

Fair Trade



Does This Emperor Wear Clothes?

by Greg Rushford

ANTIGUA, GUATEMALA – Is fair-trade coffee – the sort that you proudly drink at politically conscious java joints like Starbucks – on the level? When American consumers buy the fair-trade label, are they really raising the living standards of impoverished Third World coffee producers and saving the environment from the depredations of the rawest sort of capitalism? I came to this major Latin American coffee-growing country for some preliminary answers.

Checking it out in person seemed only prudent since neither journalists nor economists have put much effort into figuring out what the fair-trade coffee label implies. We journalists, of course, are famous for not getting Econ 101 straight. And pawing through a thick stack of glowing press accounts of “environmentally friendly” fair-trade coffee didn’t turn up much in the way of explaining the underlying fundamentals. More puzzling, economists seemed leery of disturbing the conventional wisdom that good politics makes good coffee.





AP/WIDE WORLD PHOTOS

Actually, figuring out how fair-trade coffee works didn't prove to be all that difficult – and the hype just doesn't hold up. It is not all that surprising, perhaps, that the traditional Guatemala Antigua brand at Starbucks is a higher grade coffee at a lower price than Starbucks' Guatemalan fair-trade coffee. What may surprise you, though, is that when you buy Guatemala Antigua, you are both helping deserving farmers and supporting environmentally benign agriculture.

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Advocates of the fair-trade movement want consumers to believe that discriminating purchasers are needed to defend small-farm co-ops from price-gouging middlemen. That's not implausible. After all, poor countries are often plagued by one form or another of market power.

But consumers beware: when you buy fair-trade coffee, there is slim reason to believe that you are empowering exploited farmers. However, you certainly are empowering First World activists who admire Fidel Castro's Cuba, who think the United States should dump Israel in favor of Yasir Arafat's Palestinians, and who don't see evidence linking Osama bin Laden to the terrorist atrocities of Sept. 11. Fair-trade coffee, in short, is a far darker blend than advertised.

Two fair-trade activists, Deborah James and Paul Rice, maintain there are just two types of coffee. Fair-trade coffee, representing less than 1 percent of the United States market (and up to 5 percent of the market in some European countries), is sold by the aforementioned co-ops. The other 99 percent is what they call sweatshop coffee, grown on large plantations where \$2-per-day laborers endure miserable conditions. The coffee industry is thus defined by injustice.

James is fair-trade director of Global Exchange, a San Francisco-based group that has targeted big names in the coffee industry, from Starbucks (successfully) to Procter & Gamble (so far, unsuccessfully) with demands that they carry the fair-trade label. James is also a member of a panel advising the Specialty Coffee Association on how to market fair-trade coffee.

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Rice is executive director of the Oakland-based Transfair, another nonprofit, which certifies the fair-trade label for retailers. Transfair gets 10 cents a pound from United States roasters who handle fair-trade coffee (which amounted to about \$250,000 last year, Rice says). At his suggestion, I visited a farm co-op in the remote central highlands of Guatemala near Lake Atitlan. I also visited a "sweatshop" plantation that turned out to supply Starbucks.

THE FAIR-TRADE CO-OP

My fair-trade tour guide was 33-year-old Jeroen Bollen, who is from the Netherlands. Bollen came to Guatemala seven years ago, fell in love with the country's beauty and married a local. He now manages several coffee co-ops for a fair-trade outfit called Manos Campesinas.

The co-op Bollen took me to, Ija 'tz (after the Mayan word for seed), was near San Lucas, high in the central highlands. The co-op, a small army base until Guatemala's long-running civil war ended in 1996, has 37 acres for coffee growing, which is divided into 83 family plots.

Nothing is wasted at Ija 'tz. Besides coffee trees, there are vegetables, bananas and medicinal plants – 200 different varieties of plants and trees in all. Rainwater running down the mountain is collected, as is human waste, which is mixed with banana leaves and black earth for compost.

The co-op's board of directors has seven members, three of them women, which I was told is unusual in Mayan culture. Women at Ija 'tz also run a catering service. I asked one of the co-op's leaders if he wanted his children to stay at Ija 'tz, or seek out the opportunities in a city. "We are a little more free here," he replied. "Our way of life is the farmer way; cities have problems."



Bollen explained how fair-trade is helping the co-op deal with the current problems of the global coffee market, in which a supply glut has driven prices to the bottom of the pot. Of the 130,000 pounds of coffee expected to be harvested at Ija 'tz in late 2001, Manos Campesinas was planning to help export 64,000 pounds to the Netherlands. The rest of the crop would be sold on the local market, with some of it purchased at higher-than-market prices by a local Catholic parish.

Ija 'tz is guaranteed a "fair-trade" price of \$1.26 per pound for the exports. Of this, 26 cents is deducted by Manos Campesinas for export-related costs. That still leaves the farmers with \$1 per pound, at a time when the world market price is just 43 cents. According to Bollen, perhaps 5,000 out of

some 60,000 Guatemalan coffee farmers are members of fair-trade co-ops.

SWEATSHOP COFFEE

I also visited a sweatshop plantation near Antigua, a 250-plus acre farm that happens to sell Guatemala Antigua to high-end coffee enterprises like Starbucks. The owners freely showed me their operation, and said they were willing to speak for the record. But because of the angry reaction of the fair-trade activists when I told them what I saw, I have

TOP: JORGE SILVA/REUTERS/TIMEPIX; BOTTOM: SUSAN MEISLAS/MAGNUM PHOTOS

Who Lost Maya Traditions?

Activists who push fair-trade products are fond of accusing international financial institutions like the World Bank of being secretive, and corporations like Nike of being greedy sweatshop operations, raking in huge profits on the backs of miserably poor employees. By contrast, consumers who shop in two “fair-trade” stores in San Francisco run by Global Exchange are assured that the Third World suppliers to these stores pay their employees “fair” wages, and help local communities.

It is necessary to take the activists’ word for this; their books are not subject to journalists’ inspection. Before I went to Guatemala in September, I sent a series of e-mail messages to a business called Maya Traditions, which has a Web site claiming to be the main supplier of Guatemalan handicrafts to Global Exchange’s

stores. “We strive to pay a fair wage in the local context,” Maya Traditions asserts. “We are also committed to helping the weavers with health care and with education for their children – needs expressed by many women.”

I asked Maya Traditions’ Jane Mintz: What’s a fair wage? How much better off are the 100 Maya women in rural villages you employ than other local women who work for ordinary handicraft concerns? Then I asked again. And again. Might as well have asked G. Gordon Liddy to open up about his role in the Watergate burglary. All Mintz would say is that “we evaluate the pay for the women’s work together with them based on the hours they are able to work in the day. Our emphasis is on keeping them in the village and working at home while caring for their families.” Mintz added that

decided to neither divulge the name of the plantation, nor publish pictures of its very impressive operation.

The plantation specializes in superior shade-grown coffee, grown under gravilela trees, which protect the beans from the sun, the occasional frost, and even volcanic ash from a nearby volcano. Some 45 families live on the farm year-round, with up to 300 people brought in during the harvest season, from mid-December to March. The year-round families are given land to grow corn and beans for themselves.

The minimum wage is about \$2 a day. But most workers on this plantation make about twice that, and during the harvest some pickers triple the minimum. The owners also pay into a social benefits fund for their employees, and contribute to a nearby local school.

FLAWED ECONOMICS

Manos Campesinas’ Jeroen Bollen told me that it would be difficult for fair-trade coffee to dominate the coffee business. You don’t have to be a PhD in economics to see why.

The problem isn’t with the farm co-ops. There is certainly something to the notion that isolated, illiterate peasants can be victims of monopoly buyers – what economists call monopsonists. And as the Specialty Coffee Association’s Ted Lingle explains, transportation does exacerbate the problem. “When you ship coffee in global commerce, you need a full container, which would be 250 bags,” he notes. “A farmer by himself never produces 250 bags, so his coffee never reaches the world markets.”

But fair-trade coffee co-ops do more than defeat monopsony and gain access to interna-

when I went to Guatemala, nobody from Maya Traditions would be available to see me.

In Panajachel, Maya Traditions' declared headquarters, I spent much of two days looking for signs of Jane Mintz. I saw Maya dolls selling for about \$3. (Maya Traditions advertises similar-looking Maya dolls on the Internet for \$42.) I saw scarves selling for \$2 to \$10. (Maya Traditions advertises scarves for \$36.) I saw a Guatemalan backpack selling for \$12. (Maya Traditions sells Guatemalan backpacks for \$25.) But I didn't find anyone who had heard of Jane Mintz. Maybe Maya Traditions is a wholesaler, someone suggested.

It turns out that Maya Traditions is listed as a wholesaler member of the Fair Trade Federation, based in Washington. The federation describes itself as "an association of fair-trade wholesalers, retailers and producers whose members are committed to providing fair wages and good employment opportunities to

economically disadvantaged artisans and farmers worldwide."

When I called the federation's Chris O'Brien to ask what exactly is the "fair wage" that Maya Traditions pays its employees, it seemed that he didn't have a clue. "Currently there is no seal of accreditation for Maya crafts," O'Brien said. "Maya Traditions has applied to be a member, and we have approved that." Check out our Web site and call back if you have further questions, he said. A look at the Web site revealed some frequently asked questions, including "What is a fair wage?" The answer: "Producers receive a fair wage when they are paid fairly for their products."

When I called back to ask once more how much money Maya Traditions actually was paying its employees, Chris O'Brien hung up.



tional markets. They operate an extortion scheme with socially redeeming significance, exacting \$1.26 per pound for coffee that is currently worth less than 50 cents in the competitive market.

This subsidy is paid by consumers in American coffeehouses, not by governments. But like all farm subsidies that affect the unit price received by growers, the fair-trade minimum encourages more production, depressing the price of coffee that is sold into the free market.

In addition, fair-trade coffee is marketed mainly with political protests, not with appeals to consumer taste. While it can be sound economics to market food as a cause – think of Girl Scout cookies – the use of political pressure as a marketing tool is problematic. "Even though we have a distribution chan-

nel in the U.S. that has by my count some 4,000 outlets, we still are not moving fair-trade coffee in sufficient volume," says Lingle. "We have never seen a coffee that could be marketed under purchase of penance because of the conditions of the industry. We ask consumers to buy the product because of pleasure, not because I feel guilty about where the product is from."

Yet the beat goes on. The activists at Global Exchange – the main fair-trade coffee pressure group – boast that Starbucks agreed to

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carry the fair-trade label because of political protests in some 30 cities nationwide. These days, Global Exchange is busy demonizing Procter & Gamble and its Folger's brand. "Kick the Can!" shouted a December 2001 flier announcing a "Nationwide Day of Action Against Folgers." Global Exchange asserts that Procter & Gamble is behind "problems such as malnutrition in Nicaragua, rural unrest in Mexico, and increased drug cultivation in Colombia."

RADICAL POLITICS

One has to wonder, too, whether even the consumers willing to pick their coffee brand on the basis of social virtue understand who is deciding where virtue lies. Global Exchange expresses "solidarity" with Fidel Castro's revolution, and is in the business of taking lefties on "reality tours" to Cuba. One of those tours features Che Guevara's "historical haunts," where the tourists can meet Communist functionaries and other friends of the revolution. Call up the Global Exchange Web site, and you will find nice things being said about Fidel's brand of economics. You won't find criticism of Cuba's human rights record.

But call up the United States section on GlobalExchange.org, and a distorted American flag pops up: the red and white stripes are still there, but the stars have been replaced by corporate logos, including those of IBM, Apple, Playboy and Nike.

Global Exchange, we find, believes that the World Trade Organization "only serves the interests of multinational corporations" and that "the WTO is killing people." It doesn't like Israel much, either. The nation is portrayed as "an exclusionary state" that "is illegally occupying Palestine."

After the attacks on New York and the Pentagon, Global Exchange's Web site imme-

diately went into antiwar mode, seeing "no evidence" that Osama bin Laden was actually responsible for the attacks. The United States bombing of Afghanistan, in Global Exchange's view, was mainly to "boost President Bush's already-sky-high public opinion ratings" and "ensure a continued military presence in the Middle East," the Web posting said.

"The twin pillars of United States power in the world – money and weapons – have spawned many enemies," Global Exchange's co-founder, Kevin Danaher, wrote in a Sept. 29 op-ed article in *The Washington Post*. Danaher went on to explain that the United States should not be "relying on the money values and weapons that got us into this trouble" by going to war against the Al Qaeda network and the Taliban.

The *Post* identified Global Exchange as "an international human rights organization." Danaher's own idea of human rights was on display in Seattle during the 1999 WTO trade ministerial summit. After protestors trashed the city, Danaher blamed the police. I saw him in Washington in April 2000, at the World Bank and International Monetary Fund protests. Again, Danaher blamed the police for the violence. He was also in Genoa, Italy in July 2001, when protestors rioted at the G-8 countries' economic summit. When police shot and killed one of the rioters, Danaher released a statement saying that "democracy has reached a new low."

Danaher helped launch Paul Rice's Transfair as a board member. He has since left, apparently in an effort to distance Global Exchange's rowdy style from the sedate style of the boardroom. These days, Rice likes to be portrayed in the press as an entrepreneur. But what's really going on is that Global Exchange and Transfair are playing the classic bad cop, good cop to pressure their capitalist adversa-



ries to sign on to fair-trade coffee, with plans for bananas, sugar and rice in the works. Collecting 10 cents a pound by certifying the fair-trade label for corporations can pay off.

Rice saw no problem with the activists' claim that the consumer choice is between fair-trade coffee and sweatshop coffee. And he reacted strongly to the suggestion that the large plantation I visited treats its workers decently. "I think it is naïve, a certain impossibility that anyone in Guatemala is paying above minimum wage," he opined.

Rice likens fair-trade coffee's future to the growth of the organic food industry in recent decades, and envisions retail outlets like Fresh Fields devoted to fair-trade products. I asked if he thought it was a mistake for fair-trade advocates to focus on the capitalist establishment instead of working to create consumer

demand the old-fashioned way. "We don't consider ourselves an activist organization," Rice declared. "If you are trying to ask if we are wild-eyed activists, the answer is 'no' and I resent the question."

Global Exchange is "an industry butt kicker," Rice insisted. "We don't share agreement with tactics or strategy or any group that does negative campaigning." But Transfair does have a direct (10 cents a pound) interest when Global Exchange manages to intimidate another corporation to sign up for fair-trade coffee.

The real story, in the view of activists like Rice, is that if you're not part of their solution you're part of the problem. In the meantime, if you're looking for a killer cup of cappuccino, it still pays to look beyond the fair-trade label. **M**