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# Does fair trade make a difference? The case of small coffee producers in Nicaragua

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## Abstract

Fair trade represents an innovative approach to make the rules of global trade work for disadvantaged producers in the South and for sustainable development. But who are the real beneficiaries of fair trade? Has fair trade resulted in any discernible improvements in the lives of small coffee producers and their communities? This paper examines the effectiveness of fair trade as a development tool and the extent of its contribution to the alleviation of poverty in coffee-producing regions of Nicaragua. The paper argues that it is crucial to analyse the experiences and problems of small coffee producers and producer organisations involved in the fair trade market to ensure that the objectives and claims of fair trade are achieved in practice. The study concludes that there are limits to the extent to which fair trade can significantly raise the standard of living of small coffee producers because of factors such as the debt problems faced by cooperatives, lack of government support, and volatile international coffee prices.

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# Notes

- 1 FINE is a network of organisations including Fair Trade Labelling Organisations International (FLO International), the International Federation for Alternative Trade (IFAT), the Network of European World Shops (NEWS!), and the European Fair Trade Association (EFTA).
- 2 FLO explicitly requires that small producers form democratic organisations as primary-level cooperatives and secondary-level producer organisations.
- 3 On a global scale, green coffee prices fell from US\$1.20/lb to US\$0.56/lb between 1999 and 2003, but the fair trade price has remained at US\$1.26/lb.
- 4 In Nicaragua, the wholesale price for green coffee fell from US\$1.44/lb in 1999 to US\$0.51/lb in 2003, a 70 per cent drop (Nicanet [2003](#)).
- 5 Varangis et al. ([2003](#)) suggest that the cost of coffee production in Nicaragua is US\$67/quintal.
- 6 The broadening of support for fair trade can be seen by the different types of organisations, other than those directly involved, promoting fair trade coffee, e.g. local organisations such as UNAG and CIPRES, international NGOs such as LWR and Oxfam, and official aid agencies such as UNDP and USAID.
- 7 Cooperatives are locally rooted organisations that adopt certain democratic and participatory practices and provide their members with commercial and other services.
- 8 The Northern Coffee Cooperative Centre (CECOCAFEN) and the Society of Small Producers, Exporters and Marketers (SOPPEXCCA) are specialised coffee producer organisations that provide export services, credit, storage facilities, training and technical assistance to member cooperatives.
- 9 The main certification body of fair trade and organic coffee in Nicaragua is Bio-Latina S.A.C.
- 10 For example, Canadian and USA TransFair, US Thanksgiving Coffee Company, and Equal Exchange. These purchasing organisations act as importers for industrialised or

Northern countries.

11 TransFair USA is one of the main promoters of the market for Nicaraguan fair trade products. It does this by working with coffee importers, roasters/wholesalers, and retailers. They are not, however, directly involved with commodity production (Raynolds [2002](#)).

12 See the study by CLUSA (2002) cited in Bacon [\(2002a\)](#).

13 A Capitalisation Fund is an account managed by producer organisations that uses a percentage of the fair trade premium to improve infrastructure, pay for transportation costs, provide technical assistance, cover administrative and certification costs, provide credit, and fund housing and education projects in farming communities.

14 A Producer Fund is managed by primary-level cooperatives to, for example, pay debts, renovate farms, and provide credit for and labour within the farm.

15 For example, while in 1997 SOPPEXCCA had only 68 member producers, by 2002 there were 450 members, and it hoped to extend its membership to 500 by the end of 2003. CECOCAFEN had 1200 small-producer members in 2002 and had by the time of the research extended its membership to 1500 producer members.

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## Additional information

### Notes on contributors

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Karla Utting-Chamorro is a PhD candidate at the School of the Environment, University of Leeds, and a member of the Leeds Institute for Environmental Science and Management (LIfE). Her current research involves an examination of the social, environmental, economic, and future impacts of fair trade and ethical trade in the banana and coffee industries in Costa Rica and Nicaragua.

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