

# Why NOT Fair Trade?

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A large portion of the world's coffee, a commodity second only to oil, is grown by small holders in environmentally sensitive areas. According to Robert Rice, from the Smithsonian's Migratory Bird Center, the biodiversity in areas where coffee is grown under shade in traditional polycultures approaches 80 percent of that found in a natural forest. These coffee-growing areas need to be encouraged and preserved.

- Let's face it, if our growers don't get enough money for their coffee, they are going to cut all the trees down and plant something else so they can feed their families.
- Mexican coffee growers are way too polite to use rude gestures, but what do you think they said when I suggested that they pay to become "Fair Trade" certified?
- Look at the numbers in the graphs on this page: Quality trumps "Fair Trade"!
- We believe that it is fair to pay coffee growers who produce excellent coffee more than their neighbors are paid, and we believe that it is unfair to be forced to pay the "charitable" organizations that have outlived their usefulness.
- "Fair Trade" has its place-it serves an important role in raising consumer awareness. It's just that we've outgrown it. Take a look at the numbers:

## Typical Mexican Cooperative:

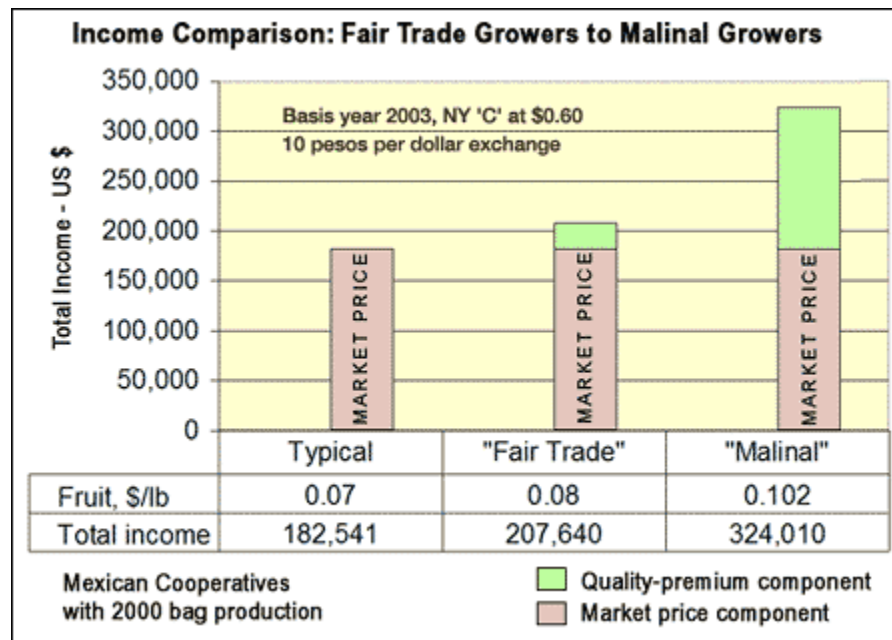
- Farmer paid through coop 7¢/lb. for fruit
- 2,000 bags sold at market price; 60¢/lb.
- Gross coffee income to cooperative; \$183,000 (basis)

## Typical Mexican "Fair Trade" Cooperative:

- Farmer paid through coop 8.0¢/lb. for fruit
- 250 bags sold at "Fair Trade" price; \$1.26/lb.
- 1,750 bags sold at market price; 60¢/lb.
- 2000 bags; average sale price, 68¢/lb.
- Gross coffee income to cooperative; \$208,000 (14% increase to cooperative).

## Mexican "Malinal" Cooperative:

- Farmer paid directly 10.2¢/lb. for quality fruit
- 2,000 bags sold for average price; \$1.05/lb.



- Additional minimum profit share of 5¢/lb. for all SCAA grade #1 coffee paid to cooperative.
- Gross coffee income to cooperative; \$324,000 (78% increase to cooperative).

### Our Focus Is QUALITY

#### Value for Value

- Farmers are paid directly for quality fruit
- Our agreement specified additional quality-based profit sharing
- We provide financing to support the harvest

Above all we remain focused on quality and consistency. Without these, our coffee will remain a commodity, and those of us in Mexico and Central America, where are focused the flyways for migratory birds, will continue to operate at a strong disadvantage.

We believe that quality, and consistency, taken with strong relationships with like minded coffee roasters and their customers, the consumers, are the best way to elevate coffee to true specialty standards and away from the brutal indifference of the commodity market where prices are completely disconnected from the cost of production.

The graphs below were part of a presentation made on the "Market Outlook for Differentiated Coffees" by Lawrence Pratt, CIMS Executive Director, at Sintercafe, November, 2005.

The data show that premiums for certification are more important to those producing commodity coffee. Premiums for quality far outweigh those for certification, particularly when the "C" market is low.

Quality premiums stabilize prices and help isolate producers from the commodity market.



## Premiums of certified coffee, according to quality, US\$/lb green FOB



From "Market Outlook For Differentiated Coffees", a presentation made by Lawrence Pratt, CIMS Executive Director, at Sintercafe, Costa Rica, November, 2005.