Coffee Way to Strong

Coffee an(un)fair trade

Global Education programme manual from
The World in the Shopping Cart series

NAZEMI

world in the shopping cart

The World in the Shopping Cart

- The purpose of the global development education programmes titled The World in the Shopping Cart is to draw attention to the relationship between our consumer behaviour and seemingly unapproachable problems in the countries of the so-called "Global South"; that is to point out the interconnected nature of the developing and advanced countries through trade and consumption. The workshops explain selected issues (extreme poverty, poor working conditions, destruction of rainforests, etc.) to the students to give example of the products of our everyday consumption (cocoa, chocolate, coffee, cotton T-shirt or jeans, Coke, and others).
- The workshops also try to present more responsible, greener, and people-friendlier consumer alternatives such as Fair Trade, FSC (wood certification) and organic products.
- One of the principal objectives of the programme is to stimulate students to ponder over problems and their context, to critically evaluate the presented information and formulate their own opinions and attitudes.
- The educational series World in the Shopping Cart forms part of a homonymous campaign for responsible consumption.

Other workshops from the programme "The World in the Shopping Cart":

- **Coffee Way Too Strong.** Coffee and (un)fair trade
- **Bitter Taste of Chocolate.** Cocoa and child labour
- **Clothes Makes the Man... and Who Makes the Clothes?** Cotton and working conditions in the garment industry
- **The Taste of Rainforest.** Causes and impacts of rainforest felling
- **Coca-colonization.** On multinationals (not only) in developing countries
- **Banana Spots.** How the tropical farmers lives with pesticides
- **Over Troubled Water.** Water as a precondition of a development

Coffee Way to Strong
Coffee and (un)fair trade
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Content:

Instructions For Use

Dear teachers,
The task of this manual is to introduce to you one of the workshops of our cycle 'The World in your Shopping Cart.' The workshops advocate active teaching methods. They are made up of several connected activities, arranged to accommodate the three-phase E-R-R teaching model (evocation – realisation of what the information means – reflection). Basically, the workshops are built around group work (social and personal skills). Through hands-on activities, they ensure that learning is anchored in experience. There is also some work with texts (teaching and problem-solving skills). Discussion and attitude-related activities will develop citizenship and communication skills. Above all, the programme corresponds to cross sectional topics Education and Thought in a European and Global Context, and Environmental Education.
The workshops serve as a good introduction to these areas. The topics treated are very complex, and can therefore be expanded with their own activities.
The purpose of this manual is to provide a detailed methodology for holding one workshop from the cycle 'The World in the Shopping Cart,' and to support the methodology with information that will allow the teacher to spend as little of his or her own time as possible preparing the workshop.

Methodology
In the presentation of the methodology we have mentioned the objectives fulfilled by the workshop and its activities. Partial objectives then show up in concrete activities, as do lists of teaching aids.

Minimum two hours
The workshops are conceived for a minimum of two teaching hours, but it would be even better to extend the program and dedicate further time, especially to discussion. This is particularly attractive and useful to older students, because in addition to working on important communication skills, they have the opportunity – in the context of confrontation with others – to refine their own opinions and attitudes. The suggested schedule comes from the experience of teachers who have held the workshops numerous times. Nevertheless, the teachers who have tried the workshops for us led them in widely differing allotments of time (e.g. 1 × 2, 2 × 1, 2 × 2, 1 × 3teaching hours). So in addition to being possible within normal teaching hours, the workshops are well suited to special activity days at school.

Appendices
In the methodological part of the manual we have presented a complete list of teaching aids. The majority of them will also be found in the part entitled 'Appendices.'

*The resources marked with an asterisk (photos, pictures, recordings) can be found in electronic form on our website: www.svetvnakupnimkosiku.cz/skoly/materialy. To make sure that the individual building blocks of the workshop mesh together, we have visually differentiated the information in the text.

Important contributions from the teacher, which sum up what should stand out in the course of an activity.

The windows for 'Transition to the next activity' facilitate the fluent progress of the workshop.

Documentation has been structured in three kinds of text field: the main text on a coloured background is supplemented by the text frames, which give illustrative examples or relevant details. The bullet points in the margin are designed to orient you in the main text by summarising the basic message of the corresponding section of text. The bullet points allow a quick reading of the text when you are repeating the workshop, and you can add to them yourself.
We hope that these materials will be a dependable guide to some aspects of our globalised world, and that they will inspire you to further develop these topics with your students. We invite you to send suggestions for improvement, as well as additions and information for the activities, to this address: vzdelavani@nazemi.cz.

Coffee Way Too Strong

Coffee and (un)fair trade

Workshop objectives:

Knowledge:

- Students state basic facts regarding the unequal distribution of the world's wealth.
- Students formulate some causes of poverty in the countries of the South.
- Students list basic information on the functioning of today's conventional trade and its impacts on the situation of coffee growers.
- Students explain the problems related to growing coffee based on concrete examples of the profit and power distribution within the coffee trading system.
- Students state differences in the living conditions of Fair Trade farmers and producers involved in conventional trading.
- Students compare the principles and rules of Fair Trade operation and conventional trade.

Skills:

- Students collaborate in a group and present the group work results to each other. They develop the listening skills.
- Students present the stories of people involved in the coffee trade in their own words based on the information from the text.
- Students try to understand problems of people who form part of the process of cultivation, production, and sale of coffee.
- Students assume a standpoint on the grounds of the acquired information and formulate it in an appropriate way.
- Students argue and discuss the options of improving the coffee trade conditions.

Attitudes:

- Students assess the existence of an unequal distribution of the world's wealth.
- Students put their own consumer behaviour in context (purchase and consumption of coffee), social position of people and environmental problems in developing countries (wanton use of natural resources in agriculture).
- Students consider the possibility of how they can contribute to an improvement of conditions in the coffee trade.

Group size: 14 to 30 students (aged 14-18)

Duration: 100-120 minutes

Teaching aids:

- papers with the names of continents written on them (Europe, Asia, Australia, South America, North America, Africa)
- chart stating the correct distribution (refer to the Manual)
- chairs – corresponding to the number of participants
- roles of the individual families (*Appendices to Activity 2*)
- cards with harvest according to the number on the dice (*Appendices to Activity 2*)
- dice
- 7 sets of Expenditures – laminated pictures representing annual expenditures*
- price lists (*Appendices to Activity 2*)
- 7 large packing papers serving as "notice boards"
- glue dots
- coloured flags of the individual countries (England, Brazil, Costa Rica, Tanzania)*
- 26 cards "Differences within the coffee chain" (*Appendices to Activity 3*)
- photographs of coffee and its processing*
- pegs
- string or clothes line
- quiz (*Appendices to Activity 4*)
- BIO, FT and other logos*
- CD with a clip from the documentary Black Gold*

**Note: You can find these teaching aids at www.nazemi.cz*

- Students consider their own responsibility ensuing from their role as consumers in the present globalized world.

Activity name	Activity type	Goals/information	Duration
1. Seat yourselves comfortably	ice-breaker, introductory	becoming aware of the unequal distribution of the world's wealth, causes of poverty in the countries of the South	10 – 15 minutes
2. Families	role game	demonstration of the division of power and profits in the coffee trading system – attempt at identification with the role, differences in the lifestyles of Fair Trade coffee farmer's	40 minutes
3. Differences	searching for information	illustration of Fair Trade principles and their comparison to the conventional trade	25 minutes
4. Quiz	answering questions	summarizing the presented information	5 – 10 minutes
5. Black gold	clip from the film and a discussion	visit to the Ethiopian Oromia cooperative, initiating a discussion	15 – 30 minutes

ABBREVIATED VERSION

Activity 3 can be realized in 30 minutes and can be used for a more in-depth presentation of the development indexes (GDP, GNP, HDI). The second lesson can be devoted to separate Fair Trade activities 3 and 4 with a subsequent presentation of the functioning and control of the Fair Trade system.

ENSUING ACTIVITIES

The workshop is suitable for the first introduction of Fair Trade. It however leaves many questions unanswered. Let the students find out whether FT products are sold in the Czech Republic, which types of products are fairly traded, and which system of control is in place.

Apart from another FT topic, the workshop can be followed by a theme from the sphere of international trade – subsidies, trade barriers, etc. Other aspects of Fair Trade are addressed in the other workshops from the World In A Shopping Trolley series.

Activity 1: Seat yourselves comfortably

Duration: 10 – 15 minutes

Teaching aids:

- papers with names of continents (Europe, Asia, Australia, South America, North America, Africa)
- chart for correct distribution
- chairs according to the number of students

OBJECTIVE:

- Students become aware of the imbalance in the distribution of the world's wealth.
- Students ponder over the causes of the differences between the countries in the global South and in the North.

PROCEDURE:

- Place the chairs in the centre of the classroom (as many chairs as there are students).
- Place the papers inscribed with the names of the continents: Europe, Asia, Australia, South America, North America, Africa.
- Explain to the students that their task will be to simulate the distribution of the world's population. The whole class constitutes 100% of the world's population and the children should agree and proportionally distribute themselves correspondingly to their estimates of the continents' total populations.
- When all the children are distributed over the continents, proceed to control if the estimated proportions were correct.
- Another task is division of the world's wealth by the continents. The wealth is represented by the chairs. The students allocate each continent with a certain number of chair as they think is appropriate. (The number of chairs in the group is then not dependent on the number of students but on the proportionate wealth).
- Check the distribution together with the students based on the chart.
- Tell the students to sit on the chairs at their disposal in each group so as to cover their whole surface, while nobody touches the floor.
- Leave the students in this position (to some very uncomfortable) and make a short summary with them – in the form of questions that the students answer, for example:
  - Do you feel at ease?
  - How are the others doing?
  - Where do the most and where the least people live?
  - How many chairs are there per person or persons per chair?
  - Where is the world's wealth most concentrated and where least?
  - Let the students know that this game has shown them the well-known division between the rich North and the poor South.
- Let the students sit in a circle and start brainstorming with the question:
  - Why is it so? What lies at the core of poverty in the Southern countries?
- Encourage the students to make suggestions and jot them all down. After this part is finished, go through the suggestions and make sure that you have understood them correctly. If the international terms of trade were not mentioned, try to enquire about them via the frequently cited colonial history.

DISTRIBUTION OF STUDENTS AND CHAIRS, data updated according to Harvard Business School: World's GDP Growth by Region.

15 students in a class

Continent	Number of students	Number of chairs
Europe	1	4
Asia	9	5
South America	1	1
North America	1	3
Africa	2	1
Australia	1	1

20 students in a class

Continent	Number of students	Number of chairs
Europe	2	5
Asia	12	7
South America	1	1
North America	1	5
Africa	3	1
Australia	1	1

25 students in a class

Continent	Number of students	Number of chairs
Europe	3	6
Asia	15	9
South America	2	1
North America	1	6
Africa	3	1
Australia	1	1

30 students in a class

Continent	Number of students	Number of chairs
Europe	3	8
Asia	19	11
South America	3	2
North America	1	7
Africa	3	1
Australia	1	1

Important outputs:

- Wealth is not distributed equally
- Frequently cited causes of poverty are interconnected vessels (climate, lack of education, bad health condition of the population, armed conflicts, corruption). Most of them are primarily manifestations of poverty which they simultaneously continue to maintain as they also help spin the so-called "poverty cycle".
- The original cause for poverty in the developing countries is their colonial past in which their economy was shaped to suit the needs of the colonial powers and not of its own inhabitants – shaped to be dependent on the production of a handful of export commodities. Apart from the debt crisis, the current cause of maintaining the status quo is the alignment of the global trade which favours stronger players (such as so called developed countries and multinationals).

TIPS FOR CONDUCTING THE ACTIVITY:

- By including this activity you open up the topic of an unfair alignment of relations in the world. Even though it is possible to devote more time to the activity and to the ensuing discussion, this workshop sets itself the goal of only initiating the topic and so the duration should not exceed 15 minutes.
- While checking the correct distribution of the students according to the chart, involve them by gradually adapting the numbers to the actual situation (if the students are for example told that there are two people in North America, those who are in excess must move to another continent).
- The concluding brief brainstorming is important for the follow-up. You can write the students' suggestions in two columns: in the first one write the causes of poverty that cannot be affected (colonial history, climate, natural conditions) and in the second one the causes which are the actual manifestations of poverty and which can be changed (education, diseases, etc.).
- You can divide the students into groups and leave them to work out their own suggestions regarding the causes of poverty. This version is naturally more time demanding.

Note: The expression "wealth" in this activity is rather distorted as the numbers given are derived from the share of each country in the world's gross domestic product.

(Source: Pike, Shelby: *Exercises and games for global education*, modified by the People in Need association)

Transition to the next activity:

- One of the causes of global inequality is terms of trade. The issue of trade with the so-called "developing countries" will be shown on the second most traded commodity – coffee. Coffee trade immediately affects the lives of 25 million people all over the world who make their living from producing it. In the next activity, students will actually become involved in the coffee trade.

Activity 2: Families

Duration: 40 minutes

Teaching aids:

- 7 large packing papers used as "notice boards", glue dots, coloured flags for each country (United Kingdom, Brazil, Costa Rica, Tanzania)*
- roles of the individual families (*Appendices to Activity 2*)
- harvest cards corresponding to the thrown number (*Appendices to Activity 2*)
- dice
- 7 sets of expenditures – laminated pictures for the annual expenses* (print the pictures and laminate them if possible. Write the abbreviation of the country they apply to and the price according to the price list on their reverse sides)
- price lists (*Appendices to Activity 2*)

OBJECTIVE:

- Students try to understand the problems of people who form part of the coffee cultivation, production, and selling process.
- Students interpret experiences from the game and find analogies in real world of coffee trade.
- Students explain which problems are associated with coffee cultivation and how profit and power are distributed within the coffee trading system.
- Students interpret differences in the living conditions between FT farmers and farmers involved in conventional trade.

PROCEDURE:

- Divide the students into seven groups (the sizes of which depends on the number of students in the class).
- Each group represents one family.
- Give each group texts about the families. Let them choose the flag of their country. Notify them in advance that they are going to present the family to others.
- After each group studies the text, they present individual families to others.
- Tell the students that all of them are now involved in the coffee trading process and that now they are expecting the remuneration for their year-long efforts. Explain them that the coffee price is, apart from other factors (supply, demand, crop quality), also dependent on how the price will be set on the stock market.
- Give each family the "throws of the dice" card and leave them some time to study it.
- However, the following events can only be affected by the persons of influence from each state; the income of others equally depends on them. Representatives of the families which can exert more influence on the decision-making (Quintin-Smith, Domingos, Huilo, Aran) throw the dice one after the other. The poorer family from the corresponding country must abide by the number thrown.

- After all of the families have gotten to know their income, give each family a "notice board" (= big sheet of wrapping paper), glue dots and cards with pictures standing for the annual expenditures of each family.
- Each family selects pictures representative of different expenditures throughout the year so that they can fit into their annual budget. Write the categories on the board: Dwelling, energies, food, transport, water, clothing, entertainment. Each family must choose a minimum of one thing from each category. The remaining money can be spent to cover extra expenses represented by a card depicting a syringe, which is the only one not stating the cost.
- The last family to introduce themselves are the Huilos who are involved in Fair Trade.
- Write the stated incomes on the board below the corresponding name of each family.
- After all families have presented themselves, ask them for feedback. Let each family express their opinions. Pose questions such as the following:
  - How did you feel?
  - What are the relationships between the families?
  - Which family, in your view (from the perspective of your family), was rich?
  - How does the poverty of the families in different countries differ?
  - Which families were poor and why? (According to the income for an equally successful season, the wealth of the families decreases respectively as follows: Domingos, Quintin-Smith, Green, Aran, Fiorentino, Margan.)
  - What consequences do they need to face?
  - What could the poor families do in order to earn more?
  - Who affects the coffee price for which the farmer sells his or her coffee?
  - Have you ever heard about Fair Trade (FT) before? Have you learned something about the differences between FT and non-FT?
- Point out different aspects of poverty. By comparing the situations of families within one country and between them lead the students to clarify the terms of absolute and relative poverty or explain them yourself.

Important outputs:

- Difference between relative and absolute poverty.
- Annual coffee harvest revenues are contingent on the price determined in the world coffee stock exchanges in which only the most influential players participate. The poor have no option of influencing the trade.
- Fair Trade works towards rectifying the unequal position of farmers in the coffee market.

TIPS FOR CONDUCTING THE ACTIVITY:

- We recommend having "families" seated far apart so that they do not disturb each other.
- In the course of the activity, walk among the groups and check how they proceed and if they have understood the assignment correctly.
- It is best to define a visible location in front of everybody and to ask the families to present themselves together. The students are thus motivated to a more playful form of presentation.
- During the presentations, let the representatives from the same countries introduce themselves successively so that the contrast between them is more apparent. Pay attention to the fact that each presentation mentions where the family is employed or whom it employs – students will become aware of the relationships between the families.
- While introducing the Huilo family from Costa Rica, it should not be omitted that they are members of a cooperative involved in Fair Trade. Ask for the differences between the Huilos and other families. E.g. they were the only poorer farmers who could throw the dice for themselves.

- Use the groundwork texts to explain the causes of unequal wealth distribution between the families.
- The family incomes illustrate well the GDP or the proportion of social differences in each country included in the Human Development Index (HDI).

Transition to the next activity:

- Ask the students whether they know which other benefits the farmers obtain from Fair Trade. Between the farm and the consumer's cup, the coffee beans pass through the hands of numerous people. How is coffee transformed along its way through the chain? Who gets which share of the money paid by the consumer? In what does Fair Trade actually differ from the conventional trade? The differences between both types of trade and their merits or drawbacks for the farmers are addressed by another activity.

Activity 3: Differences

(comparison between the farmers' conditions)

Duration: 20 minutes

Teaching aids:

- 26 cards: Coffee Chain Differences
- Photographs depicting the processing of coffee
- Coffee beans
- Pegs
- Line
- Possible sweet FT reward

OBJECTIVE:

- Students describe the chain of entities through which coffee passes on its way, compare the rules of FT operation to conventional trade, and characterize their impacts on the farmers.
- Students explain FT principles with respect to the farmers.
- Students compare their ideas with real photographs from coffee processing.

PROCEDURE:

Differences

- The two sets of cards stand for the route the coffee must travel on its way from the farmer to the consumer under the conditions of conventional and fair trades. Cards usually have two pieces of information: the part of the chain, potentially the stage of processing, and the difference between both types of the chain. (Shuffle the cards and give each student one).
- The students' first task is to find their counterparts in the second coffee chain based on the information on their cards.
- Not all of the cards form exact counterparts; in such a case, the students search for someone who engages in the same activity. If you have, for example, a card with a coffee exporter, you should search for someone who does something else but also exports coffee.

Organizing the links of chain

- The following task is for the students to form two parallel lines so that each corresponds to the chronology of coffee processing and the path it travels in conventional (1st line) and fair trade (2nd line).Counterparts from each chain always face each other. The students can take their chairs and sit down in the same order. Not all of the students will have a counterpart because the FT chain is shorter.
- Give an unroasted coffee bean (or a normal one) to the students representative of the conditions at the beginning of the chain to introduce 1) in which part of the chain they are located and what activity is performed there, and 2) under which conditions. The fair chain representatives alternate with the conventional ones. E.g., coffee is dried and sorted. The remuneration for the sold coffee never drops below

the minimum determined price.

- With each stage, hang the corresponding photographs on a line near the board.

* In italics are those cards which should preferably be left out when the number of students is small.

Ordering student couples according to the cards			
		Differences	
		Fair Trade (FT)	Conventional trade
1.	*Farmer: cultivation**	*Few pesticides*	*A lot of pesticides*
2.	*Farmer: cultivation*	*Coca*	*Coca*
3.	Farmer: picking	In the shade	Monocultures
4.	Farmer: harvesting, grading	At least minimum price is assured	The price is fixed at the stock exchange
5.	Farmer: depulping and drying	Cooperative training	Lack of information
6.	Farmer: grading and selling	Ensured education	Child labour
7.	Cooperative of farmers to the buyer – farmer to the middleman: assuring coffee off-take	Durable relations, security	Indebtedness, insecurity
8.	Buyer and middleman: paying	Common fund	Without healthcare
9.	Buyer to the exporter: transport	FT organization	Exporter
10.		-	*Importer*
11.	Negotiating the deal	-	Broker
12.	Roasting and potentially packing	Subcontracted coffee-roasting plant	Coffee-roasting plant
13.	Distribution	-	Wholesale
14.	Sale	World shops and cafés with FT products	Shops and cafés
15.	*Customer*	*Customer learns about the origin of coffee*	*Customer does not know the origin of coffee*

SUMMARY

- Make two separate lists of phrases and varying conditions in both chains on the board. Use them for the subsequent summary of the main differences between Fair Trade and conventional trade chiefly concerning their different impacts on farmers.

- Students sit so that they can see the ordered photographs depicting the processing of coffee beans. Ask them in which country each individual phase takes place. Let them know that in the majority of cases coffee and other products are exported in their raw state and the processing occurs only after their arrival to the countries of consumption. Producer countries therefore receive that much less from the final price. Fair Trade also aims at increasing the added value in the producer countries: Thanks to the social premium, some

Important outputs:

- Fair Trade strives to make the farmers in developing countries able to earn a respectful living through their work. It tries to create the most immediate relationship between the consumer, processing plants and farmers in order to secure the farmer the highest possible share in the final price of coffee.
- Basic differences from conventional trade generally consist in: 1) higher purchase price paid out to the farmer and the social premium, 2) reduction in the number of middlemen, and 3) different cultivation conditions.
- Usually, unprocessed coffee beans are exported from the countries of origin (developing countries) due to lower tariffs and costly processing technologies.

Coffee primary processing stage.

cooperatives have already managed to acquire coffee-roasting plant equipment. This is for example the case of the Columbian cooperative OCCCA. Another example, the Tanzanian cooperative Kagera Cooperative Union gradually succeeded in acquiring a majority share in the Tanica plant after 14 years of receiving FT premiums. Now it even processes its own instant coffee.

TIPS FOR CONDUCTING THE ACTIVITY:

- With a higher number of students (30) multiply the card No. 9 (FT buyer) five times; the students will all have a counterpart, although on the FT side they will still form the same entity.
- Tell the students that the cards simplify the matters for clarity. Not all FT and conventional chains follow exactly this structure.

Note:
These photographs were taken in the Columbian Fair Trade cooperative OCCCA which also roasts and packs the coffee. These phases usually take place in the importing countries. Author: Eva Fraňková.

Activity 4: Quiz

Transition to the next activity:

- Conclude the activity with a small competition by way of which you can find out how much the students know about coffee and what they remember from this programme. The winner can get a sweet and fair reward.

OBJECTIVES:

- Students will bring order to and reflect on information and relationships acquired in the preceding activities.
- Summarization of information on coffee as a crop, on terms of trade, and Fair Trade.

Duration: 5 minutes

Teaching aids:

- quiz (*Appendices to Activity 4*)
- BIO, Fairtrade and other logos

PROCEDURE:

- Divide the students into pairs.
- Assign each pair one quiz.
- Go through the individual questions together. The couple counts one point per right question ((last question – each advantage = 1 point). Comment briefly on some questions (refer to the groundwork documents).
- At the end, evaluate the groups according to their scores and give the winning group its prize.

QUIZ QUESTIONS:

1. Where is coffee originally from?

a) Brazil
b) Ethiopia
c) Indonesia
d) Yemen
e) Columbia

2. What is the coffee's ranking among the world's most traded commodities?

a) first
b) second
c) third
d) fourth
e) fifth

3. Which country consumes the most coffee per person a year?

a) USA c) Finland

b) Italy d) France

4. How is "relative poverty" defined?

a) if the income is not enough to cover basic needs

b) if people do not have enough money

c) if somebody is poorer than the majority of inhabitants in the country

5. Which country supplies the highest percentage of coffee usually sold in the Czech Republic?

a) Brazil c) Columbia

b) Vietnam

6. Which advantages does Fair Trade membership assure the farmers?

7. Which of the following features does not belong to Fair Trade principles?

a) Weak bargaining position

b) Direct purchase from producers without unnecessary middlemen

c) Counselling in the sphere of marketing, accounting, and management

8. How many producers/farmers make their living from selling commodities through Fair Trade?

a) 20 million c) 1,2 million

b) 7,5 million

9. How do I know that the product I want to buy comes from Fair Trade?

Solution: 1b, 2b, 3c, 4c, 5b, 6...,7a, 8b, 9...

Transition to the next activity:

- Tell the students that you have prepared a short clip from the Black Gold film addressing the issue of coffee farmers in Ethiopia and accurately depicting the functioning of the current coffee trade and Fair Trade principles in developing countries. The selected clip shows the operation of a Fair Trade cooperative from a reali-life example.

TIPS FOR CONDUCTING THE ACTIVITY:

- Instead of pairs, the quiz can be solved by individuals as well.
- The quiz questions may be modified based on your considerations. You can add questions related to the clip and evaluate them only after the students have watched it.

Activity 5: Black Gold and Discussion

Duration: 15 minutes

Teaching aids:

- CD with a clip from Black Gold*
- audiovisual device
- Fair Trade and conventional coffee samples

OBJECTIVE:

- Students identify FT principles and rules based on an example.

PROCEDURE:

- Play the clip from Black Gold. After it has finished, leave some space for questions and then start a discussion on Fair Trade with the students.
- Possible questions:
  - What can I influence from my position as a consumer? Terms of trade? Living conditions of the farmers?
  - Am I willing to pay more in order to have a certainty about the product's origin? By how much?
  - Which coffee-producing companies do you know?
  - What is the difference between a package of FT and normal coffee? (Here the students need be shown the coffee samples).

Important outputs:

- "The actual act of purchasing in fact implies that our vote goes to particular economic and social way of producing goods. We cannot however ignore the conditions under which these products are produced – environmental impact and working conditions. We are associated with them and we are therefore responsible."

Anwar Fazal, prezident International Organization of Consumers Union, 1986

TIPS FOR CONDUCTING THE ACTIVITY:

- Prior to playing the clip, you can pose concrete questions concerning the film: e.g. what is Ethiopia's currency? What is the price for which the Ethiopian farmers sell their coffee?
- The students can write down their questions for the discussion on a piece of paper before it starts.

Black Gold:

Director and producer of Black Gold: Marc Francis & Nick Francis

Czech subtitles were produced by People in Need

The Huilo family (Costa Rica)

Tonito and Vanessa Huilo **are members of a cooperative involved in the Fair Trade system**. They grow coffee and bananas in their farm. The banana trees provide necessary shade for the coffee plants to prosper.
They live in a two-storey house with their three children. Two younger children attend the local elementary school and **the oldest child**, Cristina, **commutes to the 30 miles distant town where she attends a secondary school**. However the bus runs this route only once a week and so she is forced to stay in the town throughout the week and come back only for the weekends.
During the coffee price collapse in 1989, the Huilos could not send any of their children to school. Similarly to other farmers in the region, the American coffee roasters had promised to pay them high prices, but when the harvest arrived, they drastically reduced it.
COOCAFE recently signed a contract with a British FT company. The company **promised to purchase the entire harvest for a fair price which is almost the double when compared to the market price**. This means that the **Huilo family have a decent income**. Tonito and Vanessa spend their time helping in COOCAFE but they also like meeting their friends in the village.

Huilo
Throw of the dice 1-2: income of 22

Because you have grown and sold your coffee harvest under Fair Trade conditions, you have received a good price for it. You have had a very good year. Moreover, the cooperative received financial premium which has considerably helped the community as well.

Throw of the dice 3-4: income of 21

This year has been an average one. You have received a good price for your coffee from the Fair Trade cooperative which in turn received the social premium.

Throw of the dice 5-6: income of 20

You have not had a very good year because the weather was not very favourable to coffee cultivation. Compared to other families who are not members of the cooperative, the remuneration has not dropped below the fixed minimum level. Social premiums corresponded with the quantity of grown and sold coffee.

The Domingues family (Brazil)

Antonio Domingues **owns 30 coffee plantations** in Brazil. **He employs several hundred workers**, among them also the **Fiorentino** family, and produces thousands of coffee bags per year. Mr Domingues and his family **live in a rich suburb on the outskirts of São Paulo**. They own a **mansion with five bedrooms**, large dining hall, three bathrooms, luxurious courtyard and an amazing garden. They employ many **servants** and also another house in Rio de Janeiro.
Antonio and his wife Maria often host politicians, landowners, and industrialists in their mansion. Their sons, Eduardo and Pedro, are in high-ranking management positions in their father's company. Their daughter Marguerita is an influential Brazilian politician.

Domingues

Throw of the dice 1-2: income of 1200
The government gave you a grant for the development of a genetically modified coffee plant variety. This could lead to higher yields in your plantations.

Throw of the dice 3-4: income of 900
The government promised a grant for the development of a genetically modified coffee plant which should have higher yields. Nevertheless, the negotiations were put off due to protests of environmentalists regarding possible impacts of these new plants on humans.

Throw of the dice 5-6: income of 600
Despite intense cultivation of coffee in your plantations, the plants yield less and less. The government has promised financial aid but it has not provided it yet.

The Fiorentino family (Brazil)

Carlo with his wife Daphne work as **seasonal workers in one of Mr Domingues's plantations**. They are hired during the harvest season for the period of roughly 3 weeks. For the rest of the year, there is less work so **Carlo earns some extra money by weeding for several weeks**.
They live at the edge of a smaller town 5 km from the plantation in **a single-room flat constructed from bricks. They have five children**. Two younger children try to earn some money wherever they can throughout the day: by washing cars, collecting old metal and paper to be sold later. The older two children illegally work on the plantation during the harvesting season. The fifth child is ill but the family does not have enough money to be able to afford appropriate medical treatment. **All Children go to school but parents take them for illegal work on the farm during the harvest season. Oldest son, Miguel**, often miss the school because he does not like it and prefers to ramble around the town and trying to get some money by begging or washing cars.

Fiorentino

Throw of the dice 1-2: income of 10

You have managed to ensure a slight increase in the salary thanks to the company's new regulations.

Throw of the dice 3-4: income of 8

Everything remains unchanged on the plantation.

Throw of the dice 5-6: income of 6

As the plantation now produces less coffee, the workers' salaries were cut.

The Margan family (Tanzania)

Mrs Esi Margana **works in the plantation of Mr Aran**. She moved into the Kilimanjaro region with her husband **who used to work as a pesticide sprayer** three years ago. Although his income was fairly decent, he **left the job due to pains and irritation of the eyes and lungs caused by the pesticides**. The lungs disorders persist and his condition deteriorates quickly. The family could never afford to consult a doctor. The illness prevents Mr Morgan from working and so he does not contribute to the family income in any way.
They live close to the farm in a **two-room house from clay bricks with a roof from palm-leaves**. The **plot** does not belong to Margana and so **she is forced to use it illegally**.
Mrs Margana works in the farm with other workers during the harvest and weeding. **Her share in the coffee harvest**, which is often pitifully small, **amounts to one third**. This money need to carry her through the whole year and so her children **cannot attend school**. Her 14-year old son earns some money by selling cold water in the streets. Her 17-year-old daughter became infected by the HIV virus due to a lack of essential information. Now she is in search of work but so far in vain.

Margan

Throw of the dice 1-2: income of 9

Your employer decided to become involved in Fair Trade. Thanks to this your salary has gone up.

Throw of the dice 3-4: income of 8

Your employer is facing uncertain future so the salaries for this year remain unchanged.

Throw of the dice 5-6: income of 6

Drop in the income of your employer has led to the reduction of salaries paid out to the workers in his plantation.

The Aran family (Tanzania)

Mr George Aran owns a two-acre farm. **He grows coffee and hires workers to help him** with the harvest. George's wife Grace uses part of the land to grow fruit and other crops for their family. They travel **to the market** each week **to sell the harvested crops and eggs.**
They have three children – two sons and one daughter – and although the school fees are high, all of them still **attend school**. The Arans believe that if their children receive a good education, they have a chance for a better future. They do not want their children to do the heavy work in the plantation. Still, each year they are always afraid anew that they will need to interrupt the school due to financial difficulties. They live in a **three-room house** built from clay bricks with a roof from corrugated iron. They do not have electricity.

Aran

Throw of the dice 1-2: income of 38

You decided to become members of a Fair Trade cooperative. Thanks to this decision the price for your harvest has gone up.

Throw of the dice 3-4: income of 36

You have had an average year so you managed to sell your coffee for an acceptable price.

Throw of the dice 5-6: income of 29

You decided to sell your harvest to the representatives of an overseas company. They cheated you however and you are selling for a very low price.

The Green family (England)

Angie Green is an employee of Mr Quintin-Smith at Royal Roasted Coffee. **She works at a production line** for coffee processing in Nottingham. She **receives a very low salary** for a **boring and monotonous work** of supervising the packaging of coffee into coffee packs. She lives together with her family in **rented municipal house** in a nearby town.
Her **two children**, Carl and Lauren, who are 14 and 16, attend the local school. Since the **father of her children died three years ago in a job-related injury**, Angie has very little money.
When she is not at work, she spends most of her time maintaining the house and taking care of the children. She mostly **does her shopping in the local supermarket. She cannot afford to drive a car**.

Green

Throw of the dice 1-2: income of 47

Since the Royal Roasted Coffee is doing well, the workers in the factory receive bonuses.

Throw of the dice 3-4: income of 33

Your salary is the same as usual.

Throw of the dice 5-6: income of 28

Since the Royal Roasted Coffee is not doing well, there is a possibility of some overtimes. The factory is getting into difficulties.

The Quintin-Smith family (England)

Cyril Quintin-Smith is the **General Manager of the Royal Roasted Coffee** and he is also its largest shareholder. His decisions affect numerous workers in the entire Great Britain and many different farm and cooperative members from all around the world from which the company purchases their coffee.
Cyril receives a **high salary** for his work and he is also being paid out dividends from his shares. **He works five days a week** and participates in conferences and meetings all over the globe.
The Quintin-Smiths **live and work in London** but they also like to spend their time in their **other homes in Paris and New York**. They have a son and a daughter who both work for the company as managers. Cyril and his wife often throw parties for other rich and famous people in their homes. They both play **golf**.

Quintin-Smith

Throw of the dice 1-2: income of 1000

Your company concluded profitable business contracts with foreign companies, especially from the USA. The introduction of a new technology has led to a significant reduction in your domestic expenses. The shares price is high.

Throw of the dice 3-4: income of 850

Your company has been successful in entering new markets but the competition is still strong. The price of your shares is stable.

Throw of the dice 5-6: income of 500

Rumours of an accounting scandal in your company made the investors nervous. The price of the shares has dropped.

Brazil

Water	You are connected to the water network.	20
	You buy drinking water at the vendor's.	2
	You take water from a nearby well.	1
Food	You enjoy dinners in expensive restaurants in Rio de Janeiro.	30
	Food is prepared for you by your employees.	25
	You eat in restaurants with reasonable prices.	15
	You buy food with street vendors.	2
	You eat only farinha (maniok flour) with water	1
House	You own a large mansion in the rich suburb of Sao Paulo.	65
	Town house in a European city.	50
	Summer house in the countryside.	25
	A small house build of bricks in a slum.	15
	A single-room house built of boards.	3
Clothes	You have your personal fashioner who sews clothes made to measure.	50
	You buy expensive clothes from European designers.	40
	You only buy inexpensive clothes.	5
	You buy your clothes in second-hand shops.	2
Energy consumption	Amounts that you pay for the operation of your domestic appliances:	
	Air conditioning	20
	Electric stove and a fridge with a freezer	12
	Gas stove and a fridge	8
	You buy wood for your stove.	2
	You collect wood in order to be able to cook and heat up water.	0
Transport	You are forced to make use of transport on a regular basis. You can choose from the following:	
	You own a plane.	50
	You employ a driver for your Mercedes.	30
	Each family member has his or her own car.	20
	You own a small car.	15
	You ride a bus.	3
	Every now and then somebody gives you a ride or you walk.	0
Leisure	You have a yacht anchored in a luxurious port.	50
	Your family pays a membership fee in a top sports club.	35
	You go to exclusive night clubs.	20
	You go to cinema.	3
	You drink cachaça (distilled beverage from sugar cane).	1
Education	State elementary school/ one child.	1
	Children do not go to school.	0

Tanzania

Water	If you are connected to the water network, you have to pay fees. How much depends on the kind of house in which you live:	
	Big house with five bedrooms.	12
	Three-room house.	8
	You share a well with other three families.	5
	You buy drinking water from a water vendor.	2
	You drink boiled river water.	1
Food	You go to a good restaurant every now and then.	15
	You go to eat in a local cheap pub.	10
	You employ a cook.	10
	You eat at street vendors.	3
House	You pay for rent and house maintenance:	
	For a big house with five bedrooms in Kumashi.	20
	Three-room house built of clay bricks.	5
	Two-room house made of clay bricks.	2
Clothes	You buy European-style clothes in a Kumashi department store.	20
	You buy fabrics in the local market and you have your clothes sewn by a tailor.	10
	You buy European clothes in the local market.	7
	You buy second-hand clothes.	2
Energy consumption	Fees you need to pay for the operation of your domestic appliances:	
	Air-conditioning.	15
	Electric stove and a combined fridge/freezer.	10
	Gas cooker.	8
	Coal-powered stove.	3
	You collect wood in order to cook and have warm water.	0
Transport	You drive your Mercedes.	20
	You drive a used car. .	6
	You ride on a bus.	1
	You either ride on a truck's deck or you go on foot.	0
Leisure	You have a boat in Dar es Salaam marine club.	50
	You pay a membership fee in a top sports club	30
	You throw parties with food and music for your friends.	15
	You go to listen to a band.	8
	You go to events organized by the local community.	1
Education	Local one-class school/ one child	4
	Children do not attend any school	0

England

Water	You pay fees for water; how much depends on the type of your house:	
	Six-room city villa with a roof swimming pool.	15
	Summer house in the country with a timed grass-sprinkling system.	8
	Three-room terrace house with a bathtub	8
	A hired municipal house with a shared water tap	4
	Note: You need to pay for each house you own.	
Food	You sometimes have dinner and wine in a fancy restaurant.	30
	You employ a cook.	25
	You shop in a supermarket and cook at home.	15
	You buy food in the market.	5
	You grow your own vegetables.	1
House	You pay for the rent or mortgage and for the house maintenance:	
	Six-room villa	150
	Country house	100
	Terraced three-room house	70
	Hired flat in a municipal house	15
Clothes	You buy clothes from a fashion designer.	40
	You buy clothes in department stores.	15
	You shop in second-hands.	2
Energy consumption	The fees you pay for the operation of your domestic appliances:	
	Central heating	20
	Electric stove, microwave, fridge/freezer	25
	Gas cooker	10
	Cooker with two hotplates	3
Transport	You travel with your own airplane.	100
	You employ a driver, you ride a limousine	30
	You own two cars.	15
	You ride a bus or train.	2
	You ride a bicycle.	1
Leisure	You have a yacht in the Mediterranean.	80
	You pay a family membership fee in a sports club.	35
	You spend your holidays in Maldives.	30
	You go to pub twice a week.	5
	You do gardening.	1
Education	Private elementary and secondary schools	15
	Stater-run elementary education	1

Costa Rica

Water	Your house is connected to the water network.	20
	You buy water from a vendor.	2
	You pump water from a well.	1
Food	You eat in noble restaurants downtown.	30
	Food is prepared for you by your employees.	25
	You buy vegetables in the market.	3
	You eat at street vendors..	2
	You make tortillas from maize you have grown.	1
House	A big city house	40
	Small house in a town	15
	Two-room wooden house	5
	Single-room house from wooden boards	3
Clothes	You buy clothes at European fashion designers.	40
	You buy inexpensive clothes.	5
	You buy second-hand garments.	2
Energy consumption	Air-conditioning	20
	Electric stove and fridge/freezer	12
	Gas cooker and a fridge	8
	You buy wood for your stove.	2
	You collect wood so that you can cook and heat the water.	0
Transport	You always take first class.	40
	You employ a driver who drives you everywhere.	30
	You have a small car.	15
	You ride on a bus.	3
	You ride a bicycle.	1
Leisure	You have a boat in a marine club.	40
	You go for vacation to Florida.	30
	You spend your evenings in a hotel bar.	15
	You go drink to a local bar.	1
Education	School run at a Fair Trade cooperative	1
	Rural one-room school	2

	Fair Trade	Conventional trade
1.	The farmer **grows** coffee with **minimum chemical treatment** because he can do without them. The cultivation is friendly to the local environment and to the farmers' health. It takes at least three years before the coffee bush gives its first yield.	The farmer **grows** coffee with a **great quantity of chemicals** in order to obtain maximum yields. It takes at least three years before the coffee bush gives its first yield.
2.	**Coffee cultivation** ensures a decent living for the farmer's family. **Therefore he does not need to risk and trade illegally with coca** as many farmers around him.	Coffee cultivation is a very insecure business for the farmer. Switching over to an illegal cultivation of coca means prices up to 10 times higher for the farmer on the one hand, but a great risk on the other.
3.	Coffee shrubs are grown in a field along with other trees (banana plants, mango trees, etc.) which provide them with a beneficial natural shade. As a result, they do not require many chemicals. The beans become ripe gradually so they require manual **picking**.	**Only coffee bushes** are grown in the field. Coffee has more sun and **ripens faster**. However, it is more susceptible to disease. Therefore large quantities of fertilizers and pesticides must be applied. The beans ripen gradually and require manual **picking**.
4.	While **harvesting and grading** the coffee beans, the farmer is already certain to get a price which **will not drop below the fixed minimum level**. He does not need to live in fear of not having enough to sustain his family.	While **harvesting and** grading the coffee beans, the farmer still **does not know how much he will take in for them**. His receipts **depend on the coffee stock exchange price**. As a consequence, he lives in constant fear of not being able to sustain his family.
5.	The farmer **de-pulps** the coffee beans **and dries** them. He is testing a new method which he learned at a seminar held by the cooperative which presents many new skills and pieces of knowledge about coffee cultivation and trading. This enables the farmer to reach better coffee quality and **better orientation in the current market conditions**.	The farmer **de-pulps** the coffee beans and **dries** them. He lacks practical skills and disposes of no knowledge in the sphere of trading. He has nowhere to acquire these information from. He is handi-capped because he is **not well informed about the current situation in the coffee market**.
6.	After the farmer **has re-graded and sold** the dried beans, he receives an income for which he can obtain education for his children and the necessary healthcare assuring them higher chances for a better future.	After the farmer **has re-graded and sold** the beans, he often gets such a low price that he cannot pay regular salaries to his employees. **His children who do not attend school and have no education** work in the field with him. Their future existence will resemble his life.
7.	The coffee is sold by the cooperative which concludes a long-term contract with the farmer. The farmer does not need to worry within this time range that he would not find a buyer for his coffee. He can also acquire advance payments for his harvest so that he is not threatened by debts.	The farmer **sells** the coffee to a **middleman** who pays very little. But he needs the money because he became indebted throughout the season. Although the price is lower than the costs, the farmer does not bargain as the middleman **would not need to show up next time**.

	Fair Trade	Conventional trade
8.	Apart from the remuneration for the farmers, the **client** annually pays the cooperative a **social premium** of 10 cents per 1 pound of coffee. The cooperative members vote for specific local **social development projects** that will be **funded** from the premium, e.g. construction of a **school, hospital**, technological improvement, etc.	The middleman pays the farmer only a fragment of the price for which coffee is traded at the stock exchange. When the coffee price is down, the farmer cannot afford to pay neither school-fees for his children, nor health treatment in case of emergency. Schools as well as hospitals are usually located far away.
9.	**The customer, a company involved in Fair Trade**, who bought the coffee from the cooperative, **ships** it to the countries where it will be consumed. The coffee is **roasted and packed** at one of the bespoke **coffee-roasting plants** and it is distributed into shops and cafés.	**The middleman sells** the coffee to a company which **exports the coffee beans** into the country of destination. When the containers (each weighing 16 tons) reach the domestic port, the coffee beans change hands (and the owner) again.
10.		After it has reached the port and if it had not been sold in advance, it is purchased by an **importer** who **delivers it to different coffee-roasting plants in the specific country**.
11.		**The stock broker at the stock exchange** concludes deals with coffee between two customers, e.g. between an importer and a processing plant.
12.	**Cofee-roasting** company **roasts and packs** the coffee, put the Fairtrade mark (only on coffee bought from certified importer)	The coffee usually does not remain long with the importer. It is purchased by a **coffee-roasting plant** which performs the **roasting and packaging**.
13.	Coffee-roasting plant sells coffee to distributor, who sells it further to shops and cafés.	The coffee-roasting plant sells the coffee to a **distributor** who sells it further to the shops or cafés.
14.	The coffee is sold to the consumer by **shops and cafés** offering Fair Trade products.	The consumer buys the coffee in **shops or cafés**.
15.	**The consumer** in Europe learns about the origin of the coffee and who produced it because the name of the cooperative is stated on the package together with the country of origin.	**The consumer** in Europe cannot learn about the origin of the purchased coffee from the cover as it has passed through such a long chain that even the processor often does not know it.

Quiz

1. Where is coffee originally from?

a) Brazil
b) Ethiopia
c) Indonesia
d) Yemen
e) Columbia

2. Where does coffee stand in the rank of global commodities?

a) first
b) second
c) third
d) fourth
e) fifth

3. Which country has the highest annual consumption of coffee per person?

a) USA
b) Italy
c) Finland
d) France

4. Relative poverty is, if:

a) the income does not cover the basic needs
b) somebody has little money
c) someone is poorer than the majority of the population in a given country

5. From which country is the majority of coffee commonly sold in the Czech Republic imported?

a) Brazil
b) Vietnam
c) Columbia

6. Which benefits does Fair Trade membership ensure the farmers?

7. Which of the following features does not characterize Fair Trade?

a) weak bargaining power of the farmers
b) direct purchase from producers without unnecessary middlemen
c) counselling in the sphere of marketing, accounting, and management

8. How many producers/farmers make their living by selling commodities through FT?

a) 20 million
b) 7,5 million
c) 1,2 million

9. What does the FAIRTRADE label look like?

Coffee is the second most traded commodity only after oil. **Huh.** At least twenty five million people make their living (or, to be more precise, try to make) from growing coffee, absolute majority in the developing world. **Huh.** Out of the 50 Czech crowns that we pay for a pack of coffee, the farmer will get – in a better case – 5 crowns (when the coffee price is relatively decent as in the period 2008-2012) or 2 crowns (as in 2002 during a deep crisis in the coffee market). The example is based on the price paid to the farmers in Vietnam, a country in which a big share of the coffee consumed in the Czech Republic actually originates. **Really?** In order to reach the minimum Vietnamese monthly wage for the rural areas of 540,000 dongs (CZK 540), the farmer would have to sell 1.3 tons of coffee in a good year and 3.24 tons in the period of low prices... That is a bit too...

Strong Coffee

For many of us coffee is an indispensable part of our workdays and holidays. We value its bitter taste and stimulative effects. Cafés have become part of our culture. However few of us who enjoy a hot cup of coffee are aware of the complicated situation of coffee farmers in Asia, Africa and in Central and South America.

Did you know that...

... coffee is globally the second most traded commodity only after oil?
... over 100 million people are engaged in growing, processing or selling coffee?
... 45 percent of the green coffee trade are controlled by three big companies?
... over the last 20 years the coffee consumption increased but the receipts of the coffee exporting countries dropped by 40 percent?

Coffee through the environmentalist's eyes:
Coffee plant is a tropical shrub or smaller tree growing in the humid montane forests. Areas with the highest coffee plant cultivation, i.e. tropical mountains in altitudes ranging between 1000 and 1800 metres, are primeval forests. This fragile but extremely important ecosystem started to yield to coffee production already in the early times of its popularity in Europe throughout the 1700s. Even today the coffee plantations expand (as a result of low country prices) at the expense of tropical forests.

Where does theory go astray?

Economic theory assumes that when the price goes down (a phenomenon of great significance and frequency for coffee), the demand for goes up – the producer therefore does not lose money because he sells more. This however does not apply to coffee. People who do not like it will not start drinking it just because it is cheaper. And coffee consumers mostly drink the beverage in stable doses. The theory also claims that the low price forces the producer to shift to something else which is more profitable at the time. Yet such a shift is not for free and it is absolutely inaccessible for the majority of coffee farmers without any external aid. It also takes three to six years before the coffee plant bears its first fruit. This prohibits the farmers from sowing another crop one year and coming back to coffee the next.

The Fair Trade concept of commerce attempts to offset the **unfair setting of the international trade system** where big players decide about the destinies of millions of small farmers. The farmers' countries were forced to break down their trade barriers while the tariffs on the import of processed raw materials into the rich countries stay in place.

In Fair Trade the importers buy directly from farmers and avoid unnecessary middlemen and brokers. This allows for improving the position of farmers and increasing the share they receive from the final selling price of their products.

Where is coffee from?

A farmers cooperative enjoys a guaranteed minimum price for their products and receives social premium for communal projects (wells, schools, etc.). If the stock exchange price becomes higher, so will the Fair Trade price.

Fair Trade organization often fulfils the exporting and processing functions. It concludes long-term contracts with the farmers and makes sure that child labour is not used, organizes trainings for farmers (for example on more environmentally friendly cultivation methods).

Retail – most frequently specialized shops (sometimes run by non-profit organizations), healthy food shops, some supermarket chains and internet shops.

Customer pays slightly more for high quality goods. He/she can easily find out the origin of the coffee and has a certainty that its production was environmentally friendly and occurred in conditions assuring that farmers did not become impoverished in the process

How to recognize Fair Trade?

There are two labelling systems for Fair Trade products. One of them is the FAIRTRADE label granted by the FLO (Fairtrade Labelling Organizations International).
The second way of guaranteeing "fairness" of the goods is a membership in the WFTO (World Fair Trade Organization).

Created by NaZemi in 2012 in the framework of 'Coffee Way to Strong' workshop from a cycle 'The World in the Shopping Cart'. For more information see www.nazemi.cz Supported by Ministry of Education, Youth and Physical Education and Ministry of Foreign Affairs of the Czech Republic.

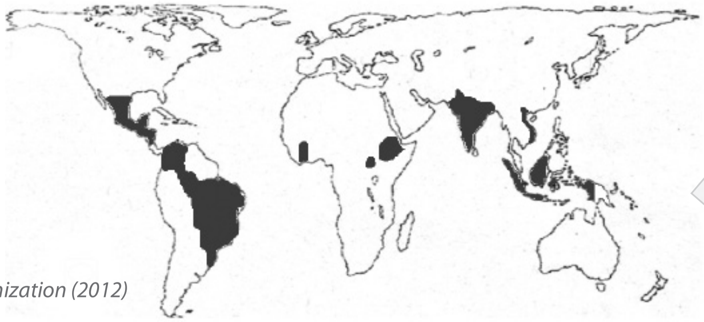
Where is coffee from?

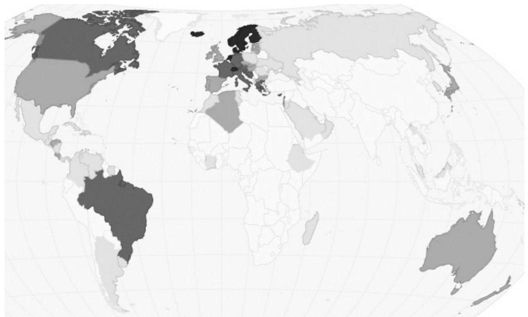
Coffee is originally from Ethiopia but today's largest producers are Brazil, Vietnam, Columbia, Indonesia and Mexico. Coffee is also grown in the countries highlighted in the picture below.

Biggest coffee producers
(Crop year 2012 data thousands of tonnes)

Brazil	3050
Vietnam	1320
Indonesia	657
Colombia	480
Ethiopia	390

Source: International Coffee Organization (2012)





Biggest coffee consumers
(for 2010 in kilograms per capacita)

Finland	12,1
Denmark	9,5
Norway	9,2
Switzerland	8,0
Sweden	7,9
Czech Republic	4,0

Source: International Coffee Organization (2012)

Who is coffee for?

The first coffee consumers were not people but (at least a legend says) Ethiopian goats grazing on the coffee plant leaves. The herdsman noticed their unusual vivacity and people were quick to follow suit.

Nowadays the biggest coffee drinking nations per head are Scandinavians, chiefly the Finns, followed by Norwegians, Danes, Austrians and Germans. In terms of absolute amount the most coffee is consumed in the United States.

As with many other crops, one part of the world produces coffee and the other consumes it

Coffe chain in conventional trade:

Farmer sells green coffee without having the information on the price of coffee, e.g. in the Czech Republic. He has no impact on setting the price whatsoever.

Local middleman has a car, warehouse and information and tries to compress the price as much as possible.

Coffee exporter prepares coffee for export and packs it in bags. The bags are then placed inside containers which are loaded on a ship.

Importer mostly has his seat in a big port and ships the coffee to the country of consumption. He also has a big interest in maximum compression of the purchase price.

Stock exchange. The price divided between the exporter and the middleman is practically determined here. A price surcharge is added due to the remuneration for bankers – stock market players.

Processing company owns the coffee roasting and packing plants. This is the most lucrative part of the entire business chain. The highest profits from coffee are made here.

Retail. Selling directly to customers.

Customer contributes by his money to all parts of the chain, but only minimally to the producers. Mostly he/she is not aware of where the coffee came from and what were the conditions of its production.

How does stock exchange work?

The stock exchange is actually a market. Trade deals are mediated by brokers who agree on the price (before the coffee is even grown) paid by the processor. This is how processors protect themselves against price fluctuations. The stock exchange moreover attracts the so-called "speculators": the dealers may sell coffee which they do not have in advance in hope of lower future prices for which they could buy real coffee and fulfil the contract with smaller expenses. Coffee can pass in this virtual form through up to **150 hands**. But this contributes to instability in prices. Not all of the coffee is traded at a stock exchange but the deals are always based on the current stock exchange price.

What is unfair about it?

Those who have access to the market and information can hedge themselves against price fluctuations. The risk of all involved parties is in the final effect borne by the farmer who is at the end of the chain and lacks information and access to the stock exchange. It is therefore possible that retail sales from coffee go up while the incomes of coffee farmers decline.

Impacts of low purchase prices

- Impossibility of sustaining a family, sending children to school, paying for health care.
- Child labour spreads under plantation conditions.
- Transition to economically more profitable crops – in the given situation these are unfortunately mostly drugs.
- Migration of farmers into cities. Most of them unfortunately end up in uncertain conditions in suburban slums.
- The pressure pushing the price down also leads to the strengthening of less environmentally friendly production. Smaller tree- or banana-shaded plots of coffee plants are replaced by large-scale plantations on which coffee is grown in monocultures exposed to direct sunlight.

Coffee Way Too Strong

Coffee and (un)fair trade

For many of us, coffee is indispensably part of our normal and festive days. We value its bitter taste and stimulative effects. On every town's main street you can see glossy displays of the cafés, in each supermarket you can find countless sorts of attractive-looking packages of coffee. There are realities however which stay hidden to our senses. Very few of us who enjoy a cup of freshly brewed coffee are aware of the complicated situation of coffee farmers in Asia, Africa, and in Central and South America.

Some facts:

- Coffee is the second-most-traded global commodity after oil.
- Over 125 million people are engaged in and make their living from growing, processing, or selling coffee. More than one quarter of this number, i.e. 25 million people, are farmers.
- Coffee is cultivated in roughly 80 countries predominantly located between the Tropics of Cancer and Capricorn; their overwhelming majority belongs to so-called developing countries.
- Conversely, the lion's share of the produced coffee is consumed in the countries of the global North; in the rich countries.
- It is estimated that coffee, on its way from the farmer to the consumer, can change hands up to 150 times. The highest share of deals however takes place only in the form of a stock exchange transaction.
- Since the 1980s, the price of unprocessed coffee on the world markets has dropped by roughly 70 percent.
- The price of coffee has tumbled even more considerably in real value; this means that the farmers can buy even less for the money from selling green coffee beans. During the 1960s, the ratio between one oil barrel and one pound[1] of coffee stood at 4:1, in the last five years the ratio has almost regularly amounted to over 100:1. This disproportion is likely to continue growing in the coming years.
- In the mid-1980s or 1990s, around 35 percent of the final price of coffee spent on a coffee package flowed back to the countries of origin. Nowadays, the coffee-producing countries see less than 10 percent. Nevertheless the small farmer only gets something between 2 and 8 percent.
- From one Euro that you get charged for a cup of espresso in a café, the coffee farmer receives maximum 1.5 cents, but usually much less.

In 2002, which was the worst year of the last coffee crisis (which lasted between 2000 and 2004), an average Tanzanian coffee farmer earned mere USD 60 for his annual production of approximately 200kg! Peruvian farmers did not receive more than 55 U.S. cents per one kilogram of coffee while the minimum price which would cover their production costs and provide for their families amounts to roughly 175 U.S. cents per one kilogram.

- While the farmers were showing record losses, Nestlé was earning its shareholders 30 Euro-cents for every 4 Euros of receipts even in times of the deepest crisis in 2002.

Legend has it that coffee was discovered by a herdsman named Kaldi from an Ethiopian monastery. He allegedly noticed that the goats become conspicuously vivacious after grazing on the red cherries of the wild shrub growing near to the pasture. He revealed this to the abbot of the neighbouring monastery. The abbot himself tried the fruit of the mysterious plant out of curiosity and out of desire to verify the truthfulness of the herdsman's claim. He was very surprised by the stimulating effects of the cherries. This led him to an idea of preparing an infusion from the cherries for the monks who were frequently falling asleep during long religious ceremonies.

- Based on the estimates of a British non-governmental organization Oxfam, Nestlé earned 1 billion U.S. dollars more in 2002 as a direct result of the low purchase prices for coffee.

A lesson from history…[2]

Discovery of coffee

If we hear the word coffee, we usually imagine a cup of good-smelling hot beverage, black and brown powder in a package or in a glass. Some may imagine a self-service machine in which up until recently a customer of almost any supermarket could grind his own package of coffee beans, but here our set of our associations usually ends. Only few people would imagine that in the 16th century, the term "coffee" was completely unknown throughout Europe.

Coffee, **as we know it**, is produced from the coffee plant seeds. The story of this plant probably started in the montane forests of Ethiopia's province Kaffa, where until today we can still find wild growing shrubs of *Coffea arabica*. Ethiopians used to add the plant's leaves to the animal fodder since they observed that after eating them, they were livelier and "merrier". People started using coffee as a beverage in the 6th century.

Coffee's origin is in Ethiopia where it was first prepared as beverage in the 6th century. It was a wild-growing shrub of arabica coffee.

The Ethiopians were apparently led to the rather revolutionary discovery of a natural processing of the coffee beans by roasting thanks to their habit of roasting nearly all plant-based medicines prior to their use. Despite that, for Ethiopians it was more common (and favoured) to attain the stimulating effects through chewing the coffee beans rather than drinking coffee.

Throughout the 13th century, the coffee plants were brought to the Arabian peninsula, to Yemen. The Arabs managed to preserve their monopoly until the 17th century.

In the 13th and 14th centuries, the coffee plant left its native Ethiopia and reached Yemen where the first coffee plantations were being established in terraced gardens. In the beginning, coffee plants were also chewed here (the Yemenis preferred the buds and leaves) but slowly the drinking of the beverage prepared from the coffee seeds spread as well. By the 16th century, coffee was already firmly engrained in the cultures of the Arabian peninsula and the Ottoman Empire. In Mecca, the first café was opened under the name of "kaveh kanes" and this trend spread like fire through the Islamic world. Cafés very soon became the centres of political life.[3]

It is true that until the 17th century, coffee plants were not cultivated outside the Arabian peninsula. Arabs kept the secret of their coffee, which was bringing in a very good income for the local tradesmen, so jealously that the export of green seeds was prohibited and strictly punished. They even depreciated the seeds by boiling.

Black gold of the colonies

Coffee has become a lucrative item of trade. The ruling classes of the Ottoman and Arab empires naturally exerted great effort to maintain their profitable monopoly on its sale and they indeed managed to preserve it for decades. In 1616, Dutch spies succeeded in smuggling coffee seeds into Java, one of the Dutch colonies. Here are in fact the roots of why we take our cup of coffee for granted. All of the currently cultivated coffee plants of the higher quality "arabica" type in fact descend from these few seeds. The coffee plant prospered in the Dutch colonies of Java and Ceylon much better than in the Arabian peninsula and the former Arab monopoly was thus over. Other European powers betted on growing coffee in their colonies and the new so-called "coffee age" began. Around the 1720s, coffee started to be cultivated in America. It was brought to Jamaica by the British in 1730. Also the French colonists did not remain idle: until 1791, half of the world's coffee production came from their dominion of Haiti. After the rebellion of the Haitian slaves and interruption of the trade relations with France, Ceylon came to be the biggest coffee producer. However, it was soon to lose that privileged position due to the mould disease of 1866 spreading on coffee plantations in Ceylon (but also Sumatra, Java, and Malaysia). This is how Brazil emerged from the shade. After the removal of the primary forests, the country proved ideal for the cultivation of coffee. And so in the mid-19th century, Brazilian coffee production accounted for one half of the total global output of 294 thousand tons. After it became independent from Portugal in 1822, the Brazilian territory marked out for coffee cultivation grew steadily, so that Brazil became a prime producer of coffee as a non-colonial country, the first since the Dutch took over the control of the markets from the Arabs two centuries earlier.

At the onset of the 17th century, Dutch spies managed to smuggle coffee seeds into the Dutch colonies: Java and Ceylon. The British brought coffee to Jamaica in 1730 and the French introduced it to Haiti.

After the Ottoman Empire, Yemen, and Ceylon, primacy in the production of coffee passed to Brazil in the 19th century.

Legacy of the past in post-colonial times

Throughout the entire colonial era, the relationship between the producers and consumers was one of striking inequality. Since the objective of the colonial administration was to extract as many riches from the colonies as possible, the individual states were forced to realign their economies to the production of one or a few export crops (apart from coffee, common export commodities were tea, tobacco, and opium). This forceful adaptation also entailed rather unscrupulous methods. In the context of European colonialism, the workforce was supplied by way of slavery and other forms of forced labour – the Caribbean and Brazilian plantations were "home" to millions of African slaves (around 30 thousand of them were brought to Haiti every year). The working conditions of the farmers in Java were not much more favourable. Also, generations of small coffee farmers from Central America and East Africa who had often worked on their own plots were condemned to live subjugated to middlemen or to the conditions of forced labour.

The colonial administration adjusted the subjugated economies to the production of a handful of export commodities which were then further processed by trading companies in Europe.

Coffee had thus **become the economic core** of many producer countries and for the producers themselves. Since, however, the more profitable stages of the coffee chain (with higher added value), such as transport, distribution, and roasting, were made accessible only to the European trading companies on the basis of rulers' privileges, and since the country price of raw coffee was usually set very low, none of the colonized countries had the opportunity to become rich on growing coffee. The established economic relations between the

The dependence of many countries on coffee production has survived colonialism.

colonies and European countries survived the demise of colonialism and so the majority of colonies which used to cultivate coffee continued in its production even after they gained independence.

As other economic alternatives were missing, these states could do nothing else but to continue producing coffee. Besides, they were living in the false hope that coffee production would help their economy grow. It showed nonetheless that on the one hand coffee production does not bring economic development and on the other it exposes the economy to strong external shocks ensuing from considerable price fluctuations. Probably the only exception was Brazil which managed to utilize the wealth gained from selling coffee and to diversify and develop its economy thanks to its dominant position in the market and relatively good political environment. Brazil has managed to maintain its leading position in coffee production until present, although its share amounts to less than 1 percent of the GDP. Other countries have tried to follow suit (the most recent being Vietnam's efforts in the 1980s and 1990s) but none of them has succeeded in diversifying and developing the economy.[4]

Coffee – product of a coffee plant

Out of the 25 cultivated coffee species, only two are commercially traded – *arabica* and *robusta*.

The coffee beverage is prepared from ground seeds of the coffee plant. Coffee plant (*Coffea*) belongs to the family Rubiaceae. Even though there are roughly 60 species of coffee plants, only 25 of them are paid attention by the farmers. Two species, in particular, are cultivated for commercial purposes: *Coffea arabica* and *Coffea canephora* (the so-called *robusta*).

Coffee plants first produce fruit after 3-6 years and their productive life ends after their 25th to 35th year.

Coffee plants are tropical shrubs or small trees which grow to a height of 3 to 3.5m. Their monoecious flowers resembling jasmine blossoms are white and have an intense smell. The shape of the leaves is oval and they are around 10cm long. The bushes first bear fruit in 3 to 6 years after planting and their productive life is between 25 and 35 years. Their fruit are fleshy drupes of a colour similar to cranberries. Inside these drupes there are usually two flattened seeds containing proteins, fats, saccharides, and apart from other substances, caffeine. Already at this stage, they are called "coffee beans".

Coffea arabica is the most widespread species of coffee plant. 75 percent of the world's coffee production comes from its seeds and the arabica coffee is generally considered as being of higher quality. Botanically, it is a shrub growing to a height of around 3m which produces its first yield three years after planting. It is cultivated in higher elevations, ideally in the range of 1000 to 1800 metres above sea level. The producer countries in Central and South America concentrate almost exclusively on growing this species. Although its disadvantage compared to other species is that it is not very resistant.
Coffea robusta produces fruit after two years and it grows in elevations of 500 to 900m a. s. l. Its advantage is resistance to low temperatures and various diseases affecting the harvest in the plantations. Its seeds are smaller but they contain more caffeine and its overall yield is higher even on soils of lower quality. This is a likely reason why its 25 percent share in the world production continues to grow. This species is mainly cultivated by Asian farmers. It can be found in some African countries as well, but generally neither of the two species is prevalent there.[5]

Growing conditions

Coffee plant flourishes in regions of mountainous landscapes and forests situated between the Tropics of Capricorn and Cancer.

The coffee beans´ quality greatly depends on cultivation conditions. The essential requirement of a coffee plant is a warm and humid climate with constant temperatures ranging between 18 and 22°C, which makes it a well adapted agricultural crop for all of the tropical regions. It is grown in Asia, South and Central America, and Africa. In other words, it grows between the Tropics of Capricorn and Cancer and usually in mountainous landscapes. A typical method of growing coffee is **in the shade** of other plants, e.g. fruit trees. Even though this method slows down the ripening of the coffee cherries, it concurrently causes higher creation of natural sugar in the fruit which also contains less caffeine and tastes better. While ripening in the shade, the coffee acquires its best characteristics naturally. The majority of coffee is grown on plots smaller than 5ha.[6] In the 1970s and 1980s, large plantations were introduced where coffee plants grow **in direct sunlight**. This method speeds up the ripening of the cherries but it cannot do so without large quantities of chemical fertilizers and pesticides which negatively impact the environment as well as the health of the farmers. Furthermore, monocropping cultivation of coffee with the elimination of other plants increases soil erosion, chiefly on slopes.[7]

However, there is another negative aspect common to both methods of cultivation. The best conditions for growing coffee plants exist in the mountainous tropical forests which is why in both cases coffee is cultivated in locations where montane tropical forests used to be. This variegated and fragile ecosystem had already started to yield to coffee plants during the colonial era. Global production demands for spaces originally govered by montane tropical forests keep rising and the remnants of intact primaeval forests in Mexico, Columbia, Indonesia, Papua New Guinea, Vietnam, and other countries are facing the risk of destruction. The problem is further aggravated by the fact that farmers (due to lack of knowledge and economic reasons) do not reclaim old production plots or pay much attention to the existing ones and move to new plots after the end of the production life of one generation of coffee plants.Another aspect contributing to the problem is the low price of coffee which does not allow the farmers an income which would enable them to better tend the existing fields.

Coffee plants are mostly grown on plots of maximum 5 hectares in the shade of other trees. Larger plantations are exposed to direct sunlight and require extensive chemical treatment.

Decaffeinated coffee
is roasted coffee beans with an artificially lowered content of caffeine (around 0.1%). Green coffee is rid of caffeine by way of diverse organic solvents and then roasted and processed normally. Some natural coffee varieties (*Coffea mauritiana* etc.) yield fruit entirely void of or with a very low content of caffeine. They are cultivated for the most part in Madagascar and the Comoro Islands but their commercial use is very negligible.

Coffee cultivation is one of the causes behind deforestation.

Alejandro from the Tabaconas valley in Peru cultivates shade-grown coffee (part 1)
"...coffee beans grown in direct sunlight get burned and they are small. [Agricultural engineer] Helgar therefore advised the small farmer named Alejandro to plant two hectares of land with eight hundred coffee seeds of the variety Brazilian Baltimore resistant to diseases. He also told him to plant trees providing shade around them. Alejandro's coffee shrubs now reach the height of one's chest. The fields are lined with banana trees the fruit of which feed Alejandro's family and fast-growing alder trees which grow up to three meters a year. Alejandro presents his work with the pride of a craftsman. He informed us that the tree cover providing a 50 percent shade for the coffee field had helped increase his yields compared to the coffee beans exposed to direct sunlight by 30 percent. These trees have another function as well: they effectively prevent water erosion, serve as a retreat for migratory birds and other animals, and they maintain a cooler and moister microclimate. By capturing atmospheric nitrogen which subsequently becomes released through the root system and in the form of fallen leaves they also improve the soil fertility. The fallen leaves also help keep the moisture in the soil and curb the growth of weeds which spares Alejandro a lot of work."[9]

And harvest?

The annual world coffee production has ranged between 6.3 and 7.4 million tons in the recent years (105 to 123 million coffee bags; 1 bag equals 60 kg). Of this quantity, 70% originates in Central and South America and in the Caribbean, 10% in Africa, and 20% in Asia. The biggest coffee producer is Brazil (over one third of the world's production) followed immediately by Vietnam and Columbia (both with roughly one seventh of the world's produce). Other large producer countries are Indonesia, India, Ethiopia, Mexico, Guatemala, Uganda, and the Ivory Coast. Among smaller countries whose production is held in high esteem by experts are Costa Rica, Nicaragua, Tanzania, Kenya, Jamaica or Zambia.[10]

Biggest coffee producers
(Crop year 2012 data in thousands of tonnes)

Brazil	3050
Vietnam	1320
Indonesia	657
Columbia	480
Etiopia	390

Source: International Coffee Organization (2012)

Fig. 1: Light colour represents the ten main coffee producing countries; darker colour stands for other coffee producers.

It is good to remind ourselves that regardless of the quantity of coffee they produce, many of the coffee-producing regions are located in poor countries for which coffee represents a major source of income from exports. For 12 poor countries, coffee is the single most significant agricultural export commodity. The economy of these countries and their inhabitants lives depend on coffee. Such countries include Burundi, Ethiopia, Nicaragua, or Uganda.[12]

The biggest coffee consumers
(for 2010 in kilograms per capita)

Finland	12,1
Denmark	9,5
Norway	9,2
Switzerland	8
Sweden	7,9
Austria	6,5
Greece	5,3
Netherlands, Belgium	4,9
Portugal	4,1

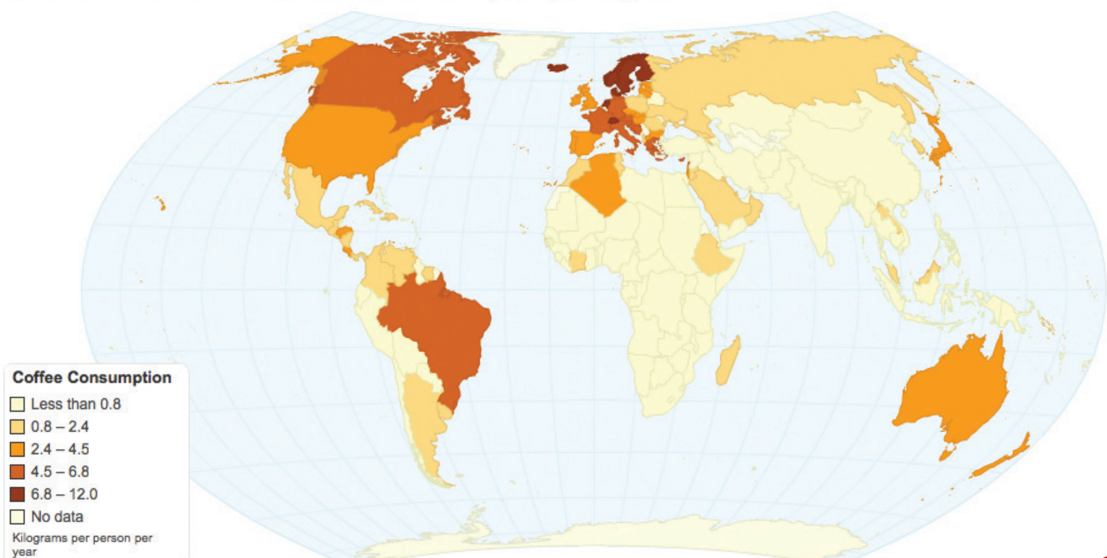
Source: International Coffee Organization (2012)

Drink without link…

The biggest coffee drinkers are nevertheless the **Finns** (annual consumption of 12 kg per person), followed by the Danes, Norwegians, Swiss and Swedish. The world's average is 4-5kg of coffee per person a year. The country with the highest absolute consumption is the United States owing to its population size.

It is more than obvious from the above stated data that coffee must travel a long journey indeed from the farmer to the consumer both figuratively and in terms of geography.

Current Worldwide Annual Coffee Consumption per capita



Source of the map: http://chartsbin.com according the data from ICO 2009

The road from plant to cup...

Primary processing[13]

Coffee cherries become ripe gradually and their **harvest** takes place according to the geographical location either in the spring or in the autumn, or throughout the year with two peak seasons. They can be picked manually, stripped from the tree on sheets, or harvested by machines…

Manual picking is still most common as it best conforms to the fact that the coffee cherries ripen progressively. Female pickers – as mostly women earn their living by picking coffee cherries – choose only those cherries which show no signs of damage, over-ripening, or disease as this could depreciate the entire harvest. They fill their baskets only with ripe, dark red cherries. Every day, again and again, in the time span of about ten days, they walk through the plantations to pick coffee cherries which are then processed the very same day. One average coffee plant yields roughly 2,000 coffee cherries annually (i.e. 0.8-1.2kg). One adult coffee shrub provides approximately 0.45kg of roasted coffee a year.

Colourful pericarp

Green coffee bean

Coffee is mostly picked manually, but sometimes harvesting machines are used.

Coffee cherries can be collected also by **picking machines**. The harvesting machines drive along the shrubs in long green stretches and shake the branches so that the coffee cherries fall into the filling chutes. Unfortunately, frequent admixtures are branches, leaves, and unripe fruit. This method is much faster and cheaper than manual picking but it damages the shrubs and it does not enable collecting high-quality and equally ripe coffee.

Grading

The red coffee cherries are neither suitable for transport nor for longer storage because there is a risk that they will ferment or become mouldy due to the high content of sugar and water in the outer pulp. Therefore the processing stage must follow immediately after harvest. On the same day when the coffee cherries are picked, they are **sorted, washed, and rid of all impurities** such as small branches, leaves, pebbles, or damaged fruit. There are several alternative methods of further processing.

Drying

Mainly in Brazil, Arab countries, and in Africa, the washed cherries are spread out on concrete floors, tin roofs, or mats and **dried** a period of four weeks. They are regularly raked to prevent fermentation. The air and sun make the outer pulp of coffee cherries turn brown and fragile so that it is then easily removed. The beans rattle inside of it. This method is less costly but it requires certain level of skill since the beans must neither dry too much, nor stay too wet.

De-pulping

In other regions, coffee cherries are **de-pulped right after the harvest**.

This is possible to do manually but nowadays de-pulping usually proceeds mechanically. The composting of removed pulps can provide a superb fertilizer. After de-pulping, the coffee beans are still coated with sweet mucilage that needs to be cleaned off as well.

The mucilage is removed by a dry method or by fermentation in water.

In effect, there are two ways of removing the mucilage:

- *Dry method (removal in a mechanical way):* This method is much less demanding on the use of water because fermentation (see below) of one batch of coffee beans requires around 50 litres of water. During mechanical treatment of beans the use of water for the same amount of coffee is around 2 litres. But the machine is quite expensive and small farmers can rarely afford it.


Depulper (Nicaragua)

- *Wet method (fermentation in water):* When this method is applied, the ripe beans become separated from the unripe ones which has a positive impact on the resulting quality of the green coffee. Coffee beans coated with the mucilage are left in a tub or other big vessel for several days. Due to high content of sugar the sweet coating of the beans ferments. After they are fermented, the beans are washed numerous times and let dry.

Grading

After de-pulping and removal of the mucilage, the seeds are still covered by the so-called parchment (transparent membranous) skin. This is removed mechanically in a huller. The last step is **grading of beans** according to their size, shape, and colour. At this stage, the coffee beans are of a grey-green colour; the darkness of the shade is an indicator for a trained eye of whether the beans have the correct moisture. Dried and graded green coffee beans are **packed into bags** of 60kg. This is the state in which most of the coffee leaves the producer countries.

Secondary processing

For the coffee beans to acquire the form in which we know them, very few operations are left. The next stages of production are technologically and financially more demanding (and also more lucrative) and for the most part they occur in the country of final consumption – i.e. in developed countries.

Roasting

Roasting
Roasting gives coffee its characteristic properties and this is why it is probably the most sensitive part of coffee processing. High temperatures of 200-250°C causes a chemical reaction inside the coffee bean transforming starch into sugar, degrading different acids, and transforming proteins into peptides which become discharged in the form of oily liquid. Simultaneously, the moisture and CO_2 evaporate in the form of carbon. Roasting reduces the amount of water and soluble substances in the bean which leads to a decrease of weight by approximately 15-20%. On the other hand, it gains volume thanks to the creation of gaseous substances (up to 40%). Throughout the entire gradual

process, accurate temperature and roasting time regulation play an extremely important role. The actual roasting takes around 8 minutes and it is followed by a 10-minute long cooling phase. To enrich the aroma and taste, spices such as cinnamon, clove, or ginger are added in some countries toward the end of roasting. The basic characteristics of the smell and taste of coffee are already acquired by the actual duration of roasting: The longer the roasting, the bitterer and darker it gets. Long roasting also deprives coffee of its typical acidity and distinct smell.

Coffee roasting is considered a great art. The roaster listens to the coffee to check if it is cracking correctly, he smells it to see if it has the right odour, observes the colour, accurate temperature, and other factors of importance. This is mainly typical for small roasting houses.

Grinding

Grinding

As we all know, the coffee beverage is prepared by pouring hot water over ground or crushed roasted coffee beans. In the distant past, coffee used to be ground between two flat stones (in a similar fashion to grains), later they were pounded by a pestle in the mortar, and even later the first hand-mills appeared. Today, coffee mills are powered by electricity and coffee is either ground in great quantities (if the result should be a package of ground coffee) or, better, shortly before consumption, which is the case of the majority of cafés and probably of some demanding consumers. As a matter of fact, essential oils and gases quickly volatilize from ground coffee and it consequently loses some of its aroma, taste, and quality.

Rough ground coffee is appropriate for preparing coffee in cofeemakers or drip coffee machines, medium ground coffee for pots with a filter (percolators), mild ground coffee for espresso preparation, and powder coffee is suitable for making "Turkish" coffee.

Coffee grain size varies from coarse to mild and it mainly depends on the way the coffee beverage shall be brewed.

Coffee brewing methods as well as the ways it is served are many. This naturally affects the consumer's gustatory pleasure, but not so much the system of trade.

Since the first issue can be fairly easily tested at home or with the help of any of the countless enterprises offering coffee, the following text will address the second issue that is not paid as much attention as it deserves – the coffee trade.

Soluble (instant) coffee is a pure coffee extract. First, strong coffee is prepared. This is done in huge tanks. This process resembles perking coffee in a large percolator. Coffee of a certain grain size is fed into the upper part through which hot water is let to pass. The coffee concentrate is captured in the bottom part. The next stage proceeds in either of these two ways: The so-called "pulverization" (in hot temperature) or "lyophilization" (freeze drying). Pulverization is performed in a pulverization tower. The strong coffee extract is fed into the upper section of the tower and subsequently pulverized towards the bottom into small droplets. Conversely, hot air is forced in from below against these droplets. This leads to the evaporation of water (coffee drying). The steam is led away from the tower. Instant coffee accumulates in the lower part of the tower in the consistency as we know it. The disadvantage as opposed to lyophilization is that the powder prepared in this way does not give off such a distinct aroma (although it does not have any effect on the brewed beverage).
During lyophilization, the coffee extract is poured into large flat-profile vessels (3 by 5m) around 5cm tall in which it is frozen at the temperature of -40°C. It is then crushed into tiny tablets which are subsequently placed into the lyophilization vacuum chamber in which water sublimation (water evaporates in its solid state) occurs at a temperature range between -40 °C and 0° C. This is another method for obtaining instant coffee characterized by the appearance of its granules (small solid particles). This method is less common, more expensive and energy- and technology-intensive than the first method. www.fountain.cz/index.php?action=section&id=32, http://www.ineedcoffee.com/07/instantcoffee)
In some South American countries, instant coffee is produced from higher quality arabica coffee beans but in Europe, the lower quality robusta beans are used. Technological progress in instant coffee processing and slackening requirements of some consumer segments on quality have allowed the processors to use coffee of very low quality as well. This is one of the factors compressing the price of unprocessed coffee.

Coffee trade

Roughly 125 million people earn their living from producing, processing, and trading with coffee.

Approximately 7 million tons of coffee are traded each year. 100 million people from all over the world are involved in its production, processing, and trading. Coffee trade and its processing is fairly attractive in developing countries since both activities are perceived as highly profitable. The distance the coffee beans need to travel through the commercial channels before they reach our – customer's – table and the revenues their sale brings to the producers are known and debated much less.

Ten-year-old Stephen Mahia is a member of the Kenyan young generation of children who cannot attend school. Some ten years ago, this would be a phenomenon unheard of in Stephen's region as there were generations of children eager to receive education.
Stephen was forced to stop attending school in 2002 because his family was not able to pay school fees. His eight-year-old brother Samuel Boro did not even start attending school classes…
Stephen is one of the 25 million people worldwide whose lives were drastically affected by the collapse of the coffee price. In the last five years, coffee price plummeted by 50% to a 30-year low. Long-term expectations are not very joyful. The crisis in the coffee market caused a disaster the consequences of which will be felt by the farmers for a long time to come. Moreover, the whole scenario can be repeated at some point in the near future.

Lucrative trade but only to some

Between 1980 and 2004 coffee consumption has gone up but the revenues of coffee-producing countries have dropped by 40%.

In 2004, retail customers paid USD 80 billion for imported coffee, which is roughly triple the amount compared to the 30 billion in the 1980s. Coffee trade forms a very lucrative segment of the foodstuff market. There are nevertheless other numbers: while between the years 1980 and 1989 so-called developing countries annually exported coffee for USD 10.2 billion, the amount of export between 2000 and 2004 reached only an average of USD 6.2 billion per year at a 20% growth of production volume. [14] In the period when retail receipts from coffee grew almost threefold, the coffee-producing countries revenues went down by 40%. Coffee trade is lucrative but only to some.

The coffee crisis meant a disaster for the majority of farmers.

The drops in coffee price were so significant that some periods deserved to be officially called the "coffee crisis". The last period referred to as coffee crisis peaked between the years 1999 and 2004 while the coffee prices reached their bottom in December of 2001 – around 40 U.S. cents for a pound of arabica coffee. The fall in the coffee price meant a disaster not only for tens of millions of people worldwide but also for the local communities, regions, and some poor countries the economies of which are coffee export dependent (such as Ethiopia, Uganda, Nicaragua, or Burundi[16]. The governments of the International Coffee Organization[17] member countries have made public some of the impacts of the coffee crisis on the so-called developing countries:

In 1986, so-called developing countries were receiving 37% from the final price of coffee paid by the consumers. In 2001, their share amounted to only 12 cents, i.e. by 70% less.[15]

Economic
Frequent loss of jobs, drop in income, farms abandoned by the farmers. The domino effect in other economic sectors, decrease in revenues from export. Governmental financial reserves are depleted which generates pressure on the healthcare and education systems and forces the governments deeper into debt. *(Cameroon, Burundi, Central African Republic, Ivory Coast, El Salvador, Ethiopia, Nicaragua)*

Social

Migration from the country to the cities, emigration abroad, fewer resources for health-care services and education, growing number of households below the poverty line, higher occurrence of malnutrition, farmers more indebted, cultivation of crops for the production of drugs – opium poppy, coca, khat.[18] Families dependent on money earned through coffee growing often stop sending their children (mainly girls) to school. *(Cameroon, Central African Republic, Columbia, Costa Rica, Ecuador, El Salvador, Ethiopia, Nicaragua, Papua-New Guinea, Vietnam)*

Environmental

The bankruptcy of the plantations in which coffee is grown in the shade of other plants (trees) which corresponds to the disappearance of the last remnants of woody areas in some countries. Cutting the shade trees for commercial timber. *(Ecuador, El Salvador, India)*

An immediate cause of the coffee crisis was a slight overproduction of coffee.

During the already mentioned coffee crisis, the drastic collapse in coffee prices was caused by five subsequent years (1998/99-2002/03) in which the coffee supply significantly exceeded the demand. The decline in coffee prices was thus chiefly due to the glutted market. Under pressure on the maximization of the export revenues, the world's largest exporter, Brazil, as well as the number two producing country Vietnam increased their already high production levels. Vietnam became one of the world's largest coffee exporters almost from zero by a dramatic augmentation of production in recent years.

Why is coffee trade so susceptible to crises? The reasons are embedded in the way this market functions.

Overproduction, an immediate factor behind coffee crises, is a "mere" symptom of deeper structural causes affecting the coffee market.

Coffee production and market specificities

The law of balancing supply with demand in the coffee market is in place. However, it works very ineffectively.

The nature of the coffee trade can be conceived of as the primary cause for the critical situation. The way production and consumption of coffee functions is diametrically different from the ideal markets presented in economy textbooks in which market is maintained in a dynamic balance on the basis of mutual interactions between supply and demand. Due to specificities in coffee production and the coffee market, the imbalance can usually last relatively long (such was also the case of the last five years characterized by an excess of supply over demand). This is then manifested by exceptionally strong price reactions to excess as well as lack of coffee in the market (price drop if there is an excess of it and vice versa).

On the demand side, the cause for the irregularity is, at variance with economic theory, the fact that low prices of coffee stimulate demand to a very small degree: Only a very few people will take up coffee drinking because it has become cheaper.

On the supply side, it is expected that low price signals to the producers to either grow less coffee or to resign on coffee farming altogether and leave to other branches of the economy. A poor small farmer can in fact hardly respond to low price of coffee by decreasing his production. He needs to make significant investments into coffee production; it takes 3 to 4 years for the coffee plant to bear its first fruit and then other 2 to 3 years before it pays to pick them.

Investments into cultivation are substantial and it takes around six years before the coffee plant can first yield a proper harvest. The farmers therefore cannot easily respond to the fluctuations of market prices.
There are not many alternatives to coffee farming open to the farmers. They start growing more beneficial illegal crops or leave to suburban slums.

The individual links of the chain have a varying degree of hold upon the pricing of the traded coffee.

As a result, the farmer falls frequently into debt.[19] If the prices drop, the farmer hopes that the downturn is temporary and that he will make a return on his investments later. He tries to endure the period of low prices by adopting cost-cutting measures among which is also the replacement of hired labour with his own children. But it happens that the prices fall so low that it does not even pay to pick the coffee and it is left to rot. In so-called developing countries, only a few other economic options are available that could help the farmers find a substitute for their income from coffee. Without any external aid, the small farmers dispose of very few alternatives to coffee farming. The achievable ones are usually migration to suburban slums in which the rural migrants dwell in huts made from plastic, corrugated iron, and pieces of wood without running water, connection to the electric network or sewage, or transition to cultivating financially more profitable illegal crops used for the production of drugs – in Latin America of opium poppy and coca,[20] in Africa of (mostly illegal) khat.

The large plantation owners are not threatened by the drops in coffee prices as much as the small farmers. Large farmers can produce coffee with lower costs thanks to more intensive cultivation methods and low wages paid to their employees. Under the current coffee trade system, the privation of the workers who often have no other option for increasing the family budget but to involve their children in the plantation work and the negative impacts of intensive coffee cultivation on the environment unfortunately are not not reflected in the (too low) price of coffee.

Economic theory tells us that low price pushes inefficient producers from the market and only those with the lowest costs survive. This is actually manifested by the small farmers abandoning the shade-grown coffee production in small fields and the survival of large plantations with intensive and ecologically damaging practices of management.

Who lurks behind the price? Business chain and pricing

Despite the varying positions of small and large farmers in the market (and their methods of cultivation), if we carefully study the foregoing characteristics, we can observe that as regards the price, they have something in common. Although coffee price is to a certain degree based on the growing method and location – it is determined by the quality which is also dependent on the soil and plants quality, quantity of pests, and on the particular season's weather, supplies reliability, taxes and other legally stipulated fees in each country, etc. – it is predominantly fixed elsewhere outside the scope of the farmers' influence. The difference between a small farmer and a large landowner rests in their abilities and chiefly possibilities of coping with the price.

The numbers at the beginning of this chapter have shown that coffee trade is lucrative but only to some. More accurately, profits accrued from the sale of processed coffee grow exorbitantly while simultaneously the revenues for the producers of the traded commodity fall at a similarly fast pace. As if the money travelling between the consumer and the farmer were (mysteriously) disappearing. But this is not the case. Still more funds become stuck somewhere "in between"; in the long **commercial chain** the links of which exert a varying degree of influence on the pricing of the traded coffee.

Between 16 – 20 million people earn their livelihood from coffee production and the associated primary processing worldwide. These people are farmers, two thirds of whom are small farmers tending plots smaller then 5 ha.[21] One half of the globally produced coffee originates with such producers. The chances for these farmers to affect the price in any way are infinitesimal.[22] The green coffee beans pass from the hands of small farmers and enter the international market.

For many reasons, the small farmers are not able to sell coffee to the world market directly but only by way of intermediaries, the local middlemen. For the farmers the **local middleman** often represents the only way of selling their coffee. The middleman therefore maintains a considerably superior negotiating position which is further cemented by the fact that he is frequently the only one in the region who has access to storage spaces, goods carriers to transport the coffee bags, or even ordinary weighing machines. It is probably not surprising then that the middlemen rather misuse their favourable position over the small farmers and pay them very low prices; and it is not without a reason that in Latin America they are called "coyotes". The price which the small farmers receive ranges widely in different parts of the world – in Peru in 2001, where a very good quality montane arabica is grown, farmers were paid mere 25 cents per pound (0.456 kg) of coffee while the costs for producing the same quantity can amount to between 75 and 90 cents.[23]

Farmers depend on the middlemen who pay very little.

Peruvian farmer Alejandro and country prices of coffee (part 2)

Through the combination of Helgar's management skills and his own hard work, the harvest of the coffee farmer Alejandro kept growing every year till it reached 24 bags (1 bag corresponds to roughly 60 kg) – 25 percent more than the local average. But while he is showing the fruits of his work with excitement, the conversation shifts to the dispiriting topic of coffee prices and Alejandro's joy cools down. He cannot afford to pay the workers a common price of twing for europe ing o dollars a day and a meal so his own children are now forced to work in the field with him; an ordinary state of affairs in the region. He nonetheless lacks financial means. Similarly to his neighbours, who are also farmers, he was so much pressed for money at the harvest time that he sold his crop to the first man who arrived to the village in a pickup truck. He said that he does not remember how much that man paid him, only that "the price was very bad". Even before the harvest began, he bartered part of his crop to be able to feed his family.[24]

Before the harvest starts, farmers are often pressed for money and they sometimes even sell the still growing coffee beans for the first price that they are offered since they lack the resources with which they could strengthen their position within the trading system. They do not have sufficient access to loans and capital that would allow them to wait and sell the coffee only in times when the prices are higher. They are not informed about the development of coffee prices in the market, they lack technical and business skills as well as processing and storage capacities.

The middlemen sell the coffee to exporters.

The middlemen usually sell the coffee to an **exporter** in a bigger town. These are independent companies exporting the coffee beans into the countries of consumption. These exporters also wish to purchase the coffee for the lowest possible price to be able to resell it with maximum profit.

Stock exchange

The deals between the exporter and coffee processing company or between the exporter and importer are cut by people who never physically touch the coffee. Large companies hire brokers who mediate the coffee deals for them. A broker arranges sales for the exporters and supplies the material for the processing companies. His profit comes from both sides of the contract since he offers his services to the one who sells as well as the one who buys.[25]

Deals between an exporter and a processing company are concluded at a commodity stock exchange by stockbrokers.

Although he stands in the third or fourth place in the chain, the broker has agreed which price will be shared by the exporter, middleman, and the farmer prior to the coffee bean setting out on its journey. As a matter of fact, out of one dollar that a broker pays for one pound of coffee, 42 cents go to the exporter, 20 cents to the middleman, and 38 cents to the farmer.[26]

Forwards: contracts regarding coffee sales for a price set in advance, frequently even before the actual coffee beans have grown. Especially coffee processing companies hedge themselves against big market fluctuations.

Price of coffee is often determined before it actually grows based on the so-called "**forwards**" when a broker mediates an agreement between the purchasing party and the seller specifying a certain amount of coffee that shall be sold at a future date for a price stipulated in the forward contract.

Coffee price is set in stock exchanges, chiefly in New York, Paris, London, and Frankfurt.

This procedure is typical for the **commodity stock exchange**. A commodity stock exchange, as any other stock market, is essentially an organized market regulated by strict rules. The "commodity" in its title signifies that it is a place designed for concluding contracts with one of the commodities (wheat, sugar, oil, etc.) and not with securities. Among the most important stock exchanges in which coffee is traded are the ones in New York, Paris, London, and Frankfurt. 20 percent of world coffee is brokered directly in the stock exchanges. **It is estimated that other 75 percent of deals are in reality cut according to stock-exchange determined prices. The stock exchange thus affects the coffee market quite remarkably**.[27]

Forward contracts are a chiefly means securing the coffee processors against future large price fluctuations.

Although they entail certain risks, too. If for example, the coffee crop is small and its price goes up, the seller who is bound by the contract suffers a loss because he sells the coffee for the agreed price which is lower than the current price (if the price falls, the loss is at the purchaser's side). The contractual parties then try to offset the exposure to price fluctuations by balancing the future purchase or sale by a similar or an opposite position contract regarding real coffee in the real world (**hedging**). The coffee price moves in either direction therefore offset each other and the coffee processor is protected.

Those who have access to the market can become secured against price fluctuations with the outcome that the risks of all the concerned parties are passed on to the farmers who are at the end of the chain, lacking both information and access to the stock exchange.

Forwards deals attract speculators who try to earn money from price fluctuations. By doing this however, they affect the price as well.

Forward contracts attract speculators who try to make profit from the fluctuating price. Internet trading and swift responses to information concerning the stock and demand conditions in combination with the use of satellite weather monitoring have all contributed to the **boom of speculations** in the futures market. Speculating traders can sell coffee which they do not yet have "in advance" hoping that the prices will fall and they will be able to purchase real coffee and fulfil the contract with lower expenses. They are in the stock exchange simply to make a profit from the price fluctuations without the slightest intention of ever even touching, delivering, or buying a single coffee bean.[28] Compared to the hard work of farmers, a significant proportion of these deals proceeds automatically on computers on the basis of pre-set conditions for the price moves, estimates of its future development, and a selected rate. The speculator only defines the profit he wishes to reach at a selected degree of risk of a portfolio in which coffee can form a very minor part.

Although the speculators' deals do not purposely address coffee, all of such transactions become reflected in its price. It suffices if the speculators expect a change in the supply or demand and their expectation assumes real dimensions in the price of coffee. If, for example, fears of frost in Brazil come forth and there is a risk of a worse harvest, a market scare can emerge that is exploited by the speculators who further boost it by their own purchases and the price of coffee shoots up. In 1995, the panic proved to be completely unfounded, but the traders and speculators pocketed fat profits.

Although coffee is globally the second-most traded commodity, it is not the physical volume of the traded coffee which matters but the **sum of monetary values of the entire coffee trade**. In 2004, the New York stock exchange alone reported USD 140 billion.[29] **The majority of deals takes place only "on paper"**.

Paper contracts form about 90 percent of the coffee trade while the sales of "real" coffee account for a mere 10 percent.[30] Oxfam estimates that coffee can change hands on its way to the consumer up to 150 times. Part of these exchanges takes place even before the farmer harvests the coffee beans.

Apart from the stock exchange transactions, the coffee price is similarly affected by the level of the world coffee stock and **who is in possession of it**. In the last 20 years, the majority of coffee stocks has been held by large trading companies specializing in agricultural commodities. They use their capital to buy large amounts of coffee in times when the price is low. Then they store it and wait for the prices to go up again (paradoxically, due to a decrease of tradable quantity in the market, among other factors). This strategy characterized by a purchase and sale at different times is referred to as "**arbitrage**". Neither the small farmers, nor the not too well-off traders can use arbitrage due to lack of capital which further compresses their already negligible influence on the price.

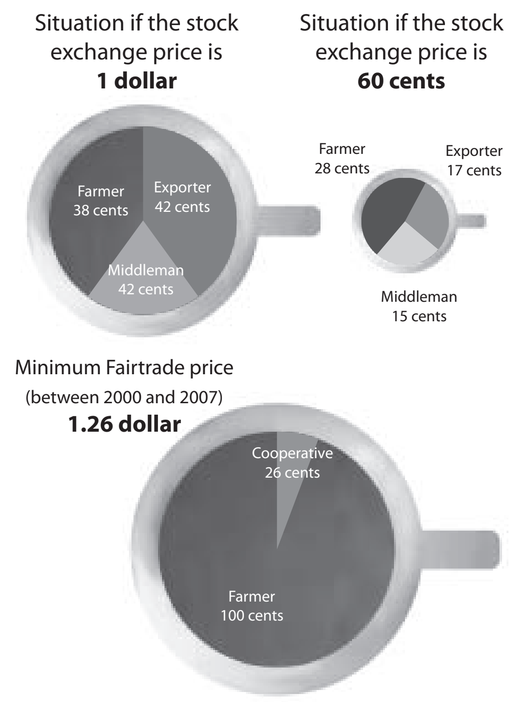
The country prices for coffee are influenced also by the ownership of coffee stock; nowadays, mostly the large trading companies are in charge of it.

Let us now return to the bags of green coffee. A specific purchased amount travels to the country of processing via the exporter, stock broker, or potentially the stock of the trading companies. Large companies sometime import their coffee alone, smaller roasters buy coffee from **importers**. In both cases it still needs be roasted, packaged, and in this state offered to the retailer (supermarket, self-service shop, café, etc.) or directly to the **customer** (e.g. by means of an e-shop).

In these phases, each link involved in the chain of trade naturally somewhat increases the price of the final product.

The graph on the side shows an example of the individual shares in the final price of coffee which go to the farmer, the middleman, and the international trader. It demonstrates that the price for which coffee is traded at a stock exchange (therefore also the price which is crucial for the large chunk of coffee deals) is not the price paid to the farmer. The farmer receives only a fragment. The model shows two example stock exchange prices of 1 dollar and 60 cents. The farmer is left with 38 or 47 percent, respectively. The rest goes to the local middlemen and international traders. The prices paid to the local farmers vary significantly in each producer country. The price greatly depends on the quality, supplies reliability, taxes (e.g. surcharge on exports) or on the ability of the farmers to gain access to information on prices (the less information on the world coffee price are available to the farmers, the more unfavourable position they find themselves in when selling their coffee).

Caption: Farmer's income for one pound of coffee
Conventional trade vs. Fairtrade system



(Source: Trasfair USA)

The coffee market is highly centralized.

The best-selling coffee brands in the Czech Republic	Trading company
1. Jihlavanka	Tchibo
2. Nescafé	Nestlé
3. Jacobs	Kraft Foods
4. Tchibo	Tchibo
5. Douwe Egberts	Sara Lee/DE

Source: MEDIAN, Market & Media & Lifestyle – TGI, 1st and 2nd quarter of 2007

Biggest coffee roasters in 2008:
(in billion of pounds – Lbs.)

Nestlé	1.719
Kraft	1.614
Sara Lee	992
J. M. Smucker	617
Starbucks	386
Tchibo	375
Aldi	320
Melitta	320
Lavazza	309
Segafredo	265

Source: Tropical Commodity Coalition, Coffee Barometer, 2009

20 million farmers and 3 companies

The present situation is such that while 20 million small farmers produce around one half of the world's coffee,[31] the markets of green as well as processed coffee are characterized by strong oligopoly conditions (i.e. the major part of the market is controlled by a handful of companies). Just three big companies – Volcafé, ED&F Man, and ECOM (which is the result of a merger between Cargill and Esteve) – control 45 percent of the green coffee trade. As a consequence, international coffee trade is highly concentrated and the big players have the power to dictate market conditions and prices.

The situation in the processing sector is similar: Five multinationals process nearly one half of all produced coffee. Among these are Sara Lee Corp. (represented for instance by the brands Douwe Egberts and Piazza D'Oro), Nestlé (Nescafé), Kraft Foods (Jacobs), Tchibo (Tchibo, Davidoff) and Procter&Gamble not represented in the Czech market. These five corporations together control 87 percent of the European market with roasted and instant coffee. Out of this share as of 2002, 57 percent was controlled only by two companies – Nestlé and Kraft. In the market with soluble coffee, Nestlé alone accounts for a full 50 percent.[32] No wonder that as the biggest coffee roaster it brings in an annual profit of USD 50 billion, which is the double of the GDP of Uganda, Burundi, and Rwanda combined – countries in which at least one half of export revenues comes from coffee.

A strong economic position, abundance of financial capital, and access to information give large traders significant power and allow them to make large profits independently of how their raw material – green coffee – fares in the market. Losses in times of crises are hence suffered almost exclusively by millions of farmers in so-called developing developing countries. The course of prices in the last 15 years only confirms this trend: short-term growth always occurred only in the periods between the harvests, i.e. when most of the farmers have already gotten rid of their crop for a low price.

In the words of the Uruguayan writer and journalist Eduardo Galeano: "It is simply much more profitable to consume coffee than to produce it." While the profits curve indicates a constant rise, the curve of the coffee purchase prices rather resembles a "clinical record of an epileptic seizure."

Unfair functioning of the international trade

Heavy profits of a fistful of large corporations are nothing new. Even in colonial times, a very small circle of companies could boast sovereign privileges regarding processing and sale of colonial goods. Later on, in the case of coffee specifically in the 1960s, the royal companies role was adopted by trading companies privileged by the governments of the main consumer countries – particularly the USA. Imbalance between the positions of the producers and the consumers had therefore already become established back then. Despite that, the present situation is somewhat different from the past. First, the attitude towards this inequity has changed. While in the past, it belonged to an acknowledged and unquestioned relationship, the current alignment of the international trade does not take it into account any more. Liberalization in the name of the free market promised its demise. The second change is that globalization and deregulation in the coffee market disregarding the interests of poor countries have even further widened the gap between the position of producers in the so-called developing developing countries and consumers of the rich North.

Since 1962, the coffee trade has been subject to the **International Coffee Agreement**. This business agreement laid out quotas for coffee exports of each country. Primarily it was supposed to protect the positions of the main producers, but at the same time it regulated the overall supply of coffee in the world market. This contributed to the maintenance of prices at stable and fairly decent levels. Apart from that, national **agencies** were introduced which used to serve as umbrella organizations for the purchase of coffee beans with the objective of keeping coffee prices at a satisfactory level and regulating the flow of coffee stock to the world market by setting a unified and guaranteed price. Even though the farmers could not earn for their coffee more than what used to be offered by the national agency, they also could not get less than this amount. In 1989, the United States – the world's largest coffee consumer in absolute numbers – decided to withdraw from the international agreement.[34] According to the United States, the terms of the agreement keeping the coffee prices high ran counter to their interests.

The overproduction which was the principal cause of the coffee crisis was brought about by several factors:

- demise of the International coffee agreements,
- abolition of the national agencies regulating the coffee stock flow into the world market.

This step caused the collapse of coffee export limits, stable market situation, and price control. New smaller producers started to enter the market. Although the subsequent moderate overproduction lead to a catastrophic fall of coffee prices, Nestlé, the French Development Fund, and the World bank continued organizing projects aimed at expanding production into Vietnam, Laos, Thailand, or to the Philippines – in other words, at **a further increase in production**[35] amplifying the crisis. Within only one decade, Vietnam has become the second-largest producer of coffee worldwide after Brazil.

- increase in production aided by international institutions.

At the same time, the World Bank and the International Monetary Fund were pushing the African countries to liberalize their coffee industry and close down their national agencies. The farmers were assured that they would have sufficient revenues but the liberalization hand in hand with the changing situation in the globalized trade, had an effect to the absolute contrary. "*The law of supply and demand worked against the African producers and favoured the speculators all around the world*," said the premier of Togo, Messan Agbeyone Kodjo. "*At present, the African farmers growing coffee are experiencing a feeling of frustration and inner defiance,*" he explained, "*they feel helpless... The coffee prices set by the international groups and multinationals are completely out of their control.*"[36]

"*The leaders of the rich countries of the world [however] keep ignoring this problem*," adds Gerry Barr from the Canadian Council for International Cooperation. "*They are pushing the developing world still deeper into export strategies,*[37] *but they did not do anything against the absurdly low prices offered to the poor countries for their goods. The result of all this is ever-deepening poverty rates and distress.*"[38]

The system of subsidies and tariffs works against the interests of the poor countries and in favour of the rich ones.

All-too-visible market's hands

The unfair way the international trade operates by far does not only concern the already discussed issue of coffee market encroachments. According to the prevailing economic theory, the liberalized global market is considered the most effective tool for attaining and maintaining economic growth (and happiness, too). By its liberalization (= slackening), the market shall reach an almost ideal free state in which each country specializes in the production of those goods and services in which it has a comparative advantage.[39]

Subsidies

Subsidies to agriculture in affluent countries push down the price of commodities in the world markets. Subsidies privilege domestic producers. It can therefore happen that for example American wheat or European powdered milk can be bought in Mali for a lower price than the locally produced counterparts. This brings about a destruction of the economic balance of these countries, local farmers lose their livelihoods, and the population becomes dependent on the cheaper imports of food from abroad. Yet even the cheaper imported foodstuffs can become too expensive for the rural population rid of work opportunities. In the context of the impacts of agricultural subsidies, the amounts spent on development aid become ever more senseless as the funds expended by the same states on agricultural subsidies are triple. In 2006, the overall subsidies of the OECD[40] countries amounted to USD 268 billion, while development assistance from all states totalled USD 106 billion.[41] However the world of subsidies has some good news as well. Subsidies to the export of farming surpluses (the so-called "export subsidies"), relatively common until recently, have been gradually scaled back which proves that rich countries have started taking at least partly into account the impact of their actions in different parts of the world. From a global perspective, the export subsidies are in fact an economic nonsense. The States or the EU expend financial resources on producing something which is not needed; long-term agricultural surpluses are a direct consequence of farming subsidies. Other money is then donated for the export of surpluses into the so-called developing countries (domestic farmers are paid to export their surpluses below their actual cost); the cheap production then deprives the local producers of their livelihoods. In addition, all this is sponsored by the taxpayer's money.

The rich states and some international financial institutions under their control (chiefly the World Trade Organization, World Bank, and the International Monetary Fund) often recommend or force the poor so-called developing countries to adopt pro-export policies and let the suppliers of (cheaper) goods from developed countries into their markets with the aim of practically implementing this theory. The abolition of trade barriers and opening up of markets however does not always practically stimulate economic development. This is because the rich countries and large corporations define the liberalization rules but do not observe them.

The outcome of their interests-enforcement is free trade which is not equally "free" for all of the participants. Poor countries open their markets to imported goods from the EU and USA, while their access to these giants' markets is effectively barred by tariffs and other trade barriers. Even though affluent states are interested in liberalization, they only liberalize those branches in which they have comparative advantages. It does not concern agriculture or services, such as construction and transport, where the comparative advantage is on the side of the so-called developing countries. Rich countries encroach upon the "free" market by way of subsidies which enable the producers to sell their crops for low prices without losing money. The producers in so-called developing countries can only hardly compete – even in an open market – with the subsidized farmers; financial aid to agriculture in economically advanced countries in fact evolves downward pressure on the selected commodity price in the world markets. The producers moreover lose market share in their own countries since the goods imported from rich countries can be cheaper due to multiple subsidies despite the shipping costs.

Critics of the current blind enforcement of free trade further point out that many rich countries used to protect their economies in order to boost their economic growth in the 19th and 20th centuries and now they deny the same tactic to the developing countries.[42] Throughout the second half of the 19th century, the American economy was the second-most protected economy only to Australia.

The result of this entire unbalanced liberalization is that only a limited circle of people from rich and a couple of so-called developingcountries benefit from the advantages of free international trade. The costs or disadvantages for the most part impact the poor populations in so-called developing countries with minimal sources of income. This imbalance is in a great majority of cases institutionalized heritage of the colonial past and the coffee story hence does not greatly differ from similar conditions prevalent for other traded commodities produced in so-called developing countries and consumed in the North. The solution which suggests itself is therefore analogous for many of them.

Possible ways out (of crisis)

Nearly three billion people in the so-called developing countries suffer from poverty and scarcity of financial resources to ensure basic needs (including education and healthcare) despite the fact that the goods they supply to the international market are usually highly appreciated and their consumption is taken by the consumers in affluent countries for granted. An increasing number of people ranging from common citizens to top politicians are aware that such a situation is unacceptable. They are concurrently coming to the conclusion that the way out is by no means easy.

Trade is perceived as the best possible tool for removing poverty in the global South. Farmers in so-called developing countries need sell their products and in exchange receive a reward that enables them to have a decent lifestyle and invest in their communities. But they are forced to compete with subsidized products in their own countries and their products are prevented from entering the developed countries by high import tariffs. In the case of tropical products, such as coffee, which are not grown in the developed countries, the import duties on processed raw materials and lack of capital effectively precludes that the added value could remain in the producer countries. Trade should be the principle key. However, as the collapse of the negotiations at the Fifth Ministerial Conference of the World Trade Organization in Cancún in 2003 showed, the rich countries are not willing to give up their advantageous position in international trade.

As individuals, we can hardly become involved in negotiations on the terms of trade. Nonetheless, change can be effected also from the other side: by stimulating demand for another form of trade. In the words of Anwar Fazal, the president of the International Organisation of Consumers Union: "By the act of shopping alone we vote for an economic and social model."

When we buy ordinary coffee, we are often not aware of its origins due to the complicated process, chain length, and our general disinterest and therefore we do not know the conditions under which it was cultivated (if its sale provided the farmer's family with a decent livelihood). Each of us – customers – can participate in the solution to the situation in the so-called developing countries by opting for one of the alternatives to conventionally grown and traded coffee. Independently certified labels of responsible consumption of coffee available in the CR are Fairtrade (focusing on social conditions, purchase price, and to a lower degree also on the environmental conditions of production), organic Bio certification (coffee from organic farming, it is not directly engaged in the social and economic aspects of farming) and Utz Kapeh (addresses the environmental and social aspects but in lesser extent than both Fairtrade and Bio).

Ways to deal with poverty

It follows from long-standing efforts aimed at finding a way out of poverty in the developing countries that every enduring solution requires cooperation of numerous actors at different positions in the global system. An inevitable step which has been discussed ever since the 1980s is the problem of the debt. The best way would be to at lest partially mitigate the debt to the developing countries which originated in controversial ways. Some debts have already been partly remitted but still not in a degree significant enough to effect change. In order for the **debt burden relief** to be efficient, it is important that the debt mitigation by the rich country is not accompanied by a reduction in the **development aid**. Also the Millennium Development Goals state that it is necessary to **increase** them.

Trade is the best possible tool for removing poverty in the global South.

Fair Trade

Since the 1960s, the concept of Fair Trade has been evolving in Europe and in America as an alternative to conventional trade. Fair Trade is a means of trade with producers in the so-called developing countries which strives to work towards a juster distribution of the revenues arising from trade relations between the global North (economically advanced countries, including the Czech Republic) and the global South (primarily so-called developing countries in Asia, Africa, and Latin America). It tries to support small producers and farmers from so-called developing countries and provide them with a chance of earning their livelihoods through their own work; something at which they unfortunately often fail in the conventional trade. Put differently, its aim is to put into practice a functioning **example** demonstrating **how the international trade and trade partnerships ought to work in many respects**. Although it is not in its power to overcome the intrigues of customs duties and tariffs, it still helps some 7 million people involved in it to date.

Fair Trade is an alternative to conventional trade.

The roots of Fair Trade can be traced back to the post-WWII period in both Europe and the United States. In 1946, the American organization Self Help Crafts (today called the Ten Thousand Villages) started to buy embroydery from Puerto Ricans in difficulties. Only a little later, the British Oxfam came up with the possibility of assisting Chinese refugees by purchasing their original decorative pillows. Fair Trade gained significance in the 1970s when its traditional form developed: Sales of an assortment of crafts and several types of foodstuffs in specialized shops, in parishes, and public events. The import and distribution of the products had been until recently carried out by such organizations and shops with their chief scope of activity in the sphere of Fair Trade (the so-called "Fair Trade organizations and Fair Trade shops – worldshops).

Which products does Fair Trade offer?
Apart from a wide range of crafts, Fair Trade particularly offers tropical crops such as coffee and bananas, which have the largest share in the turnover of Fair Trade products sold, including cocoa, chocolate, cane sugar, spices, rice, honey, juices, oranges and even such specialties as chewing gums or sardines.

Short chain

The essence of Fair Trade is a relatively close relationship established between the buyer and the seller which is based on trust between the Fair Trade organization, retail, and the customer. This is how Fair Trade in fact originated. Importers were predominantly non-governmental, church, and other organizations which enjoyed the trust of the public and which maintained very close relations with the producers mediated to their customers. The fair chain of trade between the farmer and the consumer is much shorter since it does away with numerous middlemen who trim the product's price to which the farmers are entitled. Fair Trade organizations often simultaneously import and process the coffee the roasting of which they either carry out alone or subcontract.

How much does the farmer get
Minimum purchase price of arabica coffee is 125 cents (robusta 105) + 10 cents of the social premium for one pound (0.456kg) of coffee.[43] An additional 20 cents can be earned by the farmer for organic farming production).

Small change, big difference

Fair Trade tries to protect the farmers from stock market price fluctuations. It therefore sets a minimum purchase price of coffee; the reward paid to the farmers may never fall below its level. If the stock exchange price is higher, the fair price goes up as well. If the producers have employees, they need to pay them at least the minimum wage and respect their basic labour rights in line with the Fair Trade conditions.

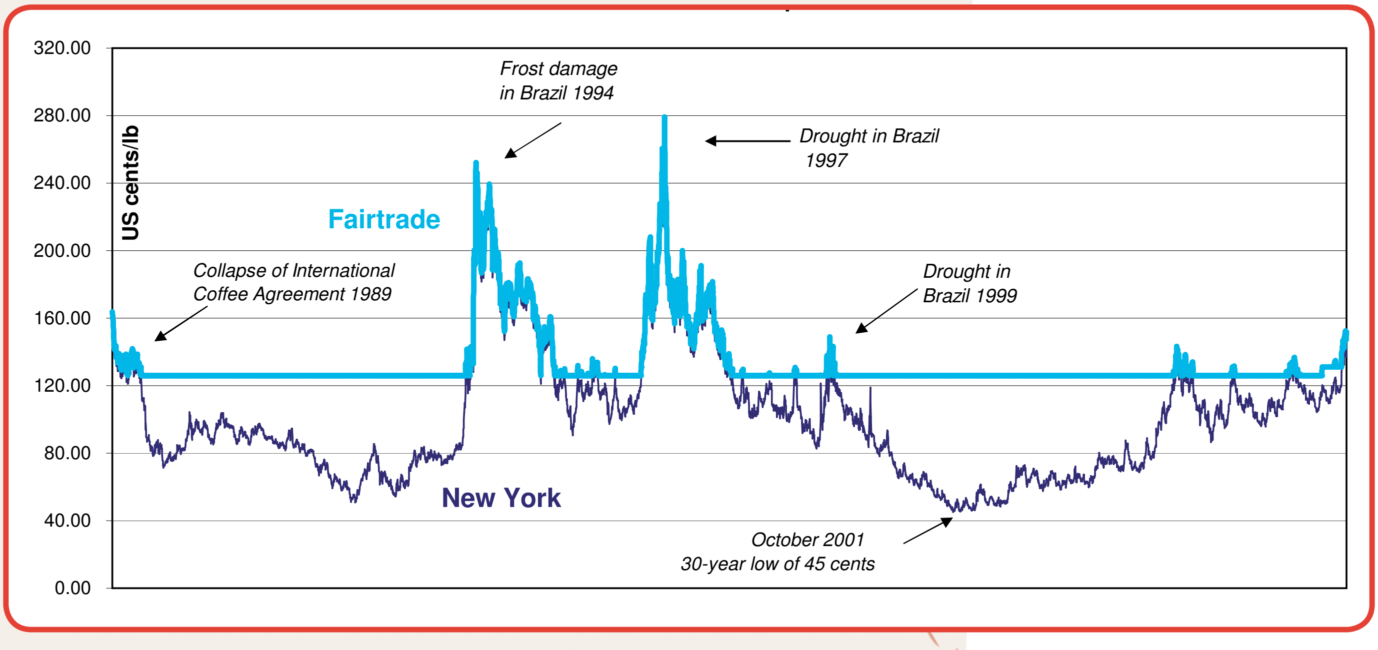
Fair Trade characteristics:

- shorter chain of trade
- higher purchase price
- social premium for the communities
- involvement of cooperatives

Producers participating in Fair Trade praise the system and even more so when the stock exchange prices are very low. Yet, even if the stock exchange price is good, the Fair Trade price still exceeds it by 10 U.S. cents. This is the **social premium** which a Fair Trade organization pays to the farmers. Its amount corresponds to 8% of the minimum purchase price for one pound of arabica coffee. The social premium constitutes a significant part of the Fair Trade system. It is not paid out directly to the farmer but it is first obtained by the cooperative and then the farmer.

Only farmers´ cooperatives can become involved in Fair Trade, not single producers. This constitutes a crucial aspect of Fair Trade since what is not available to a single farmer (storage space, transport vehicles, information) and where the middlemen usually step in, can be obtained by the farmers' cooperation and mutual support. The social premium is aimed at supporting them in this effort.

Arabica coffee market 1989-2007: Comparison between Fairtrade and New York stock exchange prices



Light line: minimum Fair Trade purchase price of 121 cents per pound of coffee (minimum price of 121 cents + social premium of 10 cents). From 2007 the minimal consists of 125 cents per pound + 10 cents social premium. If the price of coffee in the stock exchange exceeds the 125 cents level per pound of coffee, the price in Fair Trade price corresponds to the sum of the current stock exchange price and the social premium. Dark line: New York stock exchange coffee price. (Source: Fair Trade Foundation)

The Kagera cooperative in the north-western corner of Tanzania[44] (part 1)
The cooperative union was founded in the 1930s and nowadays counts around 90,000 members. KCU members are small coffee farmers organized in 124 village cooperatives. In Kagera, "small" farmer stands for owners of roughly half of a hectare of land which must provide subsistence for a six-member family on average. Through coffee sales, the farmer must get hold of sufficient amount of money to settle the school fees, clothes, healthcare, and other expenses. Since 1988, KCU has been selling still greater share of its members' coffee through Fair Trade.

The cooperative members decide about the way the social premium is used. The project sponsored from the social premium has to be of benefit to all of the members. Frequently, the funds are channelled into improvements of the technological capacity – such as depulpers – construction of schools and healthcare facilities, water supply, etc. The cooperative **can benefit from a higher share in the added value** if it acquires equipment used for further coffee processing. In the upshot, it means that they will receive a bigger part of the money that the consumer pays somewhere at the other end of the production and trade chains.

Fair Trade cooperatives try improve the quality of their members' produce. Fair Trade conditions also include sustainable and thus **environmentally friendly farming methods** and coffee processing that preserves fertility of the soil and cleanliness of the water resources. The requirements chiefly centre on minimum and safe use of agricultural chemicals and waste disposal and they ban any use of genetically modified organisms. These rules are not as stringent as the requirements for organic production but the majority of FT cooperatives try to make a transition to organic farming, which is more costly but ensures a higher minimum purchase price. In 2006, 70% of FT products were also organic.[45] This is why educating the cooperative members is important because it is not easy for a single ordinary farmer to get access to information regarding the farming methods as we could see in the example of Alejandro from Peru (see above). As a result, cooperatives probably invest more funds into education of their children and further **education** of their members than into technology.

The Kagera cooperative (part 2)

Throughout the years, the total additional income of the KCU farmers gained from Fair Trade exceeded USD 7 million. It was therefore necessary to ponder over the use of these revenues which should serve a long-term improvement of the living conditions of the farmers. These considerations gradually zeroed in on "Tanica", the only factory in the Kagera region. This small factory for producing instant coffee was founded in 1960 by a Tanzanian semi-governmental enterprise for selling coffee but it was not very prosperous. When the government decided to privatize Tanica factory, the KCU farmers agreed that they would use part of the money acquired from Fair Trade to purchase the shares in the factory. The shares were purchased gradually according to the financial possibilities of KCU. In 2004, i.e. 14 years after the initial decision was taken, the objective of owning a majority share in the factory was finally achieved. KCU could thus finally realize its ambitious plan at increasing the *Tanica* instant coffee sales by expanding to the all of Tanzania. The farmers can be rightfully proud of this decision because the ownership of Tanica reduced their financial dependence on export revenues and strengthened the KCU's position.

The Kagera cooperative (part 3)

Part of the revenues from Fair Trade was used by the farmers for the creation and operation of schools for the children from villages in which FT coffee is grown. More teachers have been hired and the pupils get a square meal at school. Another project focuses on the production of organic coffee. KCU offers higher salaries to farmers who decide to go organic. Thanks to this assistance, as of 2004, organic coffee formed 7 percent of the overall production amount exported by the cooperative.

Fair Trade contribution:

- environmentally-friendly production
- democratic development of the communities
- investments into education

Fair Trade addresses a common pain of small coffee farmers – a limited access to education for their children due to a lack of finances that can additionally lead to the misuse of child labour. The rules of Fair Trade forbid child labour threatening the health and development of the children. A good purchase price and the social premium then help implement this ban.

Although fair trading exclusively applies to cooperatives, it contributes to the **development of the entire community**. The cooperative democratically decides about the social premium so that all members can benefit from the advantages.

The Kagera cooperative (part 4)

In the effort to strengthen the integration of the farmers into the individual cooperatives, the new leadership suggested in 2004 to the general assembly of the KCU (annual gathering in which representatives from each of the 124 cooperatives approve the budget and decide on the use of the Fair Trade revenues) that each cooperative be allocated approximately 2,000 dollars earned from Fair Trade. This proposal was authorized by the general assembly. The general assembly also passed the decision that the funds would be always allocated only after the cooperative has decided on their purpose.

The farmers started passionately discussing the question of what they would do with the two thousand dollars. Would it be better to reconstruct the bridge damaged by the monsoon rains, establish a cooperative shop so that the villagers did not need to walk one hour on foot to the next village for sugar and soap, or ought this money be rather used for the refurbishment of the local school? The majority of the cooperatives opted for education after all. For the allocated funds, textbooks and new blackboards were bought and the school buildings were reconstructed and enlarged.

Who supervises Fair Trade?

Fair Trade standards are guided by three basic pillars – social, economic, and environmental development of the communities.[46] With the ongoing expansion of Fair Trade, a mere trust between the fair chain links no longer suffices and the consumer logically asks for a pledge of FT origins of the goods. A certification system for the products was therefore established which should replace what becomes lost in wholesale trade: A certain label of the product along with information about the circumstances under which it was made. First certification was introduced in the Netherlands under the label of Max Havelaar and the first certified product was actually coffee. Other national initiatives were gradually founded; one of the more famous FT labels is the American TransFair. In 1997, worldwide association for unified Fair Trade labelling was established: **The FLO (Fairtrade Labelling Organisations International)**. FLO is now in charge of stipulating the international standards for Fairtrade,[47] production certification, trade auditing according to these standards, and supervision over the marking of products. The FAIRTRADE label is international.

The range of products for which relevant standards have been elaborated and which can carry the Fairtrade denomination in line with these standards has slowly expanded from originally one product (coffee) to encompass the current eighteen and it keeps growing. The diversity of some products, mainly crafts, almost excludes the creation of homogeneous criteria. To be able to judge the "fairness" of the products carrying the Fairtrade or similar labels, the label includes identity of the importer or retailer and their membership in the international association of **WFTO World Fair Trade Organization**, www.wfto.com. Parallel to the progress in products labelling, the association developed a monitoring system for Fair Trade organizations (FTOs) the scope of which was to boost credibility of these organizations towards politicians, conventional traders, and consumers.

Among Fair Trade organizations which are members of WFTO and whose products we can find also in the CR are El-Puente, Gepa, and DWP from Germany, EZA and Eine Welt Handel from Austria, or the Italian organization Commercio Alternativo.

The WFTO label for Fair Trade organizations was officially introduced in January of 2004. It can be acquired by WFTO members who comply with the requirements of WFTO standards and who pass the monitoring system's criteria. They are registered as a Fair Trade organization thereafter. WFTO collaborates with FLO on developing a label for diverse crafts that would be placed directly on the product and assure easy orientation.

FAIRTRADE

The goods´ fairness is guaranteed by the Fairtrade label or by the importer's or retailer's identity and their membership in the WFTO association of Fair Trade organizations.

WORLD FAIR TRADE ORGANIZATION

Does Fair Trade have a chance?

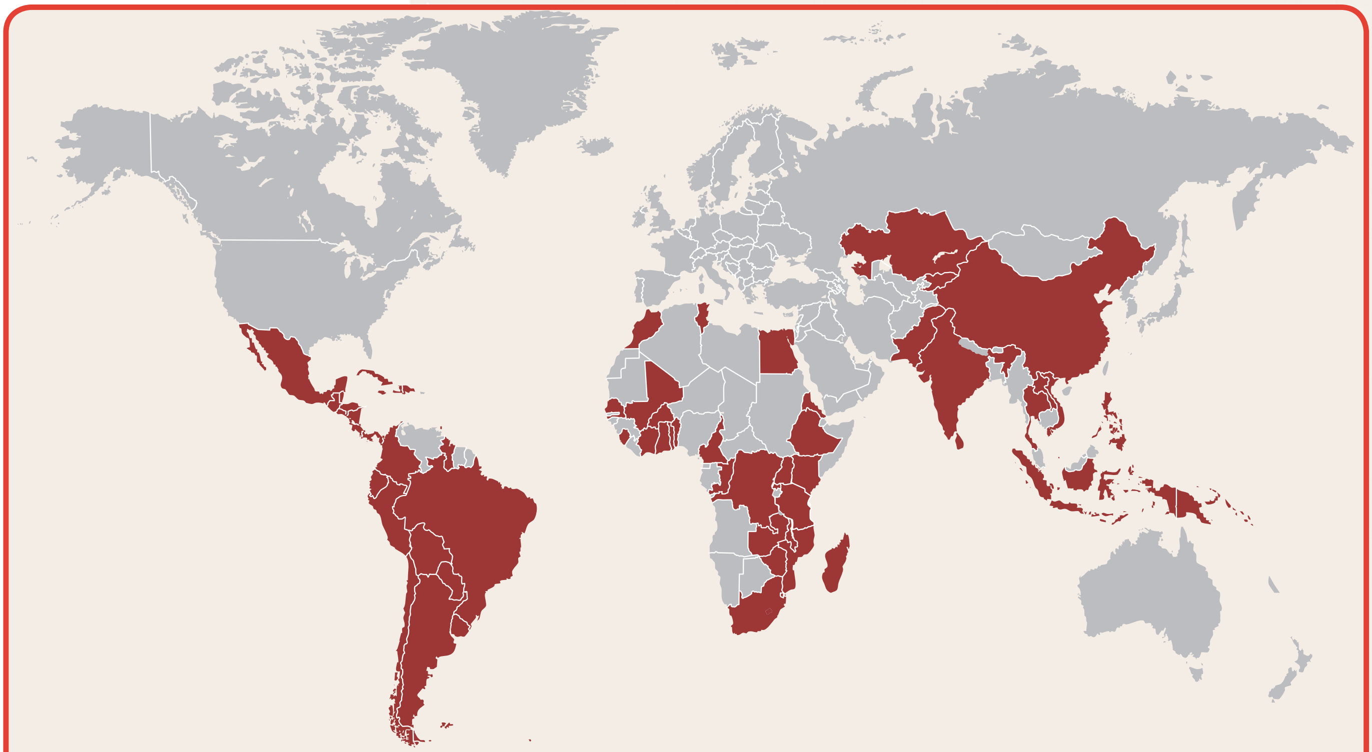
As it has been already noted, even Fair Trade needs to cope with an unjust system of tariffs and subsidies which can be rectified only by agreements at a political level. However it strives to work towards a fairer arrangement of trade relations within that specific framework. In the overall volume of global trade, Fair Trade's share is counted in mere per mille values, but as regards the actual producers, employees, and consumers, it is a significant number. The farmers organizations certified within the FLO system total 991 groups from 66 countries.[48] This results in better living conditions for roughly 8 million farmers, producers, and their families, not including the uncertified Fair Trade cooperatives trading with WFTO organizations.

The sales of goods with the Fairtrade trademark rose by 42% in 2006 alone.

Fairtrade certified products can be purchased in more than 60 countries.[49] Each year the number continues growing. In 2011 alone, the volume of Fairtrade labelled goods increased by 12% and their turnover reached EUR 4.9 billion. The growing demand for Fair Trade products is promising for an improvement in the position of still more farmers.[50]

In 2011, the increase in the sale of Fair Trade products was as follows: cocoa 14%, coffee 12%, tea 8%, and bananas 9%. In comparison with 2010. The growth of demand was very notable in 2005-2010 period (e. g. the annual increase in the sale of FT cocoa was 93% in 2007), but still is continuous.[51]

Farmer cooperatives with Fairtrade certification by countries



Source: FLO Annual Report 2012

Fair Trade in the Czech Republic

The idea of fair trade with producers from Asian, African, and Latin American countries is quite recent in the Czech environment. Although the first One World shop opened in Prague in the Korunní Street more than 10 years ago, the Czech public has become better aware of the meaning of "Fair Trade" only in the last two years. The products can be purchased in specialized Fair Trade shops (totalling 10 at the end of 2008, not only in Prague and Brno but also in other cities such as Znojmo or Zlín), healthy food retail outlets (organic shops), and in some common shops.[52]

There are seven fair trade organizations active in wholesale, retail and promotion of FT products in the Czech Republic. Association for Fair Trade – the platform of FT organizations in the Czech republic became the marketing body of FLO (Fairtrade Labelling Organisation) that monitors the use of the FAIRTRADE trademark. Also the first FT coffee roaster and first direct imports showed up. For the moment it is limited because the imports very much depend on scale of knowledge and demand among Czech consumers. There has not yet been conducted any exact research about Fair Trade goods and we do not dispose of any summary data. An estimate for the year 2006 amounted to CZK 10.5 million. In the recent years, annual FT turnover growth reached the level of 200% (it shall amount about CZK 40 million in 2008). The current situation indicates a growing trend in the number of retail points, media attention, and awareness of the Czech republic regarding the issue of bad working conditions in the so-called developing countries, unequal position of the small farmers and craftsmen, and Fair Trade as one of the possible solutions. Within a couple of years the Czech Republic grew in fair trade and it seems inevitable that some direct importers as well as FLO certified traders will appear.

Highest shares of Fairtrade goods

In some market segments and countries Fair Trade has already attained remarkable success: 47% of all bananas, 28% of flowers and 9% of sugar sold in Switzerland is labelled with the FAIRTRADE trademark. In the United Kingdom which has a market eight times the size of the Swiss population, the products marked with a FAIRTRADE logo reach a share of 5% in the tea market, 5.5% of banana sales, and 20% of ground coffee. The Fair Trade potential is however by far not exhausted.

The Czech Republic has roughly four hundred retail points of sale and five wholesale suppliers.

What does the customer pay for?

There is no easy yes or no answer to the question of whether Fair Trade is more expensive or not. It depends on the type of product and also on what we actually consider to be a "classic" product. With the majority of fair crafts the prices are definitely not higher than what we would buy in an "ethnic shop" or a gift shop; on the contrary, the price is often lower. This is because the unnecessary middlemen are bypassed who charge a margin in the order of hundreds of percent.

With foodstuffs the price can seem to be higher at first sight. A chocolate for fifty Czech crowns or a quarter kilo package of prime coffee for ninety are not prices that would be common in these latitudes. If we however compare the prices of products of a similar quality – although "unfair" ones – available in the market, we find out that they are practically equal.

Why do FT products seem to be more expensive as opposed to the conventional ones?

- Producers are paid a fair price.
- Fair Trade bets on quality.
- Compared to multinational giants such as Nestlé or Kraft Foods, Fair Trade organizations are much smaller. The trade, transport, and processing operations work equally on a much smaller scale. Fair Trade organizations therefore cannot rely on the same returns to scale as for example the two multinational companies (the bigger the volume of transported goods, the lower the shipping price per unit; the more coffee a company processes, the cheaper the processing per unit of coffee becomes, etc.).
- The volumes of goods in comparison to conventional trade are still very low and the merchants cannot make the same returns to scale like the multinationals.

Sometimes we encounter comments like "... but an ordinary person cannot afford this!" It is certainly important to realize that products, such as coffee, tea, or bananas – be they the products of fair or unfair trade – are not essential foodstuffs for our survival but in their essence luxurious products which are imported to us from the other end of the world. It is therefore rather surprising that they cost so little in ordinary shops and it is appropriate to ask why. The price of FT products much better reflects the actual production costs than the price of cheap products in the market which are commonly subsidized by the damaged environment, excessive working hours of the labourers in so-called developing countries, child labour, and sometimes also by our health.

More alternatives to conventional coffee exist; in the Czech context we can find the Utz Kapeh or Bio labels.

Utz Kapeh

Utz Kapeh is a similar system like Fair Trade but with less stringent rules. It originated from the initiative of the Ahold retail chain.

It is similar to Fair Trade but its criteria are less stringent. The principal difference rests in the objectives since Utz Kapeh is not aiming at developing and strengthening the position of the farmers but "only" safeguarding that the coffee producers earn a decent livelihood and mitigating the impacts of coffee farming on the environment. This certification label originated from the initiative of the Dutch retail chain Ahold (operating the Albert super- and hypermarkets in the Czech Republic) but the coffee labelled Utz Kapeh was introduced by processing companies and retailers in different countries.

Its principles entail observation of social and environmental criteria specified in the Utz Kapeh code of conduct. Farmers who are certified and subject to inspections regarding the observation of the code of conduct have allegedly a better position when negotiating the price of their coffee with the buyer. For more information refer to http://consumer.utzcertified.org/.

Another alternative to conventional coffee is organic coffee.

Organic coffee: certificate of organic origin

One of the options that is becoming relatively common in the market is organic coffee. Similary to, for example, organic potatoes, the organic certification guarantees that no poisonous chemical substances – preservatives, chemical fertilizers, or pesticides – were used either in course of the farming or processing and that the plants are not genetically modified.

Organic coffee is in many respects of much higher quality: It is grown in its natural shaded environment which reduces the demands of the plants and their susceptibility to pests and it does not contain any remnants of pesticides. Such production is also more beneficial to farmers as the cultivation of organic coffee does not damage their health or the environment and they receive a better price – in comparison to conventionally grown coffee, the organic coffee price is higher and more stable. Demanding certification can however sometimes present a problem for the small farmers who apart from extensive bureaucracy and fairly expensive certification fees also need to go through a two- to three-year transition period in which they must grow coffee with organic methods but still cannot sell it as such.

Coffee – the black gold

Coffee is currently of high economic value to the developing countries. It is one of the commodities which brings the most capital into less developed countries; more than basic commodities such as sugar, tea, cocoa, bananas, oranges, cotton, or tobacco. It is also quite likely that in the case of coffee revenues bigger redistribution takes place and so the money flows to a larger number of people. Although the most acute crisis subsided in 2005, the threat of its repetition still hangs over the coffee market.

The solution is not entirely in the hands of the consumers but it is up to the whole coffee sector. Certain measures that would assure the coffee producers decent prices and keep down the crisis risks need to be taken at an intergovernmental level as well. The consumer can nonetheless contribute by his choice to have certain farmers be paid well for their coffee and to limit the extremely negative impact of coffee cultivation on local environments.

By way of a responsible consumer choice accompanied by the growing proportion of labels of responsible consumption one also lets the big coffee processing firms know that he or she is not indifferent towards the conditions under which coffee is produced.

Poverty – a common issue

What is poverty

Poverty is undoubtedly among the most pressing global issues of humankind. How many times have we heard someone complain about lack of money or situation in life? How often have we complained ourselves? Every one of us has certainly encountered scarcity at least in a mediated form. In each country, there are people that others would call poor. Poor in relation to the rest of the society in which they live. This is the so-called "**relative poverty**" which is defined as deprivation of an individual in relation to other members of the society – inability to participate in the social events and have the standards of living common to the specific society. Hence it is poverty viewed from the perspective of a comparison to a social standard in a given country. This is why each country defines its own poverty line.

Relative poverty is related to the social standard in the specific country.

A Czech person who cannot afford to go on vacation, does not have a car, who needs to turn every penny over twice before spending it, can be perceived as a wealthy man in the eyes of someone who cannot send children to school, provide them with healthcare and frequently not even with food due to a lack of material means. At this point, the definition of poverty becomes more accurate: poverty is a situation which does not provide an individual with basic conditions for a decent life and satisfaction of human basic needs. Apart from serious material distress and shortage of foodstuffs, such poor people have no access to safe drinking water, basic health and social care, education, clothes, and adequate housing.

Absolute poverty is a condition in which the level of income does not even cover basic human needs – it concerns people living below the poverty threshold in life-threatening conditions.

- 1.2 billion people live below the extreme poverty line. Among the most affected are children and women. Thirty thousand children die every day as a consequence of extreme poverty.
- 100 million children are denied the basic human right – right to education.
- Women in so-called developing countries earn on average twice as little as men.
- 1,600 mothers die every day as a result of labour complications, 300 million women suffer from long-term health effects of giving birth.
- Over 1 billion people do not have access to a source of drinking water.
- Annually, 3 million people die of AIDS and other 5 million people get infected with the HIV virus.
- Due to strong protection of the markets of economically developed countries the so-called developing countries lose 100 billion dollars each year – around the double of what they receive in development aid.

Source: Millennium Development Goals – Manual of global development education. Czechia Against Poverty campaign 2006. http://www.ceskoprotichudobe.cz/soubor.php?s=brozura_cpch_2007.pdf

They usually reside in states that have no protective social network. The living conditions of people in such a situation are in contradiction to basic human rights. Relative poverty can be consequently distinguished from absolute poverty which is a state when the individual's level of income does not suffice to cover the basic needs – it concerns mainly people living below the poverty line in immediate life-threatening conditions. (Sometimes the term "moderate poverty" is used which means that the basic human needs are satisfied but to an insufficient degree.)

Roots and effects of poverty

If a child is born to a poor family, it will not be able to attend school due to the lack of money, and provided that it does not die of some illness easily treatable in the developed countries, it is highly likely that even its grandchildren will be again from a poor family.

It is not by accident that when we talk about poverty, we say it is a vicious circle. If we list its causes, we are often confronted with the fact that they are simultaneously its consequences and that they further aggravate it. The explanations of the causes of poverty in each country may vary (armed conflict, governmental failure, natural conditions), but the causes and effects keeping the countries and their inhabitants poor, e.g. lack of education, diseases, lack of innovations (due to lack of funds), are the same. Shortage can be also a result of armed conflicts which further compound it. The issue of migration resembles this cycle in many respects. Bad living conditions drive people out of their homes with a vision of a better life into richer and more developed countries. Most of men in their productive age leave the rural areas and leave behind the women and elderly whose ability to provide for themselves thus becomes limited. For example, every single family in the Mexican rural areas have someone working in the United States. Migration today is a major issue not only for numerous developed countries. The solution to global poverty is in the interests of advanced countries even if we take into account just the pragmatic perspective: It promotes their own safety. More reasons nevertheless speak in favour of solving the poverty issue. Although the situation in each of the poor or so-called developing countries differs, it is legitimate to ask for the original cause of why the countries of the global South actually fell into the vicious circle of poverty. As it is with every investigation of the causes, neither this case can renounce on looking back into the past.

Vicious circle of poverty: Several often cited causes of poverty are simultaneously its manifestations which further compound it.

One aspect is the colonial past. The economy of the newly discovered territories was administered with the objective of transforming the colonies into suppliers of raw materials (from plantations and mines) and workforce for the purposes of the Old Europe. The colonial powers deemed as most beneficial the specialization of the economy of each territory in a handful of export commodities not to be consumed locally but in the European market. Not only did the colonial powers almost exterminate or completely marginalize the original populations, but they also stifled any development of the new lands – with the exception of the English colonies in America – settled by the descendants of the colonizers that would consider their own needs even if they would adhere to the Old World rules of technological progress.

In the more recent past, the uneven fight of some countries against poverty was marked by unwise policies of international institutions. Even though they were aimed at development, they eventually precipitated deep debts in the poor countries.

Causes of poverty

- In the first group fall historical factors such as colonialism, slavery, race segregation, etc.
- The second group includes political factors: Armed conflicts, dependence on decisions of foreign governments, multinational corporations, or international institutions (World Trade Organization, International Monetary Fund, World Bank), in short – "neocolonialism", highly corrupt internal political environment, authoritarian and dictatorial regimes, no enforceability of the law including human rights standards.
- Economic causes chiefly concern the huge debt of the so-called developing countries, low and fluctuating prices of natural resources, raw materials, and agricultural products in the world markets, export portfolios consisting of a few commodities, high unemployment, and insufficient transport and technical infrastructure.
- Demographic factors are as follows: High population density (Rwanda, India, China, Indonesia, the delta of the Nile, Niger, and other rivers), absence of an emergency social network, cultural and religious traditions, low level of education, etc. The environmental causes are represented by equally high population density, deforestation, subsequent erosion of the soil, desertification, and pollution of the water, soil, and the air.
- Insufficient healthcare and unequal position of the women are also worth mentioning. The latter factor de facto prevents one half of the population from creating wealth. It follows out from the aforementioned facts that the prospects for the process of reducing the number of extremely poor people greatly depends on the economic growth of the so-called developing countries. The growth alone is not a pledge for an increase in the quality of life, which is documented in a good many states of Latin America. An inseparable part of the rectification of the current circumstances is a just income distribution, but also limitation of the population explosion. If we do not succeed in eliminating poverty, it will continue to have destabilizing impacts on the global political situation.

Source: Millennium Development Goals – Manual of global development education. Czechia Against Poverty campaign 2006. http://www.ceskoprotichudobe.cz/soubor.php?s=brozura_cpch_2007.pdf

Poverty in numbers

The World Bank defined the extreme poverty threshold (i.e. the condition in which a person balances on the edge of survival) as a sum of 1 dollar per day. It is estimated that presently 1.2 billion of the Earth's inhabitants live below this line. Additionally, roughly 2.7 billion people live on less than 2 dollars a day. The majority of the world's poor live in the Sub-Saharan Africa and in South and South-East Asia.

Can we however measure poverty globally? After all, the value of 1 dollar naturally varies in different regions of the world so that in a so-called developing country it may represent a fairly decent sum! It is true that one can obtain more for one dollar in Tanzania than in the Czech Republic. If Czech people however cannot make ends meet with this amount, the domestic social system will not let them starve; this does not apply to Tanzania. The consequences of poverty of an individual are remarkably shaped by the destitution or wealth of the entire country. The poverty rate of the inhabitants is one of the principle indicators for the country's rank on the ladder of development.

The international institutions (World Bank or the UN) have elaborated a series of indexes which should express the degree of advancement of countries, often referred to as a "degree of development". Still, the discussion has been revolving around the issue of the nature of development's criteria: Is just the economic level which matters?

Poverty in the CR
Absolute poverty line in the CR corresponds to the subsistence minimum. Presently a household subsistence minimum of one person amounts to CZK 3,126 per month which according to the purchasing power parity stands for USD 6,9 per day (the purchasing power parity of 1 US dollar equals CZK 15.12).[53]

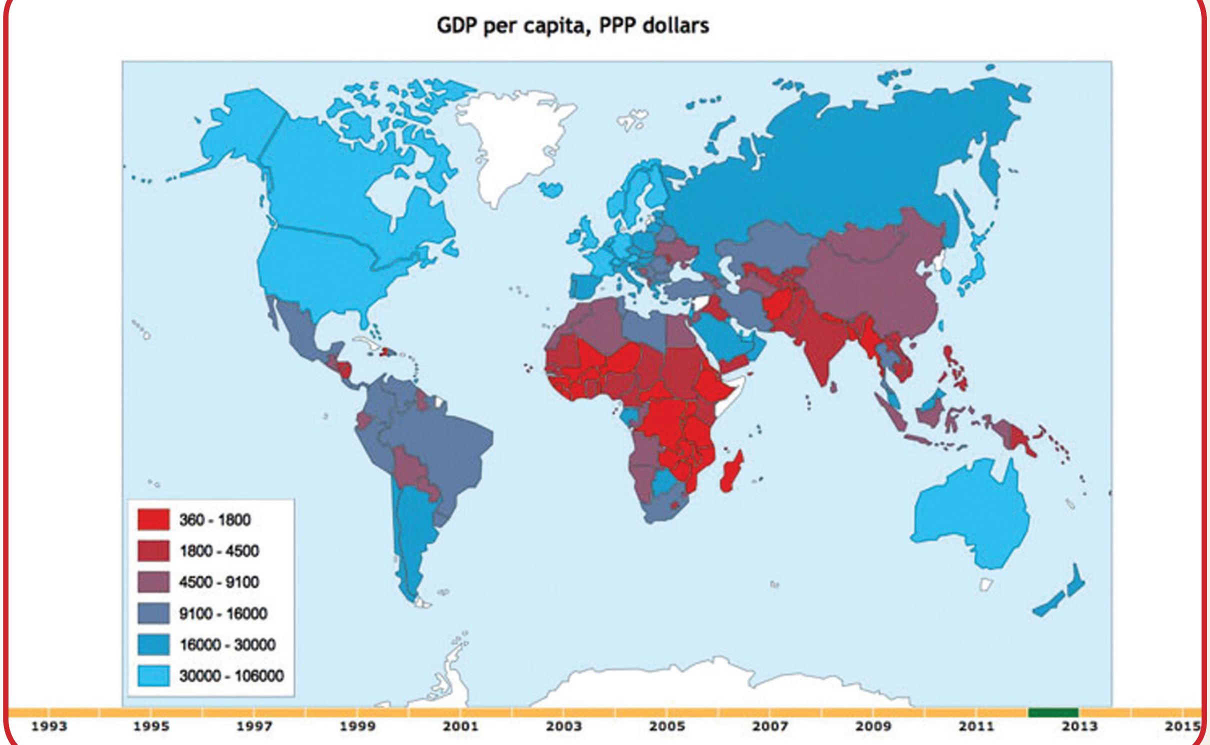
Domestic product

GDP does not stand for wealth. If we say that a country is rich, we refer to its high GDP (e.g. the media often use the terms "wealth" and "gross domestic product" as synonyms). This is however inaccurate. GDP is a *flow* variable that expresses, in simplified terms, the value of the individual state's production in a specific year. On the contrary, wealth is a *stock* variable and expresses the value of the country's assets. Thus a young person with an income of CZK 30 thousand per month living in a tenement flat is not as rich as an elderly woman receiving a pension of CZK 8 thousand while owning a house worth CZK 2 million.

GDP – gross domestic product
is the annual value of all products and services produced **in the territory of one country** per person. It is for example calculated as a sum of all incomes (wages, profits, rents, interests) divided by the number of inhabitants.

Sometimes we also talk about **GNP – gross national product**
GNP expresses the annual value of all products and services produced by the factors of production owned by the **residents of a country**. For example the wages of Mexican labourers in the United States are added to the GNP of Mexico but included into the GDP of the USA.

Moreover, 10 dollars do not have the same value in the Czech Republic and for example Brazil. Therefore a purchasing power parity (PPP) ratio was introduced which is used for recalculating the GDP and GNP according to the varying price levels of each country.



Source: World Economic Outloouk April, 2012

Each of the following indexes expresses a different aspect. For the general comparison between countries is most frequently taken the GDP per capita indicator.

Table 1 – comparison of the countries based on their GDP, GNP and HDI (Human Development Index) in 2011

	GDP per capita (in USD)	GNP per capita (in USD, 2011)	GDP per capita in purchasing power parity (in USD)	HDI	HDI ranking (world scale)
United Kingdom	38800	37840	35650	0.863	28.
Czech Republic	20400	18620	26200	0.865	27.
Brazil	12600	10720	11640	0.718	85.
Costa Rica	8700	7640	12150	0.744	69.
Cuba	5200	5460 (CIA estimate)	9900 (CIA estimate)	0.776	51.
Tanzania	530	540	1500	0.466	152.

* Note: The countries are selected according to the roles in the Families game in relation to the Czech Republic. We need to be aware that all of the countries belong to the first half of the richest countries in the world with the exception of Tanzania. If the selection was made otherwise, the differences would be even larger. Sources: UNDP, World Bank , CIA World Factbook, and World Development Indicators.

It is especially worth noticing in Table 1 that the Czech GNP and GDP are roughly 16,000 - 21,000 but if converted by the PPP ratio the GDP increases while in the case of the United Kingdom decreases. The original variation in the GDP size of these two countries

Purchasing power parity (PPP)
It is the expression of what can be purchased in different countries for the same amount of money or for how many units of the same currency certain standard products can be purchased; usually common products of daily consumption are included in the calculation.

expressed by the difference of USD 23,000 shrank to USD 11,000 in PPP comparison.

Nevertheless none of these numbers measures the quality of life but merely the economic level of a specific country converted to an average inhabitant. It does not show the factual distribution of wealth among the population. The UN therefore elaborated the Human Development Index (HDI) to better encompass the overall

Human Development Index (HDI)
is a combination of not merely economic, but also social factors, such as index of a mean life expectancy and health condition of the population, level of education, and living standard of the population in GDP PPP. It was first applied by the UN in the Development Programme's Human Development Report from 1990.

quality of human life in a concrete country.

If the advancement of countries is usually mentioned, the arguments are served only by economic numbers, while development is defined exactly by the population's overall quality of life expressed by the Human Development Index.

When we compare the ranking of countries based on the GDP and HDI, we can observe certain differences – the majority of countries get worse, except Cuba and Costa Rica. Czech Republic ranks as the 29th economically most developed country in the world; but if we take into account other factors (e.g. accessibility of education, healthcare, and wealth distribution), we fall to the 36th position.

The most remarkable is the situation of in the Czech Republic frequently criticized Cuba. While we cannot understand why the other Latin American countries look up to it, the answer is in the numbers: While according to its GDP, Cuba ranks 86th, i.e. somewhere in the middle, in terms of its HDI it surpasses 34 countries, including Costa Rica, Brazil and Mexico.

If we ask why such a difference is possible, we can find the answer in Table 2. We can notice some other aspects that the HDI considers. In terms of a mean life expectancy, the highest ranking country is the UK, Costa Rica and Cuba, then the Czech Republic and Brazil. Tanzania is the one worst off. The share of the inhabitants belonging to a certain age category who enrol in university, is again highest in Cuba and the UK England and disastrous in Tanzania with mere 1%.

Table 2 – social indicators in selected countries

	Mean life expectancy (years, 2009)	Percentage of population enrolled in colleges or universities (% of age category, 2009)	Percentage of those enrolled in secondary schools (% of age category, 2009)	Income share – the poorest 10% of the population of total income (%)	Income share – the richest 10% of the population of total income (%)	Ratio between the incomes of the poorest and richest 10% of the population
United Kingdom	77,0	59	98	2,1	28,5	13,8
Czech Republic	77,8	50	96	4,3	22,7	5,3
Brazil	72,2	25	105	1,1	43,0	40,6
Costa Rica	78,9	25	86	1,5	35,5	23,4
Cuba	78,5	63	93	-	-	-
Tanzania	66,9	1	-	3,1	27,0	8,9

* Data from the period 2005-2009. Source: United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics. 2009. World Education Indicators. Paris: UNESCO. Available online at http://www.uis.unesco.org/ev.php?URL_ID=5263&URL_DO=DO_TOPIC&URL_SECTION=201.

Inequality in income distribution

If we still prefer GDP to measure economies, it is important to be aware of how equally the revenues in each country are distributed across the population. This is shown in the last three columns of the table. The largest income scissors are in Brazil where 10% of the richest Brazilians benefit from 43% of the country's revenues, while the same number of the poorest inhabitants need to make do with mere 1,1%. A similar situation, although slightly better, is in place in Costa Rica which is often considered the Switzerland of Latin America. Out of the listed countries, the Czech Republic and Tanzania are characterized by the smallest differences, although in both countries the differences increased in comparison with the year 2004. It needs be stated however that in each of these two countries, the populations distribute among themselves revenues of different proportions. In Tanzania, the population shares poverty rather than wealth. This is quite obvious from the "Family" activity. These data are not available for Cuba. To conclude, while measuring the wealth and quality of life in the individual countries, one needs to take into account the information capability of each index (GDP, GNP, PPP, HDI).

Notes

[1] One pound of coffee is 0.456kg.

[2] DICUM, G.: Colony in a Cup. *Gastronomica*, 3, 2; spring 2003, p. 71.

[3] First European café opened in Venice in 1683.

[4] DICUM, G.: Colony in a Cup. *Gastronomica*, 3, 2; spring 2003, p. 71.

[5] Ibid.

[6] LUTTINGER, N.; DICUM, G.: *The Coffee Book*, Canada 2006. – small plots of less than 5ha.

[7] World Wildlife Fund – http://panda.org/about_wwf/what_we_do/policy/agriculture_environment/commodities.

[8] Ibid.

[9] TODD, S.: Peruánská káva. *Gastronomica*, 3, 2; spring 2003, p. 78.

[10] International Coffee organization – www.ico.org.

[11] http://www.fao.org/statistics/yearbook/vol_1_1/pdf/c10.pdf

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[13] http://www.ikoktejl.cz/magaziny/koktejl/MKgastronomie/koktej l_315.html, www. kava.cz, http://www.cafecombate.com/ingles/tacita/cafe_en_mundo.php#usos, materials of the Society for Fair Trade and Development Education.

[14] *The impact of the crisis of low coffee prices*, 2005.

[15] *The Coffee Book*, 2006.

[16] *The impact of the crisis of low coffee prices*, 2005.

[17] Ibid.

[18] Khat is a tropical plant the leaves of which contain substances similar to amphetamines. It is used as a stimulant and its cultivation is legal in Africa.

[19] According to the ICO, in the DakLak region – the main cultivation area of coffee in Vietnam – two thirds of the farmers are in debt; www.ico. org.

[20] Coca is up to 12 times financially more profitable than coffee.

[21] *Spilling the Beans on the Coffee Trade*, 2002, www.fairtrade.org.uk/downloads/pdf/spilling.pdf.

[22] ROBBINS, P.: *Stolen Fruits*. Zed Books, London 2003, p. 115.

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[27] Ibid.

[28] *The Coffee Book*. 2006, p. 112.

[29] Black Gold Movie

[30] *Spilling the beans on the Coffee Trade*, 2002.

[31] Out of 25 million producers, 20 million do not tend plots of more than 5ha.

[32] Agritrade – Coffee Executive Brief, September 2007.

[33] COX, S.: The Coffee Crisis. 4. 7. 2003 [online]– http://www.alternatives.ca/article730.html.

[34] Ibid.

[35] *The Coffee Book*. 2006, p. 112.

[36] http://www.alternatives.ca/article730.html

[37] An export strategy means a reorientation of the national economy from production prioritized for domestic markets to production for export (e.g. a transition from corn production for local market which cannot compete with subsidized imported corn to growing tropical fruit, such as coffee or cocoa, the absolute majority of which are exported to developed countries).

[38] Coffee Companies Under Fire As Millions Face Ruin – Oxfam News – http://act.oxfam.ca/news/MakeTradeFair/Launch02.htm.

[39] The theory of comparative and absolute advantages consists simply in the individual country's recommended orientation on the production of goods that it can produce with lower costs or relatively cheaper (author's note).

[40] Organization for Economic Cooperation and Development – or the so-called "club of the rich". Its members are 30 wealthiest countries in the world, including the CR.

[41] Refer to, for example, Joseph Stiglitz, Dani Rodrik, Ha-Joon Chang and many others.

[42] FLO. Announcement Coffee. 12. 12. 2007.

[43] FLO. Available from http://www.fairtrade.net/kagera_tanzania. html.

[44] Greenmarketing agency data.

[45] Standards for the producers and fair traders can be found at http://www.fairtrade.net/generic_standards.html.

[46] Referring to fair trade as "Fair Trade" or "Fairtrade" is not arbitrariness of the authors or lack of attention of the proofreader – if we talk about Fair Trade in the sense of the entire movement for fair trade, including e.g. the uncertified crafts products, Fair Trade organizations accredited within the WFTO system, etc., we capitalize the initial letters and divide the two words. But if we talk about the specific system of certification of products by the black-blue-green label, which is the ownership of the Fairtrade Labelling Organisations, the two words are connected with the capital letter at the beginning or potentially as one word in capital letters.

[47] Shaping Global Partnership. FLO International Annual Report 2011–2012, p.14.

[48] Ibid., p. 11.

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Fair Trade

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About coffee

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Photographs source

Photographs of coffee processing*: Eva Fraňková,
GEPA

Coffee as an illustration of the Fair Trade system

Although not everyone drinks coffee, everyone knows it. Statistically, every person in the Czech Republic consumes on average over 3 kilograms of coffee per year. For many, coffee is an everyday motive for break, taken for granted. Coffee does not require complex processing, such as chocolate. Yet the coffee beans still need be grown and harvested, depulped and dried and finally imported to Europe where they undergo roasting and grinding – only then is it possible to brew the cup of coffee. Coffee is usually processed without additives. Even though coffee farmers carry out a large share of the production process, they still hardly make ends meet. Our moments of comfort are paid for by privation of others elsewhere, yet coffee is considered black gold by traders.

Fair trade attempts to redress this arrangement. It was coffee that was the first Fairtrade-certified crop. People involved in fair trade work towards a more equitable division of profits so that farmers can earn a decent living and send their children to school. We do not need to be coffee drinkers, but coffee – thanks to its relatively simple processing – can serve us as a good example of how (un)fair trade not only with coffee impacts lives of seemingly remote farmers.

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