Fair Trade: Principles And Impact

Fair Trade (FT) is a market-based social movement which provides farmers and their workers in underdeveloped countries with the same free market opportunities available in developed countries where their commodities are consumed (Raynolds, 2009; Schuler & Christmann, 2011). FT also enforces social and environmentally responsible standards (Schuler & Christmann, 2011). Some authors suggest that despite FT's socially responsible intentions, disadvantaged farmers who are the intended target do not benefit from its scheme (Claar & Haight, 2015) and in some cases FT has been co-opted by other actors to further their own economic benefits and goals (Jaffee, 2012). This essay evaluates both perspectives in order to provide a recommendation to a cafe owner considering a switch to FT.

Firstly, at the core of FT movement is that there is no disparity between what farmers in underdeveloped and developed countries receive for their coffee (Jaffee, 2012). FT protects farmers by providing a minimum coffee price guarantee (Schuler & Christmann, 2011). In the event of a market crash the benefit of FT is glaringly obvious but not so much when coffee prices are high (Tedeschi & Carlson, 2013). Since 2007 the FT minimum price has been inconsequential because the price of coffee has been so high that all farmers have received market price for their coffee regardless of whether they are part of FT or not (Claar & Haight, 2015). Valkila (2014) argues that in the event of a market price crash the main beneficiaries of FT's minimum price would be bigger wealthier farmers and not the poor farmers from less developed countries that are the intended recipients of FT because the more well off producers are the only ones able to supply the appropriate quality and quantity of coffee that would be needed in the market.

Secondly, FT provides farmers with social benefits which include provision of credit facilities, finance for developments and reduction of risks (Valkila, 2014). For example, credit facilities are made available to farmers via cooperatives and as such farmers are protected from being exploited by middlemen whom traditionally serve as the only source of credit and also buy their produce at a cheaper rate to sell further down the coffee supply chain (Tedeschi & Carlson, 2013; Valkila, 2014). Evidence gathered by several authors have also shown that farmers derive great benefit by dealing with fewer middlemen, since they have more direct access to traders buying their coffee (Murphy & Jenner-Leuthart, 2011; Tedeschi & Carlson, 2013).

However according to Dragusanu, Giovannucci and Nunn (as cited in Claar and Haight, 2015) "Fair trade coffee is a cup half full". Claar and Haight (2015) argue that FT advocates fail to mention the joining fees and cost imposed on existing and future FT coffee farmers. Claar and Haight (2015) further state that these high costs are not trivial to low earning farmers. In fact the situation could be dire in some instances because not every FT farmer is able to sell their coffee as FT coffee, because FT organisations do not assume responsibility or guarantee that buyers in the market will find every farmers produce meet the quality they want (Claar and Haight, 2015).

Thirdly, researchers have found that customers who are knowledgeable about the concepts of FT are willing to pay more for FT coffee, with the right marketing and branding it can serve as a brand differentiator in the saturated café market (Murphy & Jenner-Leuthart, 2011). Other

authors have also found that the rising popularity of FT coffee has attracted a new group of big and powerful coffee traders who see the potential of this niche market and use FT branding to boost their profit and sales by appealing to costumers that are willing to buy FT coffee (Jaffee, 2012; Raynolds, 2009).

In conclusion, FT organizations effect positive change and impact to coffee farmers in underdeveloped countries and in some cases, they successfully improve the quality of life of farmers in underdeveloped countries. However, it is not perfect and could improve some of its procedures. In addition, given that FT coffee can serve as a market differentiator and there is a high probability for a café doing 100% FT to be successful, highly profitable and socially responsible we highly recommend FT to any café owner looking to make this switch.

Reference list

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