

# **Seeds of Inequality: the Impact of Fair Trade Practices on Coffee Farmers**

by Guilherme Klinkerfuss

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Supervisor: Professor Andrew X. Li

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## Abstract

Fair trade pricing policies have evolved and solidified into an important share of the global coffee market. By claiming to support sustainable development in the Global South, Fairtrade International has captured the attention of millions of consumers, especially in Europe and North America. Studies on the impact of such practices are relatively abundant and cover the multifaceted nature of fair trade associations, partnerships and practices, as well as the environmental, social and economic ramifications. By hypothesizing that fair trade pricing policies do not represent a structural, revolutionary shift in the global coffee market, this paper investigates the ways in which rural workers are impacted by fair trade. Fairtrade International's claims about fostering sustainable development are also analyzed through interviews with coffee farmers and worker cooperatives leaders in Minas Gerais, Brazil. The study concludes that fair trade practices generally have uneven results vis-à-vis social development, the environment and labor regulations, although a majority of outcomes appear to be positive. Negative outcomes have not been reported, with some elements of the coffee business simply being unaffected by Fairtrade's actions. Fairtrade itself is mostly an aesthetic characterization of business practices, and gaps between its objectives and the realities of coffee farmers can be bridged by local governments.

**Keywords:** Fairtrade International, fair trade coffee, agriculture, sustainable development, international trade, Brazil

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## **Glossary of terms**

Fairtrade, Fairtrade International - Fairtrade Labelling Organizations International is a product certification company headquartered in Bonn, Germany.

Fair trade, fair trade practices – Pricing arrangements meant to achieve equitable trade outcomes.

Green coffee – unroasted coffee beans. Coffee is shipped to Europe as beans.

HLO – Hired Labour Organisations. A term used by Fairtrade to designate rural operators who are hired primarily as a source of labor.

SCA – Specialty Coffee Association, known for coffee rankings.

SPO – Small Producer Organisations. A term used by Fairtrade to designate organizations that produce fair trade goods.

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## Introduction

The coffee trade is but a fraction of the immense commerce between the Global North and the Global South, but it differs substantially from other types of commodities that are bought and sold every day by enterprises and individuals all over the world. Unlike lithium and cobalt, used to produce smartphone batteries among other things, it can be touched and tasted. Unlike many foodstuffs, coffee is usually bought and sold unadulterated, although blends do exist and different coffee varieties are mixed. A longer shelf-life<sup>1</sup> also means ground coffee can be stored for three to five months and even frozen, unlike wheat-based products and tropical fruits that would have to be consumed within days of being harvested.

For these reasons, consumers might be more invested in the ‘journey’ undertaken by coffee beans that are later roasted, ground and sold in European markets and elsewhere. Coffee farming is only viable between the tropics of Cancer and Capricorn, along the Equator. In Africa, notable producers include Sudan, Ethiopia, Kenya, Uganda, Ivory Coast and Tanzania. Vietnam, Indonesia, India and China are examples of Asian exporters of coffee.

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<sup>1</sup> Michael Michael Shewmake, "How Long Does Coffee Last? How To Store Coffee To Preserve Freshness", *Atlas Coffee Club Blog | Club Culture*, 2022, <https://club.atlascoffeeclub.com/how-long-does-coffee-last>

For a variety of reasons, however, Latin American countries have been the top coffee producers for over a century<sup>2</sup>. Nicaragua, Peru, Guatemala, Colombia and Mexico have significant amounts of coffee production, totaling 26.2 million coffee bags<sup>3</sup> in 2019. During the same period, Brazil alone exported 44.2 million coffee bags. In 2022, the Brazilian government announced that 55.74 million coffee bags are expected to be harvested this year, which represents a 16.8% increase compared to 2021<sup>4</sup>. The record is understood to have been set in 2020, when Brazil's food supply agency Conab estimated that the country had an output of 63 million bags<sup>5</sup>.

### European consumption

Europe consumes about a third of the coffee bought globally<sup>6</sup> and is the most sizeable coffee market in the world, ahead of all other continents. The Center for the Promotion of Imports provides a series of graphs that aid the reader in visualizing the great demand for coffee in Europe and which states import and export the most, as well as recent trends that can be observed.

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<sup>2</sup> C. B. Hayward, "Coffee And Coffee Culture", *Scientific American* 91, no. 12 (1904): 194-195, [doi.org/10.1038/scientificamerican09171904-194](https://doi.org/10.1038/scientificamerican09171904-194)

<sup>3</sup> Coffee is traded in 60kg bags.

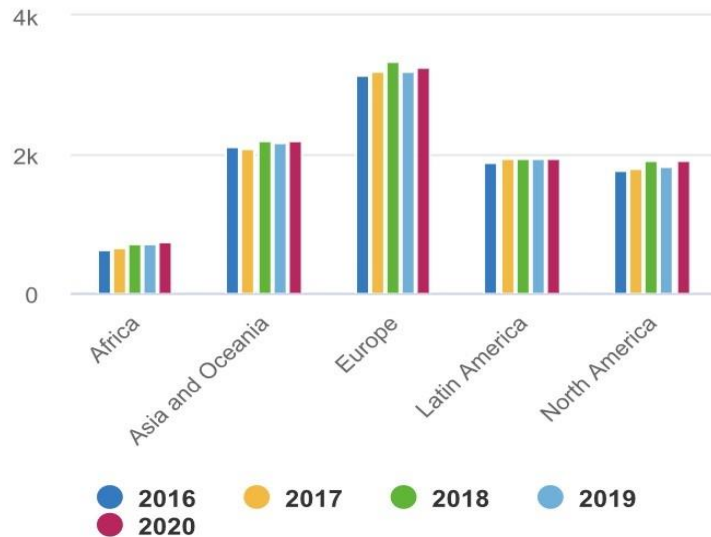
<sup>4</sup> Conab Pegs Brazil's Coffee Output At 48.8M Bags Down 23% From Last Year's Record Crop", *Comunicaffe International*, 2022, <https://www.comunicaffe.com/conab-pegs-brazils-coffee-output-at-48-8-million-bags-down-23-from-last-years-record-crop/>

<sup>5</sup> Ibid.

<sup>6</sup> World Coffee Consumption", *International Coffee Organization*, 2021, <https://www.ico.org/prices/new-consumption-table.pdf>

Figure 1: Global coffee consumption per region

in 1.000 tonnes



Source: ICO, 2021

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Graph I reveals the relative importance of the European market in relation to all other markets<sup>8</sup>.

In 2020, Europe consumed 3.2 million tonnes of coffee or 54 thousand bags. Asia and Oceania come in second, having consumed 2.2 million tonnes, and Latin America is slightly ahead of North America, having consumed 1.9 million tonnes in the same period<sup>9</sup>. Demand, particularly in Europe, is not increasing significantly, but the demand for special, high-end coffee is<sup>10</sup>. In relation to its production, Latin America consumes more coffee than Asia or Africa.

<sup>7</sup> CBI, *Global Coffee Consumption Per Region.*, image, 2022, <https://www.cbi.eu/market-information/coffee/trade-statistics>.

<sup>8</sup> "What Is The Demand For Coffee On The European Market? | CBI", *Cbi.Eu*, 2022, <https://www.cbi.eu/market-information/coffee/trade-statistics>.

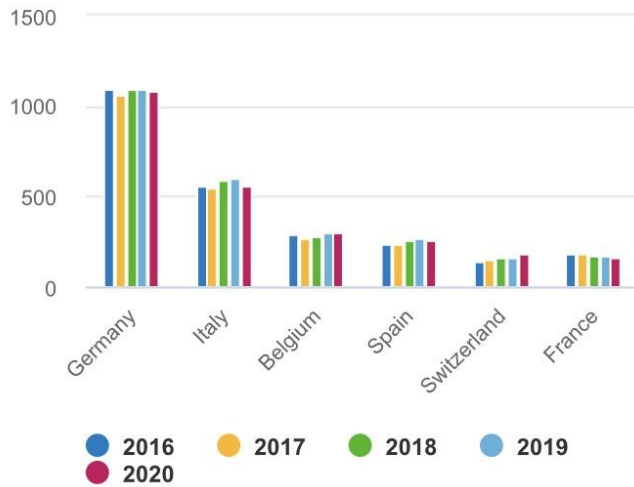
<sup>9</sup> Ibid.

<sup>10</sup> European Market Potential For Speciality Coffee, 2022, <https://www.cbi.eu/market-information/coffee/specialty-coffee/market-potential>.



Figure 2: Main European importers of green coffee from producing countries

in 1.000 tonnes



Source: Eurostat, 2021 11

Figure II dissects the European market and reveals that Germany is unrivalled when it comes to importing coffee, consuming more of it than the next two large actors combined. Germany imports 35% of all the coffee bought by Europe<sup>12</sup>. Consumption per capita shows Europeans outside of Germany are also very fond of the beverage:

The European Union (EU) has one of the world's highest average annual per capita consumption at just above an estimated 5 kg of coffee per person a year. The leading country in per capita consumption in the world is Luxembourg<sup>13</sup>, where the average annual coffee consumption is over 11 kg per capita. Other large coffee-consuming countries are the Netherlands and Finland at

<sup>11</sup> Centre for the Promotion of Imports, *Main European Importers Of Green Coffee From Producing Countries*, image, 2022, <https://www.cbi.eu/market-information/coffee/trade-statistics>.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

8.2 kg per year per person, followed by Sweden at 7.7 kg, Denmark at 7.4 kg and Norway at 6.8 kg per capita per year<sup>14</sup>.

The average per capita consumption in the abovementioned European countries is expected to remain stable. These countries specifically provide interesting opportunities for exporters in producing countries as consumers are increasingly drinking high-quality coffees. This is largely led by a strong growth of consumption in specialised coffee shops in Western Europe, where mostly high-quality coffees are served. Between 2010 and 2018, sales at coffee shops serving specialty coffee in Western Europe increased by 140%.<sup>15</sup>

It is worthy to note that specialty coffee refers not only to coffee that is grown and picked under specific circumstances, but also how the product itself is commercialized. High-end products have a niche consumer market in Europe that also happens to be very mindful of the coffee's 'journey', and these consumers are as careful to purchase coffee that has been ethically sourced as they are in determining its flavor and quality. As an example, 'Zapatista coffee' has found distribution networks in Europe<sup>16</sup> and garnered a loyal community of consumers who want to support agrarian socialism in Mexico by drinking 'rebel coffee' grown by the Mayan people.

The report by the CPI confirms this trend:

In 2020 specifically, the demand for specialty coffee was lower than usual across all of Europe. Although online sales showed growth, the effects of the social distancing measures and health concerns of

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<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Zapatista Coffee – Drink To The Revolution | Veggies, *Veggies Catering Campaign*, Nottingham, 2022, <https://www.veggies.org.uk/shop/zapatista-coffee/>.

consumers resulted in a decline of out-of-home consumption. However, what the pandemic has shown so far is that the interest in high-quality coffees across Europe remained strong.

Prior to COVID-19, it was estimated that the European branded coffee shop market would continue to grow at an average annual rate of 3.9% from 2020 to 2025. In 2021, this forecast was readjusted to an average annual growth rate of 2.9%. The expectation is that the European coffee market will be back to pre-pandemic levels towards the end of 2022 or beginning of 2023.<sup>17</sup>

The immense amount of coffee purchased by European countries from the Global South is not all meant for direct consumption, as Europe is the largest exporter of roasted and ground coffee. Germany, unsurprisingly, occupies the first position once again. This industry is a major player in the worldwide coffee business because it has access to a relatively cheap commodity and a consumer market where the demand is consistent, incomes are higher and niche communities are willing to purchase high-end variations of the same product. Multinational roasting and grinding companies such as Nestlé, JDE Peet's and Starbucks dominate the European landscape<sup>18</sup>.

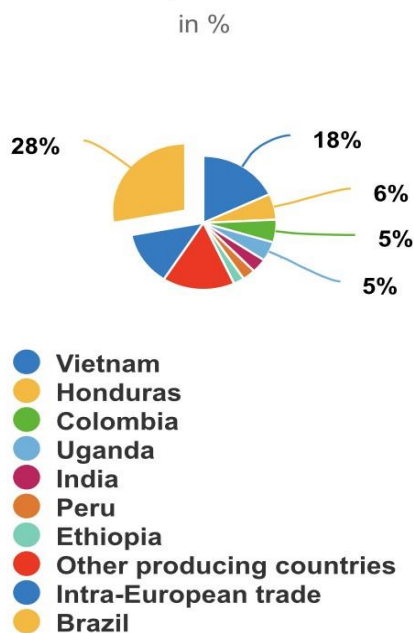
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<sup>17</sup> What Is The Demand For Coffee On The European Market?", | CBI", *Cbi.Eu*, 2022, <https://www.cbi.eu/market-information/coffee/trade-statistics>.

<sup>18</sup> Ibid.

## The main exporters

Figure 3: Main producing country suppliers of green coffee to Europe, 2020



Source: Eurostat, 2021

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Figure III shows the origin of coffee imported into the European market. Brazil and Vietnam are the largest importing partners, with 28% and 18% of the share respectively. Although coffee grows in three continents and over twenty countries, there is substantial concentration within the industry<sup>20</sup>. Poorer countries with insufficient infrastructure, such as Yemen, generally supply niche high-end markets only<sup>21</sup>, and consumers are even encouraged to support the economic revitalization of the country in order to avoid armed conflict<sup>22</sup>.

<sup>19</sup> Centre for the Promotion of Imports, *Main Producing Country Suppliers Of Green Coffee To Europe, 2020*, image, 2022, <https://www.cbi.eu/market-information/coffee/trade-statistics>

<sup>20</sup> Ibid.

<sup>21</sup> Al Mokha, "Al Mokha | Coffee From Yemen", *Al Mokha*, 2022, <https://www.almokha.com/>

<sup>22</sup> Ibid.

On the other hand, countries such as Brazil are able to supply conventionally grown coffee, which is only financially feasible when there is greater volume and access to a gargantuan amount of arable land, which Brazil does have. Its location has traditionally been seen as ideal for commerce with Europe. Brazil has access to both the niche and conventional markets, no large-scale armed conflict, consistent weather patterns, a friendly legal framework that facilitates the coffee trade and a high concentration of land, which are all factors that contribute to the implementation of nationwide agricultural practices and the facilitation of trade. Brazilian landowners have historically demanded and funded exportation-capable infrastructure, such as railways and roads connecting the farms to ports<sup>23</sup>.

Each supplying country plays a different role, targeting certain segments of the European coffee sector. Brazil is a large supplier of both Robusta and Arabica varieties. In 2020/21, an estimated 71% of Brazil's production was Arabica. Between 2016/17 and 2020/21, the total Brazilian coffee production volume increased at an average annual rate of 5.7%, reaching nearly 4.2 million tonnes of green coffee in 2020/21. Brazil's coffee exports to Europe amounted to 999 thousand tonnes in 2020, registering an average annual increase of 0.4% between 2016 and 2020<sup>24</sup>.

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<sup>23</sup> Café No Brasil, *The Brazilian Ministry of Agriculture*, 2022, <https://www.gov.br/agricultura/pt-br/assuntos/politica-agricola/cafe/cafeicultura-brasileira>. In Portuguese.

<sup>24</sup> What Is The Demand For Coffee On The European Market? | CBI", *Cbi.Eu*, 2022, <https://www.cbi.eu/market-information/coffee/trade-statistics>

## 1. The theoretical framework

This research makes extensive use of the literature on sustainable development and Global North – Global South relations, and has been based on a scientific understanding of trade relations, specifically fair trade, as a byproduct of neocolonialism and the unhealthy symbiosis between richer and poorer countries. Indeed, writing about fair trade and postcolonial thought, Hussey and Curnow write that fair trade employs a Eurocentric view of development-underdevelopment binary<sup>25</sup>, and that it inherently identifies developed societies as the logical, moral guarantors of development for poorer countries. This research, however, disputes their characterization of fair trade as racist. Instead of investigating the roots of the political thought behind fair trade, this work aims to analyze the results of the implementation of fair trade pricing policies for a specific portion of the labor force in poorer societies. The skepticism with which this paper analyzes the impact of fair trade is much in the same vein of works published by scholars of the field such as Kilian, Pratt and Villalobos, who wrote a case study in 2006 asserting that coffee prices were so low that the Premium paid by Fairtrade was the only element that could impact the livelihoods of farmers<sup>26</sup>, putting the consequences of fair trade slightly above normal market trends. Specific research that has been conducted on the use of the Fairtrade Premium has also provided a direction for this thesis' theoretical framework<sup>27</sup>.

This project relied on information provided by the president of a Rural Workers' Cooperative, and his own insights have also been shaped by experiences with Fairtrade International as well as two other large-scale associations working in the field.

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<sup>25</sup> Ian Hussey and Joe Curnow, "Fair Trade, Neocolonial Developmentalism, And Racialized Power Relations", *Interface: A Journal For And About Social Movements* 5, no. 1 (2013): 42.

<sup>26</sup> Kilian, Bernard & Jones, Connie & Pratt, Lawrence & Villalobos, Andrés. (2006). Is Sustainable Agriculture a Viable Strategy to Improve Farm Income in Central America? A Case

## 2. The rise of ethically grown coffee

The European market is a promising one, and a large enough number of consumers find themselves in the so-called niche communities prioritizing high-end coffee; these consumers must be, by definition, wealthy enough to knowingly purchase coffee above conventional market rates and socially aware of Global North-South relations<sup>28</sup>. A growing number of Europeans, especially younger ones, are concerned with issues relating to colonialism, neocolonialism, imperialism and the role their own countries had in much of the misery that befell poorer nations in the Americas, Africa and Asia, and ethical consumption is understood to be a way to remedy that through direct action. This thesis does not concern itself with ways in which Europeans can make a positive impact in the countries of the Global South, but it does postulate that consumerism is an aesthetic solution that does not address the varied problems with which poor countries must contend. Consuming ethically sourced coffee in Europe is also not a guarantee that poor communities in the Global South are being directly supported, because the costs of packaging, transporting, roasting and grinding must be taken into account, as well as the profit share for coffee traders in Europe.

Fair trade pricing practices emerge within this scenario to quench the thirst for social justice in

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Study on Coffee. *Journal of Business Research*. 59. 322-330.

[doi.org/10.1016/j.jbusres.2005.09.015](https://doi.org/10.1016/j.jbusres.2005.09.015)

<sup>27</sup> Loconto, A., Silva-Casteñada, L., Arnold, N., & Jimenez, A. (2019). *Participatory analysis of the use and impact of the Fairtrade Premium*.

[https://files.fairtrade.net/publications/2019\\_LISIS\\_UseImpactFairtradePremium.pdf](https://files.fairtrade.net/publications/2019_LISIS_UseImpactFairtradePremium.pdf)

[Note: this work has been commissioned by Fairtrade International.]

<sup>28</sup> Patrick De Pelsmacker, Liesbeth Driesen and Glenn Rayp, "Do Consumers Care About Ethics? Willingness To Pay For Fair-Trade Coffee", *Journal Of Consumer Affairs* 39, no. 2 (2005): 368-369, [doi.org/10.1111/j.1745-6606.2005.00019.x](https://doi.org/10.1111/j.1745-6606.2005.00019.x)

increasingly unjust economies, dominated by corporations and human rights abuses. Millions of hours of labor in the Global South have been dedicated to the demand in wealthy European markets; poorer societies have supplied Europe with everything from oil to diamonds, rubber, gold, lithium and immense amounts of foodstuffs. As trade intensified and globalization gave rise to simplified, standardized ways of doing business, the responsiveness to European demand has only increased. So, too, did the awareness on the part of European consumers that these trade relations are not always equally beneficial, and more must be done to address income inequality so workers in the Global South can support themselves.

In *Do Consumers Care about Ethics? Willingness to Pay for Fair-Trade Coffee*, the authors investigate links between demographics and consumer preferences<sup>29</sup>, particularly when it comes to fair trade coffee.

As is the case with ethical consumption in general, not everyone is equally likely to buy fair-trade products.

For instance, Littrell and Dickson (1999) found that buyers of cultural (ethnic) fair-trade products were demographically quite homogeneous and consisted of highly educated, well-off Caucasian women in their forties. A large proportion of them were teachers, health professionals, and social workers. Idea Consult (2002) concluded that the Belgian fair-trade consumer is relatively highly educated and has a relatively high income and social status. In addition, personal values appear to play a role in fair-trade buying behavior. For instance, Littrell and Dickson (1999) found that buyers of cultural fair-trade products attached more importance to altruism, equality, peace, and a beautiful and environmentally secure world, and less importance to inner-directed values such as self-respect and inner harmony. In this study,

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<sup>29</sup> De Pelsmacker, Patrick & DRIESEN, LIESBETH & Rayp, Glenn. (2005). Do Consumers Care About Ethics? Willingness to Pay for Fair-Trade Coffee. *Journal of Consumer Affairs*. 39. 363 - 385. [doi.org/10.1111/j.1745-6606.2005.00019.x](https://doi.org/10.1111/j.1745-6606.2005.00019.x)



consumers are segmented according to their willingness to pay for different coffee attributes (including the fair-trade attribute). The consumer segments are then defined based on sociodemographic characteristics and their terminal and instrumental values.<sup>30</sup>

Although published in 2005 and limited in scope to the Belgian market, little seems to have structurally changed within consumer communities in wealthy countries. If anything, the intensification of globalization and the facilitation of international trade have only increased the size of the consumer market for fair trade products. Marketing materials published by coffee traders in Europe corroborate the signifiers found by the authors. Altruism and a sense of community feature heavily in the narratives published by companies for product descriptions.

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<sup>30</sup> Ibid.

### 3. Monopolies and the profit motive

The challenges to the creation, standardization and normalization of fair trade pricing policies are manifold. Workers and consumers must contend with powerful, centuries-old monopolies that have dominated certain industries for centuries, including coffee<sup>31</sup>. As mentioned earlier, consuming Yemeni coffee may very well be more socially impactful than consuming Brazilian coffee, because coffee monopolies have not consolidated themselves within the economy of Yemen to the extent that they have in the economy of Brazil; Yemen is a poorer country facing deep instability<sup>32</sup>, Brazil is a sizeable economy, geopolitically stable and with enough legal predictability that powerful agricultural lobbies have emerged<sup>33</sup>. Yemeni coffee might give communities a livelihood<sup>34</sup>, Brazilian coffee has a greater chance of enriching already existing monopolies, powerful landowners and plutocrats. This is not to say that coffee grown in Brazil cannot be ethically sourced, but conventional pricing policies are more likely to favor powerful actors, guaranteeing that they will capture important portions of the market.

Another significant obstacle is coffee traders in wealthier countries such as Germany. In a sense, Germany and Brazil represent two opposite sides of the long journey coffee must undertake from trees to cups, and both countries have mastered different portions of the coffee business as shown by the Dutch CBI report. If on the one hand agrarian monopolies exist in Brazil, the European

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<sup>31</sup> Adam Gopnik, "The War On Coffee", *The New Yorker*, 2020, <https://www.newyorker.com/magazine/2020/04/27/the-war-on-coffee>

<sup>32</sup> Maurice Gent, "Law And Justice In Contemporary Yemen: The People's Democratic Republic Of Yemen And The Yemen Arab Republic", *International Affairs* 64, no. 4 (1988): 723-723, [doi.org/10.2307/2626145](https://doi.org/10.2307/2626145)

<sup>33</sup> Brazil - The Economy, *Encyclopedia Britannica*, 2022, <https://www.britannica.com/place/Brazil/The-economy>

<sup>34</sup> C. B. Hayward, "Coffee And Coffee Culture", *Scientific American* 91, no. 12 (1904): 194-195, [doi.org/10.1038/scientificamerican09171904-194](https://doi.org/10.1038/scientificamerican09171904-194)

side of the operation is dominated by multinationals and different elements of the coffee industry emerge: coffee tasting, roasting, grading, coffee journalism, building and managing cafés and serving coffee. The certification business, for enterprises as well as baristas, coffee tasters and graders and coffee growing associations is also dominated by European actors<sup>35</sup>. Here, these interests are as likely to capture significant market shares for final consumers as Brazilian agropIutocrats are to dominate the early stages of the coffee supply.

### 3.1 The aesthetics of inequality

In the hands of sophisticated, powerful private actors, the aesthetics of Global South poverty are commodifiable and sold to consumers along with coffee. The exoticism with which coffee is marketed is telling, and stories of social struggle are often told alongside products or are heavily implied. Coffee bags are adorned with images reminiscent of faraway climates and locations. Italian coffee trader Passalacqua, for example, has packages featuring a person bearing strong resemblance to a stereotypical Native American Indian<sup>36</sup>. Other symbols used quite heavily by various brands are related to nature, such as waterfalls, parrots, monkeys. Two women wearing traditionally African garments found in Northeastern Brazil also feature prominently on products by Grower's Cup<sup>37</sup> and Delta Cafés<sup>38</sup>. Interestingly, the Northeast of Brazil has never been a

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<sup>35</sup> International Coffee Organization - Associations - Consuming Countries", *Ico.Org*, 2022, [https://www.ico.org/links\\_cce.asp](https://www.ico.org/links_cce.asp)

<sup>36</sup> Mondo Passalacqua, Un Mondo Fatto Di Passione Per Il Caffè", *Passalacqua.Com*, 2022, <https://www.passalacqua.com/mondo-passalacqua>

<sup>37</sup> Grower's Cup Coffee Brewer Kaffee, Brazil, 2-Tassen", *Camping Wagner*, 2022, [https://www.campingwagner.at/product\\_info.php?info=p58879&utm\\_campaign=froogleat\\_58879&utm\\_source=froogleat&utm\\_medium=CPC&utm\\_content=textanzeige&campaign=froogleat](https://www.campingwagner.at/product_info.php?info=p58879&utm_campaign=froogleat_58879&utm_source=froogleat&utm_medium=CPC&utm_content=textanzeige&campaign=froogleat)

coffee-growing region outside of small areas in Southern Bahia, nor are these garments associated with agriculture in any way in Brazil. The aesthetics of poverty, exoticism and social struggle are prevalent in marketing materials put forth by the coffee industry in Europe. To circumvent the commodification of these elements, European consumers would have to purchase coffee directly from rural workers in the Global South, which is unlikely to happen on a mass scale. Coffee traders in Europe, however, do not only bridge the gap between the continents, simply bringing these products to Europeans; a majority of the final price benefits local operations<sup>39</sup> rather than the ones in the Global South as discussed in this work.

### 3.2 Pricing disparities

As an example, we can compare coffee of the same quality as determined by the Specialty Coffee Association, a “nonprofit, membership-based organization that represents thousands of coffee professionals, from producers to baristas all over the world<sup>40</sup>,” by their own definition. Coffees are graded on a scale of 1 to 100 in a process they name cupping. Coffee experts judge the beverages based on aroma, texture, acidity, flavor and other criteria; coffees receiving 80 points or more are called Specialty Coffees, also informally known as gourmet coffee. Only 1% of coffees in the world receive 95 points or more, and these are Premium Coffees. Coffees that score 80 points or more are also considered to be ethically grown, as a way to avoid giving expert recognition to human rights abusers in coffee-growing regions. A 1kg blend bag sold in

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<sup>38</sup> Ground Coffee Delta Cafés® Brazil 220G", *Multicoffee*, 2022,

<https://multicoffee.eu/products/moido-delta-brazil/?srsltid=AQP2TePt3TmrYxsgYUt5LKMRsMe5bKGYShFWuWmVGMCYZo>

<sup>39</sup> See further sections.

<sup>40</sup> Specialty Coffee Association", *Specialty Coffee Association*, 2022, <https://sca.coffee/>

Brazil by Cafezal em Flor costs 14.90 Euro<sup>41</sup>. It has received 83 points on the SCA scale. A 1kg bag of coffee grown in Rwanda exclusively by women, which scored 84 points on the SCA scale, is sold in Italy for 42 Euro<sup>42</sup>. Although prices do increase with each point awarded by the SCA, these prices are not consistent with ranking differences. Another coffee, El Salvador Volcano, also sold by the Italian trader Caffè Lab, costs 48.80 Euro per kilo. It has a SCA score of 84,5. A coffee trader in Chile sells it for 43.56 Euro<sup>43</sup>, lending credence to the hypothesis that prices determined by coffee traders are not purely linked to distance or transportation costs. Ostensibly, these coffees are part of the International Women Coffee Alliance<sup>44</sup> and empower female farmers by giving them a way to support themselves; the percentage that these organizations receive is not made public.

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<sup>41</sup> Café Especial Blend 1Kg", *Cafezal Em Flor - Turismo E Cafés Especiais*, 2022, <https://cafezalemflor.com.br/produto/cafe-especial-blend-1kg-2/>

<sup>42</sup> Rwanda Nova Cafè Des Mamas Specialty Coffee - Caffèlab", *Caffèlab.Com*, 2022, [https://www.caffelab.com/rwanda-nova-cafe-desmamas-specialty-coffee/?attribute\\_pa\\_roasting=filter&attribute\\_pa\\_grinding=filter&attribute\\_pa\\_package=250-gr&utm\\_source=Google+Shopping&utm\\_medium=cpc&utm\\_campaign=google-shopping](https://www.caffelab.com/rwanda-nova-cafe-desmamas-specialty-coffee/?attribute_pa_roasting=filter&attribute_pa_grinding=filter&attribute_pa_package=250-gr&utm_source=Google+Shopping&utm_medium=cpc&utm_campaign=google-shopping)

<sup>43</sup> Café D'lara - Pacaramara - El Salvador", *Cafetalero. Tienda De Café Online*, 2022, <https://cafetalero.cl/products/cafe-dlara-pacaramara-el-salvador>

<sup>44</sup> International Women's Coffee Alliance", *International Women's Coffee Alliance*, 2022, <https://www.womenincoffee.org/>

## 4. Consumer behavior as activism

Social impact through consumption is an interesting factor in the appeal that fair trade coffee has to consumers, thousands of kilometers away in countries where coffee simply cannot grow. By agreeing to purchase coffee at a slightly elevated price, consumers are able to align their moral and ethical beliefs with their personal preferences, as the product they consume has been harvested and processed in a manner that is sustainable, ecologically responsible and takes the human element into account as well. Whether true or not, this assumption drives consumers to purchase fair trade coffee as a form of conscious political activism, however implicit. In addition to the product itself, the final consumer pays for a confirmation of their worldview: social impact can be achieved through passive consumption. This is a form of political activism through consumer choice which is favored by progressives in Europe and North America (in the United States, the term liberal might be more closely associated with this). As previously explained, coffee is a capricious crop that requires attention<sup>45</sup>, and the fact that it is grown in poorer areas of the world gives consumers the chance to create social impact in those areas by purchasing a product that is intimately connected to farmers. For consumers, many would consider it essential in their everyday lives.

Here lies, in essence, the principal business ethos of fair trade, its *raison d'être*: to sell an idea, a political statement, in addition to what the consumer would have purchased anyway in the conventional coffee market. Fairtrade is not a particularly exploitative institution and examples of negative outcomes for workers and the environment are not routinely found in literature. The logical criticism of Fairtrade that is corroborated by literature pertains to the gap between the

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<sup>45</sup> C. B. Hayward, "Coffee And Coffee Culture", *Scientific American* 91, no. 12 (1904): 194-195, [doi.org/10.1038/scientificamerican09171904-194](https://doi.org/10.1038/scientificamerican09171904-194)

social impact consumers believe they are funding and what workers actually receive from Fairtrade, which is only a mild improvement when compared to traditional Global North-Global South trade relations<sup>46</sup>. Within this framework, it would be incorrect to assert that Fairtrade has a negative impact on the well-being of rural workers in South America and elsewhere, a more precise criticism of its practices are related to the understanding of social activism within the confines of consumerism as well as low prices paid to coffee farmers in relation to Fairtrade's profits. As a certification company, Fairtrade makes over 85% of their income by licensing their mark<sup>47</sup> to companies using it on their products.

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<sup>46</sup> John Gilbert, Hamid Beladi and Reza Oladi, "North-South Trade Liberalization And Economic Welfare", *Review Of Development Economics* 19, no. 4 (2015): 1006-1017, [doi.org/10.1111/rode.12182](https://doi.org/10.1111/rode.12182)

<sup>47</sup> How The Fairtrade Foundation Is Funded - Fairtrade Foundation", *Fairtrade Foundation*, 2022, <https://www.fairtrade.org.uk/get-involved/fundraise-for-fairtrade/how-the-fairtrade-foundation-is-funded/>

## 5. The origins of Fairtrade

Writing on the rift between Fairtrade International and Fairtrade USA, which took place in 2011 over disagreements about the business model and how Fairtrade should function as a business<sup>48</sup>, Manel Modelo writes

In the early 1980s, Father Francisco Vanderhoff Boersma returned from the Oaxacan mountains in Mexico to his native Netherlands to talk with anyone who would listen about the inability of Mexican coffee producers to receive a price that would ensure them a dignified standard of living. Father Boersma, cofounder of the fair trade movement, hardly imagined that 30 years later the movement would include 1.3 million producers in 70 countries across four regions (Africa, Asia, Latin America and the Caribbean, and Oceania). Today, Fair Trade commerce takes place in 125 countries, and total annual sales of Fair Trade products exceed \$6 billion. Since 2011, sales have increased by more than 16 percent. (I will use the lowercase term “fair trade” to refer to the broad movement to improve the lives of commodity producers through trade. I’ll use the uppercase term “Fair Trade” to refer to the activity of organizations that formally certify Fair Trade products.)<sup>49</sup>

The idea of fair trade is simple. Ultimately, it involves a mutually beneficial exchange between two parties: producers and consumers. Its purpose is to improve the living and working conditions of small farmers and workers, and it depends on solidarity with people who are willing to pay more for a product to ensure that their purchase has a positive impact on producers. The goal is to empower producers and their organizations so that they can not only earn a fair price for their goods, but also take control of their businesses and reinvest in their communities.

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<sup>48</sup> Manel Modelo, "The Paradox Of Fair Trade", *Green Beanery*, 2014, <https://greenbeanery.ca/pages/the-paradox-of-fair-trade>

<sup>49</sup> Ibid.



Seen from one perspective, fair trade is a partnership between producers and consumers to rectify unequal trade relations by fortifying the trade chain's weakest link—small-scale producers—and by weakening the power of intermediaries (commonly known as “coyotes” in Latin America) who add little or no value while claiming a large part of the revenue from sales. These middlemen, whether they are independent operators or employees of transnational companies, take advantage of the producers' isolation and lack of market knowledge. By eliminating them and thereby shortening the supply chain, Fair Trade organizations have had a direct, positive impact both on producers' income and on product quality.<sup>50</sup>

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<sup>50</sup> Ibid.

## 5.1 Fairtrade's selling points

On its website, Fairtrade details the reasons why consumers should choose it over its conventional competitors:

For various reasons, the global price of coffee is highly volatile. Fairtrade aims to give farmers stability in this unpredictable environment by offering a Fairtrade Minimum Price, which protects them from sudden price drops. Organically grown coffee receives an additional price incentive.<sup>51</sup>

Coffee farmers also receive a Fairtrade Premium – an extra sum of money paid on top of the selling price that farmers and workers invest in business or community projects of their choice. A set portion of the Fairtrade Premium goes toward improving production or quality.

By supporting smallholder farmers to organize themselves into small producer organizations – such as cooperatives and associations – farmers can negotiate better terms of trade and reach wider markets.<sup>52</sup>

In terms of compliance with Fairtrade's regulations, independent interviews<sup>53</sup> conducted by myself and others confirm that these aims are not simply theoretical, and Fairtrade actively monitors how the funds are spent. Maurício, the interviewee, details how the minimum price policy works, as well as the impact that the Fairtrade Premium has had for himself and other workers that are members of his cooperative, Apas Coffee. Through an assembly, all members of

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<sup>51</sup> Coffee", *Fairtrade International*, 2022, <https://info.fairtrade.net/product/coffee>

<sup>52</sup> Ibid.

<sup>53</sup> See final section.

the organization vote on how to use the funds to improve their operations<sup>54</sup>.

The evidence does not support Fairtrade's claim that farmers can negotiate better terms of trade.

Farmers are entitled to a minimum amount paid for the coffee and the Fairtrade Premium, but these are set unilaterally by Fairtrade and farmers have no control over the price paid by final consumers in Europe for example, nor do they have access to Fairtrade's network of buyers.

Fairtrade's deal is beneficial compared to what farmers would be paid by conventional multinationals, but it does not give rural workers the degree of agency and autonomy that is implied. The rates set by Fairtrade are not known to be flexible.

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<sup>54</sup> See final section.

## 6. The romanticization of coffee production

The coffee industry is aware of its appeal, which can be confirmed by analyzing their visual representation of how their business model works, and the romanticization of South American coffee workers. A video posted on Nespresso's Youtube account on October 20, 2017 captures the experiences of one of one of their customers<sup>55</sup>, the winner of the Greek Coffee Expert contest promoted by Nespresso. As their prize, this customer visited the coffee growing region around Carmo de Minas, in the state of Minas Gerais, Brazil. This short, slick video narrative opens with establishing shots of a large city, presumably São Paulo. Brazil's ethnic diversity is shown, people are seen dancing and playing instruments. The focus then switches to the town of São Lourenço, hundreds of kilometers to the northeast of the metropolis. The region's topography, known for its hills, is shown<sup>56</sup>. The producers emphasize worker's hands, faces, smiles, their modus vivendi is seen from a distance. The only parts of the lengthy process that are visible are harvesting, processing and drying the coffee beans; milling, sorting, packaging, labeling, exporting and roasting are not. Nespresso is visibly attempting to create an emotional impact through their choices of music and imagery. In black and white scenes at the end, a local can be seen crying and wiping tears.

These are elements that can be understood to have been carefully selected to consolidate the company's mythmaking about the early stages of coffee production in South America, heavily relying on the perceived exoticism of tropical peoples, biodiversity and climate. While these

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<sup>55</sup> Nespresso Coffee Expert | Το Ταξίδι Του Νικητή Στη Βραζιλία", *Youtube.Com*, 2022, [https://www.youtube.com/watch?v=v9p5fWdk0Bg&ab\\_channel=Nespresso/](https://www.youtube.com/watch?v=v9p5fWdk0Bg&ab_channel=Nespresso/)

<sup>56</sup> Ibid.

images have artistic merit, one assumes that the logic behind funding, editing and releasing the material must be linked to Nespresso's commercial interests.

## 6.1 The Nespresso case and inequality

The immense gap between the workers' reality in South America and Nespresso's profits is naturally not explored. According to Adwired<sup>57</sup>, the Nespresso brand, owned by Nestlé, is valued at 5.6 billion Euro as of 2022. Coffee harvesters in Minas Gerais, where the video was produced, earn on average 330 EUR a month and normally work 44 hours a week. Each worker harvests the equivalent of 335,1 liters of coffee a day<sup>58</sup>. A simple search of Nespresso's many products shows that one of its pods, containing powdered coffee, sells for 0,44 EUR in Austria<sup>59</sup>. This one in particular is named *World Explorations Rio de Janeiro*. Following their own recommendations, it would be utilized to make a single espresso cup (40ml). The average coffee harvester in Minas Gerais, an essential factor in the most labor-intensive part of the entire process, harvests in a single day an amount of coffee that would be enough for a huge number of pods. Final consumers need to purchase 25 pods to make one liter of espresso. If the average worker's productivity was found to be 335,1 liters<sup>60</sup> a day, that is a total of 8.337,5 pods that could be filled with the amount of coffee harvested per day, per person. Incidentally, this means

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<sup>57</sup> Nespresso: Brand Value 2022 | Statista", *Statista*, 2022, <https://www.statista.com/statistics/980884/brand-value-of-nespresso/#:~:text=According%20to%20data%20provided%20by,euros>

<sup>58</sup> "IEA", *Institute Of Agricultural Economics*, 2022, <http://www.iaa.agricultura.sp.gov.br/out/LerTexto.php?codTexto=14776>. In Portuguese.

<sup>59</sup> World Explorations Rio De Janeiro Espresso, *Nespresso Austria*, 2022, <https://www.nespresso.com/at/de/order/capsules/original/kaffee-rio-de-janeiro-espresso>

<sup>60</sup> For reasons of increased productivity, the industry habitually measures the amount of coffee harvested in liters, not kilos or pounds.

that each worker would have to work for more than 10 months to be able to afford a single day's worth of coffee pods sold by Nespresso. Here, one is tempted to argue that the realities of the Austrian and Brazilian markets are quite different and the coffee harvester's purchasing power is adequate for the market they find themselves in, but that would be incorrect. The exact same product, the *World Explorations Rio de Janeiro* pod, marketed in Brazil simply as *Rio de Janeiro Espresso*<sup>61</sup>, is sold for 0.56 EUR, 27% more expensive than in Austria. Nespresso's pricing policy here cannot be explained by transportation and packaging costs, because in this case, the coffee never left the Brazilian market in the first place.

## 6.2 The APAS case

Maurício Hervaz, the interviewee for this research<sup>62</sup>, offers a compelling example of the imbalance between the price of production for a kilo of coffee in Brazil and the price paid by the final consumers in Europe. The workers' cooperative for which he is responsible, Apas Coffee, produces high quality coffee that has found buyers in Europe as well. Coffee trader Coffee Circle, based in Berlin, sells Apas' products on their website<sup>63</sup>. A kilo of whole unground coffee (whole beans) sells for 43.90 Euro, and the website informs consumers the product is sourced directly from the plantations in Brazil, so exporting and importing businesses can be circumvented for our considerations here. These are not blends or combinations with different products sourced from other countries or regions; this is a bag that contains Apas coffee

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<sup>61</sup> Rio De Janeiro Espresso", *Nespresso Brasil*, 2022, <https://www.nespresso.com/br/pt/order/capsules/original/cafe-espresso-rio-de-janeiro>

<sup>62</sup> See final section.

<sup>63</sup> Coffee Circle, "APAS Kaffee", *Coffee Circle*, 2022, <https://www.coffeecircle.com/de/p/apas>. In German.

exclusively. Maurício states the same amount of coffee is sold by Apas for 6 USD (5.7 Euro).

Yet another case in which packaging, transportation costs and marketing do not reasonably account for a final price that is seven times greater than the initial investment, which indicates

the coffee business has an immense profit potential if one sells directly to European consumers.

As ‘life-changing’<sup>64</sup> as access to European buyers is for Brazilian farmers, a single kilo of

unground Apas coffee bought by a consumer in Berlin would only result in 12% of the price

going towards the Brazilian section of the operation. Still, considerable focus is given to the

‘roots’ of the product being sold on Coffee Circle's website<sup>65</sup>. There is a description of the

product itself and Coffee Circle's APAS partners are mentioned by name. A small description of the origin reads:

We got to know the APAS cooperative in 2018 on our trip through Brazil and since then their coffees have accompanied us every year. We have a particularly close relationship with the two farmers Alessandro and Ademilson. They are extremely passionate and live for their coffee. They pick their cherries by hand in the best areas of their farms (selective picking) and create exceptional micro lots every year. Last year we selected several smaller lots from our two friends, with which we are now creating a wonderful high end APAS blend in our roastery. These micro lots are definitely among our highlights of the last harvest and we hope you will be as excited as we are.<sup>66</sup>

The personal backstory coupled with a group picture adds an intimate, human framing to the product. Consumers may also be appreciative of the accompanying map and coordinates<sup>67</sup> so

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<sup>64</sup> See final section.

<sup>65</sup> Coffee Circle, "APAS Kaffee", *Coffee Circle*, 2022, <https://www.coffeecircle.com/de/p/apas>

<sup>66</sup> Ibid.

<sup>67</sup> Ibid.

they can be aware of the coffee's origins. This further consolidates this thesis' dissection of the coffee industry by supporting the assertion that the romanticization of coffee production occupies an oversized fraction of marketing materials but only a fraction of the price paid by the final consumers benefits coffee farmers in the Global South. In addition to this, it is not unreasonable to expect that consumers would agree to paying higher prices for coffee precisely because they think they are funding poor farmers. The Apas example is scarcely an isolated instance, but a revealing one nonetheless: 88% of the final price is actually funding the Berlin operation. Even if better deals are offered to Brazilian farmers vis-à-vis conventional industry practices, these added gains are still not proportional to the place farmers occupy in the 'story' told to the public, nor are they proportional to what coffee traders are earning in Europe.



## 7. The appeal of coffee as an ethically sourced commodity

Coffee is a particularly good commodity to be incorporated into the fair trade structure because of how prevalent trade and consumption are, as well as the extensive need for human input tending to each coffee tree, in contrast to less labor-intensive crops such as soy or sugarcane. This human element is present in how fair trade understands and presents itself, as a human-centered consumption option. Socially aware individuals are more likely to be drawn to products that were harvested, processed and sold in a humane, democratic, fair manner. Placing individual workers at the heart of marketing for fair trade products creates the impression that the ‘human touch’ added to the product justifies an elevated price for the final consumer. The elevated final price is, in theory, also related to the social impact that fair trade practices have in developing societies, where workers are routinely underpaid and exploited by sizeable industries. A longstanding tradition of coffee houses in Europe reinforces the consumption of coffee as academically and professionally legitimate, almost ritualistic; coffee is strongly associated with the idea of heightened focus and productivity<sup>68</sup> for a great number of young professionals and students. These are precisely the social circles that would be aware of historic inequalities, land and labor issues in the Global South, and precarious conditions for workers, galvanizing support for fair trade coffee within the European context. In North America, Fairtrade USA has published materials<sup>69</sup> calling for students to organize and implement fair trade awareness on campus so as to increase the demand for fair trade products. These materials also encourage

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<sup>68</sup> Adi Gaskell, "Is Coffee A Productivity Super Drug?", *Forbes*, 2022, <https://www.forbes.com/sites/adigaskell/2018/06/26/is-coffee-a-productivity-super-drug/>  
<sup>69</sup> Student Action Guide", *Fairtradecampaigns.Org*, 2022, <https://fairtradecampaigns.org/wp-content/uploads/2015/03/Student-Action-Guide-20152.pdf>

students to form partnerships with local vendors to make fair trade products available on campus as well.

## **8. The Fairtrade review**

On May 27, 2022, Fairtrade International published a comprehensive review of 151 studies on their website that seem to corroborate their claims about the positive impact fair trade products in general have had. Section number one reads:

I. Fairtrade is having positive impact in producers' income, wellbeing and resilience.

This area – the most researched in the review with 63 studies investigating it – includes findings that overall show a positive effect on farmer household incomes, assets and benefits such as education and health services. Fairer prices and the investments made possible by the Fairtrade Premium are important factors in this area. In addition, other factors such as better trading conditions and greater food security for households contribute to farmers' and workers' wellbeing.

Where we're going: We're pushing further in our global strategy toward living incomes, as well as expanding markets so producers can sell more on Fairtrade terms<sup>70</sup>.

Here, Fairtrade establishes for themselves what they call an economic pathway composed of four steps: intervention, output, outcome and impact. By standardizing and certifying small-scale producer organizations and hired-labor organizations, Fairtrade is able to allocate increased investments to them which 'enhance benefits to SPOs, workers and communities', which leads to higher standards of living for these investment recipients. Incidentally, this was confirmed by independent interview I conducted.

II. Fairtrade promotes decent work and contributes to workers' 'voice and dignity'.

Studies related to this area showed that at larger Fairtrade certified plantations, workers benefit from better physical spaces, paid overtime, adequate breaks, and health and safety protections. Contracts are also stronger in Fairtrade certified organizations, as are in-kind benefits such as education support.

In addition, elements that define 'voice and dignity' for workers – such as bargaining, representation, positive relationships, and workers' rights – tend to be more prevalent in Fairtrade certified organizations.

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<sup>70</sup> What Is Fairtrade's Impact For Farmers And Workers, And Fair Trade More Broadly? We Looked At Hundreds Of Studies To Find Out.", *Fairtrade International*, 2022, <https://www.fairtrade.net/news/what-is-fairtrades-impact-for-farmers-and-workers-review-of-studies>

Where we're going: Accelerating progress toward living wages for workers is a priority in our global strategy, given the mixed findings about Fairtrade's effect on wages due to the influence of local regulatory environments. We have taken additional steps to improve wages for flower workers and banana workers, which we'll continue to measure, refine and expand<sup>71</sup>.

By supporting workers and workers' organizations, Fairtrade asserts labor conditions are improved, and 'mature' systems put into place are able to sustain it, which leads to greater dignity and political representation for workers, also named 'voice'. By their own admission, Fairtrade has a great degree of confidence in the improvement of labor conditions and the maturity of systems that sustain it, but only points to 'encouraging' results vis-à-vis giving workers greater political participation or 'voice'. The interviewee I contacted made no mention of human rights abuses of which he is aware but indicated that recent developments in this area can be seen in a positive light. Most importantly for workers, as he points out, any human rights violations, such as child labor, would be punishable in the importing countries, where justice systems are seen as more reliable, and punishments are understood to be harsher.

In terms of unionization and expansion of workers' rights or the strengthening of social awareness about these issues, no improvements could be seen or measured by independent research. The absence of concrete results in this area is what Fairtrade categorizes as 'encouraging results'. Expanding on this, the review mentions that

"Other studies examined worker representation, the development of committees among Fairtrade supported farmers, and the culture around unionisation. Overall, the evidence of impact on dignity and voice is not as researched as it was for the outputs and outcomes within this pathway, and the majority of

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<sup>71</sup> Ibid.

evidence examining it was qualitative”<sup>72</sup>.

The next point of Fairtrade’s self-crafted list of achievements discusses power relations and workers cooperatives.

III. Fairtrade supports the development of strong and democratic producer organizations.

Democratic decision-making is central to farmers having a voice as members of their cooperatives, and therefore in building stronger trade relationships. The researchers found a strong body of evidence that Fairtrade producer organizations have better management, better systems and financial capacity than non-certified producers.

There is some positive evidence of Fairtrade’s impact on democratic governance and collective action, but the researchers noted the size and maturity of farmer cooperatives is also an important factor.

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<sup>72</sup> Ibid.

Where we're going: We will continue to focus attention in our global strategy on opportunities for women and gender equity. We acknowledge that while a majority of relevant studies showed some Fairtrade effect in increasing women's participation in their cooperatives, local social norms still influence deeper changes in gender relations. We've also added a greater focus on opportunities for young people to be successful farmers and cooperative leaders, including women<sup>73</sup>.

Here, Fairtrade's claims are directly corroborated by the interviewee, Maurício Hervaz. As the leader of the workers cooperative and its 65 members, he explained that the decisions pertaining to budget allocation are democratically made. His organization, APAS Coffee, decided to purchase a roasting machine so the coffee can also be sold regionally (since it can only be exported as beans). Maurício stated that over 60% of workers in his organization are family farmers, and 19% are women<sup>74</sup>.

#### IV. Fairtrade supports environmentally friendly farming practices.

The Fairtrade Standards contribute to environmentally friendly farming practices, such as use of natural fertilizers. Many Fairtrade producers are also organic certified, which deepens the impact in this area. The review also found some encouraging findings on Fairtrade's contribution to environmental effects such as fresh water conservation and biodiversity, although more research is needed.

On the critical topic of climate change adaptation and resilience, studies are limited and more research is needed. An increasing number of certified producer organizations use Fairtrade financial benefits like the Premium to adapt to climate change, including conducting risk assessments, and implementing soil conservation and reforestation practices.

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<sup>73</sup> Ibid.

<sup>74</sup> See final section.

Where we're going: Supporting producers to accelerate climate change adaptation is a major emphasis of our global strategy, including through partnerships and advocacy<sup>75</sup>.

Out of all the claims explicitly mentioned by Fairtrade in the review, the 'environmental pathway' is the one with the least amount of concrete, corroborated impact, with the 'output', 'outcome', and 'impact' areas only being categorized as unclear or 'encouraging'.

Evidence from the review shows positive effects of certification and the application of environment-related standards on farming practices in both small producer organisations and on certified plantations. Environmentally conscious farming practices are adopted by SPOs, and resources are used to improve their capacity to adapt to climate change. However, the evidence was less supportive when it came to the adoption of environmentally appropriate resources, such as natural fertilisers or ceasing to use environmentally damaging inputs. Such outcomes were not investigated in much detail in the studies reviewed. Instead, the studies focused mostly on farming practices and performance and less on the environmental effects of these practices on SPOs and communities more broadly<sup>76</sup>.

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<sup>75</sup> What Is Fairtrade's Impact For Farmers And Workers, And Fair Trade More Broadly? We Looked At Hundreds Of Studies To Find Out.", *Fairtrade International*, 2022, <https://www.fairtrade.net/news/what-is-fairtrades-impact-for-farmers-and-workers-review-of-studies>

<sup>76</sup> David Jodrell and Dwan Kaoukji, *Exploring Fairtrade'S Impact A Review Of Research On Fairtrade From 2015 - 2020* (Fairtrade International, 2022), [https://files.fairtrade.net/publications/Fairtrade\\_Evidence-mapping-full-report.pdf](https://files.fairtrade.net/publications/Fairtrade_Evidence-mapping-full-report.pdf)



## 9. Income inequality as a consequence of land concentration

Since the early days of the colonization of South America by the Portuguese, agriculture was understood to be fiercely profitable, which gave rise to the creation of large farms<sup>77</sup>, called *latifúndios*, that were solely dedicated to one kind of crop, and usually owned by a single person, a family or a company. With the exception of gold and diamond mining, most pre-industrial economic cycles included the extraction of natural materials<sup>78</sup>, such as timber and rubber, and the growing of crops such as sugarcane, cotton, cacao and coffee. The industrialization of Europe lead to a greater demand for Brazilian imports, which in turn fueled the economic development of Brazil, enriching landowners. These men played an essential role in demanding greater economic freedom from Portugal which culminated in the creation of the Brazilian Empire in 1822<sup>79</sup>, with a monarchy that was wholly independent from its European metropolis. When this government opposed the *modus operandi* of the powerful landowners, including their extensive reliance on slave labor, it too was replaced by a Republic in 1889 with the help of the Brazilian military.

A recent study published by Imaflora in 2020 details Brazil's agricultural landscape<sup>80</sup>. There are 5.3 million rural properties, with a total land area of 422 million hectares. For comparison, farms within the European Union used 173 million ha of land for agricultural purposes in 2016, which

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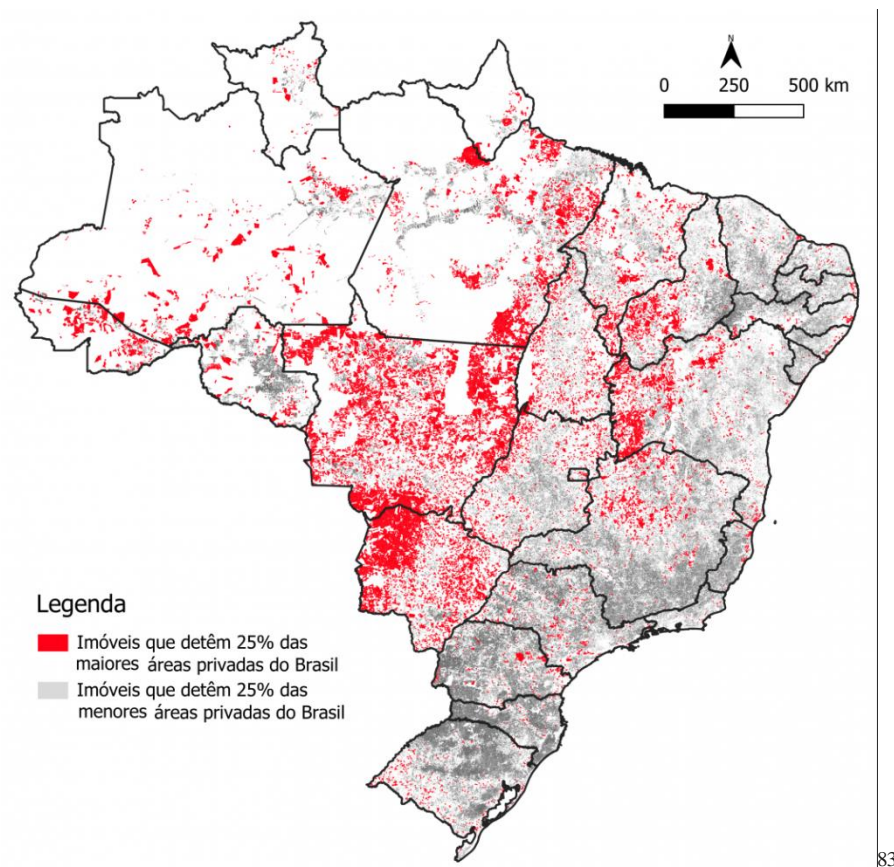
<sup>77</sup> Gabriel Ondetti, "Social Movements, Law And The Politics Of Land Reform: Lessons From Brazil", *The Journal Of Peasant Studies* 42, no. 1 (2015): 236-239, [doi.org/10.1080/03066150.2014.978142](https://doi.org/10.1080/03066150.2014.978142)

<sup>78</sup> Ibid.

<sup>79</sup> Ibid.

<sup>80</sup> Luís Fernando Luís Fernando Guedes Pinto et al., "Quem São Os Poucos Donos Da Terras Agrícolas No Brasil", *Sustentabilidade Em Debate* 10 (2020), [https://www.imaflora.org/public/media/biblioteca/1588006460-sustentabilidade\\_terras\\_agricolas.pdf](https://www.imaflora.org/public/media/biblioteca/1588006460-sustentabilidade_terras_agricolas.pdf). In Portuguese.

happens to be 39% of the area of the European Union<sup>81</sup>. The study also details that 1% of the largest rural properties occupy 47,3% of the total agricultural land in the country, while the 50% smallest properties occupy 2,1% of the same land. The 15.686 largest rural properties in Brazil hold 25% of all the agricultural land<sup>82</sup>.



Map 1: Brazil. In red, the 25% largest privately owned rural properties. In gray, the 25% smallest privately owned rural properties. Large properties in the Center-West of the country are traditionally dedicated to single crops such as soybean, and to raising cattle.

<sup>81</sup> Farms And Farmland In The European Union - Statistics - Statistics Explained", *Ec.Europa.Eu*, 2022, [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Farms\\_and\\_farmland\\_in\\_the\\_European\\_Union\\_-\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Farms_and_farmland_in_the_European_Union_-_statistics)

<sup>82</sup> Ibid.

<sup>83</sup> Imaflora, *Brazil Is Among The Countries With Highest Land Concentration.*, image, 2020, <http://www.socialismocriativo.com.br>. In Portuguese.

The immense concentration of land in Brazil has had a variety of negative effects, including the oversized political influence of the agrarian elite, the overpopulation of cities<sup>84</sup>, the inability of the state to properly tax these properties (the sum could be eleven times higher than what is paid today<sup>85</sup>), the inability to regulate compliance with the law vis-à-vis human rights abuses, ecological policies and deforestation. The study by Imaflora also calls attention to the fact that the number of unregistered rural properties could be as high as 36% of the total. As a result, the government is unable to verify the productivity of this immense amount of land. Large landowners are able to use their political influence to avoid legal repercussions, and their land remains underproductive in some cases. This has also given rise to the Landless Workers' Movement, formed in 1984, which today has over 1.5 million members. Their struggle to create awareness about sustainable farming as well as to occupy unproductive land to guarantee democratic access to agricultural land in Brazil has lead scholars such as Noam Chomsky to name it 'the most important and exciting social movement in the world'<sup>86</sup>.

In addition to the political divisions fueled by extreme inequality in the ownership of land, the economic and social implications are well-documented. As a great obstacle to the development of Brazilian society and the economic emancipation of a large number of its citizens, land reform has been a goal for the Brazilian left for decades, and serious political attempts to remedy this

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<sup>84</sup> Over 87% of Brazilians live in cities.

<sup>85</sup> Luís Fernando Luís Fernando Guedes Pinto et al., "Quem São Os Poucos Donos Da Terras Agrícolas No Brasil", *Sustentabilidade Em Debate* 10 (2020), [https://www.imaflora.org/public/media/biblioteca/1588006460-sustentabilidade\\_terras\\_agricolas.pdf](https://www.imaflora.org/public/media/biblioteca/1588006460-sustentabilidade_terras_agricolas.pdf)

<sup>86</sup> Confronting The Empire - Noam Chomsky Speech | Scoop News", *Scoop.Co.Nz*, 2022, <https://www.scoop.co.nz/stories/HL0302/S00032/confronting-the-empire-noam-chomsky-speech.htm>

issue have been aggressively and successfully resisted by landowners by any means necessary<sup>87</sup>, including supporting the 1964 coup d'état against President João Goulart which initiated a brutal far-right military dictatorship for 21 years. Politicians representing the interests of the rural elites found natural allies in Washington, which was concerned with the expansion of Marxism in South America at the time. Brazil re-democratized in 1985 and a new Constitution was adopted in 1988, but the issue of land distribution remains; the most immediate effect of this disparity for a large portion of the Brazilian population is urban poverty and violence. Rural workers with no access to land were unable to survive in the countryside and moved to large cities. With no access to education, these workers could not compete in the formal labor market in the urban centers, and a large number went destitute, forming Brazil's first slums. Not only are these communities the principal victims of floodings and mudslides because of poor infrastructure, but they also suffer with police brutality, gang violence and a perpetuation of poverty, with generations of inhabitants that did not have access to educational institutions. Land is both the root cause and the solution to Brazil's social issues.

Fair trade policies have, therefore, a major obstacle with which to contend. Workers' cooperatives are an important tool in the democratization of labor relations anywhere, but in Brazil this is especially relevant because of a history of powerlessness in the face of the agrarian elites, as well as a lack of positive representation in the mass media and a lack of access to global markets. Fairtrade should expand its certification requirements to include land that has a reasonable number of workers per hectare, making agricultural work a more attractive option to rural communities and also as a tool to deny fair trade certification to the *latifundiários* or

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<sup>87</sup> Gabriel Ondetti, "Social Movements, Law And The Politics Of Land Reform: Lessons From Brazil", *The Journal Of Peasant Studies* 42, no. 1 (2015): 236-239, [doi.org/10.1080/03066150.2014.978142](https://doi.org/10.1080/03066150.2014.978142)

extremely wealthy landowners that employ only a small fraction of workers in relation to the amount of land they hold, rendering it underproductive. Small properties, especially those owned by poorer families and women, should be preferred.

### **9.1 Public policy and concrete steps**

As federative units, Brazilian states have a certain degree of autonomy when defining local tax laws, granting workers greater protections and facilitating trade. The state of Minas Gerais does not tax coffee itself, nor does the Brazilian Federation<sup>88</sup>, provided these are exports to foreign countries, a measure put in place in an attempt to foster growth in the sector. This, combined with the fixed, minimum price paid by Fairtrade in addition to the Fairtrade Premium, is a significant way to ensure rural workers improve their living standards. The state could create a database of properties that are eligible for Fairtrade certification so as to facilitate their access to foreign markets. Workers and cooperatives can also benefit from communicating with one another across the country as they search for ways to make their agricultural practices more sustainable by using natural fertilizers, for example. The transportation costs for these could be covered by the state government, or obligatory taxes could be waived. States can use Fairtrade to their benefit by helping enrich communities that would otherwise rely on the state budget for support, offering relief to the public budget meant for social programs. States can also work with Fairtrade to monitor compliance in areas such as human rights, labor rights and sustainable business practices. Fostering development within rural communities also gives them a chance to

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<sup>88</sup> Lessandro Carvalho, "Coffee: The National Coffee Council Is Against A Project That Creates Export Tax On Commodities", *ACSURS*, 2022, <https://acsurs.com.br/noticia/cafe-cnc-e-contra-projeto-que-gera-imposto-de-exportacao-sobre-commodities>. In Portuguese.

compete against large, multinational enterprises that might not favor sustainable agricultural practices, making extensive use of chemicals, pesticides and huge amounts of drinkable water, for example. Although Fairtrade clearly aims to establish greener, more eco-friendly business practices, it seems that local realities are still imperative when it comes to decisions made by small producers, and some environmentally appropriate steps may be more costly or take longer to develop in large scales. Solutions that can be proposed for small gardens and a smaller number of plants, such as natural fertilizers, might not be feasible. Fairtrade would be well advised to support research into fertilizers and their natural alternatives, as well as the logistics needed to deliver them to SPOs. Crushed basalt, found in Southern Brazil, has been shown<sup>89</sup> to be efficient in reducing the acidity of the soil, for example. In this sense, more concrete results must be accompanied by public policy that is in line with Fairtrade's aims and the existing supply lines. Incidentally, a large portion of the public support for the Landless Workers' Movement and Fairtrade stems from the fact both institutions oppose the extensive use of hazardous pesticides. Fairtrade International has published a list of hazardous agrochemicals<sup>90</sup> that is divided into three categories: prohibited (210 substances), restricted (39 substances) and flagged (108 substances). In addition to the danger to life, these materials are also categorized based on their ecological impact, such as a danger to bees, and their long term toxic effects to humans. An expansion of the adherence to Fairtrade standards in this area would have a net positive impact on consumers across the world. The United Nation estimates that Brazil produces 10% of world's food by

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<sup>89</sup> Claudete Gindri Ramos et al., "Evaluation Of The Potential Of Volcanic Rock Waste From Southern Brazil As A Natural Soil Fertilizer", *Journal Of Cleaner Production* 142 (2017): 2700-2706, [doi.org/10.1016/j.jclepro.2016.11.006](https://doi.org/10.1016/j.jclepro.2016.11.006)

<sup>90</sup> Fairtrade International, 2022, [https://files.fairtrade.net/standards/Hazardous\\_Materials\\_List\\_EN.pdf](https://files.fairtrade.net/standards/Hazardous_Materials_List_EN.pdf)

weight<sup>91</sup>, behind only India and China. Brazil makes extensive use of fertilizers, buying 10.43 million tonnes mainly imported from Russia, China and Canada<sup>92</sup>. After Russia's invasion of Ukraine in 2022, the Brazilian government has indicated that the dependence on Russia's fertilizers must be decreased by fostering the domestic industry<sup>93</sup>.

Another concern for coffee consumers that desire to decrease their carbon footprint and the impact they have on climate change pertains to the ecological impact of the coffee industry, which is set to suffer with the consequences of a warmer climate in the future<sup>94</sup>:

Ironically, bad coffee production (deforestation) and consumption practices (single-use waste) also comes back around to harm the industry. In 2015, the International Center for Tropical Agriculture (CIAT) released a report<sup>95</sup> warning that at least 50 percent of the land used to grow coffee will be unsuitable by 2050. The study found that this is because coffee plants are extremely sensitive to changes in the climate. With global warming pushing temperatures into the extremes, the report suggested that we could be seeing instances such as Arabica beans becoming more expensive or uncommon in the future, since they're more susceptible to sicknesses and increasing heat.<sup>96</sup>

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<sup>91</sup> Food And Agriculture Organization Corporate Statistical Database", *Food And Agriculture Organization Corporate Statistical Database*, 2022, <https://www.fao.org/faostat/en/#data/QCL>

<sup>92</sup> Keith Good, "Russian Fertilizer Continues To Arrive In Brazil • Farm Policy News", *Farm Policy News*, 2022, <https://farmpolicynews.illinois.edu/2022/05/russian-fertilizer-continues-to-arrive-in-brazil/>

<sup>93</sup> Ana Mano, "UPDATE 2-Brazil Fertilizer Imports Jump As Russian, Chinese Shipments Arrive", *UPDATE 2-Brazil Fertilizer Imports Jump As Russian, Chinese Shipments Arrive*, 2022, <https://www.reuters.com/article/brazil-fertilizer-idUSL2N2W42I5>

<sup>94</sup> Fábio M. DaMatta et al., "Physiological And Agronomic Performance Of The Coffee Crop In The Context Of Climate Change And Global Warming: A Review", *Journal Of Agricultural And Food Chemistry* 66, no. 21 (2018): 5266-5271, [doi.org/10.1021/acs.jafc.7b04537](https://doi.org/10.1021/acs.jafc.7b04537)

<sup>95</sup> Christian Bunn et al., "A Bitter Cup: Climate Change Profile Of Global Production Of Arabica And Robusta Coffee", *Climatic Change* 129, no. 1-2 (2014): 89-101, [doi.org/10.1007/s10584-014-1306-x](https://doi.org/10.1007/s10584-014-1306-x)

<sup>96</sup> Tebany Yune, "How Your Coffee Habit Could Be Contributing To Climate Change", 2019, <https://www.mic.com/impact/how-bad-is-coffee-for-the-environment-19188956>



## Conclusion

While the findings support the idea that fair trade practices have positive effects for workers involved with the coffee industry in Brazil, it has only produced marginal positive outcomes in relation to its potential, making fair trade a misrepresentation of actual practices within the industry. Fair trade brands have successfully capitalized on the commercialization of social issues and the idea of empowering consumers through their choices by misrepresenting the impact that fair trade has for communities in the Global South. These assertions are aesthetically consistent with the attempt to empower consumers by creating a narrative of impactful, responsible and socially aware consumption. Fair trade practices can also be understood in a context of online activism and individual donations to political campaigns and social movements.

Conventional pricing and trade practices within the coffee industry have indeed been historically flawed and imbalanced towards farmers tending highly valuable crops which are then sold in foreign markets for great profits. The gap between the profit for exporters and importers and wages paid to coffee farmers is only marginally addressed by fair trade practices.

The area in which fair trade practices are the most potentially significant are linked to human rights assertions on the part of coffee importers and exporters, as well as the prevention of flagrant violations such as child labor. Findings are also consistent with the claim that fair trade practices ensure that coffee is harvested in a way that is ecologically responsible. In terms of water usage, responsible use of land and recyclable packaging, fair trade coffee clearly presents advantages in comparison with conventionally traded coffee. By holding importers legally accountable, public institutions in Europe are able to mitigate the possible negative outcomes of



international trade as regards human rights violations in the Global South, particularly Brazil.

A structural limitation for the research of this topic pertains to the oblique pricing policies practiced by coffee traders and Fairtrade International. As a matter of course, it is not in their interests to make this information public, that is, they do not divulge their profit margins in relation to ethically sourced goods. Fairtrade might provide specific information about where and how coffee was harvested, but it does not inform the final consumer of the fees paid to rural workers. As positive as the outcomes are for millions of rural workers such as coffee farmers in Brazil and elsewhere, the benefits are still a fraction of what these communities could achieve without entities that act as ‘middlemen’ without adding value to the product; the most obvious advantage these European and North Americans institutions appear to have in relation to coffee farmers themselves is that there is geographic, cultural and linguistic proximity with wealthy consumers in regions such as Central Europe and Scandinavia. Research has also been impacted by the need to ensure that sources were not sponsored by Fairtrade International.

This thesis has also sought to demonstrate that the overrepresentation of tropical and exotic themes in marketing materials is consistent with an attempt by the industry to humanize their businesses, the faces and names of coffee farmers also feature prominently on marketing materials; the net benefits of selling coffee in wealthy markets are almost entirely captured by traders as opposed to farmers. The financial benefits rural workers receive by selling their coffee through Fairtrade participation, or to European coffee traders, is significant only if one takes into account the low wages paid in the Global South, their profitable crops only give these communities marginal, negligible gains if we analyze the size and global scope of the coffee business.

In this sense, this thesis has demonstrated that Global North-Global South trade relations

strongly favor wealthier societies in the coffee sector, even with the implementation of fair trade pricing policies, and that there is robust demand for commodities such as coffee in some of the wealthiest regions in the world. The relatively low compensation for rural workers could potentially be remedied by international organizations or state actors that could negotiate on their behalf; the agricultural lobby however is unlikely to allow such measures to come into force in countries like Brazil.

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## Appendix

Interview with Maurício Hervaz on May 18, 2022.

Maurício is the president of a workers' cooperative called Apas Coffee<sup>97</sup>, located in Minas Gerais, Brazil. Coffee produced by them can be found in Austria and eight other European countries.

Good morning, Maurício.

Good morning!

I am writing about the Fairtrade requirements; I think we discussed that...

Yeah, there are requirements, Fairtrade demands courses on the use of water for example. Two courses on the use of water, residuals, and how to take care of water resources. You also need to show them how you intend to use the Premium.

The Fairtrade Premium.

Yes. It's called Plano do Uso do Prêmio<sup>98</sup>. You need to show them you are concerned about the environment, like protecting water springs. Our organization has to take courses.

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<sup>97</sup> Apas Coffee – A History You Can Taste, *Apascoffee.Com*, 2022, <https://apascoffee.com/>

<sup>98</sup> Plan on the Usage of the Premium. Prêmio means award in Portuguese, Fairtrade seems to have chosen an inaccurate, but efficient, translation.

By organization you mean the Cooperative...

Our cooperative, APAS Coffee, yes. One of the requirements on the checklist for fairtrade certification is that the members need to be trained in using water and ecological balance. The organization has to promote these things, like, against hunting, everything relating to nature. But some of these are the regular laws in Brazil.

Right. I see they also have strict requirements on pesticides, these things.

The organization itself is responsible for monitoring banned agrochemicals. The Cooperative. They [*Fairtrade*] have their lists, the red list, the orange list, the yellow list, the auditor comes and checks if there is compliance. They choose producers at random and verify if these substances are found in their land. This is done by FLOCERT. As a leader of the organization, it's my job to check internal compliance. There is a team, I have my team, five members, and they verify if there is compliance, if no children are working there, for example.

It sounds like you have a lot of added responsibility on top of being a coffee producer.

Yes, it's a huge responsibility. I like the work a lot. I learn so much. We have almost 70 members, so it's a lot of responsibility.

Are you compensated for your work for the Cooperative?

Yes, I am paid by the Cooperative. There is a lot of transparency, members have to know how we spend the money, profits are distributed equally. We have meetings of the assembly, for example, say we have a budget of 100.000 BRL for the year, or 200.000 BRL for the year, people vote on what to do with the money. We decided to buy a roaster for example so we can sell the coffee locally.

Because it can't be exported as powder, right?

It has to be exported as beans, so if we can peel, roast and grind the coffee here we can sell it locally.

What is the pricing policy that Fairtrade uses?

The minimum price guaranteed by Fairtrade is sometimes very far from today's prices. You can't sell it for any lower than the price, it's the minimum price plus 20 cents (USD) per coffee bag.

26.45 USD is the minimum price today<sup>99</sup>, which is a fixed price. This is in addition to the minimum price for the 60kg bag.

Does Fairtrade have a lot of involvement with your Cooperative?

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<sup>99</sup> 0.2 USD is paid per pound. A 60kg bag of coffee weighs 132lbs. The 26.45 USD sum would be paid per 60kg bag.

So, there's the Coordenadoria Latinoamericana de Comércio Justo<sup>100</sup> (CLAC), it's an organization that is in touch with us. Associação das Organizações Brasileiras de Produtores Fairtrade<sup>101</sup> is another. We meet and discuss many things, there are training courses, workshops, so yes, we are in touch. But Fairtrade, I mean, there are the FLOCERT<sup>102</sup> auditors. There are 3 auditors in Brazil. We have no links to them. We can't have a friendship with them, right?

Right.

Learning takes place within CLAC. When the FLOCERT auditors come, people can be suspended. We are aware that auditors will come, but we don't know who they will visit, which one of our members. Some of the criteria are major, the other ones are basic criteria. Major criteria, if I break the rules on that, I will be suspended. That's like child labor. For example, there is a ranking based on the number of workers that took courses on water usage. There is a minimum grade. These courses are mostly in-person, but online is coming up as well. This means that we can be notified that we need to improve our numbers if not enough of our workers have taken some courses, and we can remedy that.

That's good. And is there a network of small coffee producers, rural workers...a way for you to communicate, to trade? All over Brazil?

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<sup>100</sup> The Latin American Fair Trade Coordinating Body. Quem Somos | CLAC Comercio Justo, *CLAC Comercio Justo*, 2022, <https://clac-comerciojusto.org/pt-br/clac/presentacion/quem-somos/>

<sup>101</sup> Association of the Organizations of Brazilian Fairtrade Producers *BRFAIR Comércio Justo - Fairtrade*, 2022, <http://www.brfair.org.br/>

<sup>102</sup> A global certification body working for Fairtrade <https://www.flocert.net/>

There are some organizations that purchase from each other, but they have to have the ‘trader’ certificate. The communication between us is very good, we help each other, we are not competitors, we have the same objectives. I have been president since 2019, there are some members who help us with the technical issues, from the other organizations I mean.

How can the government make it easier for rural workers?

So, coffee is not taxed in Brazil for international trade, only domestically. It's like a 12% tax to sell it inside of Brazil (ICMS)<sup>103</sup>, it's a lot. That's for a different state. I am in Minas Gerais, if I want to sell coffee to São Paulo, that's how much the tax would be. The final consumer pays for that. The federal policy on cooperatives is good. They don't tax our coffee. If a company buys our coffee they are taxed on profit. There are credit lines available to rural producers, financing, etc. You can't rely on the government for everything. Some cooperatives stand out, others do not. Profit is shared equally among us. Fairtrade changed our lives. The Premium. Without money you can't do anything.

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<sup>103</sup> He is referring to the Tax on the Circulation of Goods and Services, or ICMS in Portuguese. For 2022, that would actually be 18%.



