

SMALL FARMERS

Over 50% of the world's coffee is grown by small family farmers. Most small farmers, who are not organized into marketing cooperatives, are at the mercy of middlemen or estate owners to sell their product, capturing a mere 2%-4% of the retail price of coffee. Low prices and lack of control over the processing, exporting and marketing of the beans trap farmers in a cycle of poverty and debt.

PROCESSING MILL

Processing of coffee is generally carried out on large farms or in coffee mills. Most coffee mills are privately owned, though occasionally they may be owned by small farmer cooperatives or government agencies.



Larry Luxner

ESTATE WORKERS

Millions of people are employed as workers on coffee plantations and estates, many of whom are migrants. In the plantation sector, low wages, poor working conditions, and lack of housing, education, nutrition, and healthcare prevail.

COFFEE ESTATES

Plantations or estates vary in size and can be as large as thousands of acres. Estate owners control the majority of available processing facilities and often manage the export process, which enables them to reap more of the profits in the coffee chain. Many coffee estates are highly mechanized and rely on regular applications of agrochemicals.

From Crop to Cup:

The Fair Trade Route vs. the Conventional Trade Route

LOCAL MIDDLEMAN

Middlemen are intermediary traders who buy coffee from small farmers. These middlemen frequently take advantage of the farmers' lack of access to credit, transportation and information. They commonly act as bankers, local shopkeepers and often control local transportation systems. This virtual monopoly allows them to offer loans on the condition that farmers sell their coffee at greatly reduced prices and repay their loans at extremely high rates of interest.

EXPORTERS

Exporters are either independent companies or subsidiaries of multinational corporations that export coffee beans to importers in other countries. The primary goal of the conventional exporter is to buy coffee at the lowest possible price and resell it for the highest possible profit, while maintaining the quality demanded by their customers.



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BROKERS

Brokers buy and sell coffee on commission without ever officially owning the coffee that they trade. They act as intermediaries between exporters and importers. Multinational corporations have their own brokers and have enormous buying and selling power which allows them to speculate and exercise great influence on the New York and London coffee exchanges.

IMPORTERS

Importers purchase raw green coffee beans either from brokers or exporters, which they subsequently sell to roasters.



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ROASTERS

Most roasters buy their coffee from importers. After roasting and packaging the coffee, roasters then sell either to distributors or directly to retail and institutional accounts. Some roasters have their own retail stores.



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DISTRIBUTORS

Distributors are sometimes involved in channeling roasters' coffee to retail and institutional accounts such as universities, hotels, hospitals, and airlines.

RETAILERS

Retailers are grocery stores, restaurants, cafés, and institutional accounts that sell coffee to consumers.

CONSUMERS

Consumers buy and drink coffee in cafés and restaurants, from grocery stores, at home and at the work place. Most coffee is still purchased at grocery stores. Consumers are usually unaware of the conditions under which the coffee was produced and traded.



www.roastyourown.com

THE FAIR TRADE COFFEE ROUTE

Fair Trade enables cooperatives to bypass middleman and sell directly to US importers at fair prices.



Liam Brody/Oxfam

FARMERS

There are 550,000 farmers who are members of cooperatives which sell directly to Fair Trade importers in North America and Europe. By linking directly with markets, farmers in Fair Trade cooperatives are able to earn 3 to 5 times as much as they receive by selling their coffee through conventional mechanisms.



TransFair USA

COOPERATIVES

Cooperatives enable farmers to achieve economies of scale. There are 300 Fair Trade cooperatives or associations. By selling directly to foreign importers and establishing their own processing equipment, farmers are able to capture greater benefits from their production. These cooperatives are democratically organized and often invest a portion of the Fair Trade premium into community development, quality improvement and environmental protection programs.

IMPORTERS

Importers buy directly from certified cooperatives and pay the Fair Trade minimum price (\$1.26 per pound; \$1.41 for certified organic) or higher. If requested, importers must offer credit to the cooperative. Their direct relationship with the cooperative enables the cooperative to gain valuable information about the US market. There are 15 importers currently certified by TransFair USA to sell Fair Trade Certified coffee to roasters.



FAIR TRADE CERTIFICATION PROCESS
TransFair USA and its umbrella organization, the Fair Trade Labeling Organization (FLO), certify that Fair Trade criteria are being met by cooperatives, importers and roasters.

ROASTERS

Roasters buy from importers certified by TransFair USA, and roast and package coffee for retail sale. They have signed agreements with TransFair USA to use the "Fair Trade Certified" label. Through marketing and consumer education, roasters teach their customers about Fair Trade.

DISTRIBUTORS

Distributors are sometimes involved in channeling Fair Trade Certified coffee to retailers and institutional accounts.

RETAILERS

Retailers include grocery stores, cafés, restaurants, dining services and other venues that sell Fair Trade coffee directly to the consumer. As of January 2002, Fair Trade coffee was being sold in approximately 7,000 retail locations in the US.

CONSUMERS

Consumers are the engine driving the Fair Trade movement, by creating and sustaining demand for Fair Trade Certified coffee and other Fair Trade products.

NON PROFIT ORGANIZATIONS
Non Profit Organizations such as Oxfam America play a significant role in building awareness and demand for Fair Trade products through consumer education programs.