Fair Trade And Its Benefits For The Producers And Community

Introduction

Fair trade, as a brand and certification regime, is traditionally portrayed to consumers as solidarity economy in which price premiums, designed to cover costs of sustainable production, are awarded to participating disadvantaged family farmers organized in democratically organized cooperatives (Wilson, 2013).

Price Effect on Producers

Farmers in developing countries are exposed to many risks. Historically, price volatility and declining prices have been major risks for coffee producers (Valkila, 2014).The clearest direct benefit for producers is the guaranteed price (Aranda and Morales, 2003). When market prices for coffee fall, FT farmers are secured with a price floor. Hence, whenever the floor price is above the market price, the social premium acts just as an addition to the floor price (De Janvry, McIntosh, & Sadoulet, 2010). When the floor price is below the market price, the sole potential benefit of FT is the social premium (De Janvry, McIntosh, & Sadoulet, 2010). Today, however, growers have access to coffee price fluctuations on their cell phones and, in many cases, have a keener understanding of how to negotiate with foreign distributors to get the best price per pound (Haight, 2011). It is easier for the producers to sell their coffee by themselves and get a higher price than the Fairtrade minimum when the market is good.

The Premiums Effect on the Community

Among the concerns are that the premiums paid by consumers are not going directly to farmers, the quality of Fair Trade coffee is uneven, and the model is technologically outdated (Valkila, 2014). The producers are not receiving a direct benefit when coffee prices rise over the FT minimum price. Fair trade also improves credit access because of its pre-financing requirement and because certification lends ‘a certain prestige since it is assumed that the organization is subject to external monitoring and also demonstrates initiative and a capacity to enter new market niches’ (Aranda and Morales, 2002) FT farmers also invest more in house improvements and land-attached infrastructure than their non FT counterparts (Ruben, R. and Fort, R. 2012). A fair trade agreement works as an asset for farmers to use as leverage to create a sustainable business and living situation.

Fair Trade and the Poorest Farmers

Fair Trade (FT) certification offers consumers the opportunity to help lift farmers in developing countries out of poverty (Dragusanu, R., & Nunn, N, 2018). Fairtrade has helped a lot of farmers but has not been able to help everyone. Global supply chains are a threat rather than an opportunity for the poorest farmers and countries; and the policy paradigms that fit within this view. (Minten, B., Randrianarison, L., & Swinnen, J. F. M., 2008)

Conclusion

Fairtrade is a big established organization that have both strengths and weaknesses, which all organizations do. The organization should constantly evaluate the process of how the premiums are spent and consider partnering with more farmers in the poorest countries. Within the last decade, both extraordinarily high and low coffee prices have been experienced, with profound effects on millions of farmers and workers in developing countries (Valkila, 2014). The strength of having the Fairtrade minimum price and being able to get loans outweighs the premium and farmer selection weaknesses.