

## TUESDAY PM WORKSHOP #3: FROM SEED TO SALE

### Workshop Session

#### From Seed to Sale: The Journey of the Coffee Bean

#### Names of presenters

**Jeff Moore**, founder, Just Us Coffee, Nova Scotia, Canada; **Francisco VanderHoff**, founder of fair trade, Mexico; **Hudson Shotwell** (chair), owner Trident café, Halifax, Nova Scotia, Canada

#### Name of rapporteur

Gord Cunningham, Coady International Institute

There were 16 workshop participants - several university students, a film maker, a journalist, an organic farmer, a person who worked with producers in Costa Rica, a person who worked recently with a medicinal and aromatic plant producers association in Ecuador and a few others

The Chair **Hudson Shotwell** introduced the workshop by pointing out that coffee is the world's second most important commodity next to oil in terms of value of worldwide sales. He suggested that what constitutes a good cup of coffee is what this workshop is about. This workshop will cover the journey of a coffee bean – from the ground to a cup of coffee.

### PRESENTER 1

#### Presenter #1

#### Fr. VanderHoff

#### Title of Presentation

Fr VanderHoff began with some personal history. He talked about the time he spent in a copper mining town in Chile in the late working with a group of lay people and two worker priests to his work organizing refugee groups in Mexico. When this work became politically difficult he was advised to go to the rural areas. He found himself working with indigenous people who grew coffee on communal lands. Within a short period of time (two harvests and several clandestine meetings with farmers in churches) he began to get a picture of how the coffee industry worked (or didn't work) for these people. He discovered that the true cost of producing coffee was 92 pesos but the middle man was paying 37 pesos. He helped the group connect with a coffee cooperative which paid the farmers the world price for 40 tonnes of coffee. Word of this spread like wildfire and the number of communities interested in selling through the cooperative grew to more than 60.

In the mid-1980s he took a group of the farmers to Holland to learn about how to export coffee themselves. This is where the notion of fair trade coffee was born. A discussion in Holland ensued about new approaches to development – about fair trade rather than aid and in particular about how to promote fairly traded coffee. The first fair trade organization was established in Holland. In the beginning it was difficult. The group had to figure out criteria and rules. They had to design an organization that would work to democratize trade in coffee. Large companies harassed them but they stayed together. In fact they spread to different countries – Holland, Belgium, Luxemburg, Germany, France, Spain and later North America. Working

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together these groups established FLO (Fair trade Labelling Organization). The organization eventually moved into other commodities such as honey, cocoa, and bananas. The first step in each was to get an understanding of the real cost of production for farmers.

In the mid 80s the organization in Mexico started focusing on organic production. They were able to get certification. At the time the Mexican government did not recognise the notion of organic. For them it was a new concept, in spite of the fact that almost all indigenous agriculture in Mexico was organic (people couldn't afford the chemicals).

In the early 1990s in Europe an economic case for fair trade was beginning to be made. It was becoming evident that consumers wanted it. This got retailers interested. One large retailer agreed to increase the percentage of fair trade coffee sold by 5% each year. Now many retailers are selling fair trade products whether they like it or not. Some have even tried to promote their own fair trade labels. Thankfully these have failed because they are not transparent. The four largest coffee merchants in the world last year made USD \$2 billion without producing a single bean. They did it by speculating on coffee futures.

A lot of work has also been done in the political arena. The story is getting out that unfair trade is responsible for underdevelopment, even terrorism. There is a growing movement promoting corporate social responsibility with churches, NGOs, consumer groups, and unions pressing large companies and local retailers to accept the rules of fair trade. The issue of fair trade has now made it on the agenda of the G8 meeting in July 2005. In addition Kofi Annan has put it on the agenda of UN this September. This political movement is a counter weight to the forces of globalization.

### **PRESENTER 2**

**Presenter #2    Jeff Moore**

#### **Title of Presentation**

Jeff described his personal journey in starting Just Us coffee. He got interested in the idea of fair trade coffee from an article in the New Internationalist in 1995. This issue had the names of contacts in Mexico City so went to visit them. He got contacts from them for coffee growers in Chiapas so he went there on bus. He didn't speak any Spanish and the Zapatista revolt was in full swing. Eventually he got up into the mountains where people depend on growing coffee for a living. Even without any language he was able to pick up their pride in producing organically and the sense of dignity they had as members of a coop. To use a phrase of Moses Coady he felt they were masters of their own destiny. He was so impressed he came home and told his wife he had to buy container (or 17 tons) of coffee worth \$60,000. He had no idea how to market it but with some RRSPs, a second mortgage and some help from ACOA he bought the container and also brought some Mexican farmers to Nova Scotia. Their tour generated a lot of media attention and the orders started coming in. The struggle then became keeping up with customers. Just us began its first year with sales of \$35,000. Last year they had sales of \$3.5 million.

Fair trade is a model that embraced all four pillars of this conference. It is about fair prices to producers but it is equally about preserving indigenous culture and the environment and about people having control over their lives.

Some of the issues

Marketing - demand is the main issue for the industry as a whole. While it is possible for small companies like Just Us to thrive for many producer groups it is hard to get on a register for a given commodity.

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There is a lot of confusion in the market – organic, fair trade –what does it mean really. There are many businesses that say they do fair trade without being certified by FLO. For example at this conference Honey Care is mentioned as having fair trade honey through IFAD, but IFAD is not a certifying organization for fair trade.

There is a lack of access to capital in the markets for fair trade organizations. When Just Us started growing their bank got skittish. It have them very little notice before cutting off credit. The credit union stepped in but then they too got nervous. Just Us was able to find a great vehicle for raising capital through Nova Scotia's community investment funds. The last three years they were able to make public offerings and raise more than a million dollars this way. Once the business had more than a million in equity the financial institutions became interested again. This is a problem.

There is also the challenge for small businesses to attract skilled committed and collegial people. Just Us now has 45 people. The business has become much more complicated. They have had to come up with new structures. For the first time they now have a chartered accountant to do projections. Now they have confidence in their numbers.

In order to really move fair trade forward in Canada there needs to be a fair trade movement o lobby government. This movement then has to consolidate. You can't have all these different organization using the term. You have to keep movement from being self-serving and you have to keep it democratic. You have to be willing to work your self out of a job. If fair trade goes mainstream and you can't compete with Starbucks you have be able to accept this reality.

## WORKSHOP DISCUSSION

Q. At its heart is fair trade not about a farmer getting a living wage so they can't be taken advantage of by the middlemen?

Hudson Shotwell. a producer gets a decent price not a wage

Q. Is the goal not transparency between producers and consumers?

Hudson Shotwell yes

Q. If a cup of coffee costs \$2.00 that sounds pretty good – I'm trying to understand who benefits?

Hudson . cup in our shop is \$2.75 incl tax. The costs of fair trade coffee costs the retailer more. The costs of fair trade coffee are about 35% of a cup of coffee

Q. Are health concerns part of the fair trade movement? Some of the most successful products have elements of addictiveness – health concerns – a advocacy group in the US has recently requested the FDA to classify coffee as a drug – now adding it to alcohol

Hudson Coffee is mildly addictive but it also has some positive qualities. It helps if you have MS. It will keep you up at night

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Fr. VanderHoff Drinking too much coffee is not good but the responsibility for this has to be on the consumer. In terms of advantages, we find that at least people are boiling water and that makes the water safer to drink.

Q. What % of coffee would stay in the domestic market versus export?

Fr. VanderHoff 30% stays locally in Mexico (the average Mexican's annual consumption is not that high 800grams/yr compared with Canada 2.5 kgs/yr)

Q. Is it not true that most growers can not afford to buy his/her own produce. The grower depends on people who can afford these products to keep him/her in business

Hudson Yes but is that not the same for all commodities?

Q. How do we move forward from here?

Hudson Several people say they will buy certified fair trade coffee from now on. (It was pointed out that 1% of Starbucks coffee is now fair trade)

Q. I work with farmers in Costa Rica where coffee is grown under shade of organic banana trees. Are there other examples of products grown in combination?

Hudson There are now groups looking at what they are calling *sustainable* coffee – organic, fair trade, and it protects biodiversity

Comment: If whole world would buy based on a common and standard seal of certification we would all be better off

Comment: Is part of fair trade really about knowing where your coffee is coming from? Also if you pay 2.00 for a bag of coffee you drink it like water – but if you pay 8.00 you savour it