, which is very labour intensive. Every step of the cultivating process requires skills and knowledge, otherwise the quality of the product will suffer extremely.

**Growing**: Most of the coffee is grown in tropical regions around the equatorial zone. These regions provide the most favourable climate for the cultivation of coffee, including lots of seasonal rain and steady warm temperatures (Daviron, Ponte, 2010: 50). Most of the coffee is grown on small plots of lands by small-scale farmers (Valkila, Haaparanta, Niemi, 2012: 259). Many of these farmers live in constant poverty. On the other end coffee is produced by wealthy land-owners on large coffee farms employing hundreds of coffee workers (Valkila, Haaparanta, Niemi, 2012: 259).

The highest quality beans are grown on rich soils and high altitudes. Coffee cherries are grown on a tree and are most preferably harvested during the dry season. It takes approximately nine months for coffee cherries to become lushly and deeply red which means they are ripe for plucking.

Picking of the cherries is one of the most important processes influencing the eventual taste and quality of the end-product: your cup of coffee. There are several methods used to harvest the cherries, namely: by hand, in this case only the most ripe and deeply red cherries are picked, this is a very costly and labour intensive process and is therefore mainly used by top premium coffee producers or by producers who do not have the means to buy suitable equipment. The cheaper harvesting methods use machineries to strip the cherries from the tree, but this method has its disadvantages because both ripe as unripe cherries are picked together (Coffee Research, 2015).

**Processing**: After picking, the cherries are collected and transported by intermediaries to a processing plant where the cherries are further processed. Because only the seed of the coffee cherries is used, the first step after picking is the removal of the pulp from the cherry. There are numerous processing methods, which can be used depending on capital-, climate- and quality concerns. The first method described in this research is the ‘wet’ method and is a method mostly used for Arabica beans. The first step is to remove the pulp from the cherry with water. Subsequently the coffee beans are washed and sorted in water (ripe beans sink to the bottom). As the fruit ferments the outer layers of the cherries become detached. The result is ‘parchment coffee’, next the parchment beans are often relocated to a curing plant where the parchment is removed and the beans are cleaned and polished (Daviron, Ponte, 2010: 52). This method is especially used for higher quality Arabica beans or Mild Arabica (Daviron, Ponte, 2010: 52).

The second method is called the ‘dry’ method and is used for almost all Robusta beans and is

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*Robusta is an important ingredient for (cheap) espresso blends and instant coffee, therefore Robusta is more consumed in the south of Europe such as Italy. In Scandinavian countries, Germany and other Northern European countries prefer milder blends, which are based mostly on Arabica beans (Ponte, 2003: 1103).*
the least labour intensive of all. In this method the ripe cherries are dried in the sun until the pulp of the cherries has separated from the beans, and then the beans will be relocated to a hulling machine where the remaining layers are removed. Finally the last method explained in this research is the ‘semi-washed’ method and combines both the ‘wet’- and the ‘dry’ method (Stumptown coffee, 2015).

**Grading**: The sorting and grading of the beans is very important for the determination of the eventual coffee price. The grading and classification of coffee differs on a country base and in many countries government agencies regulate coffee grading and make sure quality requirements are being met before the beans go to the local auctions (The Coffee Guide, 2015). The grading of the coffee beans is a very difficult and a subjective process. Altitude, region, variety, processing methods, colour, shape and the number of defaults are all factors which are used for the grading of the green beans (Daviron, Ponte, 2010: 54). Besides these factors, Arabica beans can also be graded on their aroma pallet and taste, therefore the processing methods but also the country’s climate, soil, production altitudes are important when grading premium, high quality Arabica beans (Daviron, Ponte, 2010: 54).

**Shipping**: After the green beans are sorted and graded they are ready for export. Exporters buy the coffee from cooperatives or auctions and sell them on to dealers who are responsible for the delivery of the coffee beans to the buyer. Most Arabica beans are shipped in jute bags of 60 kg. Today Robusta beans can be shipped directly in containers (Daviron, Ponte, 2010: 53). Most of the green coffee is shipped to the ports of Amsterdam, Antwerp, Hamburg, New-York, New-Orleans and San-Francisco. From these locations the green coffee is brought to the roasters where the coffee is blended, roasted and packed.

**Blending**: One of the most important processes for a roaster is the blending. This process occurs before the beans are roasted and involves a lot of experience and knowledge and depends on skilled labour. The roasters blend different coffees from different origins to create specific aromas and flavours (Daviron, Ponte: 2010: 54). However apart from taste, blending has an important economical function: by using many different kinds of green coffees, roasters can create the same taste year after year without becoming too dependent on one source which is less risky and contributes to a continuation in taste and flavour. Furthermore cheaper beans such as Robusta beans or low quality Arabica beans are used as fillers to reduce the costs (Daviron, Ponte: 2010: 54). After the blending the green beans are roasted to release their flavour and aromas (Daviron, Ponte: 2010: 54).

**Roasting**: Although the roasting process is not very difficult, the way in which the beans are roasted has a high influence on taste. As soon as the beans are roasted, the beans are grounded or left whole when sold to the retailers, coffee bars or specialty coffee companies (Daviron, Ponte, 2010: 56). Once the green beans are roasted or grounded they lose their freshness relatively easy compared to green beans, therefore roasted coffee can not be kept in storage for a long period and need to be consumed as soon as possible (Daviron, Ponte, 2010: 56).

**Prices on the coffee commodity market**

Both the physical and the mental distance between the farmer and the coffee market is very large. Many farmers do not have access to the daily coffee prices. Consequently it is very difficult for farmers to gain a stronger bargaining position on the international market without sufficient knowledge of daily coffee prices. In this part of the chapter coffee is explained in terms of prices. Although Fairtrade, Specialty coffees and Direct Traders do not trade their coffee on the international coffee markets it is important to know how coffee prices come into being.
because it is important to know how the market functions, so price volatility is better understood.

Coffee has been sold on exchange markets for more than a century (Thurston, 2013: 92). Coffee together with cacao, sugar and other products that are grown (as opposed to mined) are considered to be a ‘soft commodity’ (Thurston, 2013: 92). Arabica coffee is sold on the Intercontinental Exchange (ICE) based in New York and Robusta is sold on the London market (Thurston, 2013: 93). These markets can be divided into the spot markets, where physical coffee is sold and the future market where future coffee contracts are traded. When people, newspapers, companies and others discuss the international coffee price, they refer to the price of Arabica beans in terms of US$ also known as the Coffee ‘C’ price (Thurston, 2013: 92). There are four different price systems namely: 1. physical prices, these represent the prices for green or ‘physical coffee’ and are determined mostly by quality, 2. Indicator prices, which are prices representing the calculated average of a collection of comparable coffees, which are daily set by the ICO and represent the prices of the four main types of coffees traded ((from high to low prices): Colombian mild Arabica, other mild Arabica, Brazilian and other neutral Arabica and Robusta (Thurston, 2013: 92), 3. Future prices, are prices for standard coffee qualities in the future and last: 4. Differential prices, which is a system that links the physical prices to futures prices.

On a daily basis coffee prices can fluctuate widely (see table 4). The price of unprocessed green beans depends on several factors, primarily the quality of the beans, which dictated by weather conditions, production methods, altitude, size, botanical variation and region determine quality and therefore price (International Trade Centre, 2011: 5). The scale of production is very important (Koninklijke Nederlandse Vereniging voor Koffie en Thee, 2015). Excess supply forces prices down and with scarcity prices rise. Another important factor determining price is the exchange rate of the dollar. Because the dollar is the currency in which coffee is traded, fluctuations in exchange rates influence the coffee price (Koninklijke Nederlandse Vereniging voor Koffie en Thee, 2015). Coffee is price inelastic which means that when coffee prices go up or down coffee consumption remains equal (Ponte, 2014: 1104). In today’s global trade environment price fluctuations are no longer solely reflected by supply or demand. Not only commercial coffee traders who use the future market to hedge their physical coffee are active on the coffee future market but also professional speculators who profit from volatility on the coffee market (The Guardian, 2014).

* The Coffee ‘C’ price is used a benchmark contract for Arabica coffee. On the ICE several coffee grades are sold. The most common grade is the Coffee ‘C’. Coffee that is sold under the Coffee ‘C’ price can be considered to be reasonable good coffee. Some coffee is much better and therefore a premium is assigned to the production country. For example Colombian coffee is considered to be very good coffee and is therefore rewarded with a premium of 4 cents. On the other sides inferior coffee can get a discount, Ecuadorian coffee is for example sold at a discount of 4 cents. Fairtrade and many other buyers who do not buy or sell coffee on the ICE use the Coffee ‘C’ price to mark their contracts (Thurston, 2013: 94).
The organization of the global coffee value chain: how does it work?

The global value chain of coffee can be described as all the revenues that are generated by activities carried out along the entire supply chain of coffee from cultivation to end use: a cup of coffee (ICO, 2015: 13).

In producing countries most value is gained through the export of green coffee beans. Only a small fraction is exported roasted and packed in its country of origin (ICO, 2015:11). Producing countries including Brazil and Ethiopia have a substantial domestic market that generates significant value for their own coffee within the domestic markets (ICO, 2015:11). As coffee is one of the oldest traded commodities the global coffee chain has a long history dating back long before European colonial expansion.

In the coffee trade most value is added in the consuming countries, through roasting and marketing (Thurston, 2013: 107). The geographical division between production in the global south versus the consumption, roasting, packaging and commercialization in the global north can be explained with the use of comparative advantage* (Tuvhag, 2008: 11).

By means of comparative advantages multinationals can relocate and divide the production process in different countries so they can benefit from the best resources available per country (United Nations, 2011:2). Globalisation made this process a lot easier decreasing transportation and communication costs. The production of coffee is very labour intensive and requires a tropical to subtropical climate, many former colonies positioned around the equator (the Bean Belt) tend to have an abundance of labour, low incomes and a favourable climate which are regarded to be comparative advantages (Tuvhag, 2008: 11). The roasting and commercialization of coffee is regarded as capital intensive, requiring more capital, knowledge and expertise and is therefore traditionally done in the importing countries.

* Comparative advantage refers to the favourable factors in a particular country before the trade has occurred (Pearson, Meyer, 1974: 311). In the concept of this research we use the comparative advantage theory to explain why there is a geographical divide between coffee consuming- and coffee producing countries.
In 2009 it was estimated that the roasting, marketing and sale of the coffee accounted for more than $31 billion to the gross domestic product (GDP) of the nine largest coffee importing countries, which is roughly twice as much as the total export earnings of all coffee producing countries combined in that same year (Smith, 2012). These examples show that selling commodities raw and unprocessed generates a very low economic value for a country (Chege, 2012). After the production and basic processing of the beans it is mostly large multinationals who are responsible for the value-adding activities such as the roasting of the beans which accounts for the majority of the value added (Chege, 2012). In chapter three the principle of value-adding is discussed more extensively.

One of the largest concerns in the coffee industry is that the achieved wealth along the coffee supply chain is unequally distributed between producing- and consuming countries (Thurston, 2013: 112). In this part of the chapter the evolution of the organization of the coffee value chain is described and analysed giving an insight in the underlying causes of this inequality within value revenue distribution that in turn creates disempowerment among small-scale farmers and plantation workers.

The International Coffee Organization (ICO) has been an important agency governing the global coffee chain since 1963 therefore in the first paragraph the ICAs as established by the ICO are described. Secondly current developments are described with regard to the accession of different certification schemes trying to govern the global coffee value chain.

The international coffee agreements (1962-1982)

Coffee has been one of the first commodities that is institutionalized (Topik, 2004: 27). After the establishment of the New York Exchange in 1882 which regulated coffee prices followed the creation of a future market in 1883. The ICAs have become the most influential and respected institutionalization governing of the global coffee market (Topik, 2004: 27).

In this part of the chapter the ICAs between 1962 and 1982 are described and analysed. During this period they played an important role in the stabilization of the coffee price and market. The end of the ICAs heralded the beginning of the coffee crisis and a changing balance of power in the coffee supply and value chain characterized by the disempowerment of small-scale farmers.

The ICAs arose after a period of destructive oversupply following massive rises in coffee production in Brazil, Africa, Central America and Mexico around 1954-1956 (Daviron, Ponte, 2010: 86). Latin and Central American countries tried with the help of conventions such as the ‘Mexico Agreement’ in 1957 and the ‘Latin America Agreement’ in 1958 to put a stop to the overproduction of coffee (Daviron, Ponte, 2010: 86). However without the support of other major coffee producing countries especially in Africa, these agreements where useless (Daviron, Ponte, 2010: 86). In 1959 Latin-American countries entered into dialogue with their African counterparts, which led to the first ‘International Agreement’ on the production of coffee in 1959 and was renewed in 1960 and 1961(Daviron, Ponte, 2010: 87). This was the beginning of a decade of coffee collaboration.

In 1962 when the first ICA was drafted it was signed by almost all producing and consuming countries. The ICA established the following agreements: a price band in which the coffee price could fluctuate, every signatory country would establish an export quota to maintain relatively high coffee prices and stabilize the world market. Quotas could be relaxed or even be abandoned depending on the calculated coffee price by the ICO: when coffee prices had risen, quotas where relaxed and when prices declined quotas tightened (Daviron, Ponte, 2010: 87). Other than some free-ridding problems and discussions over quotas, these simple mechanisms of the ICAs successfully created higher and stable coffee prices for coffee
However during the 1980s consumer preference shifted from cheaper soluble coffees to ground coffee beans. In terms of coffee economics this meant a lower demand for Robusta coffee and higher demand for Arabica beans creating instability because of the divergent supply and demand (Daviron, Ponte, 2010: 87). In addition the Cold War strategies of the USA changed leaving the USA less concerned with creating economic stability in Latin America. With the fall of the Berlin Wall (1989) the free market prevailed infecting the organization of the coffee market. Due to these events the ICAs were not renewed in 1989 (Daviron, Ponte, 2010: 88). During the decade in which the quota regulations set by the ICA shaped the global coffee value chain, there was no obvious actor or party who controlled the chain. Power divisions between consumer and producing countries were relatively evenly distributed. However during the ICA regime the power of large multinationals started to rise (Ponte, 2002:1112). Within months after the collapse of the ICAs a large part of the production stocks moved from ports in producing countries to ports in consuming countries, into the hands of private trading companies (Daviron, Ponte, 2010: 88). The balance of power had shifted. State owned trading agencies where shut down and massive price drops resulted in a coffee crisis mostly hurting producing countries. After the collapse of the quota system the power of producing countries on the exports and sales of coffee decreased. Bureaucratic institutions set up to uphold the agreements of the ICA were demolished leading to less know-how and control over production in the production countries (Ponte, 2002: 1112). Instead of semi-governmental involvement, private entities filled the power vacuums left by the departing government institutions. These ‘forced’ market liberalizations generated a shock in the entire global coffee market. Many attempts were made to create agreements concerning exports however most of them were on a voluntary basis and no agreements on the destruction of stocks were made. Combined with improved technology and new coffee plantings the problem of oversupply remained (Daviron, Ponte, 2010: 88). Furthermore coffee producing countries lost their control and power within the global coffee chain. Following these changes on the global coffee market mentioned above, price volatility increased enormously after the collapse of the ICAs. Price fluctuations, that were previous the result of weather conditions or stock diseases but after the rapid collapse of the ICAs increased activity in the futures market left the income of farmers into the hands of speculators (Daviron, Ponte, 2010: 90).

**Change**

Since the period of European colonial expansion most of the value of coffee is acquired in the consuming countries, creating an unbalanced revenue division between producing and the consuming countries. Over the past decades and especially after the ICAs ended, roasters gained more and more influence over the global coffee chain. Due to the ongoing oversupply, improved flexibility in blending processes, market concentration and the through the implementation of supplier-managed inventory systems (SMI)** roasters have gained more influence over international traders and producers than ever before (Ponte, 2002: 1106) (Daviron, Ponte, 2010: 93) These power transitions from producing countries towards private entities in consuming countries can be considered to be one of the most important drivers for

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* According to Benoit Daviron (2010) the success of the ICAs can be assigned to the following factors: 1. the participation of both producing as consuming countries, 2. governments of producing countries could operate as market units giving them much power determining and controlling coffee exports, 3. the acceptance of Brazil of its decline of its market share and 4. the implementation of a common import substitution for producing countries.

** SMI refers to a system in which the supplier (the international trader) is responsible for the supply and stocks of the roaster and not the roaster itself. In this case the roaster loses less money by keeping a stock of coffee (Daviron, Ponte, 2010: 94).
the disempowerment of the coffee market. The leading coffee trading companies worldwide (2010) are Neumann (13 million bags), Ecom (10 million bags), Olam (8 million bags) and Volcafe (7 million bags) (International Trade Centre, 2011: 16). The leading roasting coffee companies worldwide are (2010) Kraft (13,5 million bags), Nestle (12,8 million bags), Sarah Lee (8,5 million bags) and J.M. Smucker (5,5 million bags) (International Trade Centre, 2011: 18).

In reaction to the unequal revenue divide within the global coffee chain, alternative trading models emerged. With the aim to improve the living conditions of small-scale farmers and plantation workers. These institutions such as Fairtrade, Rainforest Alliance, Utz, Direct Trade, Fairchain and other certification schemes try to influence the organization of the coffee value chain through new governance structures (Valkila, Haaparanta, Niemi, 2012: 258). By changing the current governance of the value chain alternative trading models seek to increase the empowerment of small-scale coffee farmers within the global coffee chain. These alternative trading models help small-scale farmers to add more value to their products through quality improvements and sustainable production practices. By shortening the coffee chain through the elimination of middlemen or intermediaries alternative trading models try to increase the income of small-scale farmers gaining them a stronger position within the coffee value chain (Valkila, Haaparanta, Niemi, 2012: 259).

Fairtrade is the best known certification scheme. By means of a minimum price and social premium, Fairtrade tries to increase value for the farmers. However currently Fairtrade’s methods have been heavily criticized and coffee insiders are considering several alternatives including Direct Trade and Fairchain these will be discussed in chapter three. In the following chapter Fairtrade’s methods together with its critics are explained.
Figure 1: The global coffee value chain (Ponte, 2002: 1102).
Coffee farmers are at the beginning of a billion dollar industry, however most of them earn less than US$ 2 a day (Bates, Koltz, 2007) (Fergus, Gray, 2014: 360). The coffee trade is one of the many industries in poor and underdeveloped countries facing what Paul Collier author of the book: ‘The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About it’ describes as ‘the natural resource trap’ (Collier, 2007).

Over the years many NGOs and coffee consumers have expressed their criticism towards the global coffee trade concerning this unequal division of trade revenues. Fairtrade and subsequent initiatives have arisen as an attempt to respond to the most visible symptoms of this phenomenon and offers among many other certification programmes an alternative trade system in which coffee farmers are connected to world markets on an ethical base (Fergus, Gray, 2014: 360). Fairtrade can be defined as the following:

‘Fairtrade 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. Fairtrade Organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.’ (World Fair Trade Organization and Fair Trade Labelling Organizations International, 2009: 6).

In this chapter Fairtrade is explained and analysed. First a short history of the movement is given, how it came into being and when it was institutionalized, followed by an elaboration on the structure of the Fairtrade international institutions and the key objectives of the organization. Furthermore to offer a better understanding of Fairtrade’s ‘competition’ this chapter gives a short overview of other existing labelling organizations, which are: Utz, Rainforest Alliance, Shadegrown coffee and Organic. Currently Fairtrade is under a lot of criticism; therefore this chapter pays attention to these critical voices in the Fairtrade debate.

History of Fairtrade

Although fair trade is only recently institutionalized, the movement and the principles of fair trade have existed for a long time. Fair trade is not a new concept already at the end of the 18th century the ‘Free Trade Initiative’ was launched by abolitionists inspired by English Quakers that sold slave free cotton, fruits and vegetables (Rosenthal, 2011: 158). By using market power and by making customers more aware of the fact that by buying ‘slave’ products they silently gave their approval to slavery, the organization wanted to end slavery (Rosenthal, 2011: 158).

Almost a century later, short after World War II, alternative trade organizations * (ATOs) emerged out of faith-based activism (Rosenthal, 2011: 159). Out of solidarity with disadvantaged people, trade was used to reduce poverty by means of importing artesian crafts. These products were sold through churches, bazaars and not-for-profit shops (Rosenthal, 2011: 159). These religiously inspired trade initiatives gained more and more support from

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* ATO refers to an approach connecting poor producers of unique goods with buyers with whom they would not otherwise connect. Ten Thousand Villages is probably the most well-known example. Ten Thousand Villages began in 1946. During a trip to Puerto Rico, a business women Edna Ruth Byler was disturbed by the plight of the poor craftswomen she encountered during her visit. As a reaction she started importing products and selling them in the USA to churches and women’s organizations (Sylla, 2014, 35) (Claar, Haight, 2015, 26).
consumers and by the beginning of the 1980s ATOs had spread around the world (Rosenthal, 2011:159).

The Fair Trade movement shares the discontent with the inequalities of dominant trading systems with the ATOs but differs in its approach to solving these shared perceptions by working with commodities in their respective markets. At first ‘ethical’ and ‘fair’ products these were solely sold at small shops specialized in these kind of products founded by churches and other religious groups.

The call from Mexican farmers mentioned in the subtitle and in the introduction served as an inspiration for the first initiators for a fair trade labelling organization (Max Havelaar, 2015). The founding fathers of Max Havelaar: Nico Roozen and Frans van de Hoff found that by selling their products through conventional channels such as supermarkets they could reach a larger public and have a greater impact on the world (Sylla, 2014: 38). In 1988 the first Fairtrade products under the Max Havelaar label were available in the supermarkets (Max Havelaar, 2015). Soon other European countries followed with their own Fairtrade labelling organization and in 1997 an umbrella organization was created in Bonn, Germany where these different Fairtrade organizations where united (Fair Trade International, 2015).

Max Havelaar, marked the evolution from ATOs to Fairtrade (Rosenthal, 2011: 161). By allowing profit driven companies to become part of the Fairtrade organization, commercial marketing was used by companies wearing the Fairtrade certificate giving ethical consumerism an enormous boost (Rosenthal, 2011: 161). In the following two years sales increased tenfold (Rosenthal, 2011: 161).

Most people know Fairtrade for its minimum price guarantee. Fairtrade is the only labelling organization which offers farmers a minimum price for their products. According to Paul Rice, president and CEO of Fairtrade USA, fair trade is much more than only the minimum price guarantee. Generating market access, supply chain stability, environmental stewardship, access to credit and community development are among the core objectives of Fairtrade (Rice, 2013: 128).

Rice argues that ‘Fairtrade is a comprehensive approach aiming at sustainable development for farmers and their families through quality improvements, environmental awareness, business capacity training, easy access to credit and funds aiming at community development which can include education, health care, clean water, microloans and many more’ (Rice, 2013: 129). In the following part of the chapter Fairtrade and its core objectives are explained.

The Organization of Fairtrade

Within the global value chain of Fairtrade six different stakeholders can be distinguished. At the beginning of the chain there are producer organizations: farmers and plantations. Fairtrade works exclusively together with coffee farms that are organized in democratically ruled and jointly owned cooperatives (Sylla, 2014: 43). Through these cooperatives economies of scale are created and knowledge and ‘best practices’ are exchanged between the different members of the cooperative (Sylla, 2014: 43).

Cooperatives are at the heart of the Fairtrade organization and form since Fairtrade’s beginning they constitute a fundamental principle of the system (FLO, 2012). Currently there are more than 800 Fairtrade certified cooperatives in Africa, Asia, North and South America (Linton, 2012: 14). Many of the first cooperatives that received Fairtrade certification where based in South- and Central America. For example in Mexico, Fairtrade was more easily achieved because democratically organized cooperatives already existed (Linton, 2012: 14).

Other groups quickly followed to organize themselves in order to gain certification (Linton, 2012: 18).

On the far end of the chain there are the consumers, who actively choose to buy ‘fair’ and ‘ethical’ products. The Fairtrade system is merely depended on their willingness to pay a little
extra for the normative promises Fairtrade offers. Through large awareness campaigns and volunteer programmes Fairtrade reaches the larger public (FLO, 2015). Between the producers and the consumers of the Fairtrade value chain there are roughly speaking four other parties involved, namely: traders, processing parties, trading and marketing companies (of the processed product) and finally the distribution party which are in most cases the big retail companies (Sylla, 2014: 44).

The Fairtrade institution is divided into many different sub-organizations which all deal with different aspects of the Fairtrade certification process. The Fairtrade organization and its counterparts can be an overwhelming ravel therefore in this part of the chapter the different organizations are explained. In figure 1 the Fairtrade institutions and how they are connected are explained. Fairtrade International (FLO) is the umbrella organization and can be considered to be the cornerstone of the Fairtrade system. FLO was established in 1997 to coordinate the various Fairtrade organizations that operate on a national level, and is responsible for the global coordination of setting standards, supporting producers organizations, develop a global Fairtrade strategy and promote the Fairtrade norms on an international scale (FLO, 2015).

Nowadays FLO encompasses; three producer organizations, in which Fairtrade cooperatives are organized. These associations represent workers, small-scale farmers and other producer stakeholders, additionally FLO encompasses twenty-five Fairtrade organizations, which are national not for profit Fairtrade organizations who are responsible for the promotion and marketing of the Fairtrade products in their own country, in the Netherlands this is: Fairtrade: Max Havelaar (FLO, 2015).

To make it even more complicated; FLO is made up out of two independent organizations: FLO-cert and FLO-ev. FLO-cert is the independent ISO-65 certified (or the third audit party) within the international Fairtrade structure which main task is to control the certified

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* In figure 2 Canada can be replaced by any other national Fairtrade organisation.

** ISO-65 certification entails en specifies general requirements for a third-audit party operating a product certification system (ISO, 2015). This certification ensures: 1. the existence of a quality management system; 2. Transparent processes; 3. an independent certification body (FLO-cert in this particular case) (Sylla, 2014, 46).
producers whether they comply with the set standards of FLO (FLO, 2015) (Max Havelaar, 2015). FLO-ev is responsible for the drawing up Fairtrade standards, supporting of producer organizations worldwide by helping them obtaining certification through training and financial support and promote the Fairtrade strategy on an international level (Sylla, 2014: 46) (FLO, 2015). Since 2002 FLO introduced a Fairtrade label that replaced all national labels (except the USA and Canada which retain their original label) to increase visibility and uniformity in the supermarkets (Sylla, 2014: 46).

**Fairtrade Standards**

When a product is Fairtrade certified it means that the producers and traders of the product have met the specific Fairtrade standards, aimed at reducing the unequal divide of trade revenues between producers in the global south and consumers in the global north (FLO, 2015).

For every product and producer type (small-scale farmer, plantation worker etc.) there is a different set of standards. These Fairtrade standards are established to make sure that: ‘producers receive prices that cover their average production costs of sustainable production required by Fairtrade. A premium is paid on condition it is invested in projects that improve social, economic and environmental development aims; providing financial support for producers who need it; facilitate long-term trading relations between traders and producers and making sure producers gain more control over the trading process by providing more information; and finally making sure that the production conditions and trade of Fairtrade certified products are socially, meet economically fair and environmental responsible’ (FLO, 2015).

**Fairtrade Minimum Price**

The guarantee of a minimum price offers farmers a sustainable price for their products and sets the lowest price traders should pay the producers for their products. The minimum price is devised in collaboration with farmers, workers and traders (Fairtrade Foundation, 2015). The minimum price is considered to be one of the most important objectives of Fairtrade and helps to pursue other objectives as well. When world prices fall it has proved to be a very good measure for helping farmers sustain their business and generate financial stability (Fair Trade Resource Network, 2013). Especially during the coffee crisis when in 2001 the coffee price sank to an all-time low of US$ 45 cents per pound (FLO, 2015).

The Fairtrade minimum price is currently (July 2015) set at US$ 1.40 per pound for washed Arabica and US$ 1.35 per pound for unwashed Arabica (FLO, 2015). For Robusta coffee the minimum price is set at US$ 1.05 per pound for washed coffee and US$ 1.01 per pound for unwashed coffee (FLO, 2015). When the market price is higher the market price or a negotiated price is paid (FLO, 2015). If the coffee is also organic the producers receive an additional US$ 0.30 per pound, for other certification programmes this premium can differ (FLO, 2015). More or less one half of the Fairtrade certified coffee has also an organic certification (Valkila, 2014: 482).

Empirical evidence reveals that Fairtrade certified cooperatives do indeed receive higher prices for their products than conventional farmers and that the minimum price guarantee has proved itself very helpful during price collapses such as the coffee crisis in 2001 and other price volatilities (Dragusanu, Giovannucci, Nunn, 2013: 15).

**Fairtrade Premium**

Another important feature of Fairtrade is the Fairtrade Premium. Currently this premium is around US$ 0.20 cents per pound and is used for the development of the farmer’s community (Rice, 2013: 129). This premium is paid by traders and used for social, economic or environmental developments that improve healthcare, education, sanitation or other
community projects (FLO, 2015) (Rice, 2013: 129). According to FLO’s annual report 2013-2014 producer organizations invest around 44 percent of the received premium to strengthen their cooperatives and around 42 percent of the premium to facilitate farmers and their families in their direct needs (FLO, 2014: 6). The cooperative themselves decide what the money is spent on. These decisions are arrived at through democratic consultation with the cooperative’s members. Consequently because every cooperative can decide for itself where the premium is spent on, there are many different projects representing local concerns. At the cooperative ‘Heiveld’ in South Africa for example is the premium used to send young people to university and at the cooperative CARUCHIL in Honduras a part of the premium is used to facilitate additional Saturday courses for children (FLO, 2014: 13, 14).

Other Fairtrade key objectives:
Besides the above mentioned key objectives has Fairtrade other objectives it wants to realize. Education and training programmes are for example an important tool Fairtrade uses to empower impoverished farmers (FLO, 2015). But also generating market access, environmental responsibility and creating access to capital are central objectives for Fairtrade. Below other important objectives are explained:

- **Market access**: Small-scale coffee farmers in the global south facing lots of difficulties entering the global coffee market (World Fair Trade Organization and Fair Trade Labelling Organizations International, 2009: 7). The global value chain of coffee is as already explained in chapter 1 and is very long and complicated. Fairtrade wants to promote better access for coffee farmers into the value chain. Through shortening the chain and by acting as a mediator between farmer and buyer Fairtrade aims to establish better market access (World Fair Trade Organization and Fair Trade Labelling Organizations International, 2009: 7).

- **Environmentally responsible production**: To gain certification farmers have to commit to certain environmental standards. They are expected to refrain from the use of dangerous pesticides, agrochemicals, genetically modified organisms (GMOs) in order to achieve certification. Furthermore farmers are encouraged to farm organic, reduce carbon emissions, cautious water use and preserve the forest and their surroundings (Rice, 2013: 129). Through training and education programmes small scale producers learn how deal with climate changes and how to pass on their knowledge to others (FLO, 2014: 6). A recent study based on a sample of 177 farmers in Nicaragua showed that Fairtrade’s environmental policy had influenced outcomes and showed that majority of Fairtrade farmers implemented environmentally friendly practises (Dragusanu, Giovannucci, Nunn, 2014: 227).

- **Access to credit**: Access to capital is one of the most important core principles of Fairtrade. Without the assured access to money farmers are more prone to cunning middlemen who pay farmers extremely far below market price. To prevent this Fairtrade works together with several multinational lenders in countries as Kenya, Sumatra, Guatemala, Colombia and Nicaragua (Rice, 2013: 129). With the money made available through this scheme farmers can invest in new trees and equipment, which helps to increase the quality of the coffee. Studies from Nicaragua and other Latin-American countries confirmed that Fairtrade farmers had more access to money than conventional farmers (Dragusanu, Giovannucci, Nunn, 2014: 228).

**Other Certification Organizations**
Fairtrade is globally the largest organisation dealing in ‘fair’ products however many NGOs and other labelling organizations try to defy the monopolistic position of Fairtrade on ‘fair’, ‘ethical’ and ‘sustainable’ products (Sylla, 2014: 53). Together with Fairtrade these programmes all fit in the growing recognition of the importance of a sustainable coffee
market but also respond to the increasing market value of sustainable coffee and ethical consumerism (Ponte, 2004: 9). Jointly these different labelling and certification programmes contribute to the tangle of consumer choices for ethical products and make it more difficult to understand the benefits and disadvantages of different labelling schemes for both consumer as producer. All certification schemes focus on different aspects of the coffee production however many of these standards can overlap. Besides many coffee cooperatives have more than one certification. To give a better understanding of the different certification organisations, the largest ‘competitors’ of Fairtrade are explained below:

**Utz Certified** was originally organized by a Dutch company Ahold under the name Utz Kapeh meaning ‘good coffee’ in a Mayan language. Today Utz Certified is an independent organisation and the largest coffee sustainability programme in the world (Ponte, 2004: 13). Nico Roozen one of the co-founders of Max Havelaar joined the Utz board (Sylla, 2014: 70). Utz Certified has created a code of conduct, which focuses mainly on good agricultural practises for sustainable coffee but also (to a lesser extent) on socio-economic standards (Ponte, 2004: 13). Together with farmers, roasters and retailers Utz Certified tries to make the coffee sector more transparent which means that customers who buy Utz Certified products have access to information such as where the coffee comes from and under which circumstances it is produced (Utz Certified, 2015). An independent third-party certification body inspects the producers and grants them with certification when the standards are being met (Ponte, 2004, 13). Although retailers and roasters benefit from the added value the Utz logo on their packages brings along, this certification brings no minimum price for the farmers. Furthermore Utz is criticized for having slack standards concerning workers’ rights and environmental problems (Ponte, 2004: 13)(Sylla, 2014: 54).

**Organic coffee** can entail many different certification organisations both public such as the European Union (EU) as private (Demeter International). Organic coffee producers will qualify for certification if the following standards are being met: 1. coffee is grown without the use of synthetic agro-chemicals for a period of three years prior certification; 2. detailed records of the several methods and materials used for the coffee production together with management plans are need to be kept by farmers and producers; and finally 3. an independent third-party certification body annually inspects all previous points (Ponte, 2004: 17). Farmers who meet these criteria receive a premium above the normal price for organic coffee. Unfortunately retailers profit the most from the organic certification.

**Rainforest Alliance** as the second largest certification scheme can be considered to be the main ‘competitor’ of Fairtrade having overlapping standards with Fairtrade (Sylla, 2014: 53). It aims to protect ecosystems through promotion of the preservation of biodiversity and sustainable production modes. However over the years just like all other certification organizations (with the exception of Fairtrade), Rainforest Alliance does not guarantee a minimum price furthermore Rainforest Alliance is criticised for its collaboration with large plantations rather than small family farm. Also according to critics the Rainforest Alliance label is granted too easily. For example, when a bag of coffee consists only of 30 percent Rainforest Alliance coffee it can be labelled as such (Sylla, 2014: 54).

**Shade-grown coffee** is currently only produced by two labels namely: ‘Smithsonian ‘Bird-friendly’ coffee’ and ‘Rainforest Alliance-certified coffee’ (Ponte, 2004: 25). Shade-grown certification programmes are aiming at producing coffee through traditional farming systems in which coffee is part of an integrated cultivation scheme that includes all kinds of indigenous trees species and other food crops such as bananas (Ponte, 2004: 25). The market for shade-grown coffee is still relatively small therefore the premium for shade-grown coffee is considered to be one of the lowest for specialty coffees.
In addition to these certification programmes mentioned above there are several ‘alternative’ programmes in which certification is not required and can provide the same (or even better) benefits for coffee smallholders (Tellman, Gray, Bacon, 2011: 109). Coffee roasters like Intelligentsia, Counter Culture, Equal Exchange and Cooperative Coffees have pioneered with other trade models such as Direct Trade (Tellman, Gray, Bacon, 2011: 109) (Macatonia, 2013:1). These models will be explained in the following chapter.

The Fairtrade Debate

Since the beginning of the Fairtrade movement, it’s successes are astonishing. Worldwide Fairtrade has achieved consumer awareness towards the unfair trade balances between the global north and the global south. It has managed to certify more than 15 different product groups, which include coffee, cacao, bananas, tea, cotton, sugar and many others (FTO, 2015).

However it seems that its successes together with its good intentions have taken a turn. Fairtrade’s massive growth, its commercialization and the mainstreaming of the Fairtrade brand have led to new and compromising problems. Questions such as: ‘is it possible for Fairtrade to grow even further without abandoning or compromising its core objectives?’ are these days hard to answer for Fairtrade (Hoffner, 2014). In respect to the ‘natural resource trap’ as described by Paul Collier and an interesting argument made by the Zambian economist Dambisa Moyo in her book: ‘Dead Aid: Why Aid is not Working and How There is Another Way for Africa’ (2009) Fairtrade suffers similar criticism to that of development aid programmes accusing them of paternal intervention and keeping up colonial ties (Easterly, 2009: 1).

In it’s early days Fairtrade was harshly criticized by economists who rejected Fairtrade for interfering with the mechanisms of the free market by offering a guaranteed minimum price. Today Fairtrade is also prone to critics from within the Fairtrade community. Ndongo Samba Sylla worked several years for the organization before writing his book: The Fair Trade Scandal: Marketing Poverty to Benefit the Rich (Sylla, 2014) in which he criticized the Fairtrade movement. Moreover even consumers are questioning Fairtrade due to the variety of many alternative ‘ethical’ labels to choose from (Sylla, 2014: 2).

Many professionals in the coffee business who first embraced Fairtrade as a credible solution to end poverty are now turning their backs to the success of the organizations and are actively looking for alternatives (Haigt, 2011). One of the many concerns of critics is that the price consumers pay for their ethical approved coffees do not benefit the farmers as much as they might think or want (Narlikar, Kim, 2013: 2). In some cases it is even possible that coffee with the Fairtrade stamp does not benefit the farmers sufficiently. It is possible that the pack of coffee lying next to the Fairtrade coffee may pay its farmers up to double the Fairtrade minimum price.

Many case studies have shown positive effects of Fairtrade on coffee producing communities. Case studies from Costa Rica, Nicaragua and Mexico all found a positive correlation between Fairtrade and the improved livelihoods of small-scale coffee producers by strengthening local democratic organizations, producer organizations and by improving the income of farmers (Ruben, Fort, 2012: 570).

Likewise the website of FLO is filled with success stories and anecdotes of farmers who benefited from the Fairtrade certification (Fairtrade, 2015). However many of the Fairtrade successes and case studies do not provide enough empirical evidence to judge overall positive effects of Fairtrade, thus putting a stop to the on going criticism.

Joni Valkila, associate of the University of Helsinki, for example states in his research about the Fairtrade price mechanisms that most of the collected data on Fairtrade were collected during or shortly after the international coffee crisis, when coffee prices plunged to the lowest point ever. In this period and shortly after, Fairtrade offered obviously clear advantages for
producers that were hurt by the coffee crisis (2001), therefore the positive assessment of Fairtrade certification on the lives of farmers can be easily explained and such case studies can not offer representative data indicating the long term impact of Fairtrade (Valkila, 2014: 480).

Consistent with Valkila’s research more recent empirical research and case studies have raised more critical questioning of claims for the positive effects of Fairtrade. In the book by Sarah Lyon, associate professor at the department of anthropology at the University of Kentucky, *Coffee and Community: Maya Farmers and Fair Trade Markets*, she states that many of the core principles of Fairtrade are only to a certain extent fulfilled (Fritsch, 2014: 309). So is Fairtrade really a successful tool to help marginalised farmers out of extreme poverty? That question will be answered in the following pages by discussing the most prominent criticisms on Fairtrade and the key objectives of Fairtrade.

**Minimum Price and Market Access**

In spite of the growing commercial success of Fairtrade, results and clear benefits provided by the Fairtrade scheme concerning the improvement of the life’s of farmers and producers are much more complicated to access (Fritsch, 2014: 308). The minimum price guarantee is according to Fairtrade an important tool in achieving other Fairtrade objectives as well such as financial stability (Valkila, 2014:475). Especially when taken into consideration the large range of price fluctuations of the past century, price stability and higher coffee prices appear to be one of the most influential tools available to increase the livelihoods of farmers (Valkila, 2014: 475). Liberal economists are suspicious towards the artificial price Fairtrade offers its certified participants. A recent study by development economists of the University of Berkeley; Alain de Janvry and Betty Sadoulet and development economist Craig McIntosh of the University of San Diego suggest that on the long-term Fairtrade did not offer substantial benefits to the certified Fairtrade cooperatives (Wydick, 2014). During their 13-year investigation in Guatemala they found out that when world coffee prices fall, more farmers tend to obtain Fairtrade certification because of the expected benefits of a guaranteed minimum price however this leads to an excess supply of Fairtrade certified farmers (de Janvry, Sadoulet, McIntosh, 2014: 2). In turn the excess supply of certified farmers could decrease the proportion of Fairtrade sold coffee per cooperative (de Janvry, Sadoulet, McIntosh, 2014: 2). In this case the average price that the cooperative receives for its coffee can be lower than the Fairtrade minimum price because Fairtrade does not guarantee that certified producers can sell their entire harvest (Sylla, 2014: 102).

Furthermore if this is the case the Fairtrade minimum price can push supply, which could harm the entire coffee sector, when an overload of coffee supply pressures price down. With an already chronic global oversupply of coffee this could disrupt the coffee market even further leading to devastating problems for non-Fairtrade farmers and eventually also for Fairtrade farmers.

This critique poses a sensitive issue for Fairtrade. One of the main reasons why the coffee prices have plunged in the early 2000s is due to the excess supply cranked up by the arrival of large coffee producing countries such as Vietnam at the end of the 1990s (Fridell, 2014: 409). Despite Fairtrade’s good intentions, teaching farmers to increase their stock, harvest more efficiently and providing a minimum price could lead to the increase of coffee production and ultimately to unwanted lower prices (Smith, 2013). Furthermore it is argued that the guaranteed minimum price will minimize the spur for farmers and countries to step out of the low-value (agricultural) sectors such as sugar, (low quality) coffee, cotton etc. and discourage diversification into crops of higher value such as avocado’s, nuts and premium coffee and hamper development of value-adding activities (Smith, 2013).

In this way Fairtrade is accused of keeping countries poor. The success and influence of the
minimum price guaranteed by Fairtrade depends on the market prices (Valkila et al., 2010: 266). When the market price is far below the Fairtrade minimum price it can be real advantage for small-scale coffee farmers. However when market prices are higher than the minimum price, Fairtrade does not offer significant advantages.

Fairtrade cannot guarantee to its certified cooperatives that their total production is being purchased. On their website Fairtrade International proudly state that in the year 2012-2013, 40 percent of the Fairtrade producer groups sold more than 50 percent of their production under Fairtrade terms (Fairtrade International, 2015), but what about the rest of the production? And is this mall proportion worth the high certification fees? Because Fairtrade cannot guarantee that all of the produced Fairtrade coffee is entirely sold under Fairtrade conditions, the promise of sufficient market access is therefore not guaranteed (Sylla, 2014: 101). So as a result most Fairtrade certified producers sell the bulk of their production on the conventional markets (Tuvhag, 2008: 19).

Quality
In recent years the specialty coffee market has increased its output enormously. Coffee enthusiasts consider great coffee in the same way as connoisseurs of fine wines consider their favourite wine, and likewise are willing to pay high premiums for good quality coffee (Terazono, Morton-Clark, 2014). Many consumers mistakenly think that the Fairtrade label on their pack of coffee refers to high quality (Moyer, 2011). This is a very common mistake.

It is argued that due to the minimum price producers do not have any incentives to produce coffee of higher quality or produce more effectively which would eventually lead to more value for their products and an improved bargaining position (Smith, 2013). In the on-line journal Direct Trade: Coffee Club it is proposed that many specialty and high quality roasters prefer not to buy Fairtrade coffee (Cole, 2015). Roasters and importers who require high quality coffee beans pay in most cases much more than the minimum price set by Fairtrade, sometimes this can be ten times higher than the conventional prices (Macatonia, 2014). For that reason opponents of Fairtrade argue that focussing on producing high quality coffee would be a more sustainable answer to the unequal revenue division between the global north and the global south (Macatonia, 2014).

Supporters of Direct Trade, which is an alternative trade model focussing, among others, on the direct relationship between producers and buyers, argue that focussing on quality and teaching farmers how to achieve better quality coffee beans, will eventually lead to long term development and enhances the negotiation power of farmers (Macatonia, 2014). Besides by offering good quality coffee beans customers will be more eager to buy the product again, not because the producers are poor but because the coffee is really good (Macatonia, 2014). Quality and not compassion can lead to the empowering of coffee farmers and will liberate them from the poverty stamp they have been given by Fairtrade (Rugasira, 2014: 188).

In its defence according to Fairtrade’s website, Fairtrade has since 2001 made some efforts to increase the quality of Fairtrade coffee. Fairtrade tries to help farmers with the education of quality-improvement practices such as hand picking and sorting, processing (washed), and the tasting itself (Linton, 2012: 28). Furthermore Fairtrade requires that a portion of the social premium is spend on measures increasing quality.

However according to Colleen Haight (2011) Fairtrade producers rather sell their high quality products on the conventional markets to specialty coffee traders than to Fairtrade. This can be

* Kimberly Elliot (2012) summarizes in her article: Is my Fair Trade Coffee Really Fair?: Trends and Challenges in Fair Trade Certification the current certification fees levied on Fairtrade growers. The initial application fee is €525, the first inspection carried out by FLO-CERT can range from €1420 to €3470 depending on the size of the cooperation. Concluding from the former, poor farmers need to pay thousands of euros a year to be part of the Fairtrade network without guaranteed sale (Claar, Haight, 2015: 27-29).
best illustrated with the use of an example explained by Colleen Haight in her article: *The Problem With Fair Trade* (2011). When a farmer has two bags of coffee of different quality. The farmer knows it can sell the coffee of higher quality on the conventional market for US$ 1,70 per pound, while the other bag of inferior quality may only be worth US$ 1,20. The Fairtrade minimum price is set at US$ 1,40. To optimize its incomes the farmer will sell the bag of lower quality to the Fairtrade purchaser (Haight, 2011). Assuming that this particular farmer is not the only farmer that wants to optimize its incomes, this suggest that the overall quality of the beans bought by Fairtrade will be very low.

**Poorest of the poor**

According to Raluca Dragusanu who together with Daniele Giovannucci and Nathan Nunn studied the effects of Fairtrade in Costa Rica (2014) their research in line with many other studies concludes that the existing empirical evidences suggest Fairtrade modestly achieves its goals (2014: 234). They claim that Fairtrade certified farmers do indeed receive higher prices for their products, have indeed greater access to credit, experience more economic stability and on top of that are more prone to cultivate in environmentally friendly ways (Dragusanu et al. 2014: 234). However it seems that Fairtrade only benefits the most skilled and educated coffee farmers. The non- or least educated and in most cases the poorest coffee labourers experience no significant benefits (Wydick, 2014). According to Dragusanu and Nunn (2014) who investigated the impact of Fairtrade on coffee producers in Costa Rica this is because of the Fairtrade structure. According to them the most educated producers are likely to organize in cooperatives and are in charge of how the Fairtrade premium is spent. If they fail to actively increase the incomes of the least educated producers, such as the coffee pickers and other plantation workers these people are not better off than without the Fairtrade system (Dragusanu and Nunn, 2014: 20).

Thus it appears that the ‘poorest of the poor’ can be excluded from the benefits of Fairtrade. In addition most of the Fairtrade coffee comes from middle-income countries in Central- and South America and not from low-income countries in Africa (Wydick, 2014). All together African countries only contribute around 10 percent of the total export of Fairtrade coffee, although Ethiopia is among the top coffee producing countries in the world (Wydick, 2014) (Fair Trade Foundation, 2012: 21).

Another astonishing conclusion comes from the School of Oriental and African Studies (SOAS) in London. This study provided evidence about the reverse effects of Fairtrade in African countries (The Economist, 2014). The research stated that the wage of Fairtrade workers and their living conditions in Ethiopia and Uganda were lower than of those who worked for conventional producers (The Economist, 2014). These findings suggest Fairtrade does not seem to manage the allocation of the Fairtrade premium in a way that it benefits the ‘poorest of the poor’ although Africa and the Middle East is home to more than 60 percent of the world’s total Fairtrade workers they only receive 18 percent of the total Fairtrade premium. Central- and Latin America on the end receive 71 percent of the total premium (FTO, 2015). Following from the former, it seems that Fairtrade is benefitting producer organizations in South America more than in other parts of the world (Sylla, 2014: 129).

**Fairtrade Premium and Transparency**

One of the many objectives and principles of Fairtrade is to establish transparent relationships between all actors in the Fairtrade chain. However Fairtrade seems to fail to be able to bring transparency concerning the Fairtrade development premium (Wydick, 2014).

According to Colleen Haight associate professor at the economic department at the San Jose state University California, who published an article in which she concluded that Fairtrade
provides insufficient insights into how this premium is actually spent (Haight, 2011: 79). Many Fairtrade customers believe that the premium is going to social projects such as the building of new schools, improved sanitation facilities, health care or investments that increase production (Haight, 2011:79). Nevertheless in reality it is very difficult to control where the development premium is spent on (Haight, 2011: 79). In one particular case it turned out that the premium was going to sanitation facilities, which were exclusively for the higher management personnel of the cooperative (Vidal, Provost, 2014).

Concerning the payment of the individual farmers, there is also a lack of transparency. The Fairtrade minimum price is paid to the cooperatives, subsequently the cooperatives pay the individual farmers however there is no transparency concerning how much the individual farmers receive (Watson, 2015). So in the end it is possible that individual farmers earn less than the minimum price set by Fairtrade (Watson, 2015). Another problem with Fairtrade’s attempts to bring transparency into the coffee chain is that many farmers have limited knowledge of Fairtrade especially concerning their own role in the whole Fairtrade scheme and the global coffee market (Valkila, 2014: 484) (Fergus, Gray, 2014: 364). According to Fergus and Gray there is not only a lack of awareness concerning Fairtrade, they argue that there is an overall poor understanding of markets, customers and certification bodies (Fergus, Gray, 2014: 362). In their case study they found out that many farmers for example mistakenly considered Fairtrade as the same as organic farming and could not separate Fairtrade from other certification schemes (Fergus, Gray, 2014: 382).

The Mainstreaming of Fairtrade

Besides Fairtrade’s main goal: the empowerment of marginalised farmers, Fairtrade stands accused of unintentionally empowering the coffee traders, export companies and the million dollar roasting and retail companies along the way (Valkila et al, 2010: 267) (Elder, Lister, Dauvergne, 2014: 85).

Valkila, Haaparanta, Niemi (2012: 260) who investigated the effects of Fairtrade in Nicaragua, concerning the incomplete information disclosure towards its consumers around the matter of ‘donating’. According to their findings roasters and retailers benefit from this incomplete information. Research showed that consumers are less responsive to price increases of Fairtrade coffee than consumers of regular coffee (Valkila, Haaparanta, Niemi, 2012: 260).

Although these companies do not contribute to the costs of certification (which is shouldered by producers) they benefit extremely from it. Fairtrade has faced considerable criticism for its collaboration with big coffee retailers such as Starbucks, Cadbury’s and companies such as McDonalds who have begun to sell Fairtrade coffee (Morrison, 2012). According to Fairtrade, to reach the masses Fairtrade needs to work together with large supermarkets, multinationals and other large market players to gain access to the conventional consumer markets and move away from the small-scale sale in specialty stores (Sylla, 2014: 77). Through the collaboration with multinationals such as Starbucks, McDonalds, Wall Mart and many other large retail companies, Fairtrade gains enormous financial support and the crucial visibility (Sylla, 2014: 78). In their turn multinationals can clean their slates by participation in the Fairtrade scheme showing their social commitments and portraying their companies as ‘fair’ (Sylla, 2014: 79) (Valkila et al, 2010: 267) (Elder, Lister, Dauvergne, 2014: 85). This process is highlighted by critics claiming it shows the ‘mainstreaming’ of Fairtrade.

Most multinationals are today or have been in the past roundly criticized for their troubled ethical records and therefore according to critics have no business in the Fairtrade community (Sylla, 2014: 78). However Fairtrade activists argue that it is necessary to work together with these big companies because of mainly two reasons. First, impact would remain limited when
Fairtrade is only sold through unconventional and exclusive trade channels and running the risk of remaining in a small niche in the market (Sylla, 2014: 77) (Morrison, 2012). The second argument (more complementary to the first argument) is that consumers through the enormous visibility generated by these partnerships become even more aware of the poor living conditions of the producers (Sylla, 2014: 77).

However in the eyes of critics, Fairtrade is not being consistent by allowing multinationals into their schemes and further accuse Fairtrade of contributing to ‘Greenwashing’* (Sylla, 2014: 79). Furthermore multinationals gain more bargaining power within the Fairtrade organization what can lead to less strict compliance to Fairtrade standards particularly concerning minimum price and long term commitments (Sylla, 2014: 79). However an argument in favour of admitting large retail companies into the Fairtrade scheme is that these companies have a higher demand which can help farmers sell their entire produce under Fairtrade standards and not only a fraction of it (Fairtrade International, 2015).

In conclusion Fairtrade has been most successful in marketing Fairtrade as an effective and successful way to reduce poverty of farmers and increase consumers awareness. However the evidence concerning these improvements in the lives of farmers seem to be far more complicated and more difficult to improve (Fritsch, 2014: 309).

Both opponents and proponents present case studies contradictory each other. Maybe the only conclusion that can be satisfactorily drawn from all this information is that whilst Fairtrade has created an enormous increase in consumers awareness concerning the poverty gap between consumers in the north and producers in the south, and furthermore it can be concluded that Fairtrade can do good, though not on a large scale and a homogenous approach for all countries and communities is not applicable. As we have seen growth and success cannot happen without the risk of diluting or relinquishing some of Fairtrade’s core objectives.

Fairtrade has had to face choices between two extremes: success or staying true to its core objectives. Sylla argues they have chosen success over their core and initial objectives (Sylla, 2014: 147). In his book: ‘The Fair Trade Scandal: Marketing Poverty to Benefit the Rich’, Sylla speaks in his conclusion of a so called ‘Fair Trade Paradox’ defined by an astonishing success in creating media attention and wide awareness in the global north but yielding insignificant impact in the global south (Sylla, 2014: 148). Due to the growing critique on Fairtrade many alternative trading models have arisen including private initiatives. In the next chapter the Fairchain model in particular will be discussed and investigated as to whether it could serve as a viable alternative to Fairtrade.

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* ‘Greenwashing’ refers to companies who ‘wash’ their ethical troubled slates by entering the Fairtrade scheme for a relatively small effort and cheap costs (Sylla, 2014: 77).
FAIRCHAIN AND ALTERNATIVE COFFEE TRADING MODELS

‘Coffee farmers are not just poor because of low commodity prices but most of all because small-scale farmers operate at the bottom of the value chain’ (Rugasira, 2015: 186).

In the previous chapter the benefits and pitfalls of Fairtrade were described. Although Fairtrade offers clear advantages for farmers, there are still many drawbacks hampering the system. With the current criticisms on Fairtrade, alternative trade models are rising in popularity. In the previous chapter Fairtrade’s main competitors: Utz, Rainforest Alliance, organic certification and shade-grown coffee were already discussed. Next to these alternative certification programmes, private initiatives are growing fast. Starbucks’ Coffee and Farmers Equity (CAFE) practices and Nespresso’s AAA sustainability quality programme for example, are industry led certification schemes bringing together different stakeholders from within the coffee value chain with the objective to increase sustainable and social coffee production (European Coffee Federation, 2015). Smaller coffee companies focussed on the specialty coffee market which depend on high quality beans and sustainable coffee practices are also contributing their own initiatives.

The overall goal of these alternative programmes is to add value to the initial product, the coffee beans and strengthen especially the position of farmers within the coffee value chain. This chapter investigates to what extent value-adding activities initiated by alternative trade models and the Fairchain model as developed by Moyee in particular, empower smallholder coffee farmers in comparison to Fairtrade.

Value adding as an empowerment tool can be applied in many different ways. This chapter begins by explaining the concept of value adding within the coffee value chain and identifies the main challenges facing value adding activities in coffee producing countries. Second Direct Trade (another alternative trade model) will be discussed. Thirdly the Fairchain concept of Moyee coffee is examined. Moyee has based its business model on the principle of value adding through roasting and packaging the beans within the country of origin (Ethiopia). This approach will be considered in relation to the specific challenges Moyee faces by adopting this approach. The analysis of these challenges will serve to establish whether an alternative trade model such as the Fairchain model can provide a viable alternative to Fairtrade. To this end the Fairchain model is tested on three criteria based on a specially developed definition of empowerment and compared with the main objectives of Fairtrade in order to conclude to what extent the Fairchain model is effectively able to enhance small-scale farmers empowerment (strength in the market).

Value adding

In chapter one the supply chain of coffee is already explained. In this part the value-adding activities within coffee supply chain are discussed. The term ‘value-adding’ refers to the means by which the profitability of a raw material, commodity, agricultural product (or actually any kind of product) can be enhanced. In other words added value can be explained as: ‘the process of changing the initial product to a more valuable product’ (Coltrain, Barton, Boland, 2000: 5).

During this particular process the value of the product is increased. A simple example of an adding value activity is the process of making wheat into flour (added value for a farmer) or flour into bread (added value for a baker).

Increasing value-adding activities could enhance economic activity such as the enhancement of employment and could increase foreign incomes within the coffee production country. Many economic development experts such as professor Chalmers Johnson who studied Japan’s swift recovery after the Second World War and economist Peter Evans who examined
the many interventionist government measures of the Newly Industrialising Countries (NICs) in South East Asia, indicate the importance of government’s policy focused on value-added manufacturing and processing for successful economic growth and/or recovery (Rugasira, 2013: XXIX). Every industrialized country has prospered through trade. Evans and Johnson are among many who emphasize the importance of trade opposed to aid for generating economic growth and overall prosperity of a country (Bergner, 2012). Value-adding activities and industrialization led by small to medium sized enterprises (SMEs) are very important for the growth of developing economies as they are often a large source of employment and exists outside of the agricultural sector (OECD, 2004: 5). When SMEs are stimulated to engage in value adding activities in the coffee sector (or any other sector) this could increase domestic earnings, employment, decrease aid and raw commodity dependency and increase export earnings (OECD, 2004:5).

Another advocate of value adding within the coffee value chain is the Ugandan businessman, Andrew Rugasira. Rugasira argues that the empowerment of farmers is much more than increasing overall coffee prices and stresses the importance for developing countries to supply the world market with value-added products and move up along the value chain (Rugasira, 2014: 187). He goes on that by moving up along the value chain jobs can be created, information and knowledge will improve, entrepreneurs will be encouraged to start new business or make investments, tax revenues grow and more in general: overall wealth will be created (Rugasira, 2014: 187). Referring to the subtitle of this chapter Rugasira stresses the fact that farmers need to empower themselves in order to move out of the bottom of the value chain. The suggestion that Fairtrade, with its minimum price and social premium is a remedy for volatile and declining coffee prices is doubted by many alternative trading models who argue that the problem of poverty is much more than volatile and declining coffee prices (Valkila, Haaparanta, Niemi, 2012: 257). Value-adding activities in the coffee sector instead of initiatives based on sympathy is according to Rugasira and many others the most sustainable route to farmer empowerment and overall wealth (Rugasira, 2014: 186). Value-adding activities are the core of the Fairchain model, this will be discussed in the following parts of this chapter.

Value addition and how it works

Value-adding in the coffee sector at production level is according to Professor Kent Flemming whose research examined the coffee value chain on Hawaii, very important. Flemming argues that without a viable strategy, the production of coffee will not be sustainable in the long run (Flemming, 2005: 1). He explains that when coffee farmers tend to sell their beans (with or without) basic processing to middle men, although they receive much needed cash the price achieved is far below market levels. Though the farmer will be able to pay daily costs and pressing bills (s)he is not in a position to finance important investments needed to sustain his or hers coffee production business over the long run (Flemming, 2005: 2).

Value-adding activities can stretch as far as your imagination. Improving farmer techniques, stronger crop resistance, product quality, usage of fertilizers and pesticides, single origin coffee branding, attaining certification and the grading of beans are all value-adding activity examples in the coffee sector. Opening coffee farms for visitors is one of the many examples of ‘thinking out-side the box’ which can add tremendous value (Flemming, 2005:1).

For the sake of structure in this research value-adding activities will be divided into two groups: 1. Value-adding activities based on innovation and 2. Value-adding activities based on horizontal- and vertical integration (Coltrain, Barton, Boland, 2000: 5). Innovation refers to the improvement of existing processes, techniques, products and services creating better and new ways of production and can be implemented by every stakeholder within the value chain without changing his or hers position within (Coltrain, Barton, Boland, 2000: 5).

The accession to the several environmental and social certification schemes, such as Fairtrade,
Organic, Rainforest Alliance, UTZ and Bird-Friendly can also be regarded as important value-adding activities for all stakeholders involved in the coffee value chain* (Giovannucci, Liu, Bayers, 2008: 34). More recently value-adding by promoting the region of origin is also increasingly popular and gives countries and especially farmers the unique opportunity to utilize their particular geographical distinction.

Value addition through horizontal and vertical integration refers to the process of integrating different stages of the value chain (vertical integration) or grouping together individuals that are on the same level within the global value chain (horizontal integration) (Coltrain, Barton, Boland: 2000:5). An example of horizontal integration within the coffee value chain would be the creation of coffee cooperatives. When a coffee cooperative decides to buy a processing plant, value is added through vertical integration. Value-adding activities by means of vertical integration that has taken place in the production country has been an important driver for the rapid trade growth and economic successes in East Asian countries, North America and Europe (Hoekman, 2013: 22).

Although there are some initiatives, large-scale value-adding through vertical integration in the coffee sector has not yet commenced in both African and most of South American countries (Hoekman, 2013: 22). Opposed to many coffee producing countries in Africa, Brazil was able to increase value-adding activities in the coffee sector through vertical integration (Grynberg, 2013). Brazil became the largest exporter of instant coffee due to successful government measures during the 1960s and 1970s (Grynberg, 2013).

By increasing export tariffs for unprocessed coffee the Brazil government encouraged domestic coffee processing and made it very difficult for Northern American and European producers to compete with the Brazilian counterparts (Grynberg, 2013).

In Rwanda the government actively liberalized the coffee sector removing trade barriers, building washing stations to improve quality and imposed laws that guaranteed high quality coffee cherries (Boudreaux, 2010: 185). By means of Rwanda’s National Coffee Strategy the coffee quality increased and Rwanda succeeded in generating higher values for smallholder farmers (Boudreaux, 2010: 185). Next to producing specialty coffees, the Rwanda Coffee Development Authority (RCDA) even build, in cooperation with several NGOs a factory for roasting and packaging the coffee in order to add more value along the chain (Boudreaux, 2010: 192).

Meanwhile within Ethiopia (which because of its long established coffee drinking tradition has an advantage over other African countries), coffee roasting companies are growing rapidly and the coffee café culture is booming (Jeffrey, 2014). Kaldi’s coffee with its Starbucks look a like green and white logo for example has already 22 branches in Addis Ababa alone (Jeffrey, 2014). To.mo.ca set up in 1953 is another Ethiopian coffee roasting company that not only has five cafes but is also successfully exporting roasted coffee to the USA, Australia, Japan and Europe (Jeffrey, 2014). The S.A. Bagersh coffee company is another Ethiopian company trying to pave its way up the value chain by roasting and packaging their coffee locally. Under the label Tamara Coffee S.A. Bagersh is selling locally processed and roasted coffee in Ethiopian and beyond (Africa Progress Panel, 2014). The explosion of Ethiopian coffee cafes has probably to do with Ethiopian regulation preventing foreigners and hereby-global firms from opening their cafes within Ethiopia (Jefferey, 2014). Besides Ethiopia has a constantly growing domestic coffee consumption (Jefferey, 2014). On top of this since 2008 Ethiopia is proudly owner of a commodity exchange market. Through the Ethiopian Commodity Exchange (ECX) commodities including coffee are traded increasing transparency, traceability and reliability for both seller and buyer (Ethiopian

* In chapter two an example is mentioned that retailers benefit relatively more from the certification than the producers who are responsible for the initial costs (p 33-36).
Commodity Exchange, 2016). All coffee within Ethiopia should be traded via the ECX, in this way farmers are protected through guaranteed payment and buyers can count on guaranteed quality and delivery (Ethiopian Commodity Exchange, 2016).

Therefore it is important to note that although the value-adding possibilities within the coffee chain are endless, small-scale coffee farmers and other stakeholders are faced with enormous challenges when engaging in value-adding activities. In addition unfortunately every stakeholder who tries to add value within the production country can suffer from the following problems, the organization of the coffee value chain in which multinationals have a dominant say, macro-economic instability in the production countries, tough competition in consumption countries and many other problems increasing the difficulties faced by local entrepreneurs. In the following part these challenges are further discussed.

Challenges
These above mentioned examples show that through strong entrepreneurship and proper government policies, value-adding activities can be very successful. Furthermore these examples show that value-adding activities are already on the agenda of many coffee-producing countries and companies. However there are still many challenges that obstruct this from happening anywhere. In this sector of the chapter the challenges of value-adding within the coffee sector will be described and analysed.

Jacob Chege (2012) of the Kenya Institute for Public Policy Research and Analysis investigated whether the successful value addition in Kenya’s cut flower industry could be applied to the Kenyan coffee sector. By comparing both sectors, Chege analysed the differences and challenges especially for farmers in both sectors (Chege, 2012: 2). The cut flower sector is, despite its relatively young existence in Kenya, one of the top foreign exchange earners in Kenya, with farmers operating in almost all stages of the cut flower value chain (Chege, 2012: 2). By increasing farmers participation and ownership within the value chain farmers will be empowered so they can move up along the value chain. Chege addresses the following challenges for the Kenyan coffee sector to inhibit the increase value-adding activities. Poor national governance structures and inefficiencies within coffee cooperatives resulting in delays, mismanagement and corruption. Decreased usage of fertilizers and pesticides (due to high costs) resulting in low quality cherries. Information asymmetry for farmers on the coffee markets leading to unequal trade relationships. The practice of annual payments to farmers aggravating difficulties with necessary periodical payments and long-term investments which are needed to uphold sustainable farming. Finally overregulation and a lack of encouraging macroeconomic policies in the coffee sector that can discourage international investments or encourage domestic business (Chege, 2012: 32).

In addition to these formidable challenges, Chege (2012:2) highlights three specific challenges responsible for the exclusion of small-scale coffee farmers from most parts of the value chain, these are: 1. Excessive government regulation resulting in a tied role for farmers discourage them from moving up along the value chain and operating in different stages of the value chain, 2. Dominant multinationals ruling the entire coffee value chain enforcing a top-down approach and 3. Information asymmetry leading to unfair trade relations.

The above mentioned challenges, although specifically described and investigated within the context of Kenya give an indication of the challenges faced by other coffee producing countries. In Rwanda for example, many cooperatives face a lack of good management, poor organization, insufficient knowledge distribution among its members and overregulation (Boudreaux, 2010: 194).

Another important issue within Rwanda, not addressed by Chege is the inadequate infrastructure which makes it difficult for farmers to transport their cherries to the washing stations or for the processed cherries to reach their buyers, creating quality concerns and
possibilities for middle men to fill the gaps (Boudreaux, 2010: 194).


Without a stable business climate it is very difficult to attract investments needed to move up along the value chain. So, a lack of capital is not only a problem for small-scale farmers who need to keep making investments to uphold quality, by for example planting new trees or buying fertilizers. Reliable access to credit also affects local entrepreneurs and can harm SMEs within the production countries. Capital investments like the building of washing stations and other coffee processing plant such as roasting machines requires large investments and a long term commitment of companies (United Nations, 2011: 15).

Furthermore many developing countries lack the existence of a tradition of SMEs and large-scale enterprises with effective management, a broad understanding of global value chains and with that the experience of participating successful in international business (United Nations, 2011: 15). Andrew Rugasira an Ugandan business man who started the coffee company ‘Good African Coffee’ with the intention to become one of the first entirely African owned coffee companies selling their coffee in European supermarkets has faced many of these problems. In his book ‘A Good African Story: How a Small Company built a Global Coffee Brand’ he describes the struggles he needed to overcome to find its way to the European market and build a successful business in Uganda (Rugasira, 2013: 191). These included, among others, a lack of trust from European or American buyers and therefore a decrease of market access and the need to work together with European and American counterparts. Another important issue pointed out by Nico Smid, Programme Director of the Dutch Centre for Promotion of Imports from Developing countries (CBI) is the lack of knowledge concerning quality standards and health requirements for coffee export to consuming countries (appendix 3). Apart from the high quality standards demanded by western consumers, European regulation requires food and safety controls for all food processors, including coffee producers and exporters (The Coffee Guide, 2016). These food and safety controls must be documented in a Hazard Analysis Critical Control Points (HACCP) document, which can be very difficult for developing coffee producers (Appendix 3) (The Coffee Guide, 2016).

Common difficulties such as inadequate power supplies, high interest rates, insufficient knowledge concerning consumer demands, absence of skilled-labour, an unstable political climate, lack of stimulating macroeconomic policies, non-tariff barriers, lack of trust and many other challenges obstruct the ease of doing business in general and undermine the successful implementation of value-adding activities especially through vertical integration (United Nations, 2011: 15).

These above mentioned challenges give an indication of how complicated and intertwined the problems in many coffee producing countries are, and how these obstacles can inhibit the process of farmers empowerment. Nor does the current organization of the coffee value chain in which multinationals have a dominant role help to increase vertical value-adding activities from the bottom up. This means it is very complicated to provide successful strategies contributing to horizontal and vertical integrated value-adding activities within a country that does not meet these basic requirements.

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1 The ‘Ease of doing business index’ ranks countries on the base of their business climate. A high ranking means that there is a relatively a good regulatory environment for business (World Bank, 2015).
Direct Trade

Direct Trade is among the best-known alternative trading models used by many coffee companies in the USA and Europe. With the growing demand of high quality coffee and the emergence of consumer awareness towards social and sustainable practices it is in the company’s best interest to directly engage with farmers making sure quality demands are being met by building sustainable and long term relationships (Macatonia, 2013). Direct trade is pursued by companies with often a high regard for sustainability and social awareness and is therefore distinct from other certification schemes. Through the Direct Trade model activities such as improving the quality and improving best farmers practices can be considered to be the most important means of value-adding by these companies. Horizontal and vertical value-adding activities are to a lesser extent implemented and most value-adding strategies within Direct Trade focused on innovative activities including quality enhancements and origin promotion.

In most cases prices are directly negotiated between farmers or cooperatives and buyers and are based on quality and do not reflect conventional world market prices. This model requires no additional certification costs (Macatonia, 2013). According to Steven Macatonia, one of the founders of Union Hand Roasted based in the UK, the model offers incentives for farmers to apply best practices and increase the crop’s quality and improve their knowledge and farming skills leading to increased quality and better prices. Furthermore because of the company’s commitment and investment in long-term relationship, communities’ needs are better and earlier identified. This in turn makes it easier to invest money in projects that the community really needs, strengthening commitment and involvement of both parties (Macatonia, 2013).

Many companies pursuing Direct Trade, believe that through maintaining close working relations with cooperatives, farmers and many others involved in the coffee value chain, superior quality is best achieved and with that giving farmers the possibility to empower themselves by gaining more control and ownership of the value chain from the bottom up (Nordic Approach, 2015).

However like Fairtrade, Direct Trade is definitely not without its flaws and does not offer a solution to the challenges as described in the previous part of this chapter. To name a few: there is no official definition of Direct Trade. This can result in a lack of clarity and miss usage of the term (Macatonia, 2013). Many companies hold different interpretations, which blur the entire meaning of the concept. Furthermore with Direct Trade the commitment of the company towards the farmers needs to be enormous which makes the procedures very costly (Macatonia, 2013). Therefore it is very difficult to upscale this form of trade.

Most companies who pursue Direct Trade are very small and operate in the niche of the market, therefore the impact is limited. On top of that is the fact that Direct Trade is a private and voluntarily based initiative without any rules or regulation or third party monitoring systems that controls the companies compliance with their own objectives. This makes it very difficult for consumers to verify whether a company really does what it says and what price it pays for the coffee. So without proper transparency and agreed structures for pricing and so forth Direct Trade leaves room for suspicion and risks a lack of trust with consumers.

The Fairchain model

Another alternative trading model is the Fairchain concept as developed by the Moyee coffee company. The Fairchain model focuses on inequalities throughout the entire coffee value chain as opposed to Fairtrade who focuses especially on the empowerment of small-scale farmers. Value adding activities through vertical integration are at the core of the Fairchain model (Moyee Coffee, 2015). One of the founders of Moyee, Guido van Staveren van Dijk was appalled by the unfair revenue distribution of the coffee value chain and believes that the revenue division between producing and consuming countries should be 50/50 (Nudge, 2015).
This led to the idea to ‘radically’ rethink the entire coffee value chain and start roasting and packing the coffee beans in the country of origin: Ethiopia (Nudge, 2015). The roasting and the packaging of the beans is where the bulk of the value is added. By roasting the beans in Ethiopia instead of in the consuming country, the added value stays in the country itself generating more income for farmers, local roasters and everybody else along the coffee value chain (Moyee, 2015).

At the same time Fairchain hopes to decrease Ethiopia’s dependency on foreign aid (which is also the initial core objective of Fairtrade) by focussing on the creation of an Ethiopian economy based on production, industrialization and the growth of SMEs. Relocating stages of the production processes from the consuming countries to the producing countries, Fairchain tries to alter the current organization of the coffee chain and promote long term economic development by increasing employment opportunities, investments and knowledge transfers (Appendix 1). However Moyee is not quit yet there.

Currently Moyee coffee is divided between an Ethiopian and Dutch division. Moyee Ethiopia is responsible for the supply of high quality coffee beans and the roasting and packaging of the beans in Ethiopia (Moyee Ethiopia, 2015). The ownership of the roasting company in Addis Ababa is divided between Ethiopian investors (42 percent) and Dutch investors (58 percent) (Appendix 1). To guarantee the supply of high quality beans on the long term, some of Moyee’s investors recently became owner of a coffee farm, the Tega Tula. At the Tega Tula farm they aim at the production of organic and high quality beans (Moyee Ethiopia, 2015)(Appendix 1). The Tega Tula farm should set an example using the best farming techniques, for neighbouring coffee producing communities and should also play a role in the development of these communities (Appendix 1). Last year (2015) only a small portion of Moyee’s coffee was purchased from the Tega Tula farm so it is therefore a project still in development.

Moyee Ethiopia is also in charge of the Ethiopian sales of Moyee coffee. For many years as the world’s best coffee producing country Ethiopia relied for domestic coffee consumption on inferior imports (Moyee Ethiopia, 2015). Now Moyee coffee, in line with the many Ethiopian coffee cafes such as Kaldi’s and To.mo.ca intends to reverse this process and make high quality coffee available for Ethiopian consumers too. Moyee’s intention is to buy its coffee beans directly from farmers or their own farm with as little intervention of middlemen as possible (Appendix 1). Unfortunately this is not (yet) possible because all coffee needs be bought at the Ethiopian Commodity Exchange (ECX) which makes it almost impossible to trace which farmer produced which parcel of beans (appendix 1).

Moyee’s coffee comes from the Kaffa region in Ethiopia. The Kaffa region is considered to be the birthplace of coffee and is known for its excellent quality and taste due to its enormous variety of indigenous coffee arabica (Fairchain Foundation, 2014).

Producing high quality coffee for a lower price than other speciality coffee makers is another important objective for Moyee coffee and tries to reach this by spending less on marketing than other high quality coffee companies and more on quality improvements. High quality is guaranteed by only using organic, shade grown, handpicked coffee beans and through slow-roasting (Fairchain, 2015). Moyee does not have any certifications; first because de coffee production in Ethiopia is in fact organic and second certification is very expensive and Moyee prefers to invest this money differently (appendix 1). However without certifications Moyee cannot be distributed in shops where they exclusively sell products, which are certified (Appendix 2). Fairchain states that the company pays its farmers 20 percent premium above the conventional coffee price (Fairchain Foundation, 2014). However the previous example showed that through the structure of the ECX it is impossible to trace the farmers. A portion of the profits of Moyee is spend on community development projects (Moyee Ethiopia, 2015). Their current project is the building of an elementary school in the Sambo Woreda Area (Moyee Ethiopia, 2015).
Figure 3 shows the value chain of Moyee in Ethiopia (blue lines). Currently Moyee is present in almost every step of the value chain through vertical integration, from farming at the Tega Tula farm to door delivery at the consumers end. The vulnerability of this construction is that Moyee when predominantly in the hands of non-Ethiopians the profits will flow right out of the country undermining the principles of Fairchain. In the future Moyee would like to see Ethiopian SMEs taking over the roles Moyee is currently filling.

Although Moyee has some very good intentions, the Fairchain model is not yet in full practice and is faced with many challenges. For example due to capacity problems currently only a fraction of the coffee of Moyee coffee is roasted and packed in Ethiopia. Besides the ECX and the Ethiopian regulation increases Moyee’s difficulties. This shows that the Fairchain model is still under development and constantly changing by improving their ideas and learning from their mistakes. On the long run the Fairchain model aims to be applicable to value chains of other commodities such as cacao and tea as well. In the following part of this chapter the main challenges Fairchain faces are discussed. Fairchain is a fickle research subject, nevertheless it is an interesting model worth looking into.
Figure 3 Simplified value chain of coffee production in Ethiopia. The blue lines indicate Moyee’s presence and ownership within the value chain. This figure shows that Direct Trade and Fairchain is only achievable to some extent due to Ethiopian regulation and the ECX.
Produced in the country of origin

Omar Bagersh co-owner of the Ethiopian coffee company S.A. Bagersh argues that there is a general belief that coffee producing countries are not capable of roasting and industrialize the coffee sector by adding value to the product and are therefore condemned to the export of raw and unprocessed coffee beans leaving many coffee producing countries in a state of under development (Africa Progress Panel, 2014). Today the coffee company S.A. Bagersh includes farming, roasting and packaging and is exporting mostly to the Middle East and Africa and proves that it can happen.

As already mentioned in the previous part of this chapter: Moyee coffee is not the only company that applies the principles of value adding in the country of origin in its business model. Besides the Ethiopian coffee companies To.mo.ca and Tamara coffee there are other coffee companies trying to add as much value in the production country as they can by roasting and packaging the coffee in the country of origin.

Azahar Coffee for example is an American-Colombian owed coffee company which is also roasting the beans locally trying to add as much value as it can in Colombia (Azahar Coffee, 2016). Another coffee company which is roasting and packages all of its coffee beans in the country of origin is the coffee company called Ecoffee which is an Ecuadorian owned and Ecuadorian based coffee company which sells its coffee all around the world (Amigos International, 2015). Unfortunately after ten years of selling and distributing the coffee throughout Europe, for this year they stopped selling the coffee in Europe due to various problems and challenges (appendix 2). According to Jeroen Kruft from International Amigos, the company that distributed and marketed Ecoffee for 10 years in Europe problems concerning the distance, the scale, divergent quality demands and the saturated European market where to difficult to overcome and eventually led to the end of European distribution for Ecoffee (appendix 2). Ecoffee still exists and enjoys a fair amount of popularity in Ecuador. The approach taking on by International Amigos was very different from the Fairchain model. The most important difference is that International Amigos worked together with already existing local entrepreneurs and SMEs, in comparison to Moyee they did not vertically integrate the value chain (Appendix 2) but made use of the services of existing companies. According to Jeroen Kruft this approach regularly led to a discrepancy between the quality of the products and consumer demands (Appendix 2). Although the approach taken on by International Amigos can be regarded as 100 procent produced in the country of origin it generates problems that Moyee has not (yet) suffered from.

In addition to these two companies there is a certification programme called 100% PICO (Produced in Country of Origin) developed by Amigos International as well that certifies products that are produced in the country of origin and when producers comply to a set of standards that includes among others organic farming, no child labour and a minimum price based on Fairtrade standards (Amigos International, 2015). Though there are very few products 100% PICO certified and only two companies that are selling 100% PICO certified goods. Nevertheless 100% PICO has possibly given other alternatives such as Moyee’s Fairchain a positive impulse. For example the CBI has started an initiative that supports Colombian entrepreneurs with the export of roasted and packaged coffees (Appendix 3). There aim is to support Colombian specialty coffee exporters with entering the European market finding the right distribution partners and providing them with sufficient information concerning EU rules and regulation (Appendix 3)(CBI, 2016). As a marketing tool the CBI wants to use certification that shows that the products are produced in the country of origin (Appendix 3).

Fairchain and its Challenges

Value-adding through local roasting and packaging is the key strategy of the Fairchain model. Although this seems a very noble and simple suggestion and value adding activities can be responsible for economic growth and recovery, value-adding through roasting the coffee
beans in the country of origin is a difficult process and includes many obstacles. Besides the challenges already described in this chapter and the problems Escoffee faced, Fairchain encounters other challenges specific for Ethiopia and for their activities. To what extent Fairchain can overcome these problems, is from great importance for the eventual outcome of this research. Therefore in this part the most mentioned pitfalls of roasting and packaging the coffee beans in their home country are described.

**The blending process:** Most coffees bought in supermarkets are blended. This means that different beans from various regions are combined into one preferable mix giving a distinct aroma and flavour profile which can be maintained and recognized by customers (for example Douwe Egberts Aroma Rood) (The Coffee Guide, 2015).

Next to achieving consistent flavour and aroma, the big multinationals tend to blend coffees for economic reasons. Inferior and cheap coffee can serve as filling in blends, which result in higher profits for the company (Lindsey, 2004: 5). Furthermore the blending process decreases the dependence on one supplier increasing the flexibility of the coffee company on one hand but decreasing the farmer’s security for the future making it difficult to plan investments (The Guardian, 2005). For large mainstream coffee multinationals local roasting would turn out to be a logistic and costly nightmare taken into account the inadequate infrastructure in many coffee producing countries and a duplicate investment in expensive roasting equipment (Grynberg, 2013). Furthermore the majority of the coffee drinkers are used to the flavour of the blends and might not like single origin coffees Moyee is offering. In contrast to these large roasters there are many speciality coffee roasters that prefer to emphasize on the quality and the distinct taste of single origin coffees. But although there is a growing demand for high quality coffees with an extraordinary taste, the market for these is still relatively small. Because of its regional commitment Moyee is among those companies operating at the niche end of the market. However to grow Moyee has expressed its wish to sell a coffee blend using inferior and cheaper coffees produced in other African countries. This blend should be accessible to more customers expected to lead to higher sales and economic benefits through flexible sourcing (Appendix 1). Moyee would face the same problems described above which are difficult to overcome within the framework of the Fairchain model. Roasting in the country of origin will be increasingly difficult because of logistical and financial problems. Additionally Ethiopian regulation prohibits the roasting of foreign beans in Ethiopia (Appendix 1). Besides it is not favourable to blend the coffee beans after they are roasted. When Moyee wants to grow out of the niche they are in right now, they need to make concessions on the Fairchain model.

**The ‘short-shelf life of coffee’ and the problem of scale:** A second often used argument in favour of roasting the coffee beans in the consuming country as opposed to the producing country is that according to experts coffee has a short shelf life, meaning that there is a high difference in taste between fresh coffee (consumed within two to three weeks after roasting) and older coffees (Schwaner-Albright, 2008). Many specialty coffee roasters make it their mission to sell their coffee within at most two months after roasting (Bluebottlecoffee, 2015). Therefore specialty coffee shops tend to roast their coffee in store to guarantee freshness. High quality roasted coffee is very prone to infrastructural risks such as transport or bureaucratic delays. Roasted coffee should preferably be transported via airfreight, which is faster but more expensive and environmentally harming. Furthermore the quantity transported by Moyee is still very low which makes it transportation extra valuable. However for many multinationals these quality and quantity concerns do not apply because coffee of inferior quality is less prone to quality deteriorations. Therefore the risks of delays would be smaller in compared to specialty roasters such as Moyee. Moyee’s coffee is partly sold on the Ethiopian market helping to lessen the problem of the ‘short-shelf life’. But for coffee roasted
in Ethiopia to be sold in the Netherlands it can be considered a real threat to quality. In the future when Moyee starts to sell a blend with beans of inferior quality to reduce the price, the ‘shelf life’ could be extended because of the notion that their targeted customers probably do not taste the difference between freshly roasted coffee and roasted coffee older than a few months (Appendix 2). Another way to extent the shelf life of coffee is obtaining high-end packaging material and applying new techniques but this is very costly and may not be at hand for many (poorer) coffee-producing countries. Because Moyee is still partly roasting its coffee beans in the Netherlands it can bypass this problem (appendix 1). However when Moyee wants to start producing 100 procent Fairchain coffee the scale of production and the quality concerns can be a real threat especially when competing with large and already established coffee companies.

**Import duties and European quality standards:** In many countries processed coffee is imposed more heavily with import duties than unprocessed green coffee beans, this process is also known as tariff escalation (ICO, 2015:3). By imposing high import tariffs on processed coffee, value-adding activities in the producing countries are discouraged and domestic markets of the consuming countries are protected (ICO, 2011: 3). Many coffee exporting countries including Brazil, Vietnam, Indonesia and Congo are burdened with high tariffs (ICO, 2011: 5). However many developing countries fall under the EUs generalised scheme of preferences (GSP) which realises reductions or exemption from import duties altogether when importing to the EU (European Commission, 2015). For example both green- and processed coffee from Ethiopia is exempt from import duties when entering the EU (European Commission, 2015). This is favourable for Moyee but is limiting for similar initiatives operating in countries not favoured.

Another issue are informal and formal quality standards such as the HACCP already discussed earlier in this chapter (Appendix 2). In developing countries quality standards are often not as developed as the European quality standards. Especially in a saturated coffee market, as is the case in the Netherlands, the quality needs to be very high (Appendix 2)(Appendix 3). This may result in discrepancies between the producing and the consuming country. In the experience of Jeroen Kruft who works for Amigos International there was a general lack of understanding between the exporters and consumers, which resulted in many, complains. According to Jeroen Kruft this problem could be solved with the help of extra quality controls done by people with the right experience and knowledge of the European customer demands. Local control and knowledge of both the practices in the production country as consumers’ demands are very important to guarantee the quality of the product. Moyee Ethiopia is a joint venture between Ethiopians and Dutch. It can be assumed that these problems will be easier to overcome assuming that control and understanding between both parties is established.

**Accountability:** Fairchain faces the same difficulties as Direct Trade concerning accountability. How do customers know that through Fairchain farmers are paid 20 percent more than through conventional trade? Or how does Moyee know that the price they pay to the cooperatives is divided equally among the farmers? Accountability towards consumers is very important as they not only buy a physical product but also a promise of a socially responsible product which gives them the ethical responsibility to use honest communication. In chapter two it was shown that Fairtrade also suffered from accountability problems. Taken into account that Fairtrade is controlled by a third party auditing organization, accountability for private initiatives can be considered as a serious problem.

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1 Tariff escalation can be explained as the rise in import tariffs for processed materials. The more a raw material is processed the higher the import tariffs (ICO, 2011:3).
Besides judging from the terminology used on Moyee’s website it can be reduced that they are the first company selling ‘Fairchain’ coffee. However taking the other Ethiopian initiatives and the other coffee companies from South-America who also roast and package the coffee in the country of origin, this statement of Moyee can be interpreted as misleading and false. Already it seems that Moyee fails to provide accountability because of the discrepancies between their marketing machine and the practice. Moyee is still developing its model and starting up as a business. Their current priority is to gain market access and grow sufficiently so that they have strong enough basis to implement the Fairchain model further (Appendix 1). Moyee acknowledges these problems and is currently developing a social impact report pointing out that they are on the ‘road to Fairchain’ and are not quit there yet (Appendix 1).

**Rules and regulations: The Ethiopian Commodity Exchange market (ECX):** The ECX is an Ethiopian commodity exchange market set up in 2008. The objective of the ECX is to bring all stakeholders of the coffee chain together in one market place and among others to reduce transaction cost, improve market information, solve the lack of grades and standards and to improve the market coordination between buyers and sellers (Alemu, Meijerink, 2010: 5). Through the EXC quality, quantity, next day payments and delivery will be guaranteed creating liability and a transparent trade framework (Everitt, 2012). This form of market exchange is a revolution for Africa and can eliminate lots of financial and logistical worries at both farmer and buyer side. The ECX can therefore be regarded as an institution protecting the interests of farmers and buyers by generating more transparency and liability.

It is desired that all coffee is bought via an exporter with a membership of the EXC and holds the Ethiopian nationality, only a few large cooperations together with private estates are allowed to bypass the EXC (after extensive quality controls and when they posses their own export license) and can sell directly to the buyers (United Nations Development Programme, 2012: 4). Furthermore the export of green coffee beans is exclusively reserved for Ethiopians (Boot, 2012: 19). When the coffee reaches the EXC beans are classified by region and quality leaving out the farmers identity. It is therefore impossible for Moyee to pay their farmers the 20 percent premium as promised. In theory this seems very promising for the creation of a more efficient value chain in which transparency is a key objective (Alemu, Meijerink, 2010: 5). However the ECX forces (specialty) buyers and sellers to sell and purchase the coffee via the EXC and breaks up the relationship and transparency between farmer and buyer. Which makes specialty coffee importers and Direct Traders take their business somewhere else. For Moyee this means that it can only roast beans in Ethiopia, which are bought on the ECX and not directly from small-scale farmers (Appendix 1). This implies that Moyee cannot not pay farmers the 20 percent premium as promised and has no direct relations with the farmers as was stated on their website.

Because of this obstacle Moyee also buys its coffee from the Tega Tula estate, which is owned by investors of Moyee. Through this construction Moyee can pay its farmers the 20 percent premium however in this case the beans cannot be roasted in Ethiopia and have to be roasted in the Netherlands due to Ethiopian regulation (Appendix 1). The framework of the ECX and the Ethiopian regulations protecting domestic traders make it almost impossible to operate according the Fairchain principles. Without special permits and waivers, these problems require concessions on the Fairchain model as developed by Moyee. The blue lines in figure 3 show the two ways in which Moyee operates on the Ethiopian market.

This last challenges is country specific and can be very different in other coffee producing countries. Nevertheless it is important to note that government rules and regulation although often with the same goals (economic development) can work counter productive. This may result in alterations and adjustments on Fairchain’s objectives. It seems that Moyee and its Fairchain model are faced by lots of challenges. Some are easier to overcome than others.
Notably is the challenge created by a lack of knowledge concerning consumer demands and European quality standards which seems to be less of a problem for Moyee than it was for Escoffee.

**Fairchain and empowerment**

To find out whether the Moyee coffee Fairchain model can serve as a viable alternative to Fairtrade, besides analysing the main challenges to the Fairchain model, the model will be evaluated against a set of criteria based on the empowerment of small-scale farmers and the main objectives of Fairtrade. Fairchain and Fairtrade have different methods to achieve a common goal: to change for the better the livelihoods of stakeholders at the bottom of the coffee value chain. The main difference between Fairchain and Fairtrade is that Fairchain focuses on improvements throughout the entire value chain and especially on shifting the production process of the roasting and packaging of the coffee beans towards the country of origin. There are many different definitions of empowerment and there are even more examples of empowerment strategies. However according to a study by the World Bank on empowerment, most definitions concentrate on the ability ‘to gain power and control over decisions and resources that determine the quality of one’s life’ (World Bank, 2002: 10).

Empowerment is a general concept and can be political, social and economic (World Bank, 2002: 10). Because this research is focussed on the coffee value chain the following definition for farmer empowerment is developed: ‘a process that increases both capabilities and assets of smallholder farmers and cooperatives through acting collectively or individually, resulting in the ability to influence institutional decisions towards desired actions and outcomes leading to improved quality of one’s life’ (Abdolmaleky, 2012: 1417) (World Bank, 2002: 10).

Furthermore it is important to note that in this particular research empowerment of small-scale farmers equals attaining a stronger position of farmers within the global coffee value chain. The definition is based on both empowerment strategies of the World Bank and other empowerment strategies. The definition emphasizes on the necessity to increase the farmers material as intellectual abilities which are important to increase their overall wealth and a stronger position in the value chain.

Based on an intensive study of many different empowerment strategies imposed by governments, civil society and the private sector, the World Bank has found four key elements that are most likely to be part of any successful empowerment strategy based on economic, political and social empowerment. Therefore these factors play a key role in the criteria used in this research (World Bank, 2002: 14).

These four key elements are:

1. Access to information: knowledge is power, and without the right information or education it is very difficult for small-scale farmers or any other marginalised group, to take effective action and to empower one selves.
2. Inclusion and participation: the impact farmers can have on the decision making processes affecting them daily and the ability of farmers themselves to impact the decision making processes.
3. Accountability: the extent to which farmers can hold decision makers accountable for the policies that affect them.
4. Local organizational capacity: the ability of farmers to organize themselves successfully and achieve collective action (World Bank, 2002: 14).

It is important to note that these four factors are mainly focussed on social and political empowerment and are to a lesser extent applicable to the economic empowerment of small-scale farmers. The criteria adopted here to examine Fairchain are derived from the four factors the World Bank described and the previous findings of this research.

The criteria include:

1. The ability of Fairchain to increase the farmers capabilities and assets.
2. The ability of Fairchain to improve farmers organizational capabilities.
3. The transparency and accountability of Fairchain.

The above-mentioned factors have a strong correlation with each other and can enhance each other’s success. Besides these factors can be used to test the effectiveness of other alternative trading models as well. In the following section the criteria are further explained in relevance to Fairchain.

**Increasing capabilities and assets**

This is one of the most important factors when enhancing the empowerment of small-scale farmers. Higher efficiency and productivity are necessary in order to move up along the coffee value chain and engage in innovative and horizontal and vertical integrated value-adding activities. Human capabilities such as agronomical skills, easy access to market information and physical assets such as land, capital and workers are very important for small-scale farmers to enhance their productivity and efficiency. This can be done through the organization of cooperatives, training and education.

In common with Fairchain, Fairtrade seeks to promote knowledge accumulation concerning agronomical practices increases crop quality. Access to capital increases the quality of the crop by means of better equipment and the usage of fertilizers. Enhancing farmer’s capabilities and assets can easily result in higher productivity and knowledge about the market and unfamiliar agricultural practices (organic cultivation for instance). These aims all play their role in Fairtrade’s main objectives. By imposing a minimum price and a social premium, Fairtrade aims at increasing the physical assets of small-scale farmers. Furthermore, by providing agricultural training and encouraging cooperation between farmers, farmer’s capabilities in the form of agricultural capabilities are increased. Fairchain tries to increase farmer’s capabilities and assets by focusing on quality and by paying farmers 20 percent more than conventional traders. Quality improvements are according to Direct Traders an important aspect of empowerment. Through the production of higher quality coffee, farmers are able to empower themselves by gaining a better negotiation position (Macatonia, 2013). In the previous part of this chapter it was established that the structure of the ECX made it impossible to establish a direct relation between farmer and buyer. The Tega Tula estate will according to Moyee act as a model farm for neighbouring communities setting an example by using the best farming techniques and providing training (Appendix 1).

Often there is a lack of information concerning the consumption country and vice versa. Fairchain tries to decrease information asymmetry through its Ethiopian partnership and the broad collaboration between Ethiopia and Dutch partners. Furthermore, the Fairchain model aims at spreading knowledge, information and expertise concerning the roasting and packaging of the beans in Ethiopia through moving this process there. In turn, this has created employment opportunities and invested capital in the roasting equipment, thus generating capital accumulation along the entire value chain. Resulting from the above, it can be concluded that Fairchain does not only focus on the stakeholders at the bottom of the value chain: the farmers but has developed an approach which tries to increase value for all stakeholders of the value chain in the country of origin. However, Fairchain has not yet commenced those activities due to a lack of capacity or due to regulatory constraints.

**Improvement of farmers organizations**

The ability to successful organize and work together in order to establish successful collective action reaching a common goal, increases the possibilities of the mobilization of necessary resources (World Bank: 2002:17). Many small-scale coffee farmers have organized themselves into large coffee cooperatives. These cooperatives create economies of scale and furthermore are more likely to be heard in their complaints and needs than unorganized individual farmers. Furthermore, it is more likely that they can implement stock increasing or quality improving policies. Mismanagement of cooperatives was considered to be one of the
many challenges of increasing value-adding activities. Therefore it is important to improve collaboration and management within cooperatives. Fairtrade exclusively works together with farmers who have organized themselves in a democratically ruled cooperative excluding individual small-scale farmers.

Moyee buys green beans from cooperatives, from the Tega Tula farm but mostly through the ECX. When buying green beans through the ECX it is difficult to trace the beans back to the farmer and cooperative. This makes it difficult to check to what extent Moyee contributes to the improvement of organizational abilities of the cooperative or the management capabilities of individual farmers.

**Transparency and accountability**

The ability to address and change unequal power relationship within institutions gives small-scale farmers the power to increase their economic position. Producer organizations are represented at the highest level within the board of Fairtrade meaning that in theory they could influence most of Fairtrade’s policies. However it is difficult to say to what extent they can influence the decisions of Fairtrade. Furthermore in the previous chapter it was made clear that some of the cooperatives that are Fairtrade certified themselves faced difficulties when it came to accountability and transparency. For Fairchain it is difficult to say whether they increase the opportunities for farmers to address unequal power relations. However through the roasting of the coffee beans in the country of origin, Fairchain is trying to change the current organization of the coffee value chain, and eradicate the inequality of revenue distribution within the chain and diminish the power of large multinationals. This could contribute to the empowerment of a whole country instead of only a group of producers.

Accountability and transparency is not only important for farmers and cooperatives but also for the organizations and companies themselves who need to be accountable and transparent to their customers. Although Moyee has proven to a very transparent organization their information on their website does not comply with their actions and their statements in interviews (Appendix 1).

Covered by the last pages of this chapter it is made clear that value-adding throughout the entire value chain is an interesting strategy for developing small-scale farmers empowerment, the development of SMEs and overall economic development. However the challenges are not to be underestimated. The three criteria developed especially for this research already give an indication to what extent the Fairchain model could increase the empowerment of small-scale farmers and together with an analysis of the challenges Fairchain faces, an idea can be formed concerning to what extent Fairchain can serve as a viable alternative to Fairtrade. It can be said that the Fairchain model has not yet proved itself as a successful strategy to empower small-scale farmers and has made a lot of concessions ‘on the road to Fairchain’ already. When looked at other alternatives promoting value adding at origin the few results are measured. It seems that these initiatives based on value adding through roasting and packaging the beans in the country of origin does not empower farmers apart from increasing their capabilities and assets so much as for example within the cut flower industry of Kenia as described by Chege (2012). This has partly to do with the fact that within the Fairchain model as described by Moyee, farmers do no play an outspoken role within the coffee value chain and do not specially benefit from the relocation of the roasting and packaging of the beans. In the following conclusion a more elaborate analysis will be given about the possibility of Fairchain as viable alternative to Fairtrade.
CONCLUSION

In the course of this research the story of your daily cup of coffee is described and analysed focussing on the coffee value chain and coffee certification organisations including among others Fairtrade and the alternative coffee trading model, Fairchain. By doing so this research has provided clarity regarding the coffee supply and value chain with an elaborate focus on value adding by relocating parts of the production process to the country of origin and its effects on the empowerment of small-scale farmers.

Besides a comprehensive overview of the coffee supply chain, chapter one also showed how the current and historical organization of the conventional coffee market has led to the unequal revenue division between the coffee producing countries in the global south and the consuming countries in the global north. Further, particular consideration is given to the collapse of the ICAs in the late 1980s which led to the ‘Coffee Crisis’ of 2001 that marked the beginning of social consumerism.

An examination of the current embedded imbalances in the global coffee market reveals the role of residual colonial heritage in many (and especially) African coffee producing countries. Furthermore, chapter one explained the rise of social initiatives, which emerged in order to diminish social injustices in the coffee industry and responding towards the growing demand for ‘socially responsible coffee’.

In the second chapter the most well-known certification scheme, Fairtrade, was extensively discussed. Fairtrade has been under a lot of criticism in recent years. The foundation of the discussion is based on the argument that the impact of Fairtrade in the form of generating awareness of the injustices in the coffee chain in the consuming countries has been disproportionate to the questionable impact of Fairtrade in meeting its core objectives.

This has partly to do with the fact that many Fairtrade impact studies were conducted right after the collapse of the ICAs, which resulted in obviously positive test results (Valkila, 2014: 480). It can therefore be concluded that there is a massive gap between what consumers think they contribute and what they actually contribute. In addition many of the current criticism on Fairtrade is in line with the growing emphasis towards trade as a development tool instead of aid.

Although Fairtrade offers advantages for small-scale farmers, based on the criticism of chapter two it can be stated that still too many (certified) small-scale coffee farmers are facing difficulties making ends meet.

In chapter three the alternative trading model Fairchain and Direct Trade (to a lesser extent) are described. Fairchain and Direct Trade can be regarded as models that emerged out of discontent with existing certification schemes including Fairtrade. Direct Trade focuses on the improvement of coffee quality and the shortening of the coffee chain as most important empowerment tool and is an integral part of Fairchain.

A significant feature of the alternative models and Fairtrade are value-adding activities in the producing countries. Fairchain wants to ‘radically change’ the coffee value chain aiming at more equal revenue distribution along the coffee value chain. By focussing on the ability of producing countries to empower themselves by participating actively in the coffee value chain, Fairchain hopes to achieve an equal revenue distribution between all actors along the value chain. Value-adding activities have proven to be very successful in increasing economic development in various countries. An outstanding example being Kenya where the government actively and successfully promoted value-adding activities in the cut flower sector. If Kenya can export such a delicate product as cut flowers, roasted coffee should not be such a big problem. Large investment, government encouragement and local entrepreneurship would be necessary for such an enormous undertaking to succeed.
However many coffee producing countries suffer from challenges which hamper the process of value-adding. Furthermore in relation to the roasting and packaging of coffee in particular there are specific challenges such as quality, logistical and knowledge concerns that complicate the activity of value-adding by roasting and packaging the coffee in the country of origin. In chapter three Fairchain is tested on three criteria based on the definition of empowerment for small-scale farmers. With the help of the research results of all chapters, this conclusion will offer an elaborated explanation concerning the main question of this research namely:

To what extent can alternative trade models such as for example the Fairchain model as developed by Moyee Coffee be regarded as a viable alternative for Fairtrade in the global coffee market?

In order to answer this question, the possibility of Fairchain reaching its set objective namely to ‘radically change’ the coffee value chain by roasting and packaging the coffee in Ethiopia is discussed by analysing both the three criteria as Fairchain’s main challenges as discussed in chapter three.

In chapter many challenges concerning value-adding activities within coffee producing countries were described. Subsequently four specific challenges were discussed related to the roasting and packaging the coffee in the producing country itself. These challenges are: the blending process, the short shelf life of coffee and the problem of scale, import duties and European quality standards, accountability and finally rules and regulations: the ECX. It was established that both the blending as the import duties were not the insurmountable challenge initially visualized. Unfortunately as Moyee aims at selling high quality coffee the short shelf life can be considered to be a real threat to the Fairchain model. Moyee not only focuses on the coffee markets in the global north but also tries to enhance the domestic consumption of Ethiopian coffee in Ethiopia itself. Through selling the locally roasted and packed coffee in Ethiopia many challenges such as the short shelf life of coffee, are bypassed and the dependency on import coffee will be reduced. This form of value-adding activities (based on domestic consumption) could reverse the colonial model of exporting raw materials and importing finished products (Rugasira, 2013: XXX). An ideal situation would be that these companies are driven by an Ethiopian force, instead of foreign businessmen. Therefore this is a very promising aspect of Fairchain and absent in Fairtrade’s main objectives and deserves more in depth research. Furthermore Moyee expressed its wish to sell coffee of an inferior quality to reach a wider public and create economic benefits for the company. By providing a cheaper blend on the one hand the problem of quality will be minimalized however on the other hand many Fairchain principles will not be enforceable. The challenge concerning accountability could in principle be easily resolved by giving full disclosure of the financial and ethical dealings. However Fairchain is built on the basis of a company and more specifically a start-up rather than an established NGO as is the case with Fairtrade. This means that they are in a position which often reacquires compromises on the Fairchain principles. Profits need to be made to keep business alive. The pressure to accept compromise and resulting in lower quality or less transparency are inescapable. In the case of private initiatives these problems arises more often keeping in mind that the company is a two-headed institution being at the same time the company and the ‘certification agency’ and therefore can not always act in the best interest of the certification agency (Dragusanu, Giovannucci, Nunn, 2014: 227). As is the case with Fairtrade the lack of accountability can lead to a gap between what consumers think they contribute and what they actually contribute. Also various local factors including corruption and political loyalty can bear heavily on the ideal of transparency. The last challenge regarding the rules and regulation of Ethiopia and the ECX can be very difficult to overcome and are compromising the Fairchain model. The Tega Tula
estate can offer to some extent a way to overcome these problems by offering a direct link to the farmers and their communities. What is surprising is that the lack of knowledge within the producing country concerning consumers demands and European quality standards that were according to both Jeroen Kruft and Nico Smid an enormous deal breaker, did not seem to be as an enormous challenge for Moyee (Appendices). This has probably to do with the extensive collaboration between the Dutch and Ethiopian parties (Appendix 1).

It seems that almost all of the above mentioned challenges compromise the Fairchain principles.

Second the ability of Fairchain to increase the empowerment of small-scale farmers was tested using the following three criteria:

1. The ability of Fairchain to increase the farmers capabilities and assets.
2. The ability of Fairchain to improve farmers organizational capabilities.
3. The transparency and accountability of Fairchain.

Looking at the first criteria: the ability of Fairchain to increase the farmers capabilities and assets it is evident that Fairchain could have positive effects on the empowerment of small-scale farmers due to the higher prices farmers receive at the Tega Tula estate and the contribution of Moyee towards community projects. Furthermore through Direct Trade knowledge and education concerning quality can increase both the capabilities and assets of farmers however the structure of ECX makes direct relations between farmer and buyer impossible within Ethiopia.

The Fairchain model is interesting because they not only focus on the enhanced capabilities and assets of small-scale farmers but on the empowerment of all stakeholders within the coffee value chain in the production country, this distinguishes Fairchain from other certification programmes. Furthermore by altering the coffee value chain through the relocation of the different processing stages to the producing countries (see figure 3), Fairchain (if applicable on a large scale) could change the current unequal organization of the global coffee market. Unfortunately Fairchain has not been in the position to execute the Fairchain model as described on their website therefore, conclusions on the ‘real’ impact of Fairchain can not be made yet.

Concerning the second criteria it is unclear whether Fairchain has positive effects on the organizational capacity of farmers. This has to do with the lack of transparency concerning the origin of the coffee beans due to the ECX.

The final criteria, which can also be regarded as one of the challenges namely the transparency and accountability of private initiatives provides an interesting insight. At present it is very difficult for consumers to verify to what extent Fairchain does what it says and complies with its own objectives. Currently there is a discrepancy between the information available on the Moyee - Fairchain website and their current operations. Therefore it is a very positive development that Moyee currently works on a social impact report explaining their progress ‘towards the road to Fairchain’. In addition it will be wise to create clear Fairchain objectives so consumers know what to expect when they buy the product.

Taking both the challenges and criteria and the lack of sufficient information available it is too early to conclude whether Fairchain or any other initiative wearing the label: produced in the country of origin, can serve as a viable alternative to Fairtrade. Keeping in mind that value-adding activities have led to economic development in other parts of the world, it can be said that Fairchain has a potential for effective change and so serves as an interesting starting point for further research, especially into the encouragement of domestic consumption in the producing country and developing substantial coffee sales via local SMEs. In addition although Fairtrade and Fairchain have the same development objectives: diminish dependency on foreign aid, their instruments to achieve this are very different. Moyee with the Fairchain model has expressed aspirations to improve the lives of farmers, but their main focus lies in
reality on the development of SMEs replacing large multinationals generating economic growth for the country as a whole. Apart from the possible spill over effects that effect the empowerment of small-scale farmers top down, this research cannot indicate a direct relation between the empowerment of small-scale farmers and value adding through the roasting and packaging of the coffee beans in the country of origin. In the Fairchain model farmers do not play a role in the roasting and packaging of the beans (as is the case with the cut flower sector in Kenya, in which farmers play a prominent role throughout the entire value chain) and are therefore excluded from the benefits this may bring along. However because of Moyee’s focus on high quality specialty coffee and through the Tega Tula estate they can improve the capabilities and assets of small-scale farmers via Direct Trade.

Moyee’s success depends on the ability of Fairchain to overcome the existing challenges as discussed in chapter three and enhance the empowerment of small-scale farmers. Using strong terminology such as ‘revolution’ and ‘radical change’ Moyee claims through its Fairchain model to affect the coffee chain substantially, however can they really be as effective as their strong terminology suggests? It remains to be seen if Moyee’s commitment to ‘radically change’ the coffee market is more than a smart marketing tool.

Today Moyee’s Coffee is only sold in specialty coffee stores and on the internet, besides only a small portion is roasted and packed in Ethiopia. By looking at the shelves of the supermarket alone you immediately see an overwhelming preference for conventional coffees with only a small portion reserved for certified brands. So to what extent are these social initiatives able to influence the global coffee market? Perhaps through collective action. Meanwhile, besides the criticism, Fairtrade is a dynamic organization constantly trying to improve its objectives (including current criticism) and is therefore not yet ready for replacement. In addition the focus of Fairtrade on the empowerment of small-scale farmers is much higher than of Fairchain. Fairtrade and Fairchain both bring something different to the table, this research shows that different circumstances ask for different approaches. This being said the Fairchain model could easily co-exist next to Fairtrade and both initiatives could even work together and complement each other as they both operate at different levels within the value chain.

The researched certification initiatives should bear in mind that the criticism following from Dambisa Moyo’s statements on the patronizing affects of development aid and being western biased could also be applied to Fairtrade, Fairchain and the other certification schemes mentioned in this study. Therefore this study suggests further research into how farmers themselves can improve their situation at the bottom of the value chain. Through supporting producer led initiatives such as the ‘Good African Coffee’ company, Tamara Coffee and To.mo.ca and by providing an entry to the market eliminating the information asymmetry between the consuming and producing countries.
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Documentaries

Appendix 1.

Interview with Moyee’s Impact Officer – Mark Kouw
Mark@moyeecoffee.com
12 januari 2016, Amsterdam
by Isabella Kropholler

‘Hartelijk dank dat u mij te woord wilt staan. Ten eerste wil ik vragen of u het goed vind als ik het gesprek opneem zodat ik het voor mijn onderzoek kan gebruiken?’

‘Natuurlijk geen probleem’

‘Dank u wel. Zal ik dan maar meteen beginnen?’

‘Wat zijn de bevindingen van jullie impact onderzoek tot nu toe en hoe hebben jullie dit onderzocht?’

‘We zijn eigenlijk nog heel jong. In 2012 opgericht en 2013 hebben we voor het eerst koffie verkocht. Wat we nu willen doen is een jaar verslag maken waarin we vooral vertellen wat we in 2015 hebben bereikt aan impact en hoe ver we al zijn gekomen met Fairchain. De focus ligt vooral op hoe dit gaat, het process. Het is belangrijk om het in cijfers uit te drukken maar het is vooral belangrijk om het verhaal te vertellen hoe we toewerken naar 100 procent Fairchain koffie wat dat is natuurlijk niet iets wat je in een keer bereikt. Een van de dingen in 2015 was dat de branderij is Addis Ababa werd gecertificeerd en dat de capaciteit werd uitgebreid. Dit is allemaal nodig om natuurlijk echt full pull in Ethiopië koffie te kunnen gaan branden.’

‘Wat is de impact op de van Fairchian op boeren en in hoeverre zijn deze er de afgelopen jaren op vooruit gegaan?’

‘We richten ons op verschillende aspecten van impact – economisch, sociaal en ecologisch. Deze drie categorieën belichten we in het rapport. Als eerste het economisch aspect bekijken we op macro niveau: hoeveel waarde voegen we toe aan de Ethiopisch economie, dit meten we door te kijken naar wat levert het Ethiopië op als we groene bonen exporteren en wat levert het Ethiopië op als we gebrande bonen exporteren. Dit is heel macro economisch en zegt natuurlijk helemaal niets over de impact op boeren maar meer over de impact in het algemeen en hoeveel toegevoegde waarde er in de Ethiopisch economie achterblijft.
Vervolgens kijken we naar het sociaal aspect en meten we inkomensniveaus op verschillende plekken binnen Ethiopië, zo kijken we naar de inkomens bij ons in de branderij in Addis Ababa en vergelijken we dat met andere soortgelijke bedrijven. Dit kun je ook voor de boeren doen. Dan kijken we bijvoorbeeld hoeveel geld er bij Illy en Douwe Egberts achterblijft bij de boeren en hoeveel bij ons. Dit is best wel ingewikkeld want ons impact rapport gaat natuurlijk over de hele keten, van koffieplantage tot de voordeur van de klant. Maar het is best wel moeilijk om die boeren echt te leren kennen.
‘De ECX is een van de problemen waarom wij onze boeren niet kunnen kennen soms. Een manier waarop wij onze bonen ‘sourcen’ is via de ECX en die branden we dan in onze eigen branderij in Addis Ababa. Dan hebben we wel koffie gebraaid in Ethiopië en hebben we onze economische impact behaald alleen onze sociale impact, zoals onze Fairchain premie hebben we niet uit kunnen betalen. Bij de ECX houden ze wel de regio bij en op basis daarvan kunnen we een sociaal project opzetten zodat het geld uiteindelijk wel de regio versterkt . Het idee van de Fairchain premie was om letterlijk de boeren, de small-holder 20 procent extra te kunnen betalen. Dat lukt in dit geval helaas niet.’

‘In een ander geval zitten we dichter aan het begin van de keten en kopen we direct bij kleine boeren of via een tussenhandelaar koffie bonen in. Maar in dit geval mogen we die bonen niet in Ethiopië zelf branden. Dan zitten we wel dicht bij de boer en kunnen we de boeren direct
of bijna direct uitbetalen maar dan branden we de bonen in Nederland. Dan dekken we meer het sociale deel en minder het economische deel.’

‘In 2015 is er eigenlijk nog geen situatie geweest die ideaal was voor ons en waarin we echt een groepje small-holders hadden waarbij we direct bonen konden kopen en die we vervolgens naar de branderij konden brengen. Dat willen we in 2016 natuurlijk wel bereiken. Sinds kort hebben investeerders van Moyee de Tega Tula plantage in Ethiopië gekocht. Dit is een bestaande plantage en is de afgelopen jaren een beetje verloederd. Tega Tula is een zelfstandig bedrijf en werkt nauw samen met Moyee. Daar hebben we nu al voor de eerste keer bonen gekocht, alleen mochten we nog niet branden in Ethiopië.’

‘De ECX is opgericht om de kleine boer te beschermen tegen de inkopersmacht van de big coffee en daarom kan je eigenlijk alleen maar via de ECX bonen kopen. Een ander punt is dat je in het bezit moet zijn van een vergunning om koffie te branden en te exporteren uit Ethiopië. Tega Tula heeft wel zo’n vergunning dus de volgende stap is dat Tega Tula op papier hun eigen bonen naar de branderij brengen en ze daar zelf brand. Die bonen mogen zij dan ook exporteren naar Moyee Nederland. Dit is een soort van ‘work-around’ om wat dichter bij de echte Fairchain te komen.’

‘Rond de Tega Tula farm heen zitten veel ‘outgrowers’ die nu nog niet een relatie hebben met Tega Tula. Deze ‘outgrowers’ verkopen hun bonen of koffie kers op de lokale markt of gaan naar tussenhandelaren. Tega Tula zelf wil gaan samenwerken met deze ‘outgrowers’ en daarnaast wil Moyee ook kijken, we hebben al een questionnaire uit gevoerd met small-holders rond om Tega Tula waarin we vragen hebben gesteld over hun eigen gezins- en economische situatie en over hun koffie, hoeveel planten ze hebben en hoeveel hectare ze hebben, wat hun ‘yield’ is en hun opbrengst en of ze bijvoorbeeld ook nog vee hebben, wat ze nodig hebben om beter te produceren en of ze training willen volgen. Met deze boeren die dit willen, willen we een trainingsprogramma opzetten ofwel in coöperatievorm of los. Een directe relatie aangaan met die boeren zou voor Moyee de eerste stap zijn om een directe relatie te ontwikkelen met boeren. Dan kan je echt gaan werken aan een Fairchain beleid van hoeveel betaal je je, en wat bied je ze aan zoals trainingen, sociale projecten en onderwijs. Maar zover zijn we nog niet. Nu is het altijd via andere partijen.’

‘Op jullie website staat dat jullie 100% tracable en 100% transparant zijn, hoe moet ik dat interpreteren?’

‘We weten niet wie de koffie heeft geproduceerd. Maar het goede van de ECX is dat het wel traceble is naar een specifieke regio. Dus als wij Limu koffie kopen, dan kunnen we wel garanderen dat het uit dat gebied komt. Maar de ECX is voor ons niet ideaal, Tega Tula komt al dichter bij. Of we gaan werken met eigen small-holders of dat we een ‘model farm’ gaan opzetten zijn we nu over na aan het denken, dan ben je daar nog veel transparanter in. Aan de andere kant, met een eigen ‘model farm’, dat betekend ook verticale keten integratie wat ook maar weer de vraag is of dat het goede is voor de Ethiopische economie. Dan is het uiteindelijk Moyee die de hele keten integreert. Op korte termijn willen we dat heel graag omdat we de Fairchain nog moeten opzetten en nog moeten bewijzen. Een ‘model farm’ is heel erg nodig om met bepaalde ‘cultivation practices’ aan de gang te gaan. En als je met die boeren rond om Tega Tula een directe handelsrelatie mee wilt aangaan heb je Tega Tula wel echt nodig. Uiteindelijk als je kijkt naar het Fairchain model hoeft het ook niet eens koffie te zijn, dan hoeft het niet zo te zijn dat een bedrijf de gehele keten organiseert. Als die boeren zelfstandig zijn, in coöperatie vorm dan houden ze er misschien wel meer aan over, of als er een branderij is in Addis die helemaal in handen is van Ethiopiërs dan is dat uiteindelijk misschien wel beter.’

‘Op jullie website staat dat jullie bedrijf 50/50 is verdeeld tussen Ectopische boeren en Moyee’
'Dat klopt niet. Het kan niet in handen zijn van Ethiopisch boeren. De boeren leveren natuurlijk de cherries of verwerken voor een deel de cherries zelf. Maar de gedachte achter 50/50 is natuurlijk het fundament van Fairchain, namelijk dat de keten steeds oneerlijker is geworden en steeds meer is geschoven naar de consumerende landen waardoor er steeds minder toegevoegde waarde is achtergebleven in landen zoals Ethiopië en waardoor ze meer of evenveel ontwikkelingshulp nodig hebben. Dus 50/50 wil zeggen: hoeveel waarde voeg je in de hele keten toe en hoe kan je ervoor zorgen dat 50 procent in Ethiopië achter blijft. Uiteindelijk kan je blind gaan staren op de cijfers, als je bijvoorbeeld het cafétje op de hoek erbij rekent dat 2,50 voor een bak koffie vraagt dan lukt het nooit om 50 procent van de waarde in Ethiopië te houden. Je moet het zo zien dat koffie voor 10 euro Ethiopië verlaat en dat wij het voor 20 euro verkopen. Ons idee is als het bij ons de deur uitgaat dan moet de helft in Ethiopië achterblijven. Dat doen we door een deel van het verwerkingsproces in Ethiopië te doen. En heel letterlijk is de branderij voor 42 procent in handen van onze Ethiopische partner en voor 58 procent in handen van Moyee Nederland. En de afspraak is dat de Nederlandse aandeelhouders niet hun winst eruit zullen trekken maar altijd zullen investeren in het verder uitbouwen van de branderij in Ethiopië.'

'-'Hoeveel capaciteit heeft die Tega Tula farm?'

Is Tega Tula farm is 400 hectare. Wij hebben daar maar 7000 kilo vandaan gehaald en de capaciteit is ongeveer 400.000 maar daar kan ik ook naast zitten. Dat betekend dat Tega Tula ook een groot deel van de verwerking doet. In 2015 hebben we in totaal iets van 30.000 kilo verkocht. We zijn nog echt een keel klein kleutertje in de koffie industrie.'

'-'Wat zijn de grootste uitdagingen met betrekking tot het branden in de landen van herkomst?'

'Het verkrijgen van vergunningen om zelf de bonen te mogen inkopen en te branden. We hebben al een ‘workaround’ met Tega Tula. Een ander punt is betrouwbaarheid. Als we opeens een grote klant erbij hebben en je wil snel koffie leveren, heb je die dan ook snel? Er is veel vertraging vanuit Ethiopië. Dus logistiek is het lastig. Dat is een van de reden om ook in Nederland te blijven branden zodat je kan waarborgen dat je altijd genoeg koffie hebt. Een volgende stap is om een permit te krijgen om direct bij individuele boeren te mogen kopen en het zelf te branden. Een andere issue is dat we geen bonen mogen importeren uit andere landen, we mogen alleen Ethiopische bonen branden daar. We mogen geen groene bonen uit Uganda of Kenia importeren hoewel dat wel handig zou zijn. Om wat meer de vrije hand te hebben in het sourcen van bonen.'

'-'Maar gaat dat niet in tegen jullie concept? Moeten die bonen niet in Uganda of Kenia gebrand worden?'

'Nouja, ik zie dat meer als een economische regio. Het verschil is branden in Nederland of branden in het land van herkomst. Als we Ugandese bonen in Ethiopië branden branden we het niet in het land van herkomst, dat is waar. Maar voor als nog is het alternatief dat die boon uit Uganda überhaupt niet in Uganda wordt gebrand maar waar dan ook ter wereld. Als je op langer termijn kijkt en wanneer al die Afrikaanse landen elkaar bonen zouden mogen branden zou dat er goed zijn. Voor ons is het in ieder geval handiger om ook daar vandaan bonen te kunnen halen. Dit willen we doen om praktische redenen omdat je in Ethiopië alleen maar Arabica koffie bonen hebt en dus alleen maar hele goede kwaliteit. Als wij groter willen worden, we kunnen natuurlijk blijven wachten op dat heel Nederland ‘specialty’ koffie drink maar om een grotere impact te generen willen we ook wat goedkopere koffie aanbieden. Bijvoorbeeld met Robusta. Die wordt in Uganda verbouwd. Als je de vrijheid hebt om tussen die landen te importeren en exporteren zou dat erg fijn zijn. We
zouden in de toekomst natuurlijk ook een branderij in Kenia of Uganda kunnen opzetten. Dan heb je de vrijheid om zo'n product aan te kunnen bieden.'

‘Op jullie website staat dat jullie 100% traceable, 100% fair en 100% transparant zijn, hoe gaan jullie daar mee om? Ten opzichte van de boeren en ten opzichte van jullie consumenten?’

‘Het belangrijkste is eigenlijk je houding en hoe je je opstelt. Het eerste antwoord wat we geven aan buitenstaanders is dat je alles mag weten en alles mag zien wat dat betreft zijn we dus volledig transparant. We hebben bijvoorbeeld geen certificering omdat we ons focussen op economische duurzaamheid. Met Fairchain wilde we juist niet een ander certificaat toevoegen, in het woud der certificaten. We wouden een economisch model ontwikkelen. We zijn bijvoorbeeld biologisch omdat in Ethiopië er per definitie biologische koffie wordt verbouwd. Die certificaten is ook gewoon een business wat heel veel geld kost. Die Tega Tula farm is Rainforest gecertificeerd, ik geloof dat die eerste certificatie rond 7000 euro koste. We besteden liever die 7000 euro in een sociaal project zoals een school. Maar zo simpel is het niet, we zijn ook bezig met het verkrijgen van certificatie. Hoe groter we worden hoe belangrijker het wordt om die certificaties te behalen. Als je bijvoorbeeld meedoet aan een grote tenner dan staat er soms zwart op wit dat je een certificaat moet voeren. Dan kan je wel gaan roepen kom maar kijken we doen het dus en zo maar dat helpt niet dus om pragmatische reden zie je dat we toch wel mee gaan doen met die certificatie om impact te genereren.’

‘Fairtrade heeft naar mate ze groter is geworden veel concessies moeten doen qua beleid, hoe zie jij Moyee binnen 10 jaar ontwikkelen?’

‘We moeten nu juist veel groter worden voordat we de Fairchain beter in praktijk kunnen brengen. Er is bijvoorbeeld net een grote brander geïnstalleerd in Addis die tien keer zoveel capaciteit heeft als de oude zodat we een serieuze hoeveelheid koffie kunnen branden en exporteren. Maar om daar te komen moesten we er eerst voor zorgen om Moyee draaiende te houden en koffie in Nederland te kunnen verkopen. En we moeten überhaupt maar zorgen dat we toestemming krijgen om aan het begin van de keten te kunnen komen. Wat we willen is ook niet persé dat Moyee de aller grootste wordt maar dat Fairchain business as usual wordt en door andere bedrijven wordt overgenomen. Dus over 10 jaar is onze wens dat het model wordt overgenomen. Hoe dat model er dan exact uitziet dat zou op verschillende manieren kunnen worden uitgevoerd. De belangrijkste issue is dat er verwerking plaats vindt in het land van herkomst. En qua sociale agenda een beter bestaan bieden voor boeren.’

‘Wat voor impact heeft Fairchain volgens jou op kleinschalige boeren?’

‘Dat is wel iets voor de lange termijn. Die groep rond Tega Tula willen we trainingen bieden. Ik heb op dat gebied de International Wealth Index toegepast om dus naar levensstandaard te kijken in plaats van naar inkomen omdat inkomen vaak heel weinig zegt. Ik heb dan ook gekeken naar hoe iemand woont, elektriciteit, of iemand vee heeft wat dan ook. Dat heb ik toegepast in die eerste questionnaire. Als we die gaan we trainen dan gaat hun yield omhoog, dan krijgen ze meer inkomen, verbeteren ze hun huis etc. Die index meten we dan ook weer over vijf jaar en klaas is kees. Je wilt dit weten omdat je die boeren wilt leren kennen. Maar ik ben best wel sceptisch om daar vervolgens conclusies aan te binden over wat wij dan daadwerkelijk hebben bereikt. Dit kan namelijk aan zoveel andere factoren liggen.’

‘Is de ‘short-shelf life’ van koffie voor jullie een probleem?’

‘Binnen de ‘specialty coffee’ heb je natuurlijk ook weer de coffee nerds die vinden dat het na een week al oud is. Maar ik zie dat wel als een niche binnen een niche en zie dat wel als een kleine issue die alleen belangrijk is als we in de aller aller hipste koffie tentjes willen
verkopen. Dan halen we die niet over met in Ethiopië gebrande koffie. Maar we branden ook wel in Nederland dus dat deel kan je daar wel mee coveren. Maar voor het over grote deel kan bijna niemand het verschil merken tussen koffie die binnen twee of vier weken is gebrand. Of in ieder geval voor de meeste van onze klanten is dan van ondergeschikt belang. Voor ons is het wel een logistieke uitdaging om het wel binnen een maand in Nederland te krijgen. Omdat we niet zo groot zijn is dat nog wel ingewikkeld omdat we dan geen container kunnen vullen en dan moeten vliegen. Onder de 2500 kilo is het goedkoper om te vliegen dan te verschepen maar helaas wel milieu onvriendelijker. 3-4 maanden is voor ons het uiterste termijn vanuit kwaliteit overwegingen.’

- ‘Is corruptie een probleem?’

‘Tot nu toe heb ik daar niet zoveel over gehoord. Wel over bureaucratie.’

‘Wat goed is om te beseffen is dat het samenwerken met kleine boeren voor ons geen economische houdbaar model is. Omdat het te kleinschalig is. We denken dat uiteindelijk opschalen noodzakelijk is. Bovendien hebben de meeste koffieboeren grote gezinnen en de vraag is of je die ook allemaal een baan kan geven in de koffie business. Dus dat is onderdeel van ons concept, dat het belangrijk is om te industrialiseren in Ethiopië. Je moet niet verwachten dat als je gaat werken aan kwaliteit en inkomstenverhoging dat dat kan bij kleine boeren.'
Appendix 2

Interview with Jeroen Kruft – Amigos International – Escoffee
j.kruft@amigos-international.org
15 januari 2016, Amsterdam
by Isabella Kropholler

-Kunt u vertellen over wat Amigos International doet?

‘International Amigos is een bedrijf wat de import van producten geproduceerd in ontwikkelingslanden stimuleert. Wij helpen met de distributie van deze producten in Europa en Nederland.’

-Waarom vind u het belangrijk dat deze producten in de gebieden van herkomst worden geproduceerd?

‘Omdat er typisch bij Fairtrade gedacht wordt aan de boeren alleen. En dat is prima, dat deze een goede prijs voor hun product ontvangen. Maar hoe zit het dan verder op in de keten als je de koffie gaat branden en verpakken. Dat is dan traditioneel altijd de Europeaan of de Noord Amerikaan voor in ieder geval de producten die hier liggen en vaak ook in die landen, de producten die daar liggen. Vaak exporteren ze de cacao en importeren ze de chocola. Snap je? Ondanks dat er inmiddels best wel goede koffiebranders en chocolademakers zijn. Op deze manier help je het MKB. Het MKB is altijd de motor van elke industrie. Meeste van die landen, ontwikkelingslanden heb ik het dan over, hebben een grote agrarische sector, dus het merendeel van de mensen werkt in de agrarische sector en dan heb je een heel klein segment van mensen die het goed hebben en werken voor telecom bedrijven of olie bedrijven, mijnen dat soort dingen. Dat zijn meestal ook multinationals en in die sectoren werken nooit heel veel mensen. Maar de kleine bedrijfjes, het MKB, dat is vaak nog heel erg in ontwikkeling. Als je kijkt naar landen in Europa en Noord Amerika daar zie je juist dat de MKB heel erg ontwikkeld zijn. Daar zijn er heel veel van en dat is gezond voor de economie want dat ben je minder afhankelijk van alleen je ruwe grondstoffen als boer die dan ergens anders worden verwerkt en waar pas in die landen waarde wordt toegevoegd. Fairtrade en de Bio producten zijn echt een niche, zo veel bereik hebben de meeste boeren nog niet dus dan heb je het toch over een klein deel van de bevolking die het wel goed heeft. Door het MKB ben je ook meer onafhankelijk van de olie en andere ruwe producten. Heel veel landen zijn dat nu nog niet. Ecuador is bijvoorbeeld heel erg afhankelijk van de olie export dus dan heb je ook een probleem als die prijs keldert zo als nu het geval is. Nu kunnen ze heel veel programma’s en overheidsuitgave niet meer doen. Als ze nu heel veel MKB hadden waren ze daar veel minder afhankelijk van. Dat proberen wij daarom dus te stimuleren.’

-U bent net gestopt met het promoten van Escoffee in Europa, in Ecuador wordt Escoffee nog wel verkocht, kunt u mijn vertellen waarom u het niet meer zag zitten?

‘Ten eerste wil ik nog even benadrukken dat Moyee Fairchain niet bedacht heeft. Je kan natuurlijk ook bijvoorbeeld naar de Toko gaan, daar heb je ook veelproducten die uit geproduceerd zijn in de landen waar de grondstoffen vandaan komen. Die producten zijn dan wat minder chique dan de producten die wij hebben gedaan hebben en Moyee. Die adverteren dat ook niet zo van kijk eens je doet het goed want je koopt nu echt een product dat verwerkt is in Suriname of Indonesië. Dat zijn wij dan denk ik begonnen met Amigos International in 2005. Want toen hebben we het PICO (Produced in the Country of Origin) concept gelanceerd en daar is toen ook over geschreven zoals men nu over Moyee schrijft, over Fairchain. Fairchain is eigenlijk het zelfde als PICO. PICO wil dus zeggen, produced in the country of origin. Zij hebben dat niet bedacht. Ze zijn in hun marketing niet eerlijk, met
alle respect voor hun initiatief. Ze branden volgens mij de koffie nog helemaal niet in Ethiopia.’

‘Voor een deel doen ze dat wel.’

‘Nou dat is goed. Dat is al een hele transitie. Een paar jaar geleden stond het groot in de Volkskrant met nota bene een hele grote foto van Max Havelaar ernaast dat ze de wereld redders waren terwijl eigenlijk de koffie nog 100 procent in Nederland werd gebrand, maar ze hadden dan wel het idee om dat in Ethiopië te doen. Ze hebben wel hele goede marketing connecties want ze hebben dat wel gepubliceerd gekregen in de Volkskrant. Ik was wel een beetje teleurgesteld dat de Volkskrant niet wat kritischer was om dat na te kijken. Maar ja ‘good fot them’. En de Volkskrant heeft ook geen onderzoek gedaan naar wat er daarvoor al bestond dat vind ik erg jammer. Dit was het eerste punt.

Maar waarom is het dan niet gelukt met ons en waarom zij het dan beter gaan doen of althans dat hoop ik dan. Ik ben er eigenlijk net een artikel over aan het schrijven voor de ‘Vice Versa’. En dat is eigenlijk vanuit drie hoofdpunten en dat is de schaal van de productie, nummer twee is de afstand en nummer drie is de verzadigde markt in Nederland.’

‘Als je naar het eerste punt kijkt: schaal, kom je er achter dat als je koffie altijd op een relatief kleine schaal produceert alles duurder wordt, je transport, je verpakkingen worden duurder. Dat is dus een probleem als je heel erg klein bent. Wat dat betreft doet Moyee het goed want zij bouwen eerst een naam op met de koffie die in Nederland gebrand wordt. Het is ook dure koffie omdat zij ook klein moeten beginnen. Maar volgens ons is dat een van de redenen waarom het lastig is, want als je dus op grote schaal produceert en de koffie komt vaker aan in Nederland dan worden al je kosten minder en dan kun je beter concurreren met de grotere merken. Want wij hadden opeens geen marge meer. Nadat we een goede prijs aan de boeren, de verwerkers en de exporteurs hadden betaald. We zaten in de biomarkt, Moyee zit misschien in een andere markt. Wij zaten echter in de gecertificeerde markt. In heel Europa zijn er allemaal bio-winkels en dus ook grondhandels die exclusief aan die winkels leveren en dat zijn de belangrijkste winkels voor biologische producenten die dus echt met het certificaat producten verkopen. Wij zaten in die markt en daarin willen mensen wel wat meer betalen maar ook niet de hoefdprijs. Dus we gingen ook kijken naar specialiteitswinkeltjes maar dat waren er te weinig maar en wie distribueert daar naar? De bio-markt was makkelijk want dat had je al een distributiekanal. Via die specialiteit winkeltjes werd de marge erg klein.

Misschien is Ethiopische koffie wel wat duurder waardoor er meer marge achterblijft. Wij werkten met een koffie die echt heel hoog werd ingeschat in het zuiden van Ecuador en die is op een gegeven moment ook heel erg duur geworden omdat de koffie wereldwijd bekend werd en toen zijn heel veel mensen daar die koffie gaan halen wat heel goed is voor de boeren maar toen ging wel de prijs omhoog. Wat nadelig was voor ons. Dus toen bleef er weinig marge over. Dat kan je goed maken door meer te importeren en een betere prijs te krijgen voor je verpakkingen want hoe meer verpakkingen je koopt hoe beter je prijs. Ook bij de koffie rooster werkt dat het zelfde. Dat is dus een ding, een ander ding is de afstand. Want ondanks onze regelmatige bezoeken aan het gebied moest heel veel van de coördinatie op afstand gebeuren. Dus ik zat ook heel vaak vanwege dat tijdsverschil nachts te telefoneren. Het was ook heel complex om alles correct te labelen. Als je het op afstand doet. Wij zijn een klein bedrijf en hadden geen lokaal persoon van Amigos daar om te zorgen dat alles volgens de Europese normen geëtiketteerd werd. Mensen zijn nu eenmaal slordig en er gebeuren wel eens verkeerde dingen. Met verkeerde stickertjes er op, of net niet goed gebrand. We hadden ook een probleem met de mensen van Escoffee dat ze niet voldoende controle daarover hadden en soms komt het product niet goed aan en dan had je weer klagende klanten dus je moet heel erg quality control hebben. Op een gegevens moment ging het heel goed. Maar het was wel een factor die het maakte dat het niet meer leuk werd. Om het de koffie op tijd binnen
te krijgen was ook nog heel belangrijk en een dingetje. Want we waren een klein bedrijf, en dan moesten we wachten tot we een groot deel van de vorige container verkocht hadden voordat we een nieuwe container konden bestellen. Dat moest dan relatief best wel snel gebeuren daar. Vooral in ontwikkelingslanden zijn ze minder wat tijdsebewust dan mensen in Europa. Dat was best wel lastig. Wij moesten altijd een hele container doen anders werden de transportkosten veel te groot dan als je bijvoorbeeld een paar palletjes liet over komen. Of je moet het over laten vliegen wat het allemaal heel duur maakt. Als je de koffie verwerkt in Europa heb je dat probleem niet. Je kan dan altijd verse producten leveren. Bij ons duurde het soms wel twee jaar voordat alles verkocht was.'

‘Die afstand was ook onhandig omdat het merk in Ecuadoriaanse handen is, maar die kwamen niet naar Europa om het product te promoten. Wij moesten alle promotie en marketing doen. En het derde punt misschien wel het belangrijkste punt is dat als klein bedrijf we een gelimiteerde marketing kracht hadden, en probeer maar eens tegen Simon Llevelt en dat soort merken die in biologische winkels liggen op te boxen. Dat was best wel moeilijk. En die hebben ook geen problemen met logistiek en schaal. We hadden te weinig marketing kracht om het echt goed te promoten en Moyee doet dat misschien beter. Wij hebben ook wel allerlei media benaderd maar we zijn nooit zo ver gekomen als zij. Dus dat is eigenlijk de reden waarom Escoffee niet door is gegaan. We zagen er geen groei meer in. Mensen vonden het PICO verhaal wel mooi maar gingen uiteindelijk toch voor de prijs. Je krijgt ook veel kritiek omdat het niet vers aankomt omdat je het met de boot moet overbrengen dan krijg je slechte pers. Daar zal Moyee ook wel last van krijgen ook al zou Afrika misschien sneller zijn. Als je de koffie binnen een paar maanden kan verkopen is het wel prima, maar wij deden er soms twee jaar over. De klok begint te tikken vanaf het moment dat je de koffie hebt geroosterd. Je kan je de groenen koffie best nog wel even bewaren.’

‘Werd Escoffee ook op de Ecuadoriaanse markt verkocht?’

‘Ja nog steeds. Daar hebben ze deze problemen natuurlijk ook niet. Ze worden steeds populairder’.

‘Ik denk dat producten die in de landen waar ze vandaan komen ook echt groot zijn, zoals palmzuiker, die producten die een grote binnenlandse markt hebben succesvoller geëxporteerd kunnen worden dan producten die in het eigenland minder populair zijn zoals koffie en chocolade.’

‘Dat is een goed punt. Ik denk dat het ook zeker belangrijk is dat je een binnenlandse markt opbouwt want dan heb je ervaring met het maken van het product en sta je ook wat sterker als bedrijf om te kunnen exporteren. En dat is ook wel het goede van Escoffee want die waren op de binnenlandse markt heel goed bezig. Maar ze zijn daar wel minder kritisch wat betreft het malingsspectrum, dat was dan ook een probleem, soms was het te grof gemalen soms te fijn. Bij de roosteren stonden verouderde machines, die kwaliteitscontrole moet wel heel goed zijn omdat je in Europa zoveel concurrentie hebt. Wat voor een Ecuadoriaan goed genoeg is, is voor een Europees niet goed genoeg. Daarom vind ik het ook wel slim van Moyee om die kennis eerst over te brengen op de Ethiopiërs en daar ook echt iemand te hebben zitten die dat allemaal in de gate houdt. Ik heb ook gesproken met Debritu van Moyee over mijn project. Zij is langs geweest op kantoor om te horen hoe wij dat deden. Toen heb ik gezegd: ‘ nou het is best moeilijk, denk er zeker goed over na voor je hier aan gaat beginnen’. Zij hebben besloten eerst de koffie in Nederland te branden voordat ze de koffie in Ethiopië gingen branden. Dus misschien is dat een betere aanpak en als je daar ook echt bent en mensen hebt die in de cyberboven op zitten op die kwaliteit zou het best wel kunnen werken.’
'Waar denk je dat er nog meer mogelijkheden liggen om waarde toe te voegen binnen de waardeketen van koffie?'

'Specialiteitskoffie. Dus de zogenaamde microlots. De kleine partijen koffie die heel erg specifiek zijn, van een klein gebied of een kleine helling met een bepaalde smaak en profiel. Coöperatieve zijn steeds meer bezig met het vergroten van de kwaliteit en hun koffie speciaal te maken. Importeurs en kleine specialiteitswinkeltjes vinden dat erg interessant en kopen niet alleen maar koffie omdat de kwaliteit goed is maar ook omdat het verhaal achter de koffie interessant is. Microlots is een groeiende zaak en een betere manier om meer koffie te kunnen verkopen tegen een hogere prijs. Dan heb je niet de lokale verwerking tot het eind product maar je hebt wel waarde toegevoegd voor de coöperatie of de individuele boer. Als je dat slim doet kan een container gevuld worden met al die verschillende koffies en die kunnen vervolgens verspreid worden over alle specialiteitscafés in Europa. Waar ze lekker zelf de koffie kunnen branden, dat hebben ze namelijk veel liever. Die kleine koffie corners willen sowieso geen gebrande koffie aangeboden krijgen. Daarom zijn wij naar bijvoorbeeld een La Place gegaan, maar die hebben allemaal al hun eigen contacten met hun branders. Die de koffie branden op de manier zoals zij dat willen.'

'Een keten hier in Nederland die wel aan PICO koffie doet is Bagels and Beans die hebben al ongeveer 67 winkels in Nederland. Die krijgen koffie uit Panama, gebrand in Panama. Maar die zijn ook al weer wat groter dus hebben niet dat probleem van schaal, bovendien hoeven ze niet zoveel te doen aan de marketing en aan de verpakking want niemand ziet dat.'

'Op wat voor manier denkt u dat PICO of Fairchain de situatie van boeren kan veranderen?'

'In ons geval was dat heel duidelijk want wij, niet perse omdat het dan PICO was, want de boeren deden niet meer met het verwerken van de koffie. Maar omdat we koffie bij de boeren kochten met onze visie, we gaan natuurlijk niet alleen maar in de stad te zitten en niet naar de boeren om kijken. We vonden het juist hartstikke leuk om met die boeren te werken en daar ook een goede prijs aan te geven en ook de kwaliteit van de koffie te verbeteren. We hebben aan certificering gedaan en we hebben geïnvesteerd in een kwekerij die er nog steeds staat. Waar boeren tegen kostprijs nieuwe koffie plantjes kunnen kopen. Op die manier zijn de boeren er op vooruit gegaan. Boeren zijn er ook op vooruit gegaan omdat het gebied op de kaart hebben gezet door ons. Die koffie werd toen bekend zowel in Ecuador als in Europa en Amerika. Onze partner wist echt de goede dorpen te vinden waar de goede koffie vandaan kwam. Zo is dus ook de prijs omhoog gegaan voor de boeren. Dat heeft dan eigenlijk weer nadelig gewerkt voor ons. Omdat de boeren de prijs steeds ging verhogen door de verhoogde prijs. Wij konden de koffie niet meer opkopen voor die prijs.'

'Ik denk dat de Amerikaanse markt makkelijker was geweest alleen daar hadden ze niemand zitten zoals wij. Dus dat is nooit van de grond gekomen. Het heeft ons ontzettend veel kennis opgeleverd. We hebben heel veel geleerd over de keten, over het transpoort, over de branderij, over de verpakking etc. Import-export, distributie etc. We hebben er heel veel van geleerd. En dat is net als in de mastercard reclame ‘priceless’.'

'-Ik denk dat het verschil tussen jullie en Moyee is dat op korte termijn Moyee de koffie keten verticaal probeert te integreren. Ze hebben op alle vlakken een dikke vinger in de pap. Ze kunnen daardoor de hele keten controleren. En ik heb het idee dat jullie dat heel erg hebben overgelaten aan het MKB in Ecuador zelf. Misschien geeft dat dan ook die moeilijkheden.'

'Ja we waren geen eigenaar van de keten. Dus als er investeerders zijn die er voor kunnen zorgen dat de kwaliteit goed is moeten ze dat zeker doen. Maar dan vraag ik me af is de koffie branderij dan in hadden van Ethiopiërs?’
‘Voor een deel ongeveer 50/50.’

‘Bij ons was 100 procent in handen van Ecuadorianen. Maar ik vind een joint venture ook al erg mooi. Als ze maar wel op die manier functioneren. Want het is natuurlijk mooi om te zeggen: ‘we roosteren de koffie in Ethiopië, leuk voor MKB’, maar als Moyee vervolgens voor 100 procent eigenaar is dan is het niet echt Fairchain meer.’
Appendix 3

Interview with Nico Smid - Programme Manger CBI – Ministry of foreign affairs
nsmid@cbi.eu
29 januari 2016, Den Haag
by Isabella Kropholler

- ‘Een paar jaar geleden heb ik samen met drie andere studenten een onderzoek gedaan naar hoe we de export uit Rwanda naar Nederland konden vergroten. Toen hebben we ook contact op genomen met het CBI. Jeroen Kruft heeft mij naar u doorverwezen. Zij zijn na tien jaar nu gestopt met hun project. Daarom ben ik heel erg benieuwd wat voor potentie u in het project zag en waarom het zo belangrijk om op deze manier waarde toe te voegen in het land zelf.’

‘We proberen die sectoren uit te zoeken waar waarde wordt toegevoegd in die landen zelf. Dus niet dat het als rauwe grondstof wordt geëxporteerd maar dat de mensen er lokaal ook aan kunnen verdienen. Dus dat er lokaal werkgelegenheid wordt gecreëerd. Dat is eigenlijk de achterliggende gedachte. We worden gefinancierd vanuit buitenlandse zaken – internationale samenwerking. Ons doel is dan ook om armoede te bestrijden en armoede te bevorderen.’

- ‘Maar waarom juist op deze manier – zoals jullie nu doen in het project?’

‘Het gaat om de waarde toevoegen daar en de kennis vergroten daar. Verwerkingsindustrie daar. We weten wel dat het een hele uitdaging is, de houdbaarheid neemt af zodra we het gaan branden; als je het gaat vermalen nog meer. Grote concurrentie hier is hier in Europa, want we richten ons niet specifiek op Nederland maar op heel Europa, hoewel Nederland wel echt een gateway is voor veel koffie. Maar we weten dat hier ook veel concurrentie is van grote koffie bedrijven die het zelf roosteren en daarmee ook de kwaliteit garanderen.’

- ‘Want jullie richten je echt op ‘specialty coffees’?’

‘Ja het zijn specilaty coffees: Fairtrade, Organic coffees, Single Origin Coffees.’

- ‘Wat is jullie bijdrage aan het project?’

‘We hebben eigenlijk twee projecten die parallel lopen. Eentje is op de bedrijven gericht en het CBI richt zich op het bevorderen van export uit ontwikkelingslanden. Dus het traject wat we aan gaan met die bedrijven is echt gericht op hun bekendmaken met de trends, verschillende distributie kanalen, verschillende markten hier. Een bedrijf daar klaar voor maken, of daar advies in geven. Wat voor verpakkingen heb je nodig, wat voor standaarden moet je voldoen om de Europese markt op te kunnen. Wat moet er op je label staan. Hele praktische dingen eigenlijk. Hoe moet je website er uit zien. Hoe onderhandel je met Europese buyers? En uiteindelijk gaan we met ze naar de beurs. Dus dan in dit geval gaan we voor het eerst naar SIAL, de beurs. En daar matchen we ze met de Europese inkopers. Dus het is het klaarstomen voor de Europese markt. Naast dit traject van de bedrijven. Hebben we parallel een project lopen want meer op sector niveau is. We hebben samen met de mensen daar, in dit geval zijn het de Federacion Nacional de Cafeteros de Colombia (FNC), die overigens ook een kantoor hebben in Amsterdam en ProColombia. Samen met hun hebben we gekeken wat voor issues spelen er op sector niveau.’

- ‘Wat voor issues zijn er?’

‘Er zijn verschillende issues. Je ziet dat er heel veel markt informatie ontbreekt. Er is heel veel informatie voor green bean coffee maar niet de processed specialty coffees. Dus welke
markten staan daar open voor, wat voor afnemers moet je benaderen dat soort dingen. Daar komt nog boven dan wij het idee hebben om processed specialty coffees als een soort van keurmerk aan te bieden. Dus een soort van 100 procent roasted in ....

Het idee daar achter is meer dat we dat gaan gebruiken in de promotie, op beurzen, communicatie tool vanuit de sector waar alle bedrijven op kunnen aanhaken.

-’Kost het dan ook geld om dat keurmerk te mogen dragen?’

’Nee dan zou je moeten voldoen aan een aantal standaarden. Dan worden er normen vastgezet en als bedrijf kan je als je daar aan voldoet dat keurmerk dragen.’

-’Zijn jullie dan de uitgevers van dat label?’

’Nee, wat onze rol daarin is, is dat we partijen bij elkaar brengen en het proces begeleiden en advies geven hoe je het kan doen. Ook omdat we het al in andere sectoren hebben gedaan. Maar wat we doen met die sector issues is dat we lokale partijen aanwijzen waarvan we zeggen hier jullie moeten de kar gaan trekken en wij ondersteunen jullie daarin.’

-’Wat was voor het CBI doorslaggevend om dit project op te starten?’

’De interesse vanuit de bedrijven uit Colombia en toch ook het niveau wat ze hebben. Ze hebben in de lokale markt staan ze best wel stevig en ze zijn klaar voor de volgende stap maar dat gat naar de Europese markt is nog wel heel groot. Ze hebben dus nog geen kennis van de markt. Dat was eigenlijk doorslaggevend. Daarnaast zijn we verschillen manieren aan het verkennen, of we het daar gaan branden en dan exporteren of dat we het in Europa laten branden maar wel wat je dat hooft, dat proces uit besteed waardoor je wel eigenaar blijft van het product. Dus dat het wordt gebrand onder hun naam, dus niet dat het Douwe Egberts wordt. En een derde approach is middels e-commerce, dus via online verkoop. Dus meer gericht op consumenten direct dan op importeurs.’

-’Wat een groot probleem is voor Moyee en voor Amigos International was de schaal, hoe is dat bij jullie? Proberen jullie ook bijvoorbeeld dat bedrijven samen een container vullen?’

’Daar zijn we nog niet, maar er wordt wel in de programma’s gekeken hoe we genoeg volume moeten creëren. Via samenwerkingsverbanden bijvoorbeeld ja.’

-’Zien die bedrijven dat niet als concurrentie?’

’Sommige wel, andere niet. Wat je veel ziet, dat zie je in verschillende sectoren dat ze elkaar zien als concurrenten want op de lokale markt zijn ze concurrenten maar dat ze elkaar nodig hebben om te exporteren omdat ze een goede naam willen. Veel mensen kopen een product uit Colombia en die kopen een Colombiaans product en niet specifiek van een partij. Dus als daar iets mis gaat kan het impact hebben om andere ook.’

-’Dat besef is er onder de deelnemende bedrijven?’

’Wat ik heb gehoord is dat er tijdens de ontmoetingsfase een bepaalde dynamiek is ontstaan. Iedereen heeft elkaars bedrijf beter leren kennen en zagen de waarde er van in om meer samen te werken.’

-’Kan je ook zeggen, op basis van projecten die we in het verleden hebben gedaan, bijvoorbeeld met thee of chocolade dat het een succes wordt?’

’Ik moet wel zeggen dat dit project het meest spannend is wat wij binnen onze projecten binnen Colombia hebben. De grootste uitdaging.’
‘Waar denkt u dat de grootste uitdagingen liggen?’

‘De uitdaging ligt in de juiste afnemers vinden. Tijdens de introductieweek zijn we ook naar een beurs geweest als bezoekers. Daar hebben we met Duitse importeurs gesproken, en ik weer al wel dat daar al handel tussen gedreven wordt, dus ze zijn al wel opgestart. De uitdaging ligt er om de juiste match te maken. Het zou inderdaad dat er minder grote volumes zijn, maar het zullen wel specialty shops zijn die de koffie gaan verkopen.’

‘Is er onbegrip voor de Europese kwaliteitseisen?’

‘Dat is onderdeel van ons programma, wat zijn de trends hier. Dus dat is eigenlijk het doel van het programma, om de ondernemers daar in wat voor sector dan ook bewust te maken van hoe de mensen hier de producten consumeren.’

‘Hebben jullie dan ook een lokale partner die het ter plekke in de gaten houdt?’

‘Wij werken met een sector expert. Dat is iemand die de koffie branche goed kent. Vaak zijn deze mensen vaak ook inkoper geweest en hebben een stevig netwerk onder de importeurs hier in Europa. Deze mensen begeleidt de bedrijven de volledige vier jaar van het programma. Dat is hun coach zeg maar. Hij begint met een audit, dat scant hij het hele bedrijf en bekijkt hij welke stappen hij nog kan ondernemen om die bedrijven succesvol naar de Europese markten te laten exporteren. Daar komt een actieplan uit en dat is leidend tijdens het traject van vier jaar. Dus die gene die reist, het verschil tussen de twee of vier keer per jaar die kant op, dar bezoekt hij de verschillende bedrijven en dan checked die de voortgang en daarnaast wordt business guideness op afstand gegeven, via skype, telefoon, email. En die coach is er ook als ze naar de beurs gaan en helpt ze daarmee met de voorbereiding en de follow up. Om te kijken, je hebt zoveel contacten opgedaan, je kan nu het beste met dit contact of dit contact verder gaan. Dus dat is eigenlijk de gene die eigenlijk de vinger aan de Pols houdt. En daarnaast die lokale partners, ProColombia en FNC die het gehele programma betrokken zijn. Elke keer als onze man die kant op gaat zit die met de partners en geeft een update over hoe het ging tijdens de coaching met de bedrijven etc. Elke keer worden weer die sector issues besproken.’

‘Wat voor effect denken jullie te hebben op boeren?’

‘Ik moet wel zeggen dat ons programma is gericht op het stukje dat export is. Export-import. Dus die issues spelen op productie niveau. Die identificeren wij. Dat brengen wij op bij andere partijen die daar meer verstand van hebben. Dus wij claimen niet perse dat de boeren er lokaal beter van worden. Uiteraard is het wel een beetje de achterliggende gedachten dat het een trickle down effect geeft dus dat als we een bedrijf helpen met het opzetten van de export de gehele standaard ophoog gaat en dat de hoeveelheid die zij exporteren weer andere van kunnen profiteren. Onze target groep is echt de exportrende bedrijven, niet de boeren.’

‘En is veel programma’s, we zijn er hier nog niet op ingegaan maar misschien komt dat nog, maar dat is altijd markigeld. Samen met de bedrijven werken we aan een export marktering plan waarin we gaan kiezen welke markt we gaan aanboren, de Engelse, Duitse of Nederlandse markt. Dan gaan we kijken als je naar Duitsland wilt dan heb je Organic nodig, als je of Fairtrade. Op basis van die keuzes ga je zo’n traject in.’

‘Naast de marktinformatie, wat zijn nog meer dingen die ze met jullie hulp misschien beter kunnen doen?’

‘Het zijn voornamelijk kwaliteitsstandaarden waaraan ze moeten voldoen. Je hebt certificeringen, Organic waar ze aan moeten voldoen, maar ook keurmerken die meer over de
kwaliteit en hygiëne gaan bijvoorbeeld en voedselveiligheid. Voedselveiligheid is een groot ding hier in Europa. Dat is best wel lastig om daaraan te voldoen. Dus daar werken we aan. Labelling dus branden van een product. Wat was je vraag precies?’

-Wat voor problemen ervaring exporteurs nog meer waar jullie bij kunnen helpen?’

‘Productie efficiënter maken. Het onderhandelingsgedeelte. Dus hoe doe je zaken met Europeanen. Hoe ga je om met contracten, want vaak als een partij zegt ik wil zoveel afnemen, dat moet je vaak plannen met je oogst dus we helpen met de garanderings van contracten en wat er allemaal bij komt kijken.’

-Hoe kijken jullie tegen de short-shelf life aan?’

‘Dat zien wij ook. Dus we kijken ook naar alternatieven. Een van die alternatieven is dus om het te branden onder je eigen naam is Europa. We hebben een bezoek gebracht aan een bedrijf wat zich richt op het maken van cuppjes. Dus dan gaan we kijken binnen de productielijn hoe de kwaliteit omhoog gaat door middel van andere technieken.

Naast dat de levensduur van de koffie achteruit gaat. Is het lastig om constante kwaliteit af te leveren, dit is vaak een uitdaging. Dan bestellen de afnemers hier iets, daar zijn ze tevreden over, vragen een tweede batch en vervolgens is die smaak heel anders omdat er iets is veranderd in het proces.’

-Grote multinationals lossen dit probleem op door bijvoorbeeld hun koffie te blenden, is dit voor jullie een oplossing?’

‘Nee wij verkopen voornamelijk single origin coffees. Of mircolots.’

-In hoeverre is de exporteur eigenaar van de value chain?’

‘Dat is een goede vraag, dat weet ik eigenlijk niet. Ik denk dat ik daar niet zo goed antwoord op kan geven.’

-De deelnemende bedrijven hebben die een grote lokale afzet?’

‘Ja dat is wel een vereiste om mee te doen aan dit programma. Bedrijven hebben bovendien die cash flow nodig. Dus dat moeten ze eerst echt op orde hebben voordat ze kunnen gaan exporteren. Er zijn weinig bedrijven die alleen exporteren. We werken ook in de cacao in Peru, en daar is ook een soort van side doel is om de lokale consumptie om hoog te brengen maar ook om het besef te vergroten van wat je eet. Zodat je kan proeven wat het verschil is zodat het niveau in het land zelf hoger komt te liggen.’

-Op wat voor manieren kun je de positie van boeren in de value chain verbeteren?’

‘Door lokale instituten te ondersteunen. Deze zijn vaak bezig met het vergroten van de kennis en dat is erg belangrijk. Bepaalde bedrijven die een hogere niveau helpen, zie je ook wel eens dat die andere bedrijven weer trainen. Er is een geval in Peru waar ze dat ook doen. Dus misschien een soort samenwerkingsverband in de sector, dan moet je wel kunnen inzien dat je elkaar nodig hebt om een mooi product te maken. Je te weten onderscheiden van je concurrenten.’