



WHEN YOU'RE BUYING COFFEE, WHY SHOULD YOU WORRY ABOUT FAIR TRADE CERTIFICATION?



DEFINITION OF FAIR TRADE

Certification starts with an agreed definition. As they have done in the organic food movement, some companies make vague or unprovable claims that their products are Fair Trade. While there may be debate within the Fair Trade movement over terms and standards, Fair Trade cannot mean whatever anyone chooses it to mean, but must instead have an agreed-upon meaning.

In the sale of coffee, the Fair Trade definition must include the following principles:

- ☛ direct long-term relationships between farmers and Fair Trade roasters; and
- ☛ support for sustainable agriculture.

It must also include the following specific, measurable claims:

- ☛ Fair Trade importers trade only with cooperatives of small-scale family farmers, cooperatives that are democratic and transparently organized as to membership requirements, distribution of income, decision-making and accounting.
- ☛ The Fair Trade system uses a specific, fair and stable pricing system. Currently this consists of a floor price of \$1.26 a pound, with an extra 15 cents a pound for certified organically grown coffee (\$1.41 a pound) and a commitment to pay five cents per pound *more* than the market price should that price rise to over \$1.26 a pound.
- ☛ Under Fair Trade, importers offer up to 60% of the price of coffee purchased as pre-harvest credit at an affordable interest rate.

WHO VERIFIES THAT COFFEE IS FAIRLY TRADED?

Because it is very easy for anyone to make specific but unverified claims, and because that does happen, in Fair Trade a disinterested third party verifies the claims made.

- ☛ The Fair Trade Labelling Organization International (FLO) is currently the auditing agency that verifies that farmer coffee cooperatives are democratic and transparent.
- ☛ TransFair USA is currently the agency that verifies that U.S. importers are paying the Fair Trade price and offering pre-harvest financing.

Even if FLO and TransFair were not the certifying agencies, the general principles remain. There are specific and measurable standards for Fair Trade that can be audited by any disinterested and trusted third party such as FLO, an organic certifier like Oregon Tilth, or even a Certified Public Accountant.

CONSUMER CONFIDENCE

It is important that the term “Fair Trade” has a specific, measurable meaning and that the cooperatives and the importers and roasters operate transparently. With these conditions fulfilled, an educated consumer knows what the Fair Trade label means and trusts it.

Consumers who trust the Fair Trade label, will be more likely to buy Fair Trade coffee and to recommend it to their friends. Demand will increase, providing more income and other benefits for the growing number of Fair Trade certified cooperatives which help coffee farmers earn a decent living.

FARMER CONFIDENCE

Farmer cooperatives need to have confidence in the Fair Trade system so they will see some advantage to joining a movement. If the market for Fair Trade Products keeps growing, as it has done, more and more farmer cooperatives will be able to sell their coffee under Fair Trade terms.



COSTS OF CERTIFICATION

Until December, 2003, the costs of Fair Trade certification were born by the importers and roasters. The grower cooperatives never paid for it. However, the Fair Trade Labeling Organization (FLO) found that they did not have the resources to certify all the cooperatives that wanted to be added to the Fair Trade register. To finance the resources needed to certify more cooperatives, FLO introduced certification fees paid by the farmer cooperatives themselves.

These fees include an Initial Certification Fee and an Annual Certification Fee.

- ☛ The Initial Certification Fee covers a visit from FLO to audit the books, and determine that the cooperative is democratic and run in a transparent manner, This Initial Fee is about \$3,400 for cooperatives of 500 or more farmers, and \$2,400 for cooperatives with fewer than 500.
- ☛ The Annual Certification Fee is \$605 plus 0.45% of the price of coffee sold by the cooperative to a Fair Trade buyer; 0.45% is less than half a penny on the dollar.

For example: Equal Exchange usually buys coffee by the container (the back end of a typical tractor-trailer is a container). Each container holds 37,500 pounds of coffee. Most of the coffee Equal Exchange buys is organic and for that they pay \$1.41 per pound. Therefore for each container the farmer cooperative receives \$52,875. The Certification fee of \$2,379 is subtracted from that amount, leaving them \$50,496. In 2004, \$50,496 represented \$11,000 more per container than the world market price.

The farmer cooperative also pays processing and other expenses and a fee for organic certification (they have always had to pay this). It's members have, presumably, decided that the benefits are worth the costs.

We encourage UCC Conferences and congregations to use coffee that is certified as being imported and sold according to the accepted standards of Fair Trade. The UCC Coffee Project is a partnership with a company that sells certified Fair Trade coffee, Equal Exchange.

