

20329  
Addis Ababa  
University  
(Since 1950)



**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**COLLEGE OF DEVELOPMENT STUDIES**

**THE LIVELIHOODS IMPACTS OF FAIR TRADE AND ORGANIC  
CERTIFICATION ON COFFEE FARMERS**

*A Case Of Mana Woreda, Jimma Zone, Oromia Region, Ethiopia*



**By: Worku Chibssa**

**June 2008**

**Addis Ababa**

26329

**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**COLLEGE OF DEVELOPMENT**  
**STUDIES**

**THE LIVELIHOODS IMPACTS OF FAIR TRADE AND ORGANIC  
CERTIFICATION ON COFFEE FARMERS**

*A Case Of Mana Woreda, Jimma Zone, Oromia Region, Ethiopia*

A Thesis submitted to the College of Development Studies

Addis Ababa University

In Partial Fulfilment of the requirement of the Degree of Masters of  
Arts in Development Studies, Environment and Development

---

By: Worku Chibssa

---

The  
WBL4  
2008

**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**COLLEGE OF DEVELOPMENT STUDIES**

Title  
**The Livelihoods Impacts of Fair Trade and Organic Certification on  
 Coffee Farmers: A case of Mana Woreda, Jimma Zone, Oromia  
 Region, Ethiopia**

BY  
**Worku Chibssa Fayissa**

**DEVELOPMENT STUDIES**

APPROVED BY THE BOARD OF EXAMINERS:

SIGNATURE

*Dr. Mulugeta Fescha*  
 \_\_\_\_\_  
 COLLEGE DEAN

\_\_\_\_\_  
 \_\_\_\_\_

*Dezebe Tolossa*  
 \_\_\_\_\_  
 ADVISOR

*Dezebe Tolossa*  
 \_\_\_\_\_

*Aklilu Amsalu*  
 \_\_\_\_\_  
 EXTERNAL EXAMINER

*Aklilu Amsalu*  
 \_\_\_\_\_

*Workneh Negatu*  
 \_\_\_\_\_  
 INTERNAL EXAMINAR

*Workneh Negatu*  
 \_\_\_\_\_

**TABLE OF CONTENTS**

**ACKNOWLEDGEMENTS .....IV**

**LIST OF ACRONYMS ..... V**

**GLOSSARY OF LOCAL TERMS .....VI**

**LIST OF TABLES..... VII**

**LIST OF FIGURES ..... VIII**

**ABSTRACT ..... IX**

**CHAPTER ONE..... 1**

**INTRODUCTION..... 1**

1.1 BACKGROUND OF THE PROBLEM ..... 1

1.2 STATEMENT OF THE PROBLEM ..... 3

1.3 OBJECTIVES OF THE STUDY ..... 4

1.4 HYPOTHESES ..... 4

1.5 SIGNIFICANCE OF THE STUDY ..... 5

1.6 SCOPE AND LIMITATION OF THE STUDY ..... 5

1.7 STRUCTURE OF THE PAPER ..... 6

**CHAPTER TWO ..... 7**

**REVIEW OF THEORETICAL AND EMPEIRICAL LITERATURE..... 7**

2.1 CONCEPTUAL AND THEORETICAL UNDERPINNINGS OF COFFEE CERTIFICATION ..... 7

2.2 COFFEE CRISIS AND IMPOVERISHMENT OF SMALL COFFEE FARMERS ..... 8

2.3 FAIR-TRADE AND ORGANIC COFFEE CERTIFICATION AND COOPERATIVE SOCIETIES..... 13

    2.3.1 *Fair-trade Coffee Certification* ..... 13

        2.3.1.1 What is fair-trade? ..... 13

        2.3.1.2 Brief History of Fair-trade..... 14

        2.3.1.3 Fair-trade certification: Process and conditions..... 15

    2.3.2 *Organic Coffee Certification*..... 17

        2.3.2.1 Concept of organic coffee ..... 17

        2.3.2.2 Organic Coffee Certification Standards..... 18

        2.3.2.3 Organic Coffee producing countries and its current market share ..... 20

        2.3.2.4 What are challenges in organic coffee certification?..... 21

    2.3.3 *The Role of Cooperative Societies in Coffee Certification* ..... 21

        2.3.3.1 Concept of producers cooperative..... 21

        2.3.3.2 Relevance of cooperative in the poor agricultural dependent economies and the challenges ..... 22

        2.3.3.3 Cooperative in Ethiopia..... 23

        2.3.3.4 Challenges to the viability of cooperatives..... 24

    2.4 Empirical findings ..... 25

2.5 ANALYTICAL FRAMEWORK ..... 28

**CHAPTER THREE ..... 31**

**THE STUDY AREA AND RESEARCH METHODS ..... 31**

3.1 INTRODUCTION..... 31

3.2 THE STUDY AREA..... 31

    3.2.1 *Overview of the Study Area* ..... 31

    3.2.2 *Geology, Relief, drainage and climate of the Woreda*..... 32

    3.2.3 *Vegetation and Wildlife* ..... 33

3.3 *Research Methodology* ..... 34

3.3.1	<i>Household Survey</i> .....	34
3.3.1.1	<i>Sampling</i> .....	34
3.3.2	<i>Focus Group Discussion</i> .....	36
3.3.2.1	Cooperative structures and selected coffee farmers .....	36
3.3.2.2	Discussion with Oromia Coffee Farmers Cooperative Societies Union (OCFSU) Ltd.....	37
3.3.3	<i>Key Informants Discussion</i> .....	37
3.3.4	<i>Observation</i> .....	38
3.3.5	<i>Household Case Studies</i> .....	38
3.3.6	<i>Data Analysis Techniques</i> .....	39
<b>CHAPTER FOUR.....</b>		<b>40</b>
<b>SOCIO ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS OF THE SURVEYED COMMUNITY .....</b>		<b>40</b>
4.1	INTRODUCTION.....	40
4.2	AGE, SEX AND MARITAL STATUS OF THE SURVEYED COMMUNITY .....	40
4.3	EDUCATIONAL LEVEL AND OCCUPATION OF THE SURVEYED COOPERATIVE MEMBERS .....	42
4.4	THE HOUSEHOLD MEMBERS AND THEIR EDUCATIONAL STATUS .....	43
4.5	SUMMARY .....	45
<b>CHAPTER FIVE.....</b>		<b>46</b>
<b>COFFEE FARMING AS SOURCE OF LIVELIHOODS .....</b>		<b>46</b>
5.1	INTRODUCTION.....	46
5.2	CONTRIBUTION OF COFFEE TO THE INCOME OF THE SURVEYED HOUSEHOLDS .....	46
5.3	SIZE OF COFFEE FIELD OWNED .....	47
5.4	COFFEE PRODUCTION.....	49
5.5	CHALLENGES FACING SMALL PRODUCERS IN COFFEE PRODUCTION.....	53
5.6	FALL IN COFFEE PRICES .....	53
5.7	COFFEE FARMERS COOPERATIVES AND THEIR ROLE IN COFFEE BUSINESS .....	56
5.7.1	<i>Establishment of the cooperatives</i> .....	56
5.7.2	<i>Benefits of Cooperative Societies</i> .....	57
5.7.3	<i>Current challenges of the surveyed cooperatives</i> .....	57
5.8	THE ROLE OF OROMIA COFFEE FARMERS SOCIETIES UNION (OCFSU) LTD .....	60
<b>CHAPTER SIX.....</b>		<b>62</b>
<b>COFFEE CERTIFICATION AND ITS IMPACT ON THE SMALL COFFEE FARMERS .....</b>		<b>62</b>
6.1	COFFEE CERTIFICATION.....	62
6.1.1	<i>Introduction</i> .....	62
6.1.2	<i>Coffee Value Chain with OCFSU</i> .....	62
6.1.3	<i>Coffee Certification Processes</i> .....	63
6.1.4	<i>The challenges to the full benefit of coffee certification in Ethiopia</i> .....	64
6.1.5	<i>Fair-trade and organic certified Cooperative members</i> .....	65
6.1.6	<i>Benefits from fair-trade and organic coffee to the farmers</i> .....	66
6.2	THE IMPACT OF COFFEE CERTIFICATION ON THE LIVES OF THE COFFEE FARMERS .....	67
6.3	SUMMARY .....	69
<b>CHAPTER SEVEN.....</b>		<b>70</b>
<b>CONCLUSION, POLICY IMPLICATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH .....</b>		<b>70</b>
7.1	CONCLUSION .....	70
7.2	POLICY IMPLICATIONS .....	71
7.3	RECOMMENDATIONS FOR FURTHER RESEARCH .....	74

REFERENCES.....	75
APPENDICES.....	79

## ACKNOWLEDGEMENTS

This paper, being the major part for the completion of my postgraduate study, took much of my efforts and time to bring it to fruition. However, without close support and mentoring of my advisor, Degefa Tolosa(PhD), I could not have achieved it. His critical reviews of the draft work in detail and prompt response made my work easy and enjoyable. I am therefore highly indebted to him for whom my most gratitude is deserved. The staff of the College of Development Studies also deserve my special thanks and in particular I would like to appreciate the record officer of the CDS, Tsega, for her unreserved assistance during my study.

During the field visit to collect the primary data, I was assisted by the staff of Mana *Woreda* Cooperative Promotions Office who guided me through with communicating and selecting the cooperatives. My special thanks goes to Aba Biya Aba Diga , Head of the Mana *Woreda* Cooperative Promotion Office; Abdulkadir, and Johny both staff of the *Woreda* Cooperative Promotions Office; all the staff and executive members of Afata Wanja, Haro, Doha and Geruke Matoria cooperatives. I also take this opportunity to thank Mr. Siraji, Deputy Administrator of Mana *Woreda*, who provided me with supporting letter in order to communicate with kebeles and the cooperatives members.

The staff of OCFSU deserve my appreciation but my special gratitude goes to Mezgebu Dhguma, programme officer of OCFSU, who tirelessly provided me with the information I needed.

I also extend my gratitude to Mr. Ben Irwin, Manager of Bale Eco-Region Sustainable Management Programme for the financial assistance at the critical time of need.

Finally, I would like to extend my heartfelt appreciation to my wife, Tsehay Senbeta, for her heroic encouragement so that I upgrade my study. I also seize this opportunity to appreciate Abebech Emana for her support in typing the manuscript, and the most beloved brother Tesfaye Wolde for his advice, unreserved encouragement in all the process of writing this paper.

## LIST OF ACRONYMS

CSA	Central Statistical Authority
DA	Development Agents
DBE	Development Bank of Ethiopia
E.C	Ethiopian Calendar
ETB	Ethiopian Birr
FLO	Fair-Trade Labelling Organization
FT	Fair-trade
HIPC	Highly Indebted poor Countries
HIV/AIDS	Human Immunodeficiency virus/Acquired immune deficiency syndrome or acquired immunodeficiency syndrome
ICA	International Cooperatives Alliance
ICO	International Coffee Organization
IFAT	International Federation of Alternative Trade
IFOAM	International Federation of Organic Agriculture Movements
IOF	Investor owned Firms
ITC	International Trade Centre
Kg	kilograms
LDCs	Least Developed Countries
m.a.s.l	meter above sea level
NGO	Non-Governmental Organizations
OCFSU	Oromia Coffee Farmers Societies Union
SDRP	Sustainable Development and Poverty Reduction Program
SPSS	Statistical packages for Social Scientists
UNCTAD	United Nations Conference on Trade and Development
US	United States

## GLOSSARY OF LOCAL TERMS

Afaan Oromo	Oromo language
ETB	unit of Ethiopian currency
Dergue	the Marxist-Style military government that ruled Ethiopia from 1974 to 1991.
Iqub	rotating credit groups
Jige	traditional work groups to support each other on farm activities
Kebele	the lowest administrative unit in Ethiopia called peasant association
Wonfel	traditional work groups to support each other on farm activities
Woreda	an administrative unit that is above <i>kebele</i> and less than zone
Zone	an administrative unit above <i>woreda</i> and below Region.

## LIST OF TABLES

<b>Table 1:</b> Sample cooperatives selected for the study	35
<b>Table 2:</b> Age Distribution of the surveyed Household heads	40
<b>Table 3:</b> Educational level of surveyed Households	43
<b>Table 4:</b> Member of the household under Age 15	43
<b>Table 5:</b> Member of the household over 15 Age	43
<b>Table 6 :</b> Members of the household Attending School (1-10)	44
<b>Table 7:</b> Members of the HH attending Higher Education	45
<b>Table 8:</b> Contribution of coffee to the livelihoods of the surveyed community	47
<b>Table 9:</b> Size of forest coffee field	48
<b>Table 10:</b> Coffee production and marketing costs (in ETB), sales value (in ETB) and yield (in quintal) for the year 2007 (N=119)	50
<b>Table 11:</b> Members of Oromia Coffee Farmers cooperative society between 1990 and 2007	60
<b>Table 12:</b> Understanding of the criteria for coffee certification	65
<b>Table 13:</b> Volume and value of coffee sold by OCFSU from different sources in 2005	67

## LIST OF FIGURES

<b>Figure 1:</b> The Coffee Commodity Chain-----	2
<b>Figure 2.</b> Coffee Price Drop-----	11
<b>Figure 3:</b> Launch of Fair-trade labels worldwide-----	15
<b>Figure 4:</b> Analytical framework-----	30
<b>Figure 5:</b> Location of Mana Woreda in Jimma Zone, South Western Ethiopia-----	33
<b>Figure 6:</b> Sex composition of the household surveyed-----	41
<b>Figure 7:</b> Size of Plantation coffee field-----	49
<b>Figure 8:</b> Time of the year additional labour is required by the coffee farmers-----	52
<b>Figure 9:</b> The year when coffee price sharply fall -----	54
<b>Figure 10:</b> The immediate decisions taken by the small coffee farmers during the coffee crisis-----	55
<b>Figure 11:</b> The operational Sites of Oromia Coffee farmers Society Union-----	61
<b>Figure 12:</b> The Coffee Value Chain-----	63
<b>Figure 13:</b> water point (A) and bridge (B) constructed by fair-trade premium at Afata Wanja Cooperative, in Dhabasa Peasant Association-----	68
<b>Figure 14:</b> School expansion to <i>Haro</i> elementary school, <i>Haro</i> cooperatives-----	69

## ABSTRACT

*The study examines the impacts of fair-trade and organic coffee certifications on the livelihoods of small coffee farmers in Oromia Region, taking the case of Mana Woreda. Members of the Cooperative Societies in the selected woreda are the unit of analysis to find out the extent of the impact of coffee certifications. OCFSU is also one source of information during the investigation. The study focuses on certified and non-certified cooperative members to unravel the impacts. A mixed methods approach (quantitative and qualitative) is employed to generate the required data.*

*Coffee certification is based on social justice and environmental well being where establishing new channels of trade and marketing of coffee is initiated.*

*Based on the purpose of the study, impacts of coffee certifications was investigated but found out that the benefits from the fair-trade and organic coffee did not reach the farmers for the reasons beyond the control of the farmers. According to the investigation the possible barriers include: institutional problems inherent in cooperatives in Ethiopia; blanket FLO standards which does not consider specific conditions of countries; the heavy debt burden on the cooperative societies which is being repaid to the creditor, the Development Bank of Ethiopia.*

*After analyzing the problems, the study concludes with recommendations for remedies in the institutions, resolving the debt burden and informing the FLO to reconsider the current standards which becomes one of the barriers to participate in coffee certifications. In addition to the policy recommendation, the study directs to some of the key issues that need the attention of researchers so that problems and opportunities related with coffee certifications are explored at length increasing the understanding of the scheme to the larger populations of the country and policy makers.*

Key words: Coffee Certifications, Cooperatives, Fair-trade and organic, small coffee farmers

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Problem

Primary commodity producers, especially smallholder farmers who rely on subsistence production systems, are greatly affected by unfavourable international terms of trade. In many parts of Ethiopia coffee growers, who are unable to influence the global market, are kept in a cycle of poverty and debt by the free market system that is designed to exploit cheap labour and keep production costs to a minimum (Global Exchange, 2007).

Global coffee commodity chains usually involve multiple exchanges starting with the producers themselves before moving to local middlemen, exporters, importers, roasters, retailers and finally the consumers. In such chains many smallholder farmers sell directly to middlemen exporters who keep the price paid to the producers low in order to maximize their own profit margins (Fair-trade Foundation, UK, 2007). The following simple coffee commodity chain depicts the lengthy chains where producers receive small portions at the first stage of the value chain.

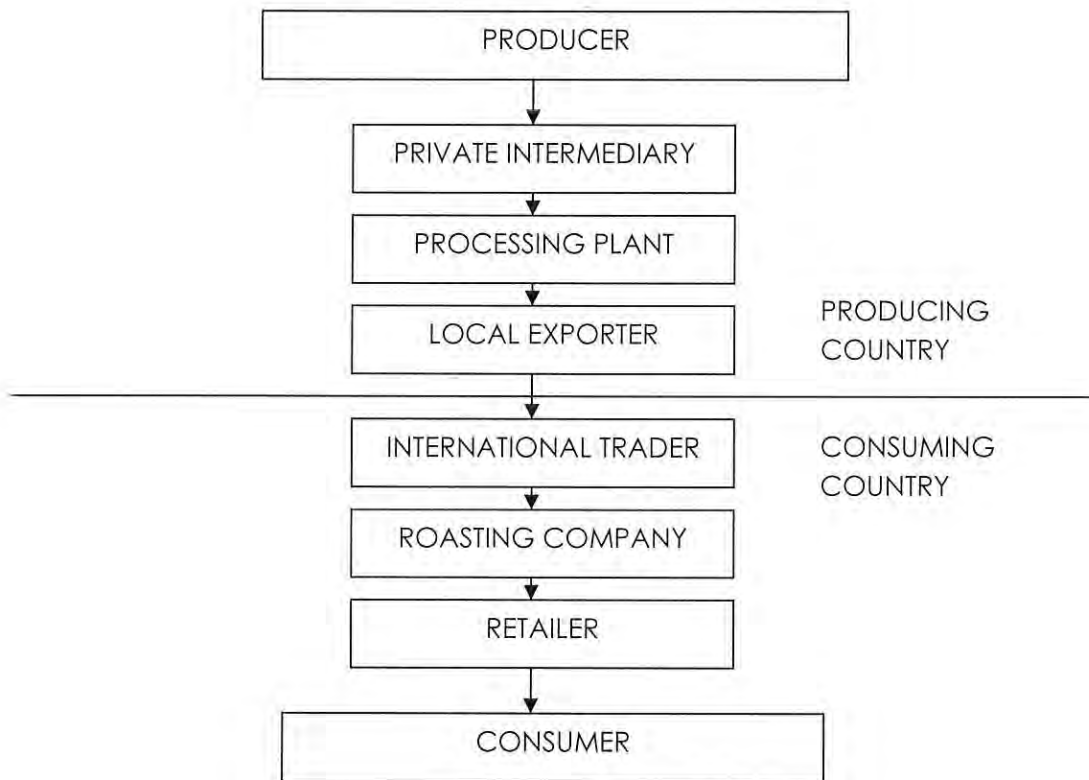
Attempts to alter these commodity chains in favour of primary producers (who are often found in developing countries) has occurred through numerous certification schemes that strive to establish 'special' status for raw ingredients and tap into lucrative niche markets in the West. Fair-trade and organic certifications are two such attempts that began in Europe and North America to promote grassroots development and environmental sustainability through fair and equitable trade. Under these certifications products such as coffee are purchased directly from producers in the developing world. In principles this reduces the marketing chain and offers a 'fair' price to producers. As a result of the perceived failure of the liberal market mechanism to bring about equitable benefits to the primary commodity producers in the developing world, certification is becoming the consumer standard for social responsibility in sourcing agricultural products (Nicholls, 2005).

The importance of primary commodities in the economies of many developing countries was highlighted by the collapse of international coffee prices in 2003, which severely affected

Ethiopia. As Africa's largest exporter, coffee accounts for approximately 60% of Ethiopia's export revenue and is one of the few sources of international exchange. As a result of the price drop smallholder farmers who are dependent on coffee production are facing an increase in poverty and hunger (Global Exchange, 2007).

Many non-agricultural stakeholders in private sector are increasingly taking part in commodity market with advanced processing technologies and highly efficient logistics in order to stay competitive in the world market which created high rift between the able and the small holder producer agricultural communities that are fragmented and scattered. The challenge is then on how to reverse the situation and create conducive environment to fight poverty.

**Figure 1:** The Coffee Commodity Chain



Source: Milford (2004)

In order to safeguard against price fluctuation such as this, the Oromia Coffee Farmers Societies Union (OCFSU) was established in 1999 to take advantage of Fair Trade and

organic coffee certification with the objective of improving the income of coffee farmers, improve and maintain the quality of coffee production on a sustainable basis, stabilize the local market and assist coffee producing communities in the provision of social services beyond the economic opportunities (OCFCSU, unpublished).

## **1.2 Statement of the Problem**

Coffee production represents the primary livelihood strategy for many smallholder farmers in Ethiopia and is crucial to the Ethiopian national economy. Strengthening the bargaining power of these producers in relation to the world market is therefore crucial to maintain the sustainability of peoples' livelihoods and environmental resources. Coffee certification has been the principal means of achieving this to date. However, the complexity of certification mechanisms, their reliance on cooperative formation to make them economically viable, and the tangible livelihood benefits (and disadvantages) remain poorly understood in the Ethiopian context.

In addition, there is no sufficient data and study on coffee certification in the country. This in turn made the possible potential, if any, of the scheme to be captured by the development agencies, and those frontlines in the process of poverty reduction.

This study therefore has a twofold purpose. The first is to offer a description of how certification actually works in practice – what resources are required, who is eligible and who is actually able to access the potential benefits. The second is to explore and analyze the livelihood impacts of those who have been able to access these schemes in comparison with those who have either chosen not to or have been unable to for various reasons.

As the largest coffee exporter in the Region, OCFCSU has also been able to gain various accreditations from a number of international bodies. As such, the livelihoods of farmers who have joined this umbrella body will be compared to those who have remained independent of the union. This will be achieved principally through the construction of value chains and analysis of the resultant livelihood implications. The potential benefits of Fair Trade and Organic certification for coffee are clearly stated. However, the main purpose of this study is to find out the process of certification, the criteria, the benefits and costs entailed as well as the efficiency of the cooperatives in practical situations.

It tries to answer the following questions:

- What and how of the process for Fair Trade and Organic certification?
- What are the criteria for certification?
- What are the advantages of certifications?
- What are the costs and disadvantages associated with certification?
- How widely is certification understood and appreciated by farmers?
- What is the relationship between certification and cooperative/union formation?
- Does the cost of certification necessitate cooperative formation?
- What implications does this have for smallholder farmers?
- How efficient are cooperatives in gaining the benefits from certification?
- How equitable is the distribution of certification revenues via the cooperative system?
- What is the perception of farmers towards the cooperatives?
- What are the impacts of certification on rural livelihoods?
- Has certification improved the livelihoods of smallholder farmers?
- What is their new status in relation to those who have not accessed certification schemes?
- Are there any problems associated with certification?
- Do those farmers who have gained certification feel that they now receive a fair price?

### **1.3 Objectives of the Study**

The main objectives of the study are:

- To investigate the impact of certification on the livelihoods of the coffee farmers in Oromia.
- To assess gaps in the process of certification and efficiency of institutions involved in coffee exports
- To examine the advantages and disadvantages of certification

### **1.4 Hypotheses**

The research is based on the following hypothesis

- Certified fair-trade and organic coffee has had a positive impact on the livelihoods of the poor and smallholder coffee farmers.

## 1.5 Significance of the Study

Coffee certifications is a relatively new approach focusing on poor coffee farmers in Ethiopia and the practices as not yet fully understood by development practitioners. This study therefore makes an attempt to contribute to the field and in the course of the research work identify areas that need the attentions of researchers so that the pros and cons will be understood and recommended to different commercial primary goods produced particularly by the poor agricultural dependent farmers. In addition to the contributions to the understanding of the new development the study also has the following main significances:

- Contribute to the policy debate concerning smallholders coffee producers in Ethiopia on certification.
- Provide basic information to institutions interested to promote certification so that they work towards efficiency.
- It initiates awareness of both coffee farmers as well as development agents involved in alleviating poverty especially on small coffee producers in Ethiopia to explore the opportunities of certification critically.
- Draw attention of those involved in promoting certification to revisit their strategy in order to fulfil their broad objectives.

## 1.6 Scope and limitation of the Study

By necessity the study is limited in coverage and duration. It investigates the livelihood impacts of certified fair-trade and organic coffee certification on smallholder coffee producers against non-certified ones. The case study has been undertaken in Oromia Region, Jima Zone, Maana *Woreda* cooperatives with the sample from certified cooperatives and non certified cooperatives to look into the impact of fair-trade and organic coffee certification.

The study will cover process of certification of fair-trade and organic coffee-the how and requirements, the cooperatives structures responsible for managing the certification, the advantages/benefits as well as disadvantages/costs of joining certification. It does not cover other certification than the two mentioned, i.e certified organic and fair-trade coffee.

## 1.7 Structure of the Paper

The paper is organized into seven chapters. Chapter introduces the essence of the topic under discussion while the second chapter explores available literatures related to primary commodity certifications with focus on coffee, the institutions involved in coffee certifications and in this case cooperative societies, the coffee crisis which severely impoverished the life of agriculture commodity dependent countries of the south. Chapter 3 deals with the methodology of the research. It sets out the methods involved to generate the data for the study, the methods of analysis and samples and sampling frameworks. In addition, the overview of the study area is briefly described in this chapter. Chapters 4 to six focus on the discussions of the main findings of the study undertaken at Mana *woreda*. In chapter 4 the socio-economic background of the respondents were discussed. Chapter 5 deals with coffee production which is the bases of the livelihoods of Mana *Woreda* farmers. In this chapter, the main coffee crisis that hit coffee farmers in the study area was also discussed. Related with coffee production and marketing, the cooperatives was also investigated. Finally the last chapter of the findings, chapter 6, deals with coffee certification and its impact on the farmers. Chapter seven concludes the paper and indicates areas for policy intervention as well as the potential researchable issues that emerged during the study.

## CHAPTER TWO

### REVIEW OF THEORETICAL AND EMPIRICAL LITERATURE

#### 2.1 Conceptual and theoretical underpinnings of Coffee certification

Most of the population in developing countries depends on the production and export of “primary commodities” where agricultural commodities play a significant economic role particularly in least developed countries. As a result, the economic and social development of these countries remains dependent on world commodity market changes (Maizels, 2000). During the 1960s and 1970s there was an unprecedented convergence of interests in promoting ‘healthy’ agro commodity-based economies in developing countries. The Northern countries were motivated by political, geo-political and economic interests which reflected in them an interest to consolidate capitalism in the South, against the Cold War. Geo-politically they were interested to guarantee access to supplies of what were often at the time regarded as ‘strategic’ goods. However, after the cold war ended the price of major commodities shapely felled particularly that of coffee. This has been a major factor in the rise of the foreign debt of commodity-exporting countries. This phenomenon further limits their growth prospective and undermines their efforts at domestic policy reform, debt streamlining and external resource mobilization. The commodity complications of developing countries “have, however, received little, if any, attention in international forums for the past two decades. It would now seem timely for this issue to be given serious consideration by the international community” (Gibbon, 2003).

The emergence and objective of alternative trade is to offset the organization of production and trade around “abstract market principles which devalue and exploit” disadvantaged peoples and the environment, particularly in developing countries of the south. Alternative trade initiatives seek to address the commodity trade flow within ecological and social” relations, thus challenging the dominance of conventional price relations in guiding production and trade” conditions (Raynolds, 2000). In their effort to reveal the relations masked by the commodity form and counter the discipline imposed by the “capitalist market”, alternative trade pursues a project which is consistent in many ways with Marxist and Ecological Marxist approaches (O’Connor, 1998, cited in Raynolds, 2000 ).

The Fair Trade movement has emerged out of a variety of European initiatives seeking to alleviate poverty in the South through an approach of ethical trade “not aid”. The core of the trade movement was in pursuant to change international commodity trade relations in such a way that “disadvantaged producers can increase their control over their own future, have fair and just return for their work, continuity of income and decent working and living conditions through sustainable development” (Fair-trade Federation, 2000).

The emphasis being on cooperative management and organizational structures, Fair Trade requires people in the “coffee supply chain to work to transparent terms of trade and to guarantee decent production conditions”, at the same time as addressing some of the key obstacles that prevent poor farmers from accessing markets. These include measures such as partial pre-financing to small farmers to avoid small producer organizations falling into debt, payment of a premium to producers, contractual commitments that allow farmers to make provision for long-term production planning, and the guarantee of social and environmental conditions that reflect International Labour Organization conventions on working conditions. (Gresser and Tickell,2002).

The certified organic and fair-trade coffee movements are founded on two “distinct philosophies: one environmental; the other social justice”. However, fair-trade, which is based on social justice as pointed out, considers the environmental issues, too. Both approach converged. Over the past two to three years, Fair-Trade Labelling Organization International and its member organizations have recognized the importance of “ecological well being”. Groups must have a work plan that shows they are working to reduce the negative environmental impacts of production and processing their coffee (Rice, 2000).

## **2.2 Coffee Crisis and Impoverishment of Small Coffee Farmers**

It is over 1100 years since coffee was mentioned in the literature by Rhazes (900 AD) but its discovery has remained unrevealed. However, stories from ancient tell that “a young Abyssinian goatherd named Khldi, noticed to his amazement that, after chewing the bright red berries from a tree, the goats pranced in unusually frisky manner. He too tried the berries and enjoyed their stimulating effect” (Ministry of Coffee and Tea Development, 1987)

Coffee is grown in Ethiopia in the warm areas without frost or sudden shifts in temperature. It also needs plenty of rain according to Milford (2004) which explains why it is grown in the tropics. Being the birth place of coffee, as ancient legends states, Ethiopia grows coffee Arabica which has mild taste. The plant is more fragile which is best grown in warm tropical zones.

“If globalization is to work for the poor – if trade is to work for the poor – then the coffee market cannot fail the poor in the way it is doing at present. It does not have to be this way” (Gresser and Tickell, 2002).

It is “estimated that over 125 million people worldwide are dependent on coffee for their livelihoods (Osorio, 2002)” and according to Gresser and Tickell (2002) the Figure is about 50 of the developing countries with 20 million households that produce coffee and depend on it for their livelihoods as well as sources of cash income. These authors identified the economies of some of the poorest African countries in those highly depend on coffee trade. This dependency is particularly high in “countries like in Uganda, where the livelihoods of roughly one quarter of the population are in some way dependent on coffee sales. In Ethiopia, coffee accounts for over 50 percent of export revenues, while in Burundi the Figure is almost 80 percent. It is also one of the few primary commodities that are internationally traded, which is mainly produced not on” large plantations, but on smallholdings farmed by peasant households”.

The price poor farmers get for their coffee has collapsed. The quoted price, for Arabica coffee on the New York Coffee, Sugar and Cocoa Exchange, dropped below US\$1 per pound briefly only once “during the 1980s, and in both 1977 and 1997 it peaked at over \$3 a pound during Brazilian frost scares. But in 2001 it fell to 42 cents a pound” (Oxfam GB, 2003).

Oxfam GB and researchers in the field of coffee study made an extensive and wide assessment on the impact of coffee crisis underlining the resultant calamities on small coffee farmers in poor countries. According to Gresser and Tickell (2002), Osario (2002), and Oxfam GB (2003) the price paid to farmers for their coffee – for both Robusta and Arabica – has fallen abysmally low. In 1997, it started on “a steep decline, hitting a 30-year low at the end of 2001”.

During the coffee crisis of 2001 Ethiopia’s export revenue coffee fell from 42 percent, from \$257m to \$149m, in just one year. In Uganda, where roughly one-quarter of the population

depends on coffee in some way, while the volume of coffee exported remained the same for eight months to June 2002, the earnings from the same declined by about 30% (Gresser and Tickell, 2002).

Ethiopia is one of the poorest countries of the world, earning per capita of US\$100. It is also the country where coffee originated according to ancient legends. The southern coffee growers of Ethiopia was once known as prosperous places to which people migrated when there were famines in other Regions. But now, “as another famine threatens to take hold, people in Regions like *Kafa* (from which coffee took its name) and Hararghe are among the worst affected” (Oxfam GB, 2003).

In the situational assessment undertaken by Oxfam/UK between the 1997/98 being a peak year for coffee prices but during the year 2000/01, the value of Ethiopia's coffee exports fell 58%, from US\$420m to \$175m. This “coincided with a 48% fall in the terms of trade with the rest of the world. “In 2001, Ethiopia had to sell nearly \$2 worth of goods abroad to buy the same as \$1 worth had bought only three years previously”. Despite this pitfall, official aid from western countries to “Ethiopia fell from \$883m in 1995 to \$693m in 2000” (ibid).

The coffee business in developed countries is usually supposed to be prosperous and undisputable. Gresser and Tickell (2002) pointed out that the business with the world's four largest roasters-Kraft Foods, Nestle, Procter & Gamble, and Sara Lee is always at boom. Osorio(2002) states that at the during the same time when the price for coffee fell causing immense hardship to countries where coffee is a key economic activity, as well as to the farmers who produce it (Osorio, 2002).

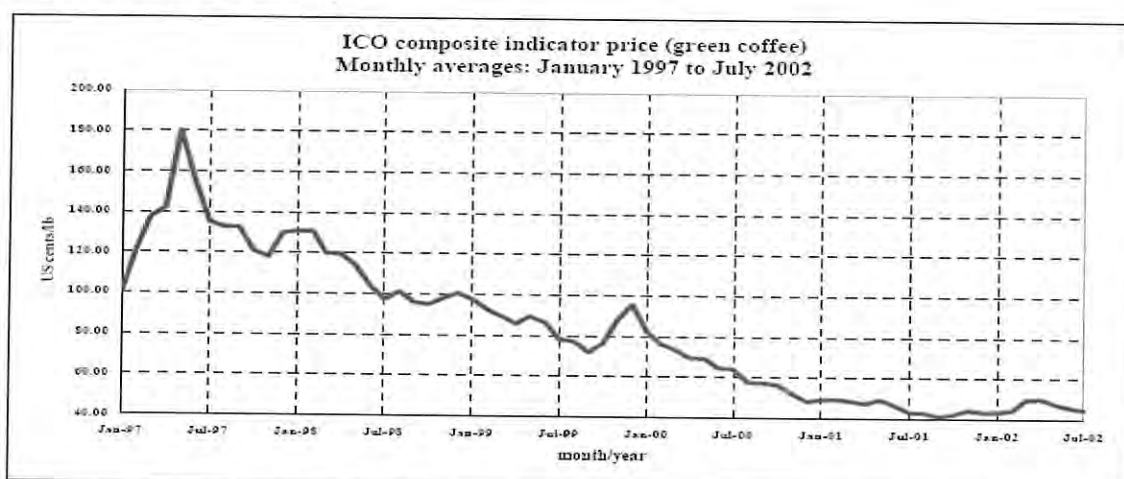
The four coffee roasters, Kraft Foods, Nestle, Procter & Gamble, and Sara Lee, control the major coffee brands: Maxwell House, Nescafé, Folgers, and Douwe Egberts. Nestlé's instant coffee – 3,900 cups of which are drunk every second – makes such healthy profits that “one investment analyst described it as the ‘commercial equivalent of heaven’”. While the business in coffee is as lucrative, in contrast those producing counties dipped into unimaginable crisis. The share of final prices received by farmers for unprocessed ‘green beans’ has fallen drastically, from “64 per cent of the US retail price in 1984 to just 18 per cent of that price in 2001”.Oxfam research in 2002 discovered that Ugandan coffee farmers got just 2.5 per cent of the retail price of their coffee sold in the UK. Yet meanwhile, the international companies

which dominate both trading and roasting of coffee make giant profits. Nestlé's operating margin on instant coffee was estimated at 26-30 per cent of the final retail price (Oxfam GB, 2001).

During early 1990s earnings by coffee producing countries were US\$10-12 billion and the value of retail sales of coffee in industrialised countries, about US\$30 billion. In 2001 the value of retail sales exceeds US\$70 billion but coffee producing countries only receive US\$5.5 billion. Prices on world markets, which averaged around 120 US cents/lb in the 1980s, are now around 50 cents, the lowest in real terms for 100 years (Osorio, 2002) Producers in developing countries have suffered not just from low prices but also from an increasingly unequal distribution of the wealth generated by the coffee trade. This is the result of corporate practices that seek to convert low prices into expanded profit margins, and of domestic market reforms that have deprived producers of the marketing and infrastructure support they need. "In 1997 world coffee sales reached US\$43 billion. But while developing countries produced the raw material on which this wealth was built, they received less than one-third of the total revenue" (ibid).

Between 1962 and 1989, overproduction was moderated by the International Coffee Agreement, which encouraged participating countries to stockpile coffee surpluses to keep prices high. When the agreement was collapsed in 1989 prices dropped. After a few price rises in the 1990s due to frosts in Brazil, coffee price dropped and reached the lowest in 100 years by 1999. The following figure indicates the trend in coffee price fall.

**Figure 2:** Coffee price drop



Source: ICO, [www.ico.org](http://www.ico.org),

The coffee crisis affected 25 million coffee producers around the world. Developing-country coffee farmers, the majority of whom are poor smallholders, now sell their coffee beans for much less than they cost to produce. Since coffee is a perennial crop it difficult to switch to an alternative when prices are against the coffee farmers. According to Oxfam coffee crisis assessment report, the revenues that are derived from the sale of coffee are used to buy food items that cannot be produced on the farm, to cover school fees for children as well as health care, and to meet other cash needs. Families dependent on money generated by coffee are, therefore, pulling their children, particularly girls, out of school, can no longer afford basic medicines, and are cutting back on food. Beyond farming families, national economies are also suffering. "Coffee traders are going out of business; some banks are in trouble, and governments that rely on the export revenues that coffee generates are faced with dramatically declining budgets for education and health programs and little money for debt repayment" (Gresser and Tickell, 2002).

*The case of Ethiopia, where the first coffee crop originated, illustrates the problem. After years of war and repeated droughts, the country is now among the poorest in the world. Coffee is an integral part of the national economy and society. More than 700,000 households are involved in its production, and the livelihoods of 15 million people depend in part on the coffee economy. The crop accounts for about two-thirds of export revenues. However, Ethiopia has lost almost US\$300 million in export revenues over the last two years as a consequence of the slump in prices, an amount equivalent to half the country's annual export earnings. In Uganda, export revenue losses over the last five years are equivalent to half of the debt relief provided under the Highly Indebted Poor Countries (HIPC) initiative. (Oxfam GB, 2001:4 )*

The major underlying cause identified for the coffee crisis is the fact that production has been rising at a rate significantly faster than consumption. The International Coffee Agreement, which encouraged participating countries to stockpile surpluses, had helped control overproduction and maintain higher prices starting in 1962 (MacDowell, 2005). Gresser and Tickell(2002) underlined that "the aim was to keep the price of coffee relatively high and relatively stable, within a price band or 'corset' ranging from \$1.20/lb to \$1.40/lb". When this agreement collapsed in 1989 and quotas were removed, production slowly began to increase. According to Osorio (2002) total production in coffee year 2001/02 (October-September) is estimated at around 113 million bags (60-kg bags) while world consumption is just over 106 million bags. On top of that, world stocks amount to some 40 million bags". Coffee production

has been rising at an average annual rate of 3.6%, but demand has been increasing by only 1.5%. At the origin of this coffee excess lies the rapid expansion of production in Vietnam and new plantations in Brazil, which is harvesting a record crop in the current season. As coffee is the economic lifeline for most of the poorest developing world, it is argued that the "coffee crisis has led to an increase in poverty, social unrest, illegal drug cultivation, rural unemployment, and emigration" (MacDowell, 2005).

It is in response to such crisis that governments, nongovernmental organizations, and coffee consumers are working to boost the price for producers. Certification programme is one of the actions taken to ameliorate the situation. Certification allows farmers to "fetch higher prices for their coffee as long as they meet environmental or social requirements". Consumers in the developed world are beginning to become aware of the environmental advantages of low-intensity production and increasing numbers are prepared to pay a premium for coffee or other crops from such systems (ibid).

Families have no money for schooling and medical aid, some unemployed coffee pickers no house and famine has returned to some coffee Regions. In contrast there is more money than ever before is being earned from the sale of coffee products in the western consumer market. In addition, most small producers have great difficulties to claim a proportional share of the world market price for themselves. "They lack capital and do not have sufficient insight or negotiating power to influence the market to their benefit. Usually, they sell their coffee immediately after the harvest" (Eshuis and Harmsen, 2003).

## **2.3 Fair-trade and Organic Coffee Certification and Cooperative Societies**

### **2.3.1 Fair-trade Coffee Certification**

#### **2.3.1.1 What is fair-trade?**

As mentioned in Pay & McAdam (2004) and Oxfam America (2007) the International Federation for Alternative Trade (IFAT) defines and highlights fair-trade as follows:

*Fair-trade is a trading partnership, based on dialogue, transparency and respect, which seeks greater equity in international trade. It is a trading relationship that promotes sustainable solutions to poverty reduction, which take into account community development, gender equity, and protections for the environment. Fair trade means that producers receive a fair price for*

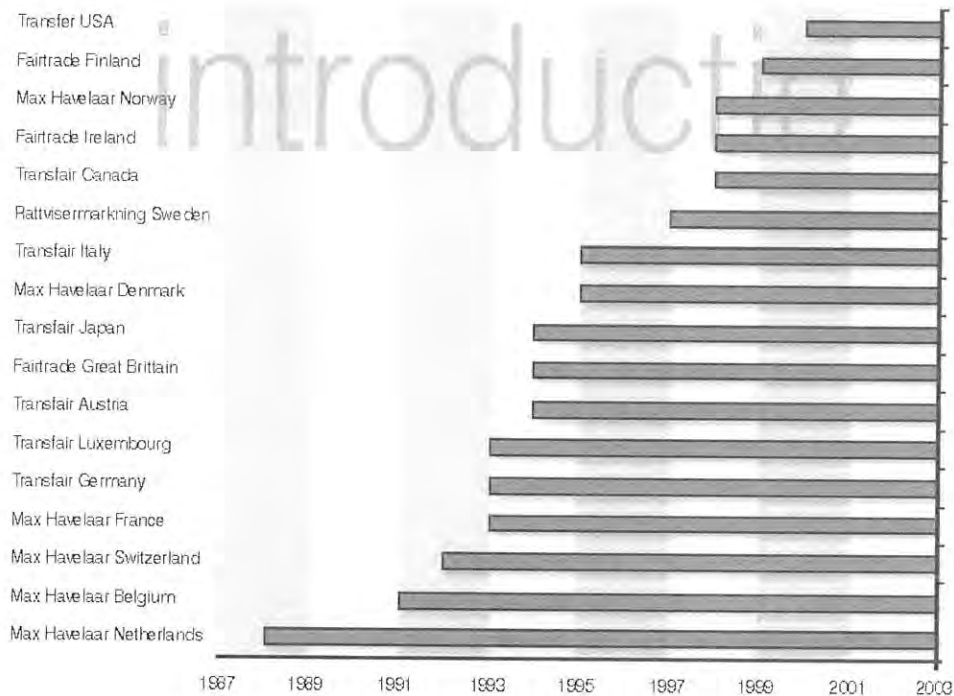
*their product. But fair trade goes beyond a simple economic transaction; it proves that greater justice in world trade is possible. It highlights the need for change in the rules and practice of conventional trade and shows how a successful business can also put people first.*

### **2.3.1.2 Brief History of Fair-trade**

In 1960s there were different initiatives in Europe to find means and ways to improve “North South links” through strategy of “trade and not aid” where fair-trade was conceived during conferences held by UNCTAD (Rice, 2000; Raynolds, 2000). According to Godman (2006) in the 1970s European and American aid organizations began to import handicrafts “social justice underpinnings”, which gave rise to the development of fair trade. Godman further noted those early activist groups which include Max Havelaar (Netherlands), Oxfam and Tradecraft (United Kingdom), Ten Thousand Villages (US), and GEPA (Germany) where the initial and continuing idea has been to “develop trading relationships that give poor farmers opportunities to enter markets under favourable conditions and move out of poverty”. According to Raynolds (2000) fair trade movement “criticizes the injustices inherent in the world economy and tries to transform North/South trade from a vehicle of exploitation to one of sustainable development”. Alternative trade organizations imported fair trade products, which were sold to socially conscious consumers in Third World shops throughout Europe. By creating consumer/producer “solidarity “links, fair trade aims to integrate the production and marketing of major agricultural and non-agricultural exports from countries of the South in more fair and social relations. “As described by one major fair trade group, the central goal of fair trade is to ‘change international commercial relations in such a way that disadvantaged producers can increase their control over their own future, have a fair and just return for their work, continuity of income and decent working and living conditions through sustainable development’”(Fair-trade Foundation, 1999). In the late 1980s, European alternative trade organizations began labelling fair trade products to facilitate their entry into conventional markets (Raynolds, 2000).

According to Pay and McAdam (2004) the fair-trade as a concept was existed for over forty years. During this time, the Northern NGOs and aid organizations come up with the idea of equitable trade relationships rather than aid to the south and to create a beneficial trading partnership between “socially aware consumers in developed countries” and “marginalized small-scale producers in developing countries”.

**Figure 3: Launch of Fair-trade labels worldwide**



**Source:** Eshuis and Harmsen, 2003

Rice (2000) pointed out that coffee was first introduced into fair trade in 1988 when Max Havelaar mark was established in 1988 in the Netherlands. According to the author with other commodities moved within the FT community (cocoa, honey, sugar, etc.), the focus is on growers receiving a fair price for the coffee they produce. A “floor price” of \$1.26 per pound has been established for the higher-quality washed Arabica.

### **2.3.1.3 Fair-trade certification: Process and conditions**

The standards of fair trade have been incorporated into initiatives like Max Havelaar, TransFair, and Fair-trade, that were united under the umbrella NGO known as Fair-trade Labelling Organizations (FLO) International in 1997 (Goodman, 2006). The organization was charged with harmonizing the somewhat different fair trade standards and creating a single fair trade market. FLO currently represents 14 European member countries (6 Max Havelaar

affiliates, 4 Fair-trade Mark affiliates, and 4TransFair affiliates) as well as fledgling TransFair organizations striving to foster fair trade in the United States, Canada, and Japan (FLO, 1999).

According to Pay and McAdam (2004) and Goodman (2006) FLO standards involve:

- A guaranteed price floor for all commodities—the minimum price for a pound of coffee is \$1.26 which covers the cost of production and producers' livelihood support;
- A 'social premium' of 10% or more (\$.05 for coffee) is tacked on to pay for community development such as new schools;
- Transparent and long-term trading contracts so communities might invest in new production techniques;
- Access to credit to smooth income streams; and
- Shorter supply chains to reduce intermediaries and permit farmers to capture more of the value of commodities.

Pay and McAdam (2004) underlined that FLO standards in general must cover the following:

- The producer – both in terms of a minimum requirement which producers must meet to be certified Fair-trade, and a progress requirement, to encourage continued development in working conditions and product quality, environmental sustainability and investment in producers/workers.
- The trading relationship, ensuring that traders pay enough to cover the cost of sustainable production and a premium for investment in development, that partial advance payment is available and that contracts allow for long-term planning.
- Product specific issues such as minimum quality, price, and processing requirements.

According to Oxfam America (2007) to obtain fair trade certification, a product must meet certain strict criteria which are independently monitored. There are seven central principles to fair trade:

- Producers receive a fair price for their product or labour;
- No forced labour or exploitative child labour, and working conditions are healthy and safe;
- Producers and buyers develop direct, long-term relationships;
- Producers have access to credit and technical assistance;
- Sustainable and environmentally-friendly techniques are encouraged;

- Equal employment opportunities for all are provided;
- Workers and producers are organized into cooperatives or associations that are transparent, accountable and democratic.

In a nutshell Rice (2000) summarized the criteria to be met that the “producer group must consist of small growers who depend upon family labour to produce their coffee”. The group must be organized and operated along democratic lines. Moreover, the organization must be “politically independent, be open to accept new members, and not practice discrimination on the basis of sex, religion, politics, or race “.

Then FLO certifies that the standards are being adhered to by undertaking audits at each stage in the “commodity chain”. After this certification, the ‘Fair-trade’ logo can be used on the packaging of all commodities deemed as fairly traded. This logo is important as it demonstrate to consumers the ‘fairer’ conditions under which a particular commodity was produced and differentiates these products on supermarket shelves (Goodman, 2006).

Although currently the international market for Fair Trade products represents only a minor share of global trade, it is growing rapidly. “The world market for Fair Trade products is currently valued at US\$ 400 million, with sales growing at close to 30 percent per year” (Fair Trade Foundation, 2000). Coffee, the first labelled commodity, remains the backbone of the Fair Trade system (Raynolds, 2002).

Fair trade standards set by the Fair Trade Labelling Organization (FLO) is attached as annex for detailed review.

## **2.3.2 Organic Coffee Certification**

### ***2.3.2.1 Concept of organic coffee***

The fundamentals of both certified organic and fair-trade coffee is against the historical concerns of coffee production and trade. In fact, the intentions are opposed to the central issue of “increasing yields” at all costs and the historical lines of commercialisation of coffee from tree to cup. While the fair trade choice is obvious, the organic option can be more confusing. Small growers choosing to “go organic” hardly do so for the benefit of the environment or because they have suddenly seen the agro ecological light although, once they employ organic

techniques, these reasons do emerge. Rather, organic methods represent a path toward increased productivity without dependence upon input substitution. “The premium paid for organic coffee is also a key attractor” (Rice, 2000).

Although there is no one definition of organic agriculture, there is general agreement that this represents a system of farm management based on natural methods of enhancing soil fertility and resisting disease, rejection of synthetic fertilizers and pesticides, and minimization of damage to the environment and wildlife (Raynolds, 2000).

Northwest Shade Coffee (1999) defines the concept of organic agriculture as:

*Ecological production management system that promotes and enhances biodiversity, biological cycles and soil biological activity. It is based on minimal use of off-farm inputs (such as fertilizers, pesticides, and herbicides) and on management practices that restore, maintains and enhances ecological harmony. Organically grown coffee mitigates the threat to the health of coffee growers and workers since it eliminates pesticide poisoning of people and animals and keeps fertilizers out of the ground water.*

#### **2.3.2.2 Organic Coffee Certification Standards**

To get certification, organic coffee is grown using methods and materials that have a low impact on the environment where as the organic production systems replenish and maintain soil fertility, reduce the use of toxic and persistent pesticides and fertilizers, and build biologically diverse agriculture. “Third-party certification organizations verify that organic farmers use only methods and materials allowed in organic production” (Rice, 2000).

The international organic agriculture movement emerged some 40 years ago with the diverse initiatives in the United States, Europe, and other countries of the North that “criticize the unsustainable character of industrial agriculture and the unhealthy nature of agro- industrial foods. These initiatives seek to create a healthier and more sustainable agro-food system” by integrating crop and livestock production in “organic” or “ecological” processes (Raynolds, 2000).

In 1972 the International Federation of Organic Agriculture Movements (IFOAM) was founded in Germany which has further consolidated an international organic industry standard. It is a powerful advocacy group promoting: “a holistic approach to the development of organic

farming systems including maintenance of a sustainable environment and respect for the needs of humanity” (IFOAM, 1999). The organization has over 600 member organizations in 100 countries, including organic producers, processors, and distributors. IFOAM has established a set of “detailed agro-ecological requirements which must be satisfied for products to be certified as organic”.

According to Raynolds (2000):

- Planting material must be chemically untreated and free of genetically modified organisms; soil building must be based on natural processes;
- Synthetic herbicides, fungicides, and pesticides are largely prohibited; and land clearing by burning must be regulated.

Raynolds further noted that IFOAM has recently added standards which stipulate that producers must maintain basic human rights and labour conditions. “IFOAM certification requires a conversion period of at least a year and involves an initial inspection of the farm enterprise, followed by annual inspections by independent monitors”.

The International Federation of the Organic Agriculture Movement (IFOAM, 1996) considers that a crop can qualify as organic only when it can be proved that active use has been made of various organic production techniques such as:

- Terracing, contour planting, soil covers, and mulching to prevent erosion.- Increase of organic matter by using legumes or shade-tree residues.
- Soil activation by correcting the pH (degree of acidity).
- Use of clones or seedlings resistant to pests and diseases.
- Regulation of the microclimate and improvement of the ecological diversity to control pests and diseases.
- Return of nutrients removed by using a mineral balance calculation.

Basic standards and international guidelines for certification derive from the International Federation of Organic Agricultural Movements (IFOAM), a group best described as the “certifier of the certifiers.” Independent inspectors go into the field to determine whether a farm can be certified as organic (Rice, 2000).

In order for coffee to be certified and sold as organic it must be produced in accordance with standards for organic production and certified by an agency accredited. The main criteria include that stated by the IFOAM; accordingly, it must have been grown on land without synthetic pesticides or other prohibited substances for three years. There must have been a sufficient buffer between the organic coffee and the nearest conventional crop. The farmer must have a sustainable crop rotation plan to prevent erosion, the depletion of soil nutrients, and control for pests (ibid).

Because organic coffee is marketed as differentiated from other beans without reference to physical attributes, there must be a way for consumers to verify the claims of companies selling coffee labelled organic. The most widely used way of ensuring organic claims is through third party certification. Third party certifiers have evolved to audit and verify claims of organic producers using various related sets of criteria. As the market for organic products continues to grow, a consolidation of labels is underway (Rodriguez and Epperson, 2001).

#### *2.3.2.3 Organic Coffee producing countries and its current market share*

Major countries producing organic coffee Bolivia, Brazil, Cameroon, Colombia, Costa Rica, Cuba, Dominican Republic, East Timor, Ecuador, El Salvador, Ethiopia, Guatemala, Haiti, Honduras, India, Indonesia, Kenya, Madagascar, Malawi, Mexico, Nicaragua, Papua New Guinea, Peru, Philippines, Sri Lanka, Sumatra, Tanzania, Thailand, Togo, Trinidad and Tobago, Uganda, and Venezuela. The United States grows organic coffee in Hawaii. The leading producers include Mexico, Costa Rica, Guatemala, Nicaragua, and Peru (Rice, 2000).

Globally, organic coffee represents about 0.6 percent of the coffee sold in the major consuming countries, according to estimates from The World Bank. Organic coffee consumption reached 700,000 60-kg bags (42,000 metric tons) for major coffee-consuming nations in 2003 (ibid).

The International Coffee Organization (2000) estimated that the retail organic food and beverage market in Denmark, France, Germany, the Netherlands, Sweden, Switzerland and the United Kingdom, the seven countries that were studied, was worth some US\$11 billion. The Centre also stated that according to preliminary estimates, the Japanese and USA retail markets were worth some US\$13 billion in 1998.

#### *2.3.2.4 What are challenges in organic coffee certification?*

For small-scale farmers, the transition to organic practices is often relatively straight forward since many cannot afford expensive chemical inputs in the first place and most can immediately recognize the benefits of the premium price for organic coffee once it is certified. Nonetheless, the cost for certification is expensive but can be mitigated through joint ventures through farmer cooperatives (Bray, 1997). International Coffee Organization (2000) also admits the challenge in getting certification as the costs and the demands in terms of know-how and available manpower that are involved.

Producers are responsible for the cost of inspection and certification. Inspection fees range between \$300 and \$500 per day, depending upon who conducts the inspection. In addition producer also pays transportation costs. A certification fee is charged, usually calculated on the bases of production and amounting to 0.5% of gross sales. “The costs of inspection and certification are borne by the grower or the producer cooperative, an arrangement that allows for well-organized groups to afford the costs” (Rice, 2000).

### **2.3.3 The Role of Cooperative Societies in Coffee Certification**

#### *2.3.3.1 Concept of producers cooperative*

While the impact of globalization is positive for the Northern, its side effect damaged the South particularly smallholder farmers which are potentially the engines of rural economic growth. Smallholder farmers depend largely on family labour to cultivate a mix of subsistence and commercial crops on small to medium sized farms. “In many countries, increasing the incomes, output, and productivity of small-farms is the cornerstone of rural development strategies”. However, the volatile commodity prices, market liberalization and “unfair trade policies” threaten their already fragile livelihoods. In addition, the ability of small holder famers is hindered from the more lucrative Regional and international markets by lack of access to markets, high transaction and transport costs and lack of market information (Myers, 2005).

Different terms are applied by writers and planners for collective action among farmers. Some call them “farmers groups, farmers associations, farmer-controlled enterprises, economic interests group, and producers’ organizations” which are not cooperatives in the “legal sense”. The International Cooperative Alliance (ICA), the forerunner organisation of

the international cooperative movement defined cooperatives in more “commonly accepted” concept as: an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (Myers, 2005).

The International Cooperative Alliance (2004) cited in Myers (2005) identified the main themes of cooperative that are “embodied” in the concept of social capital to be: participation, empowerment, poverty alleviation and collective action. The return to cooperatives as instruments of rural development can in part be attributed to the recently popularised concept of social capital. ICA also identified seven driving principles of a cooperative. These are

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Cooperation among Cooperatives
7. Concern for Community

#### *2.3.3.2 Relevance of cooperative in the poor agricultural dependent economies and the challenges*

Various studies on cooperatives in Ethiopia shows a better trend and how independent farmers’ cooperatives with good management can play a vital role in “setting a floor price for coffee”. Cooperatives can also help shorten the coffee value chain by cutting some of the intermediaries and gain access to “high-value export markets”. The result can be higher returns to individual farmers, plus the funding of important community services. However such public-policy decision to consolidate “such structures should address the fact that restrictions on women’s participation in cooperatives may leave them less able to take advantage of the opportunities to capture value that cooperative membership can offer” (Gresser and Tickell, 2002).

Cooperative is relevant to Sustainable Development and even more so when one considers the concept of “Sustainable Human Development”. As organisations producers, co-operatives are help members to meet their economic and social needs; as democratic and participatory organisations, it helps to encourage equity and equality; as economic organ, it provides

members with commercial services. “As locally rooted institutions, they reflect their communities’ concern with social justice and the environment” (Myers, 2005).

Numerous evidence indicate that cooperatives enable farmers to achieve economies of scale, bargaining power and capacity to invest in more advanced stages of the value chain including storage, processing, marketing and distribution. As transaction costs are reduced, relationships with commercial enterprises can be built through mutually beneficial arrangements. In addition, as community institutions, cooperatives devolve decision making to the community level, build social capital, community spirit and pride (Reynolds, 1998). The shared spirit of cooperation and empowerment may lead to engagement in larger projects such as reconstruction of schools or health facilities.

When bad debt raises the prospect of getting new credit shrinks leading to predicament on rural credit. The consequence of shortage of credit from institutions force cooperatives members to turn to “local traders” (Gresser and Tickell,2002). These authors noted the statement of Mohammed Indris, a coffee farmer in Ethiopia who said, “the cooperative purchases keep the price up. Last year, the cooperative was not able to buy red cherry as it had financial difficulties. When the private traders realized this, they dropped their prices from US\$0.11 cents/kg to \$0.06/kg”.

### 2.3.3.3 *Cooperative in Ethiopia*

According to study conducted by Bernard et al., (2006):

*Traditional farmer’s organizations have a long history in Ethiopia, in particular through work groups (Jige, Wonfel) and rotating credit groups (Iquib). However, starting forty years ago, modern cooperatives have emerged and evolved under the impulse of the successive governments: during the imperial ruling period, cooperatives were created to support agricultural production for export purposes. Their members included farmers with large landholdings, while smallholders were excluded (12).*

During the *dergue* regime, cooperatives were widely established to organize the peasants, “monitor agricultural prices, levy taxes, extend government control at the local level, and promote socialist ideology through forced participation”. However it did not take the farmers longer to understand the intentions of the ruling party who appoint board of directors and

managers to exert its oppressions. This system collapsed with the downfall of the regime (Bernard et al., 2006).

*Since 1994, the Federal government of Ethiopia has expressed renewed interest in cooperative development to support smallholder's participation to market. In the Sustainable Development and Poverty Reduction Programme (SDPRP, 2002) the main measures proposed for the agricultural sector was "to organize, strengthen and diversify autonomous cooperatives to provide better marketing services and serve as bridge between small farmers (peasants) and the non-peasant private sector". This thrust has continued into the current poverty reduction strategy, which explicitly emphasizes the need to support producer cooperatives as a means of strengthening and empowering smallholders' market participation in the liberalized market environment (ibid: 12).*

#### **2.3.3.4 Challenges to the viability of cooperatives**

Myers (2005) indicated that "corruption, mismanagement and elite capture have been cited in the literature as intrinsic barriers to the success and efficiency of cooperatives". As a result, emphasis has been placed on building transparent, accountable structures in modern cooperatives. The other challenges indicated by same author to cooperatives viability are lack of capital and poor financial flow, poor accounting and management skills in cooperatives while in some countries, the government still maintains a dependency relationship with cooperatives. In others, cooperatives are heavily dependent on NGOs for credit, training and other technical support.

Fulton (1999) argues that agricultural cooperatives around the world are facing major structural challenges as they respond to a more "industrialized agriculture, globalization, and freer trade". The legacy of past problems and more recent challenges including conflict, HIV/AIDS, rural poverty, underdevelopment, and unfair trade policies plague modern-day cooperatives in developing countries, threatening their ability to survive as viable commercial enterprises. Newly revived cooperatives are operating in an environment characterized by declining terms of trade, lack of market access, and unjust agricultural trade policies.

*The cause of new rural cooperative crisis in the Third World has much to do with the very different origin of rural cooperativism in these countries. In the North, in Europe, the United States and Canada, cooperatives and other rural people's self-help organizations were*

*established in the last century as farmer-initiated and-financed self-help actions, with government playing little or no role. By contrast, in LDCs this largely was not the case. Colonial governments were the main actors involved and cooperatives were seen more as government-driven instruments of colonial policy more than as independent, farmer-controlled and -financed self-help organizations. While these "pseudo-cooperatives" proved reasonably effective structures for mobilizing rural people to achieve certain government identified and financed initiatives, they tended to be controlled by government managers or local rural elites and broad-based member participation was low as was their business performance. Farmers frequently referred to them as "organizations belonging to government" rather than as their own organizations (Rouse, 1996, 4).*

## **2.4 Empirical findings**

Coffee is one of the most important agricultural commodities in the world trade and now faced with downward drop in price. In 1980s the average coffee price was about US cents 120/lb but dropped to about 50 US cents /lb in 2001/2 (Karanja and Nyoro, 2002).

Coffee is the most important cash crop for Africa and primarily meant for export. A number of African countries even those with a low share of the global export market rely on coffee for a high proportion of their export earnings. In five Africa countries, coffee exports in 1996-98 represented more than 50 per cent of agricultural export earnings and more than 20 per cent in nine countries. In three of these countries, coffee exports represented more than 50 per cent of total merchandise exports, and in eight countries more than 10 per cent. The East African export also follows two differing models before market liberalization. Kenya and Tanzania had auction systems for exports. In Uganda, exports were arranged by the marketing board. In Kenya, until the mid-1980s, the majority of the shares of export companies could not be formally owned by non-Kenyans. Therefore, international traders and roasters could not fully integrate vertically into the export sector, but had to resort to joint ventures or contractual relationships with local companies (Ponte, 2001)

The current coffee crisis has brought the economic situation of coffee producers to the forefront of media and policy discussions. According to a rough calculation done by the United Nations Conference on Trade and Development (UNCTAD) secretariat, between 1999 and 2002, producing countries earned US\$19 billion less in revenues than if prices had remained at their 1998 levels. For the small farmers that account for approximately 70 per cent of coffee production, declining prices has a direct impact on overall household revenues

and access to basic needs. Declining prices are also associated with declining job quality and security for employees serving plantations, many of whom represent the poorest section of the population serving the coffee supply chain. Although low prices on the world market are one of the most important determinants of economic sustainability in the coffee sector at present, they form part of a larger web of economic constraints generally facing coffee producers. The damaging effects of long-term declining terms of trade facing coffee producers are exacerbated by significant price volatility. Over the past several decades, global export revenues from coffee have fluctuated between \$5 and \$14 billion per annum. Price volatility together with rigidities of production and the consequent distribution of costs, make it extremely difficult for coffee producers and policy-makers alike to determine optimal production strategies (IISD, 2004).

Coffee is ranked fourth in Kenya after tourism, tea and horticulture, which accounts for 10% of the total export earnings in 2000 and 6% in 2001. Over 600,000 smallholders are also engaged in coffee production and currently hold a 48% share of the market. Coffee production has been on a declining trend as of 1987/88 when a total of 130,000 MT of clean coffee was produced. The current main factors in the increase of cost of coffee production in Kenya are devaluation, inflation and inefficient input markets. Poor road infrastructure also has highly contributed to the costs of inputs due to high transport costs. As a result the margins per farm could not be sufficient to cover cost of food let alone other necessities like schooling fees for children (Karanja and Nyoro, 2002).

The increasing popularity of Fairtrade Products can be taken as a proof of this. In 2006, consumers worldwide bought 1,6 billion Euros worth of Fairtrade Certified Products, 42 % more than the year before. For products like coffee and cocoa, the growth was particularly impressive, 53 % and 93 % respectively. The sales of other major Fairtrade Products – Bananas, with 31% growth, and tea, with 49 % – also grew significantly. Fairtrade Cotton Farmers too have seen how the demand for their produce has more than doubled in only one year. This growth in sales was accompanied by more licensee companies that sell the final packaged Fairtrade Products joining the scheme. The number of licensees in 2006 reached 1954, increasing by 29 % in comparison to 2005. Despite this number sounding impressive we are still very far from Fairtrade Certified Producers being able to sell all their produce under Fairtrade terms. In fact, FLO estimates that approximately 20 % of the total production of Fairtrade Certified Producers is sold under Fairtrade terms. This is one reason why despite

the impressive growth in the last 10 years, the Fairtrade market still has plenty of room for growth. FLO and its member Labelling Initiatives are working to open new markets and identify new business opportunities for producers. Fortunately, they are not alone in this endeavour, as millions of consumers and supporters are helping out (FLO, 2007).

A study published in 1999 by the International Trade Centre (ITC) estimated that the retail organic food and beverage market in Denmark, France, Germany, the Netherlands, Sweden, Switzerland and the United Kingdom, the seven countries that were studied, was worth some US\$11 billion. The Centre also stated that according to preliminary estimates, the Japanese and USA retail markets were worth some US\$13 billion in 1998. The Brazilian Association of Organic Coffee Growers has produced an estimate of world organic coffee production in the 2000/01 harvest of 800,000 60-kilo bags or 48,000 tons (whether Robusta or Arabica was not specified). Taking a rounded total world production of 100 million bags, this amounts to 0.8% of world output with a value of around US\$96 million (assuming an average price of Arabica and Robusta of US\$1,600 per ton plus a 20% premium, i.e. US\$2,000, on the April 2000 price for Arabica or Robusta. In April 2000 the Brazilian Association of Organic Coffee Growers reported an estimated production of 40,000 bags of organic coffee for Brazil and 103,000 bags for Mexico, the world's leading exporter of this product. Bearing in mind that projected output for Brazil and Mexico is reckoned at some 28.9 million bags and 5.3 million bags respectively, these figures represent 0.14% of total domestic output for Brazil and 1.94% for Mexico. Organic coffee is also exported by Guatemala, Kenya, Nicaragua, Brazil, Ethiopia, India, Madagascar and Papua New Guinea, as well as some of the other Latin-American countries (ICO, 2000).

After independence in 1961 the government of Tanzania expanded cooperatives into areas that had no cooperative experience, tradition, or even needed it. The larger proportion of those newly created cooperatives did not last long as confirmed by the 1966 government-appointed committee in 1966. Despite the failures the government-enforced cooperative movement continued to expand. During 1973 the cooperatives expanded almost to the entire countryside. Up to 1976 the cooperative societies handled coffee procurement, paid farmers, and delivered the coffee to the two cooperative union-owned processing factories, in Moshi (arabica) and Bukoba (robusta). The coffee was sold at the Moshi auction, which was under the command of the Tanzania Coffee Board. Until the independence of the country the coffee auction was undertaken by brokers. Cooperatives were dissolved in May 1976 where the

function of coffee marketing responsibilities was overtaken by the Tanzanian coffee Board functions. In 1977, new structure named the Coffee Authority of Tanzania was formed but lasted eight years without better performance. Again in 1984, the Tanzanian government reinstated the cooperative unions and primary societies (Baffes, 2003)

There are two coffee marketing channels in Kenya one being for cooperatives and the other for the estates farmers. The difference of the two stem from the primary processing where the small holders with less than 2 ha supply their cherry to cooperative processing centres while the estate farmers have their own processing centres at the farm site. Primary coffee processing involves cherry sorting, pulping, fermentation, drying and storage. Dry cherry is usually bulked at the farm and delivered to the factory for onward transport to the millers. Some isolated smallholder farmers especially the ones not near a co-operative society use hand pulpers to process their coffee in their farms. There were 462 coffee cooperative societies in Kenya in by the year 2001 with over 890 processing factories. Smallholder farmers have to transport coffee cherry from their farms to their nearest co-operative factory. Transportation is difficult especially in remote areas of the country where infrastructures are poor which in turn force the farmers to incur high transportation cost ( Karanja and Nyoro,2002).

## **2.5 Analytical Framework**

Certification was a response to market driven inefficiencies as well as a body of consumers willing to pay a premium for predefined criteria that is believed to be globally beneficial (Nicholls, 2005; Pagiola, and Ruthenberg, 2002,). The concept of fair-trade was further defined by (Barratt 1993; Nicholls and Opal, 2005 cited in Nicholls, 2005) as follows;

- *Direct purchasing from producers*
- *Transparent and long-term trading partnerships*
- *Co-operation not competition*
- *Agreed minimum prices to cover the costs of production, usually set ahead of market minimums*
  
- *Focus on development and technical assistance via the payment to suppliers of an agreed Social Premium (often 10% or more of the cost price of goods)*

- *Provision of market information*
- *Sustainable and environmentally responsible production*

On the other hand, certified organic coffee is grown using methods and materials that do not have a major impact on the environment. Organic production systems replenish and maintain soil fertility, reduce the use of toxic and persistent pesticides and fertilizers, and build biologically diverse agriculture. The certification organizations audit and verify that organic farmers use only methods and materials allowed in organic production for granting certification (Organic Trade Association, 2007).

Although the benefits of certification appear attractive, the processes and costs entailed coupled with the institutional framework in efficiently handling the matter requires further investigation and debate. Some argue that it is a challenge to get certification and remain in the process. The underlying assumption is that the initial cost as well as certification process and criteria may be daunting. Consumers' awareness also needs to broaden as at present certified products represent a relatively small niche that will likely become saturated in the near future (Pagiola, and Ruthenberg, 2002).

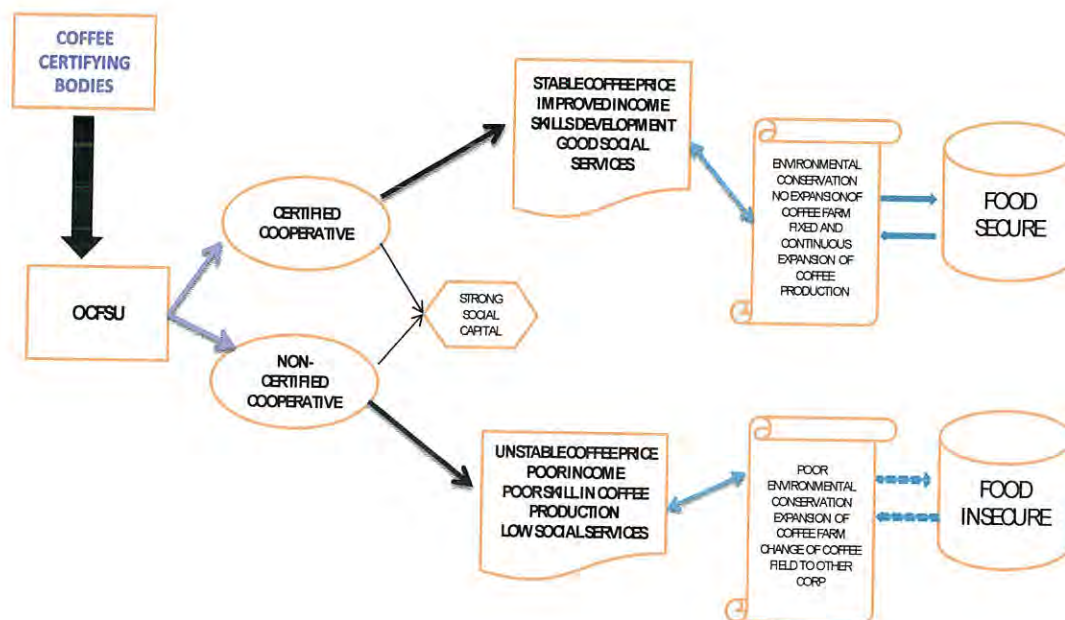
The Oromia Coffee Farmers Societies Union (OCFSU) attempts to maximize the opportunity from certification of primary commodities, particularly coffee, which accounts for a lion's share of Ethiopia's export earnings and is of paramount importance to the poverty reduction strategy. On the other hand, the involvement of the other smallholder coffee producer cooperatives of the Region in such opportunity should be underscored.

The analytical framework is to depict the concept of dependent and independent variables, which are interconnected, or one causes the other dependent factors. The processes of certification as well as the time and effort required to get the certification is examined. The movement of fair-trade as well as organic coffee focuses on marginalized small holders who are at the very end of the coffee commodity chain. These poor farmers lack information and the capacity to enjoy from liberal market system. However, the question of the process involved in answering its cause requires attention. On the other hand, all other roads that lead to the certification and then to reap the benefits for the said purpose attract critical attention. The framework shows the dependence of the poor coffee farmers' dependence on the certifying bodies Fair-trade Labelling Organization, then on OCFSU, and then their own cooperative societies. On the other hand, except FLO the national institutions are also

dependent. OCFSU is dependent on FLO, and farmers' cooperatives are dependent on OCFSU.

In the framework only one directional influence is depicted for simplicity. The final goal is to change the livelihoods of the smallholder coffee farmers in Oromia Region. It is the result of different factors. Positive impact or improvement of the livelihoods is dependent on certification of their product. On the other hand, certification itself depends on being member of the OCFSU. The assumption is based on the current practices practically observed and therefore investigated further. In the assumption the certification process as well as the criteria and costs entailed influence the certification processes.

**Figure 4:** Analytical framework.



**Source:** Own construction, 2007.

The institutional arrangement to oversee and make the work done is another independent variable encouraging certification or the opposite. This is not limited to the national or the Regional but extends to the international level with the foundations for certification.

## CHAPTER THREE

### THE STUDY AREA AND RESEARCH METHODS

#### 3.1 Introduction

In this chapter, brief description of the study area bio-physical characteristics and the methodology used in undertaking the study will be explored. There is highly limited data on the bio-physical characteristics of Mana *woreda* and the data for the *kebels* selected is not available at all.

In order to find out the impact of fair-trade and Organic Coffee certification on the lives of the poor and small coffee farmers, different research procedures and steps were followed. This includes the revisions of available relevant literatures, secondary data collection as well as primary data collection using appropriate and convenient research methods.

There is a continuing debate about appropriate research methodology for conducting research. Although some researchers or field of study follow either qualitative or quantitative approach, most social scientists are recognizing the limitations that are inherent in a single approach which could be neutralized by combining both qualitative and quantitative methodologies.(Degefa, 2005; Creswell, 2003).

In addition to the scholars argument in combing the two different approaches to strengthen the data validity, cross checking or triangulating data gathered from the community yields rigours results than when employing single approach.

Therefore, in order to arrive at more reliable data, and improve its validity of the data gathered I followed mixed method approach and did both tool simultaneously.

#### 3.2 The Study Area

##### 3.2.1 Overview of the Study Area

Maana *woreda* is one of the 14 districts of Jimma Zone of Oromia Region. Geographically the *woreda* is located between 7<sup>0</sup>38'-7<sup>0</sup>54' North latitudes and 36<sup>0</sup>38'-36<sup>0</sup>53' East longitudes. It is bordered with Gomma and Limmu Kokosa *woredas* in the north; Kersa *woreda* in the

east; Seka Chekoresa district in the South, and Gomma *woreda* in the West. It is located relatively in the centre of the Zone.

As noted from the annual Statistical Abstract (2007) and Oromia Regional statistics and Information Department, the total area of *Maana Woreda* is 479 km<sup>2</sup> while the total area of the zone is 18,412.54 km<sup>2</sup> and *Maana* accounts for about 2.6% of the total area of the Zone and the smallest of the 14 *woredas* of Jimma Zone.

The current PAs of the *Maana Woreda*, according to the socio-economic study undertaken by the Oromia Statistics Department in 2006, are 24. The *woreda* town is called Yabu with a population of over 2000 and located about 25 kms south of Jimma Town. The CSA 2008 reported that the population of the *woreda* to be 168,496 total out of which 83,808 are male population. According to the same report the population density of the *woreda* is 351.8/km<sup>2</sup>. When compared to the other *woredas* in the Zone, it is only preceded by Kersa *woreda* which has density of 361.8/km<sup>2</sup> while the least densely populated *woreda* is Limu Seka with only 73.9/ km<sup>2</sup>. The density for Jima Zone is 159.2/km<sup>2</sup> indicating that the zone in general is low densely populated.

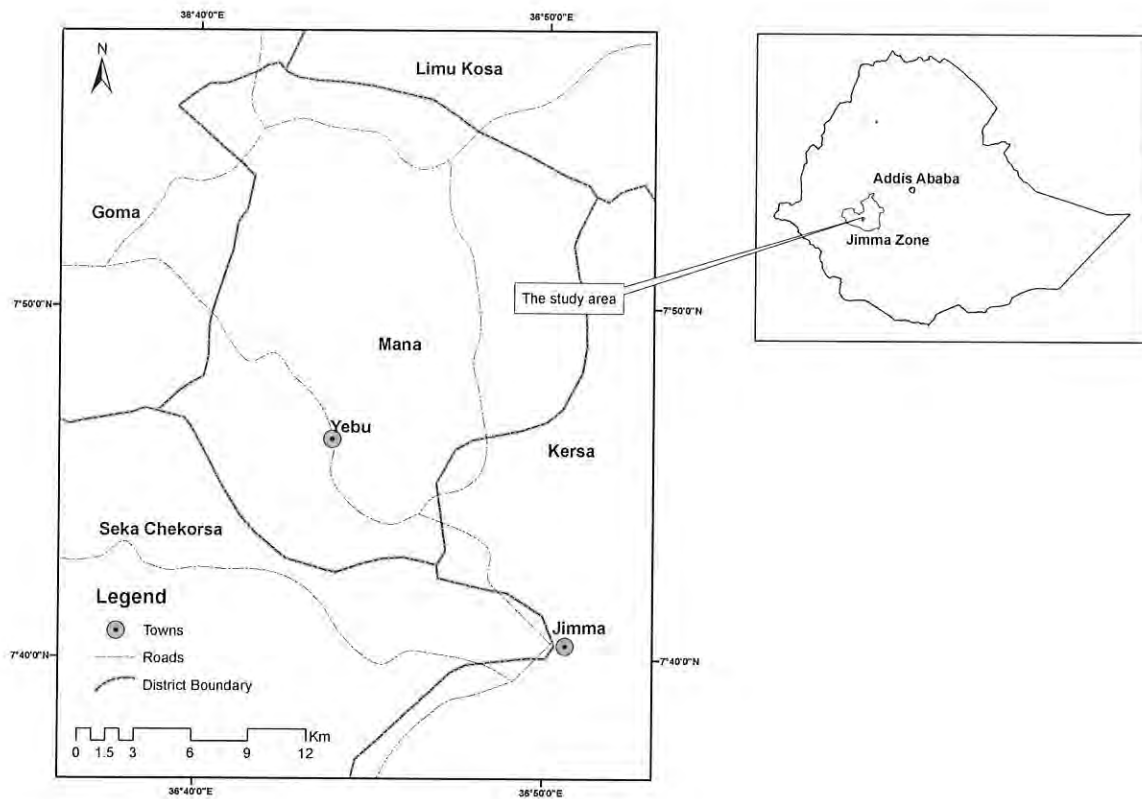
### 3.2.2 Geology, Relief, drainage and climate of the *Woreda*

According to the physical and socio-economic survey done on the *Woreda* by the Oromia Statistics Department the district is grouped under the tertiary volcanic of makdala and trap series which is believed to be conducive for agriculture. The land configuration of the *woreda* is the result of tertiary volcanic (acidic volcanic and basaltic flow).

The *woreda* has two distinctive altitudes the largest Southern, Central and Eastern part that lies within elevation between 1500 and 2000 m.a.s.l which is about 80% of the total area of the land cover characterized by undulating landform. The remaining 20% of the area, which is the Western part of the *woreda*, lies between 2000 and 2500 m.a.s.l. The lowest elevation of the *woreda* is found on the Northwest part of the district, which is about 1469 m.a.s.l according to the same survey undertaken.

The survey also indentified the main drainage of the *woreda* that includes Yabu, Aniso, Wanua Feche, Sogido, Awentu and Urgessa which are the major perennial rivers that drain to Didedsa Rivers. *Maana* also fall in the Didedsa river basins.

**Figure 5:** Location of Mana *Woreda* in Jimma Zone, South Western Ethiopia



**Source:** Bale Eco-Region Sustainable Management Programme GIS Unit

Climatically the most part of the *woreda* belongs to subtropical which constitute about 80% and cool agro-climates which is about 20%. The mean annual temperature ranges between 18 and 20<sup>o</sup>c. The mean annual rainfall ranges between 1300mm and 1700mm according to the 1997 socio-economic survey undertaken by the Oromia Statistics Department. The rainfall is bi-modal with spring (April and May) being small rainy season while summer (June, July and August) is a long rainy season. The survey reported that the major soils categories of *Maana* are Orthic Acrisols and Dystric Nitosols. Orthic Acrisols account for about 70% (Oromia Finance and Economic Development Bureau, 2006).

### 3.2.3 Vegetation and Wildlife

53% of the *woreda* is cultivated while the remaining 47% is covered by forest. The southern highland part of the *woreda* consists of dense mixed high forest while the other part includes

woodland and grassland. Natural forest disturbance by human is low. The largest part of the natural forest has forest coffee (Oromia Finance and Economic Development Bureau, 2006).

### 3.3 Research Methodology

#### 3.3.1 Household Survey

Before deciding the Zone within Oromia, discussion was made with Oromia Coffee Farmers Societies Union to get their advice basing on my study objectives. Accordingly, the office provided me with the list of their member cooperatives all over Oromia both certified and non-certified cooperatives. The management team also advised me to visit either Borana Zone or Jima Zone of Orormia Region where fair-trade certification already underway.

##### 3.3.1.1 Sampling

Basing on the objectives of the study, research questions and advice from the Oromia Coffee Farmers Societies Union, I purposely selected Jimma Zone of Oromia Region for my Study. Further, with similar aim in selecting one of Oromia Region coffee growing Regions, Jima, I was partly forced to focus on selected *Woredas* of the Zone those practicing fair-trade and organic coffee certifications. Out of some *Woredas* of Jima Zone, Maana *Woreda* was purposively selected for the following main reasons. These are:

- Some of the cooperatives are participating in fair-trade and organic coffee certifications
- One of the major coffee growing where the majority of farmers depend on coffee
- Limitation of resources; time and finance, which put pressures if distant, and off road *Woreda* is to be selected.

Since the focus of the study was on cooperative societies of farmers, I used the list of cooperative societies practicing fair-trade and organic coffee certifications. Currently there are six cooperatives that are certified both fair-trade and organic in Maana *Woreda*. Out of the six certified cooperatives, one third were selected (two cooperatives) to make the cooperative sampling fair. To match the controlling sample two other cooperatives from non-certified with similar characteristics were selected.

The household survey, questionnaires were developed and pre- tested at the survey site during data collectors' orientations. During the pre-testing some corrections were made and adjusted before the actual work.

During my visit to the *Woreda*, I approached the *Woreda* Administration to inform of the purpose of my study and to ask for assistance during my stay. The *Woreda* wrote me supporting letter and informed me to discuss the objective of my visit with the peasant association executives as well as cooperative leaders. The *Woreda* Cooperative promotion office highly supported me in achieving my study.

Basing on the advice of the government structures, I was compelled to be assisted by the respective *kebele* Development Agents. I then, oriented them on how to fill the questionnaires, and we pre- tested the questionnaires for further adjustment at the selected sites. The sample size was pre determined to be 60 households from the fair-trade and organic certified cooperatives and 60 households from the non-certified cooperatives.

The following Table shows the sample cooperatives selected from Maana *Woreda* of Jimma Zone, Oromia Region.

**Table 1:** Sample cooperatives selected for the study from fair-trade and organic certified and non-certified.

Name of cooperative	Location of the cooperative	Status of certification	Total number of household	Number of sample household selected
Afata Wanja	Afata kebele	Certified	1,133	22
Haro	Haro kebele	Certified	1,890	38
Geruke Mazoria	Geruke Mazoria Kebele	Non-certified	559	29
Doha	Dhoa Kebele	Non-certified	578	31
Total			4,160	<b>120</b>

**Sources:** Summary of the sampling by the author, 2007.

The 120 sample households selected was made systematically as to represent the population of the cooperatives members.

During the household survey, the researcher closely followed and clarified on some unclear issues. Since the DAs were diploma holders in different fields ranging from Agriculture, Animal health, Cooperatives and Natural Resources Management there, there was no need to use translations to the local language 'Afaan Oromo'. As the researcher speaks 'Afaan Oromo' issues of using translator was not the case.

### 3.3.2 Focus Group Discussion

#### 3.3.2.1 Cooperative structures and selected coffee farmers

Focus group discussion was conducted with all available cooperative executives and two to three members randomly selected. The group discussion checklist was prepared but only used as a guide depending on emerging issues. It was not convenient to pre-test the checklists like the survey questionnaires but used the checklist just as a guiding tool.

The focus group discussions were conducted at the respective offices of the cooperative societies located in their *kebeles*. Fortunately, almost all of the cooperative executives were present on the discussion since the time of survey overlapped with coffee harvest and marketing when the cooperatives are engaged in coffee purchase and sell. From the cooperative societies visited, both the certified *Afata Wanja* and *Haro* have some salaried staff (accountant, Head of the cooperative, cashier, and two guards) while the other two non certified cooperative societies has only accountant who is paid and work full time.

Although discussion and questions to them is not a new phenomenon, the cooperatives were very happy with the objectives of my study and fully cooperated in providing all the data I needed even after the visit. It happened that some of the cooperatives were visited more than one time.

In addition to their full cooperation to provide me with the information I required, the cooperative structures helped the researcher in facilitating with community contact through DAs. Some of the cooperative members were also in the *kebele* structure. In *Afata Wanja*, the cooperative leader is also elected and working in the *kebele* executives which facilitated the community contact in *Afata Wanja*.

The cooperative structures were also consulted on how to contact the desired households to be interviewed where they supported in stratifying the sample survey according to their dependence on coffee and mixed farming. According to the pre assessment of the researcher

and advice of the local people, the *kebeles* were stratified into three major ecological coffee production zones where they grouped categories as only coffee dependent, coffee dependent but practice some agriculture and more or less mix coffee farming with other crop productions. Although this condition is true for most of the PAs in the *Woreda*, the division is simply arbitrary and not at all proportional. In general coffee production is the major sources of the livelihoods of the small farmers in the *Woreda*.

### **3.3.2.2 Discussion with Oromia Coffee Farmers Cooperative Societies Union (OCFSU) Ltd**

The focus group discussion with the OCFSU Ltd was the basic part of the research input and it is only through this method that data was gathered. Therefore, discussion with them has been continuous. After deciding the topic for my study, I visited their office since the topic is directly related to their intervention.

In order to conduct data collection, checklist was prepared to guide the discussion. Using the checklist and additional open-ended question I gathered data. The office assigned the programme officer to provide me basic information while occasional meeting with the management group was made.

The main challenge with the OCFSU was to get the management team. They are busy and sometimes unable to meet them at the time they appoint me.

### **3.3.3 Key Informants Discussion**

The key informants were drawn from different sectors and disciplines who were directly or indirectly involved in the area of the research topic. Those informants include, Jimma Agricultural Research Centre, with whom I discussed about organic coffee in general; Jimma Zone Cooperatives Promotions office, who directed me to the *Woreda* Cooperative promotions office, Development Bank of Ethiopian, Jimma Branch, who are lender of cooperatives in Jimma Zone; individuals in Addis Ababa with background on coffee certifications process; Bale Eco Region Sustainable Natural Resources management, that provided me with some publications related to the subject under study; and some individuals with background in organic coffee.

The purpose of the key informant discussion was to get relevant data on the subject matter; however, the response from them was not sufficient enough as per my expectation. This is partly due to the infancy of fair-trade and organic coffee certification in Ethiopia.

The checklists were used as just as a guide to generate important data from the key informants. The aim was to illicit the informants on any area of the subject like on cooperatives formation and function, fair-trade and organic coffee production and marketing, coffee marketing, etc.

#### **3.3.4 Observation**

Observation is one way of validating some of the data. As the researcher is fully involved in all the process of the data gathering, most of the situation was critically observed from the surveyed sites. It was an opportunity to find out in practice what has been reported by the OCFSU Ltd on the development of fair-trade and organic coffee certification.

Observation assisted the researcher to find out the report of the beneficiaries as well as those in charge of the coffee farmers cooperatives societies as well as the account of the OCFSU. During observation some pictures were taken to document physical evidence while verbal data was noted.

The gaps that emerged from the report and observation helped me to re- focus the focus group discussion as well as shed light on what the researcher has to find out from key informants.

#### **3.3.5 Household Case Studies**

This tool was developed to gather data on the real life situation believed to be affected positively or negatively by the research problems. It is to support and amplify the research work by providing real life evidence basing on household unit from within the survey community. For the purpose checklist was developed to guide the discussion.

The sample case households were predetermined to be 4 from each cooperative society and selected using convenient sampling from the list of the cooperative members list by the support of the cooperative executives. The cooperative executives selected the sample considering time, resources as well as active participation in the activities of the cooperative

societies. To capture the background of the informants I used tape recorder after getting permission from the household head. Although the aim to undertake the case study was to substantiate the findings with examples, the respondents even did not understand clearly coffee certification processes and informed me that there is nothing to be told in this respect. I tried to use the checklist and contacted two households from the certified cooperatives if they could tell me anything concerning the impacts of fair-trade and organic coffee certifications on their life but with no input on the issues.

### **3.3.6 Data Analysis Techniques**

Depending on the nature of data collected, both qualitative data analysis techniques and statistical packages for social scientists (SPSS) are employed to analyze and arrive at conclusions.

In qualitative data analysis, discussions from key informants and focus group discussion are grouped and then checked for validity and reliability. To take maximum care, outliers will be avoided and clearly described when necessary. This means if some ideas stand out from the average respondents, the issue will be analysed and presented if necessary otherwise that data will be avoided altogether. Since the objective of using both qualitative and quantitative approach is to solidify the data collection processes where one cancels the weakness of the other, the analysis also will be done in reference to the other. That is qualitative analysis clarifies or cross check the quantitative data.

In the quantitative data analysis, SPSS software is used to determine averages, frequencies of events, mean median, proportions, etc applying descriptive statistics.

## CHAPTER FOUR

### SOCIO ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS OF THE SURVEYED COMMUNITY

#### 4.1 INTRODUCTION

The socio-economic background of the surveyed households focuses on age, sex, marital status, education and occupation of the households.

In the analysis the households dependent members are categorized on two sets of age groups, under 15 and over 15; dependents educational level which tries to subgroup into two main categories one being grade 1 to 10<sup>th</sup> while the other category is higher education which is obviously after 10<sup>th</sup> grade completion.

The study was conducted on two different groups of cooperative members. The objective being to measure the impact of coffee certification as fair-trade and organic it necessitated to have a control group. Meanwhile the socio economic of the different cooperatives will be explored. Although there is no striking difference in their socio-economic conditions as a result of the introduction of fair-trade, comparison is made.

#### 4.2 Age, Sex and Marital Status of the surveyed community

As indicated in Table 2, 10.8% of the surveyed community are in the age range of 25 to 35 where the remaining (89.2) is above 35 ages. The current members of the cooperative societies surveyed were not new although some of the members as indicated in the Table are young age groups. They were the founders of the cooperative societies when it was established in Ethiopia. Most of those young members are those who replaced their parents with few immigrants to the kebeles. The key informants indicated that there is no motivation that encourages people to join the cooperatives at the moment.

**Table 2:** Age Distribution of the surveyed Household heads

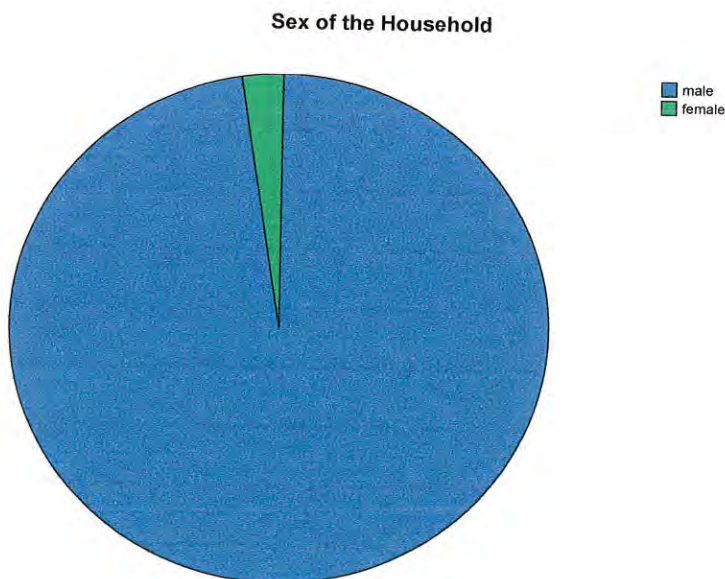
Age category	Frequency	Percent	Cumulative percent
25 to 35	13	10.8	10.8
36 to 45	41	34.2	45.0
46 to 55	33	27.5	72.5
56 to 65	24	20.0	92.5
66 to 75	9	7.5	100.0
<b>Total</b>	<b>120</b>	<b>100.0</b>	

**Source:** Household survey, March 2007

The young members are very few and more than half of the 10.8% composition is replacing their parents as confirmed by the key informants. The key informants underlined the reason for this is that cooperatives are not much attractive to the young generations.

The sex composition from the survey depicts the usual gender imbalances of most socio-economic sectors in the country. It is not usual to find hardly any female members in cooperatives. Only 3 female-headed households, who are member of cooperatives surveyed, were observed representing only 2.5% while 97.5% are male (see Figure 6). From the findings one can easily recognize how gender imbalance is one of the key issues in the country particularly with institutions that are in the heart of the community supposed to solve problems of the rural people.

**Figure 6:** Sex composition of the household surveyed



**Source:** Household survey, March 2007.

Almost all the survey community are married. From the case only one divorce and one single were found. The remaining 117 out of 120 sample household are married. This also further confirms that the cooperative is occupied by older people.

### 4.3 Educational level and occupation of the surveyed cooperative members

Ethiopia is one of those countries dependent on agriculture, which is highly subsistence, and from hand to mouth. Likewise the survey community, who depend on coffee production, are by occupation, farmers. All the surveyed community are farmers without exception.

For them strong and agriculture focused institutions are of essential to support their effort in their day-to-day struggle to win bread.

The level of education is also low for the surveyed households. As indicated in Table 3, there is no significant difference in the level of education for both certified and non-certified cooperatives. However, it is found out that about 8 of the 60 households surveyed are illiterate while it is about 18 for the non-certified cooperatives households. This possible explanation given for the difference by the cooperative members and key informants is that those non-certified are more nearer to Jima town with where the influence of the town contributed some otherwise it does not have any relation on coffee certification income. About 86.7% of both certified and non-certified are below grade six which is a reflection of poor educational development in the area. The adult education policy during *derg* was the reason even for reading and writing for the elders as reported by the community. The community understand the benefits of education from the comments they give. They would like to learn even now if conditions are favourable. They described that that the world in which we live today requires minimum standard of educations to communicate and accomplish ones daily activities. The trend in the future indicates that illiterate people may not conveniently be involved in the daily routine.

As one of Geruke Mazoria cooperative member put it;

*Dergue came to our village and announced that every farmer needs to get to school by hook or crook. When I heard it, my heart started to pound for fear of dictatorial command which gave no choice. The reason for my fear has nothing to do with whether education is good or bad for me but the brutal command we always fear. I did not know what education is all about since no past governments brought the idea. When we started the programme I was one of the pioneer to praise the action and thanks to all those who strife to diffuse knowledge into the ever forgotten community like that of ours, I completed grade 10 and can now serve my community with my little capacity but seen as a master in my village.*

**Table 3 :** Educational level of the surveyed Households

Education of the Household	Cooperatives		Total
	Certified	Non-certified	
illiterate	8	18	26
1-6	41	37	78
7-10	8	4	12
Above 10	3	1	4

**Source:** Household survey, March 2007

#### 4.4 The Household members and their educational status

The surveyed households were almost married. Only one household reported single while one divorced and two reported widowed. 80.7% of the surveyed households have household members ranging from 1 to 5 Tables below for both age categories. Surprisingly, 16% reported that they do not have children under 15 while similar proportion indicated that they do not have children over the age of 15. Only as few as less than 4% have 6 to 10 children but no one in the surveyed household have more than 10 (refer Tables 4 & 5).

**Table 4:** Member of the household under Age 15

Number of household members	Frequency	Percent	Cumulative Percent
No <15 members	19	16.0	16.0
1 to 5 members	96	80.7	96.6
6 to 10 members	4	3.4	100.0
Total	119	100.0	

**Source:** Household survey, March 2007

**Table 5:** Member of the household over 15 Age

Number of household members	Frequency	Percent	Cumulative Percent
No over 15 members	18	15.1	15.1
1 to 5 members	92	77.3	92.4
6 to 10 members	6	5.0	97.5
Over 10 members	3	2.5	100.0
Total	119	100.0	

**Source:** Household survey, March 2007

The educational status for the surveyed cooperative households members indicates that 8 from non certified and 11 from certified cooperatives do not send their children to school at all while 50% from certified and 60% from non certified send at least 1 to 3 children to school indicating that the certification change to their children's schooling (See Table 6).

**Table 6:** Comparison of the Members of the household Attending School (1-10)

Education of the household members attending from grade 1-10	Cooperatives		Total
	Certified	Non-certified	
No one attending	11	8	19
1-3 members attending	30	37	67
4-7 members attending	18	14	32
Over 7 attending	1	1	2

**Source:** Household survey, March 2007

On the other hand the number of those attending higher education (i.e. beyond 10<sup>th</sup> grade) is very few for both certified and non-certified. Both certified and non-certified cooperatives have similar numbers of household members educational status giving no support for the argument that certified cooperatives incomes is improved which would have resulted in improvement in the household improvement. As the data indicates in the Table 7 it was found that about 46 from certified and 47 households from non-certified do not have dependent attending higher education. In addition to the poor education sector as observed by the researcher and the comment of the key informants, the young people in the area are enticed by the cash crop, coffee and then drop from school or remain at lower level.

**Table 7:** Dependent members of the HH attending Higher Education

Member of the household attending higher education	Cooperatives		Total
	Certified	Non-certified	
No one attending	46	47	93
1-3 attending	13	13	26
4-7 attending	1	0	1

**Source:** Household survey, March 2007

#### 4.5 Summary

The members of the newly reformed cooperatives were almost joined the cooperative during its introduction in the country in its current form. This is evidenced from the age composition of the findings and almost all members are married. In addition, the members contacted compare and contrast the previous cooperative structures and functions with the newly reformed ones. The main reason for fixed number of members is the weakness nature of cooperative in the country. There are no attracting factors especially for the young members of the society. Regarding the gender issue cooperative is no exception to other sectors or institutions functioning in the rural part of the country.

Occupationally, the members are all farmers with major livelihood coming from the cash crop, coffee. The educational background of the community is also low and those who read and write appreciate the education campaign of the *dergue* regime.

The family composition of the surveyed community indicated that the average household owns 5 dependent and less. Most of the children are attending school from grade 1 to 10<sup>th</sup> but the proportion for those who passed and joined the higher institution are very few. The obstacle to education of dependent of most cash crop area is similar in the country however those area that depend on coffee are of special in nature. Student drop out from school when coffee berry ripe. There is no observable difference in the education of certified cooperatives and non-certified ones. The underlying reasons will be investigated in the 6<sup>th</sup> chapter of this paper.

## CHAPTER FIVE

### COFFEE FARMING AS SOURCE OF LIVELIHOODS

#### 5.1 Introduction

In this chapter the contribution of coffee to the livelihoods of the small farming communities who largely or entirely depend on coffee with the risk they face as a result of sole dependence will be explored. The size of the field, the challenges and problems they face during on production and marketing is discussed.

The main challenges that hit the small coffee producers around the world especially from the 1997 to year 2002 will be investigated since Ethiopian coffee farmers who lead hand to mouth production systems were one of the hardly submerged into the crisis. The resultant effects from the aftermath of the fall in coffee price will also be examined.

The coffee producers' cooperative societies who were established with the intention of coming together in order to emerge from rather facing the situation individually is briefly discussed. In this discussion their benefits to the society and to their members will be seen. The Union at the level of Oromia is also part of the investigation since it is through the union that the cooperatives are supposed to make difference.

#### 5.2 Contribution of Coffee to the income of the surveyed households

The study reveals that coffee contributes the lion share to the base of the income of the study *woreda*. As can be observed from Table 8, over 50% of the respondents depend almost on coffee as a means of their livelihood while the degree of livelihoods diversifications with other crops for the remaining increases from very ignorable proportion to some 75% which few in numbers. The drive for the diversification was confirmed to be the recent price fluctuations in coffee, the population increase resulting in shortage of land suitable for coffee production.

**Table 8:** Contribution of coffee to the livelihoods of the surveyed community

Proportions of coffee contributions to the livelihoods of the respondents	Frequency	Percent	Cumulative Percent
0 to 25 %	7	5.8	5.8
26 to 50%	17	14.2	20.0
51 to 75%	27	22.5	42.5
76 to 100%	69	57.5	100.0
<b>Total</b>	<b>120</b>	<b>100.0</b>	

**Source:** Household survey, March 2007

Other crops, livestock, petty trade and employment are insignificant to the community. Although there is difference within the cooperatives, concerning livelihoods diversification, the margin is not significant. *Geruke Mazoria* and *Doha*, which lies to south next to the Jimma town practice crop cultivation while those further away cooperatives, *Afata* and *Haro*, being in the middle of the natural forest practice almost coffee production.

Different reports on coffee crisis of 2001 focused on small holders those whose base is coffee with no any other options to resort to which is the case for the surveyed households. The contribution of other crops, livestock, petty trade and employment are not that significant to support them on its own without contributions from the coffee.

### 5.3 Size of Coffee Field owned

The case study also indicates that the relative farm size held by the farmers is limited and less than 3 hectares per household. Most often farmers conceal the true land area they own but the average land owned does not diverge from the average respondents states. Since the coffee production is typically forest coffee, expansion is not exercised at large for the reasons that government control the forest. The relative share also further shared down to generations who do not move out of the farmer circles through modern education and other means. As the key informants underlined the current size drastically diminish in the near future since father distributes to children.

The average forest coffee field owned by the household is less than one hectare. About 90% of the respondents own one hectare or less while very few own over one hectare. (See Table 9). The share of land owned shrink as a result of the population pressure and immigrants to the area. On the other hand, expansion of the coffee field is not allowed owing to the fact that the forest itself is under the protection of the government. On this issue the community themselves agree that but need solutions in this regard from the government and concerned bodies. It is found out that the landless youth is increasing from year to year which put pressure on the available corridor lands.

**Table 9:** Size of forest coffee field (N= 118)

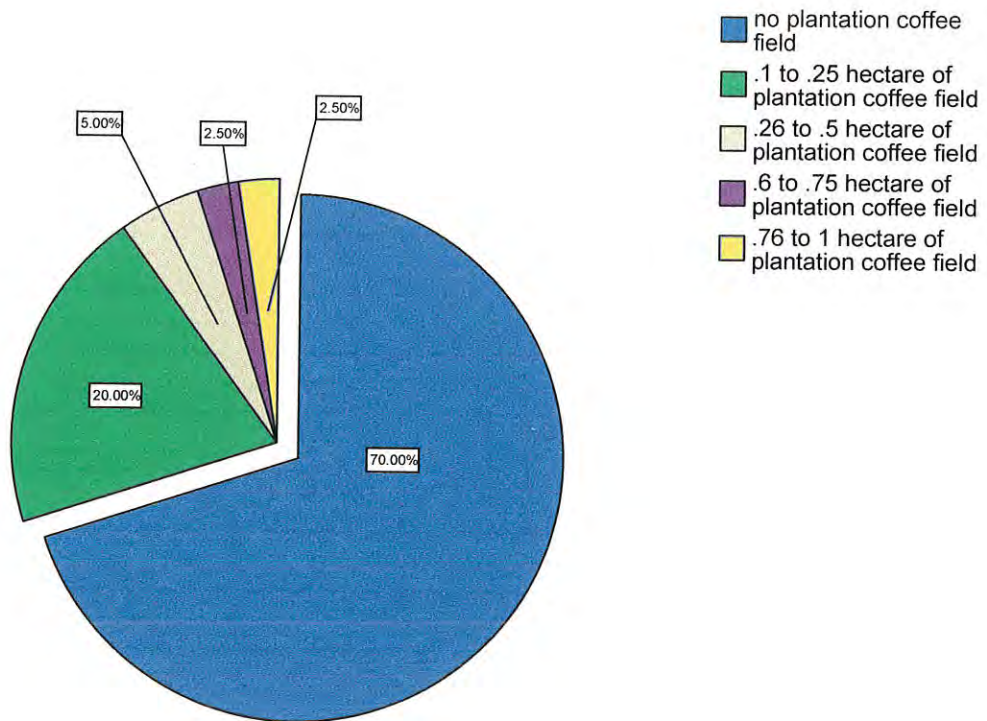
Size (ha.)	Frequency	Percent
No forest coffee field	1	.8
.1 to .25	17	14.4
.26 to .5	39	33.1
.6 to .75	29	24.6
.76 to 1	20	16.9
1.1 to 1.5	7	5.9
1.6 to 2	3	2.5
2.1 to 3	2	1.7
Total	118	100.0

**Source:** Household survey, March 2007

On the other hand the majority of the coffee producers in the *woreda* depend on forest coffee production while plantation is limited. Plantation in this case is coffee expansion on farms suitable for other crops which is not located in the forest. The forest coffee and plantation has no bearing on organic and non organic.

The plantation coffee owned is insignificant since about 70% of the case household do not have plantation at all while the ownership is limited to less than quarter of hectare for those who has. Figure 7 revealed that the relative plantation coffee field size held by the household.

**Figure 7:** Size of Plantation coffee field



**Source:** Household survey, March 2007

#### 5.4 Coffee Production

In coffee production, there are a number of activities involved from planting to harvesting. In forest coffee production, weeding takes place once or twice depending on the farmer's capability and level of understanding. Planting, which is part of expansion and replacing the old coffee trees, does not take place on a regular basis. Weeding and hoeing on the other hand is vital to the productivity of the coffee.

The main labour input comes from the family members including young members who are denied school and other opportunities to sustain their livelihoods. In most cases of the survey undertaken, the household did not consider family labour as a constituent of the production cost.

and responded “no cost of production”. The only area the respondents focused is on costs associated with harvesting and transportation.

The maximum cost of production reported, which includes weeding and hoeing, is 2,500 ETB (Table 10) while most responded no cost. Very few also reported that they do not incur cost on harvesting and transportation. However, this indicates that who used their own donkey for transportation and family labour in production and harvesting.

The mean coffee production cost for respondents is ETB 50 per quintal, mean harvesting cost ETB 85 per quintal and mean transportation cost is reported to be ETB 5 for the year 2007. From all the costs spent on coffee production and marketing the larger share is spent on harvesting while cost of transportation is low relative to the other costs. The reason given for this is that people just sale their coffee to the coffee purchase centres organized within shortest distance from the coffee production areas. On the other hand in the same year the maximum yield harvested is 40 quintals while the minimum is 0 or no harvest at all. Some farmers reported that they did not get any yield for the year under consideration.

The maximum revenue earned from coffee sale was reported by the respondent is ETB 24,000 (Table 10) while no sales value is also reported for the year. The sale is directly proportional to the yield.

**Table 10:** Coffee production and marketing costs (in ETB), sales value (in ETB) and yield (in quintal) for the year 2007 (N=119)

Costs, Sales value and yield in 2007	Range	Minimum	Maximum	Mean
Production cost	2500.0	0	2500.0	261.765
Harvesting cost	3500.0	0	3500.0	494.664
Transportation cost	140.0	0	140.0	32.639
Sales value	24000.0	0	24000.0	4325.18
Total yield in quintal	40.0	0	40.0	7.371

**Source:** Household survey, March 2007

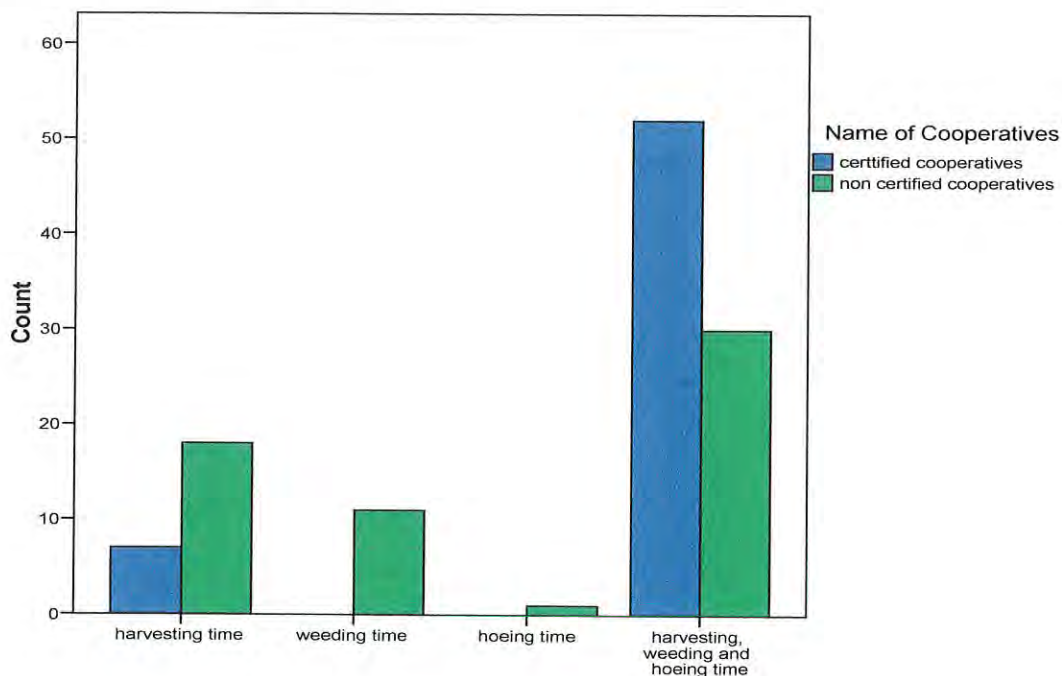
Over 70% of the respondents claimed that they weed their coffee field twice a year which is a normal phenomenon in the area or coffee producing parts of the country. Low yield return is

the result if weeding takes place less than once a year. Those who are capable weed more than two times. The farmers also reported that under normal circumstances coffee field needs hoeing once in two years but more than that can increase productivity, too.

In addition to family labour, coffee farmers need extra labour from other places usually those who wonder to find employment on daily basis. This is true specially when the coffee cherries are bright red and ready for picking. The key informants also indicated that hoeing requires extra labour which is part of the livelihoods of some migrant workers. The study confirms the indirect dependency of many rural migrants who have no land or other options.

Both certified and non certified cooperative members require additional labour from weeding, hoeing to harvesting with the harvesting being the main tasks contracted out to immigrant labourers. There are a number of reasons for paying attention to the harvesting time the main being collecting the coffee on time. As one can observe the certified cooperative members require more additional labour more than non-certified. The reason given for this is not on the basis of certification but most of those members in the certified cooperatives pay attention to coffee as their location is also in the area where coffee is suitably grown. On the other hand the non-certified cooperatives of Geruke and Doha mix coffee production with other crops which share their labour force. The more of the non-certified cooperatives employ additional labour force from outside more than those certified while the overall for the requirement of additional labour force is greater for certified cooperatives.

**Figure 8:** Time of the year additional labour is required by the coffee farmers



**Source:** Household survey, March 2007

Some of the reasons given for this by key informants are that the requirement of coffee picking needs care and the picking of coffee for pulping requires an immediate collection and care. Since only red cherries have to be picked selectively and passed to the pulping machines without delay, the harvest challenges the farmers.

The coffee grown in *woreda* is under traditional methods and no application of artificial fertilizers is practiced. Over 95% of the respondent did not apply fertilizers to their coffee field. The reason is various but the demand to do so is the major one. The area is totally considered organic by default.

Assessments were done from time to time by foreign experts as reported by the executives of the two certified cooperatives. The evaluators took sample of the soil, checked for any living things in the soil as well checked if there are animals and living plants on the coffee tree. The cooperative executives, the evaluators did not take time to declare that almost the *woreda* produces organic coffee.

## **5.5 Challenges Facing Small Producers in Coffee Production**

The most challenging issues in coffee production is lack of skills in coffee production and managing after harvest in addition to financial constraints. The revenue they get from coffee sales are spent on purchase of food and other necessities while cash savings is difficult let alone allocating budget for coffee production.

Recently government focused on the rural farmers in view of improving their capacity. The development agents located in each kebele advising farmers on coffee production and harvesting. However, the skills development needs improvement in market which strengthen the farmers financially. According to the survey, the government is providing on field training in coffee growing, harvesting and storing, marketing with coffee sales regulations primary through the development agents. 87% of the case indicates that they received basic training in coffee production.

Coffee do not produce yield every year in the same manner. If yield is good for the first year then the next period it starts to decline at least for three years when it reaches no yield stages and then gives good yield. Some of the reason from the case study indicates that it is normal to have poor yield once in five years even in good weather condition. However, rainfall is one of the requirements for good yield.

Growing coffee, like weeding, hoeing, caring for coffee field is found to be the most challenging in general. About 50% the respondent argue that the most challenging and attentions requiring area is in caring for the coffee field. 23% of the respondent claim that harvesting and storing is very challenging since unless coffee is properly harvested and stored or dried or pulped it does not command good price specially this days when quality is becoming big factor.

## **5.6 Fall in Coffee Prices**

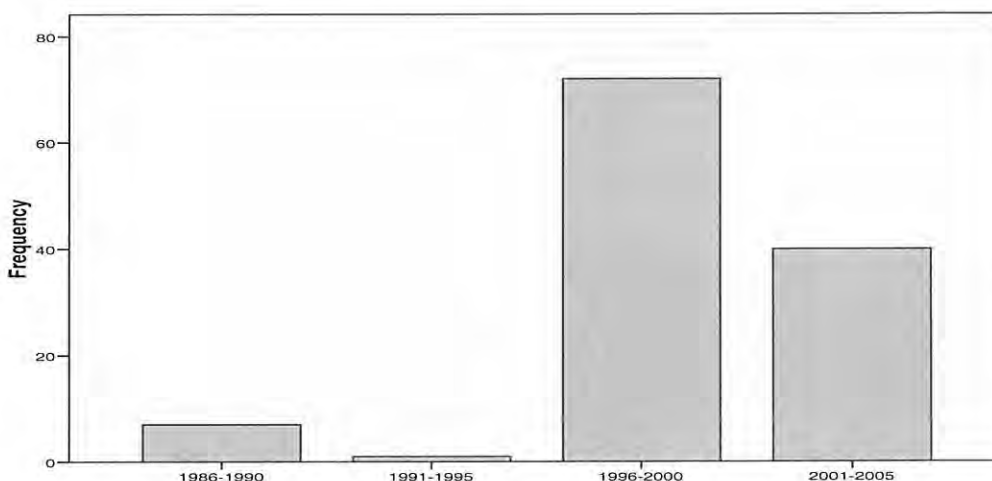
The study undertaken by Gresser and Tickell(2002) covered almost all developing countries dependent on coffee including Ethiopia. The authors reported the nature of coffee price fall on the Ethiopian economy and further investigated the issue at Kaffa, south Ethiopia where legend claim that coffee got its name. They interviewed Mohammed Ali of Kaffa who

responded, “his household of 12 includes the children of his deceased brother. Around five years ago, he estimates, he could make about \$320 a year from sale of coffee. This year he expects around \$60 for the coffee”.

The survey indicates that the sharp coffee price fall started in the year 1997 and gone through to 2003. However most respondent focused on the year 2000 as can be observed from Figure 8. The price fall, therefore falls in the same period with the rest of the world. The price paid for one quintal of coffee on average was about 90 ETB. During this time, the crisis led many to impoverishment as one of *Afata Wanja* Cooperative member commented as follows; he is aged 54 with 12 dependents.

*I saw that for the first time in my life when coffee is just part of forest and not anymore useful to human in the year 1993 E.C. He said that coffee has been the main stay for his parents and forefathers. He even is not ready to change the option since the weather conditions, the soil and all the social systems itself is tied up with production of coffee. For him and his family coffee means a lot and the only means. When the price fall critically in the year 2001, he was forced to leave his family behind and silently left to Jima Town in search of job on daily labour. He once used to hire labourers before but during this time rather search for an employment. In his locality, not even the relatively rich people need extra labourers. He then said to his family as he explained to me.” You see that the difference of cereals and coffee? If there is no market for cereals you can consume it but what will you do with coffee? Even drinking coffee requires something to be eaten”.*

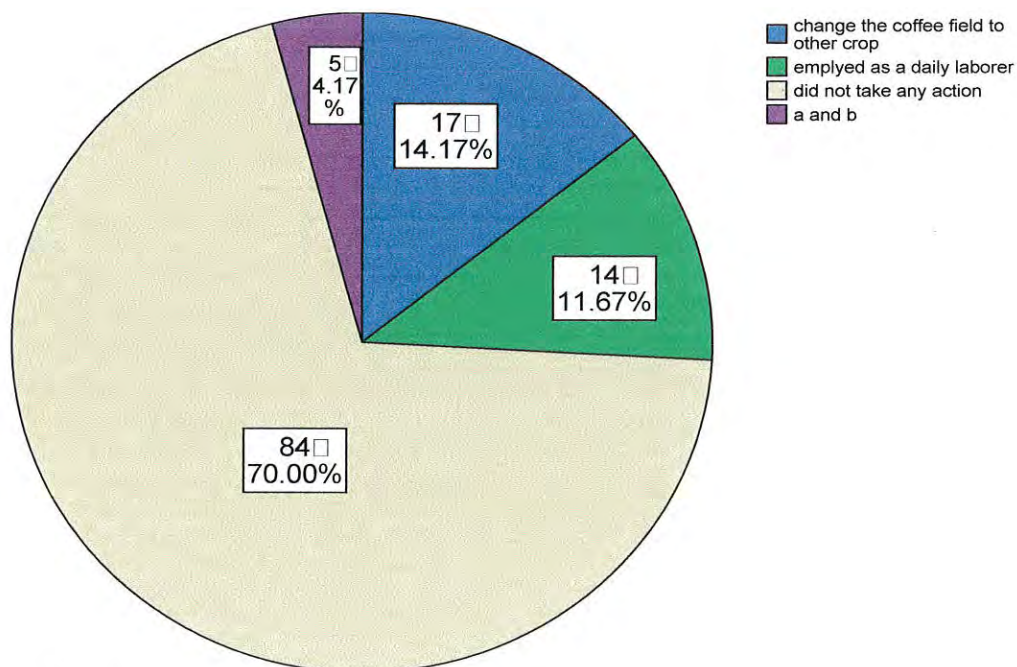
**Figure 9:** The year when coffee price sharply fall



**Source:** Household survey, March 2007

Human beings made decisions when they are at risk, at least to escape from the moment's disaster. During the coffee crisis in the country different Regions made critical decisions concerning their livelihoods. Some cleared the coffee field and started to grow other crops, other left the area in despair to look for employment opportunities rather than sitting and watching their children die of hunger. Those people who depend on coffee alone and do not have any other means of survival faced the most challenges than those who at least grow other crops. From the study it was learned that almost 30% of the respondent made expedient decisions to the extent of leaving the area in search of daily labour work especially in the nearby towns. The other 70% however, responded that although they were under critical conditions, they did not take actions (see Figure 10).

**Figure 10:** The immediate decisions taken by the small coffee farmers during the coffee crisis



**Source:** Household survey, March 2007

## 5.7 Coffee Farmers Cooperatives and Their role in Coffee Business

### 5.7.1 Establishment of the cooperatives

Cooperatives in Ethiopia were established under the guidance of the government. The *Afata Wanja* farmers' cooperative was established in 1975 and named *Walda Hojji Gamtaa Mara Qonnaan Bultoota Afataa Waanjaa* (*Afta Wanja* Farmers' Cooperative society). *Haro* Multi-Purpose Cooperative Society was established in the year 1976, *Doha* Cooperative Society was established in 1978 while *Geruke Matoria* Cooperative society was established in 1976. The cooperative societies were established with one to three years difference in the area.

The main criteria to join cooperative societies are;

- Being a member of the peasant association where the cooperative is established
- Involved in the same activities targeted by the cooperative(usually agricultural activities)
- Pay registration fee(3 to 5 ETB)
- Pay membership fee (usually between 60 to 120 ETB)
- Over 18 years of age

Most of the current members of the cooperative societies are those who joined it during its establishment in 1972/3. After the restructure new members added some but not significantly compared to the population increase.

When the *degure* regime fall the former cooperative structures was also weakened but not dissolved. The Federal Republic of Ethiopia re-organized the cooperative under new directives in light of the free market economy. The change made however, did not improve the cooperatives. It is nominal rather than practically oriented changes.

All the four cooperatives under investigation were re-organized under the new reformed free market economy in 1998.

The farmers complain that with their poor financial capacity and low level of skills in the management of the institutions, they could not easily compete with private investors and succeed. Currently they face stiff competition from the investors especially coffee traders who uses all opportunity to collect maximum benefits from the farmers.

### 5.7.2 Benefits of Cooperative Societies

Even though the competition for their success is stiff, cooperatives have direct and indirect benefits not only to members but to the society as a whole. Some of the benefits are;

- Stabilizing the market through offering better price to the farmers for their coffee. Before cooperative start to purchase coffee, intermediaries and traders purchase coffee from farmers at the minimum price however, when the cooperatives began they set optimum price where the private sectors over pay the cooperatives to attract the farmers.
- To drive cooperatives out of market, coffee merchants approach coffee farmers and provide them credit free of interest so that the farmers do not sale coffee to the cooperatives. This is a blessing in disguise for the cooperatives whose agenda is to benefit the community.
- Provision of agricultural input at stabilized price as well as from accredited sources. Profit is not the driving force and therefore, the objective is to protect farmers from the abuse of rent seekers who sometimes sale expired or cheap inputs at higher prices.
- Purchase grains during harvest when the price is low and sale back to the community at affordable prices.
- Provide credits to the members at time of need.
- Pay dividend to the members on the profit gained from the sale of coffee (70% of the profits gained from the sale of the coffee purchased from the cooperatives redistributed to members while 30% is retained by the cooperative offices.

The other benefits mentioned by the community were membership awareness creation by development agents and government.

### 5.7.3 Current challenges of the surveyed cooperatives

During the *dergue* the cooperatives used to distribute agricultures inputs and supplies on credit basis to the *kebeles* where most of the credit was not settled. The cooperatives, which were reformed with minor changes, did not resolve the previous debt burden and structural challenges. With the poor management and minor change, the current cooperatives did not organized as vibrant and strong farmers' institution. On top of this complex issues, the coffee producing cooperatives in the country hardly hit by false cheques/bad cheques in 2001 sustaining a huge loss of revenue from the coffee sales. For example the *Afata Wanja* Cooperative societies are burdened with about 2million ETB debt which is ever compounded

at the bank interest rate. All of the surveyed cooperative societies are indebted to the Development Bank of Ethiopia with varying amount. The cooperatives are spent almost all of the meagre income they get from coffee sales which strongly make them unable to pay dividends to the community. In addition to the false cheques crisis, the fall in coffee prices left them in bad condition. All of the cooperatives reported that they sold coffee they collected from the farmers at half prices.

The debt also enslaved them to the Development Bank of Ethiopia. If they need credit, it is only the DBE who can provide them the amount it want or can totally decide not to give them. The reason is that the coffee they purchased and got bankrupt at the bad cheque that plagued the country in the year 2001 was by the credit from the DBE. Most of those active cooperatives involved in the coffee trade in the area were hardly hit by the post-dated cheques and fall under the debt trap. All levels of the cooperatives from the farmers' cooperative to the Regional bureaus brought the issue to the attention of the court and the higher government bodies to the level of the prime minister but without any solution. This becomes one of the perpetual blocks to the prospect of cooperative societies ridden by the debt. The profit they get annually goes to the debt servicing and the members do not expect to get dividend at the moment. This situation discourages and become barrier to many young and other new entrants.

When they cooperatives were established in the country, they monopolized purchase of coffee from the farmers. In addition to this, most of the basic supplies like sugar, salts and farm implements are supplied by cooperatives. They are allowed and given priority to get the commodity from the factory. This being the past experience, they could not stand the competition with traders where government withdrew such consideration. Except few most cooperatives are run by elected executive members who consider the matter of the cooperative as a secondary. However, cooperatives like *Afta* and *Haro*, which are grouped under the strongest cooperatives in the area or even in the country, are run by salaried staff that dedicate their time and effort to the task of the cooperative societies. On the other hand cooperatives like *Geruke Mazoria* and *Doha* have no full time staff except the accountant. The other elected executives meet weekly and as demanded by urgent matters. Their operations and strength is, therefore, dependent on their organizational structure and their capability to be run by full time recruited staff rather than elected ones.

Apart from the debt and capacity issues the other problem mentioned by the community is the lack of awareness by the member themselves when it comes to the commitment issues. Fulton described the importance of commitment for cooperative members as follows:

*One of the critically important issues co-ops face as they undergo this transformation is member commitment. Member commitment is critical because it is a measure of how well a co-op is able to differentiate itself from an investor-owned firm (IOF). The greater is the coop's ability to differentiate itself from an IOF, the easier it is for the co-op to retain its market share as borders breakdown and as multinationals move into markets they have traditionally ignored. In short, member commitment is a sort of glue that allows membership and business volume to be maintained even as trade becomes more fluid and barriers to reorganization are broken down (1999: 418).*

The member commitment as noted by the key informants and cooperative executives means understanding the cause of the cooperative societies, supplying coffee to the cooperatives so that the gain from the bulky purchase increases and consequently benefit the members. However, due to the current poor situation of the cooperatives, lack of support by the government as required and the strong attachment of the local coffee traders to the individual coffee farmers made the members to pay little or no attention when it comes to coffee supply. The coffee traders appoint satellite agents at each coffee purchasing stations paying more than or equal to what cooperatives pay. Given the current situation and lack of finance make cooperatives to make coffee purchase occasional and not always. During this time when the cooperatives are out of the picture the coffee traders who wait for that opportunity buy coffee at much less than the fixed price since there is no competition from cooperatives.

Before reorganization and involvement of the cooperatives in the coffee market, intermediaries and illegal coffee traders penetrate into the coffee farmers' village and buy coffee with low price. In addition, the profit blinded intermediaries also give credit on unusually high interest which kept the farmers under the creditors yoke. However, with government intervention and the cooperative started to buy coffee, the situation is improved. Private coffee traders or the cooperatives give credit to the farmers without interest. The coffee *traders'* objective is to keep the farmers loyal to them and hold them in their grip.

## 5.8 The role of Oromia Coffee Farmers Societies Union (OCFSU) Ltd

The Oromia Coffee Farmers Cooperatives Union was established in June 1999 with a member of 34 with primary cooperatives societies in Oromia comprising a total member of 22,503 coffee farmers out of which only female farmers constitute only 5%.

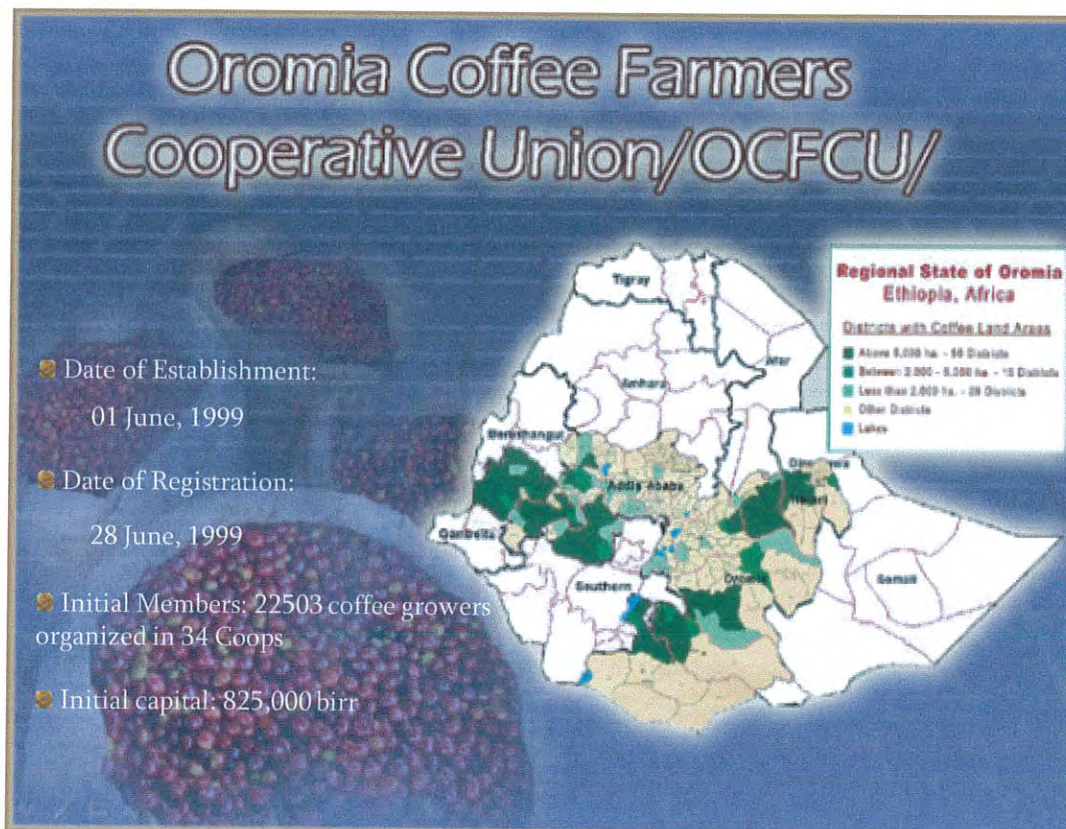
After establishment, the Union started organizing coffee farmer's cooperatives throughout the Region. Although the cooperative members remain 34 until 2003/04 in 2004/5 it was over double of that number and kept on increasing from then onwards (see Table 11).

**Table 11:** Members of Oromia Coffee Farmers cooperative society between 1990 and 2007

Year	Number of member cooperatives	Number of farmer members		Total farmers
		Male	Female	
1990/00	34	21,342	1,161	22,503
2000/01	34	21,589	1,232	22,821
2001/02	34	21,793	1,250	23,043
2002/03	34	22,335	1,257	23,593
2003/04	34	22,335	1,257	23,593
2004/05	74	45,237	2,675	47,912
2005/06	101	70,816	3,909	74,795
2006/07	115	97,639	5,311	102,950

Source: Adopted from the report of OCFSU

**Figure 11:** The operational Sites of Oromia Coffee farmers Society Union



Source: OCFSU report, 2007.

The main objectives of the Union as stipulated in their information bulletin;

- To improve farmers income by selling their coffee for higher prices.
- To improve and maintain the quality, productivity and sustainability of coffee production.
- To regulate and stabilize the local market.
- To assist coffee communities in providing social services such as schools, health centres and cleans water.

## CHAPTER SIX

### COFFEE CERTIFICATION AND ITS IMPACT ON THE SMALL COFFEE FARMERS

#### 6.1 Coffee Certification

##### 6.1.1 Introduction

Coffee certification as fair-trade and organic is one of the solution to the ever volatile coffee market that hit the small coffee producers around the world. It is also one of the key options to help the farmers to help themselves. Proponents or advocates of alternative trade hold the believe that making trade fair is essential than giving aid. The value captured outside the producers is extremely high and therefore, maximizing the return to the farmers is considered to be in the heart of the fair-trade movement. On the other hand, organic certification encourages environmental sustainability while it pays off for the producing farmers. In the campaign by Oxfam International, the focus is on taking responsible actions by the giant coffee traders who heap almost over 90% of the coffee value leaving small margin to the coffee farmers who are the coffee producers.

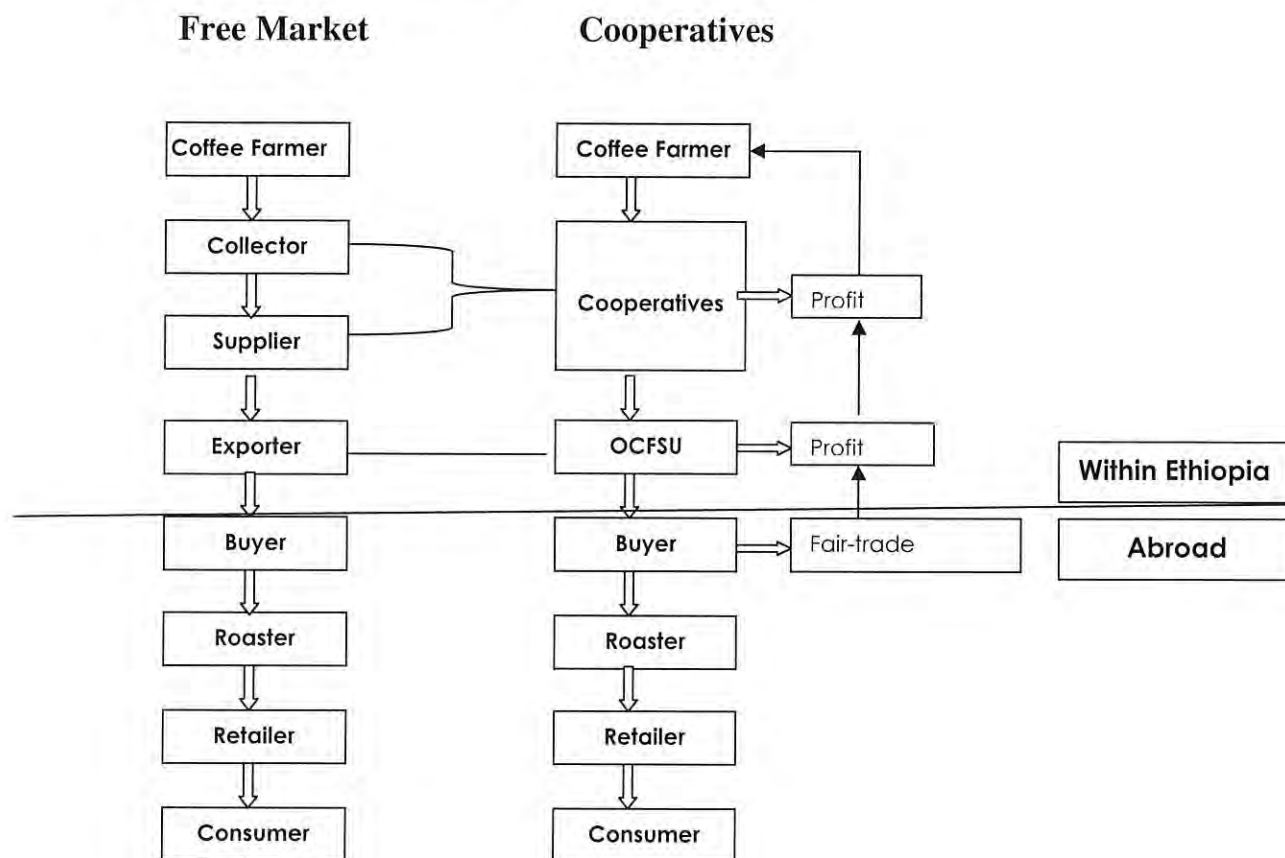
This section explores the coffee value chains under cooperatives and the benefit of certification in general. It also assesses the challenges that discourage the coffee farmers to become the members to take the advantages set out by the northern consumers. Finally, it briefly describes why there is no impact although the time of the certification is brief. Some of the observable community developments are also discussed which is insignificant at the moment.

##### 6.1.2 Coffee Value Chain with OCFSU

One of the main objectives of the international movement for fair trade is to reduce the coffee value chain so that some of the coffee benefit recaptured by the coffee producing small farmers. Taking this opportunity, the OCFSU and the primary cooperatives intervened into the national coffee market the cooperatives collect from the farmer and supply to the OCFSU and then directly export the coffee to the international buyers. The chain reduced currently is that of coffee collectors at the local level usually the intermediaries and the national exporters

at the last stage level within the country. The schematic comparison of the coffee value chain of the free market and cooperative is adopted from the OCFSU documents (see Figure 12). The change in coffee value chain is not only for certified coffee but for the conventional, too. The extra profit gained after sale to the international buyers will be paid back to the farmers as dividend and called the “second payment”. In addition to the dividend the certified cooperatives receive fair-trade premium.

**Figure 12:** The Coffee Value Chain



**Sources:** Adopted from the OCFSU documents

### 6.1.3 Coffee Certification Processes

Coffee is certified under different schemes with corresponding criteria and responsibilities. The discussion is, however, only focused on fair-trade and organic coffee certifications. As described in the literature review, the certification process requires both the coffee producing farmers and the buyers to fulfil the conditions as set out by the certifying bodies. The coffee

farmers need to fulfil both the social requirement like democratic institutions, open and transparent cooperative management, awareness creation of the members, focus on social development activities. On the production side, the farmers are required to keep the quality of coffee production, sustainability, and environmental protection, health and cleanness of the processing plant, health and cleanness of the coffee processors, fair and minimum wages for the employee of the cooperatives.

On the reciprocity, the buyers, also required to pre-financing to the coffee farmers to the maximum of 60% of the agreed purchase price and enter into an agreement to buy coffee from the coffee farmers at fixed price for relatively longer terms of trading partnership in order to keep the farmer confident in their coffee production. [This issue is discussed at length in the FLO certifications standards and attached as annex].

#### **6.1.4 The challenges to the full benefit of coffee certification in Ethiopia**

As the study indicates the standards set by the FLO, for the small coffee producers is difficult to achieve and reap the full benefit of the certification scheme. To begin with, the organizational structure of cooperatives in the country has a lot of challenges from establishment to operation. The international advocators for the cause of the poor coffee farmers compel them to target cooperatives as universally similar worldwide ignoring the country specific issues. Although, most of the principles of International Cooperative Alliance is adopted, the most essential ingredient in the cooperative formation is lacking and at very low development stages. The shortage of skilled manpower coupled with the corrupt nature of cooperatives is one of the key obstacles in addition to lack of infrastructures and finance. As noted earlier, the current cooperatives are the extension of the former ones former once. Even some of the executive members are drawn from the previous cooperatives structure.

During the case study, the key informants underlined that the nature of the cooperatives structures as closed and non-transparent to the wider members. They also believe that the current cooperatives have no much difference to the previous ones. Everything about the cooperatives are decided by the government sectors responsible for its management and not free institution.

Although there is dilemma as described by the key informants, on the viability of cooperatives under the current heavy indebtedness to the Development Bank of Ethiopia and

poor performance, the potential importance of cooperative society is highly observed in influencing and stabilizing coffee market.

When the cooperatives delay in starting to buy coffee, the intermediaries get into the picture and buy coffee at lower prices but when cooperatives started, they push the price even higher than the cooperatives. Sometimes, the processing plant for red coffee cherries stop due to technical problems when the profits collectors, private coffee traders, step in and drop the price. As the informants explained, the intermediaries are suspected to be involved in the breakdown of the plant.

### 6.1.5 Fair-trade and organic certified Cooperative members

The OCFSU started to facilitate the coffee certification after its establishment. The standards for the certification is one of the key challenges to get certification for all the cooperative members and therefore done according to the readiness of each cooperative members. Until now there are only 11 primary cooperatives that are certified for organic and fair-trade according to the documents and information from the OCFSU. Afata and Haro cooperative societies are the two out of the 11 certified in the Oromia Region.

The study found that most of the cooperative members do not clearly understand what fair-trade and organic certification means. In addition, the cooperative executives also said that they do not have much knowledge of the process. They are told what they have to do in line with the criteria set by the FLO, which is not really satisfactorily followed as observed. As indicated in Table 12, out of 60 households surveyed as certified, only 5 (8.3%) responded that they know fair-trade and organic certification while the rest could not tell what it means. The majority only know the name.

**Table 12:** Understanding of the criteria for coffee certification

Response	Frequency	Percent
Yes	5	8.3
No	55	91.7
Total	60	100.0

**Source:** Household survey, March 2007

Some of the standards required by the FLO that become bottleneck to the current Ethiopian situation are described by OCFSU are;

- Employment of capable staff by cooperative societies
- Frequent audit report
- Minimum wages for the employees of the cooperatives
- Provident fund for the staff
- Protective clothing and safe working environment
- Ability to produce action plan and budget
- Etc.

Within their current conditions the cooperatives hardly achieve the standards. This is what made the number of the cooperatives certified very minimal although the number of members is very high.

Concerning organic, the cost associated with the verification and audit, which is currently undertaken by the international consultant, is high. However, the OCFSU covers costs related with organic certification. Most of the consultants agree that the coffee in the *woreda* can be identified as organic by default as the key informants reported.

#### **6.1.6 Benefits from fair-trade and organic coffee to the farmers**

As depicted by the value chain (Figure 12, coffee is collected from farmers and sold to OCFSU so that the export to the international buyers. The coffee can be sold as certified fair-trade organic, as fair-trade, certified organic and conventional coffee. The double certification for organic and fair-trade fetch higher price with additional premium for organic which is added on top of the fair-trade price. The social development premium is also added basing on the volume supplied. The conventional is just sold depending on the international market and there is no any consideration even if market falls while for the certified the buyer pays the minimum price agreed for specified period of time. If the price falls, fair-trade price remains fixed but if international coffee price rises, the buyer agrees to rise.

The volume of certified coffee sold by the OCFSU increases from year to year with all the challenges that exist. The average price per kg for fair-trade organic was 26.98 ETB, fair-trade per kg was 24.23 ETB, organic per kg was 23.22 ETB and for conventional 21 ETB per Kg. Table 13 shows the volume sold under each coffee for the year 2005.

**Table 13:** Volume and value of coffee sold by OCFSU from different sources in 2005

Fair-trade Organic		Fair-trade		Organic		Conventional	
Volume in kg	Sales in USD	Volume in kg	Sales in USD	Volume in kg	Sales in USD	Volume in kg	Sales in USD
1,338,720	4173468.73	532,800	1,491,547.97	195,000	523,150.41	624,000	1,577,950.54

**Source:** OCFSU Report, 2005

## 6.2 The Impact of coffee certification on the lives of the coffee farmers

The main objective of the study was to assess the difference brought about by the introduction of fair-trade and organic coffee certifications. Basing on the prices fall as a fundamental trigger for weak and marginal coffee farmers who changed their coffee field to other crops, pulled out their children from school, and faced the challenges in their life, the study set out to the coffee producing area of Mana *woreda*.

As the study indicates almost all the coffee farmers faced the worldwide coffee crisis. They also felt hopeless and lacked confidence in coffee production but keep on doing since they have no other alternatives. Coffee is favoured not only by the farmers but by the nature of the topography of the land and the weather condition.

The introduction of fair-trade is to protect the vulnerable coffee farmers from the fluctuation of coffee prices since the coffee crisis. In order to see the impact two cooperatives from non-certified were chosen while the other two were drawn from certified cooperatives. However, the impact is not visible or not identified for the following reasons:

- The coffee price was stable since the certification where no difference was observed
- The certification process was not even clear to the cooperative societies executives or to the members. The respondents wanted to be fully aware of the scheme but the cooperatives supposed to be the channels are not functioning well.
- The facts that the cooperative societies are under debt burden transfers the income to debt servicing. All cooperatives in the case study *Woreda* are currently under the heavy burden of debt and therefore paying back the debt each time they get income.
- The OCFSU pays dividend for all the cooperatives basing on the coffee supplied although the cooperatives certified are less than 10% of its members.

- The cooperatives themselves are weak in committing themselves and supplying large amount of coffee to get the most from the scheme.
- The conditions of the FLO is like take it or leave it rather than considering of the realities in different countries if the objectives is on benefiting the poor coffee producers.

The two certified cooperatives said that they received only one time social development premium from the sale of fair-trade which was spent on schools renovation, water development some of which I observed (Figure 13 & 14).

**Figure 13:** water point (A) and bridge (B) constructed by fair-trade premium at Afata Wanja Cooperative, in Dhabasa Peasant Association.

(A)

(B)



Source: photographed by the author

**Figure 14:** School expansion to *Haro* elementary school, *Haro* cooperatives



**Source:** Photographed by the author, 2007.

### 6.3 Summary

Fair-trade and organic coffee certification is believed to contribute to the well being of the poor coffee farmers. However, the barriers to take the advantage of fair-trade potential are formidable with the static cooperative structures. In addition to the internal barriers the requirement of the FLO does not take into consideration the nature of each country.

The introduction of fair-trade and organic certification is related to the coffee price fall and which devastated small coffee farmers. In likewise the impact would have been observed had there been coffee price fall. However, as of 2002, the coffee sector did not see marked price fall and therefore this obscure the certified cooperative stand from those non-certified.

With all the challenges to certification, the OCFSU records indicate that the shares as well as the performance in fair-trade is growing from year to year. The

Although insignificant as indicated by the surveyed communities the community development programme was in motion with fair-trade premium.

## CHAPTER SEVEN

### CONCLUSION, POLICY IMPLICATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

#### 7.1 Conclusion

The main objective of the study is to look into the impacts gained from the coffee certifications on the lives of the poor coffee farmers in the Oromia Region. In the study attempts were made to identify the challenges in that face the cooperative societies in reaping the benefit from coffee certifications.

The large majority of the population in developing countries depends, for its welfare and livelihood, on the production and export of primary commodities. The liberalization of market negatively affected the poor south whose commodity price is determined by the rich northern. Coffee, being one of the primary commodities was severely affected by the price fluctuations especially after the disintegration of the ICA which at least regulated the supply on the basis of demand.

The study also attempted to investigate the coffee crisis that hit the poor coffee farmers around the world in the course of 1997 to 2002 that arose some of the development actors in the north to act. Accordingly, the concept of commodity certification initiated with the objective of redistribution of coffee value to the poor farmer who produce but capture only very margin of the total coffee value. To this end the proponents established standards for fair-trade commodity of which coffee is the main one. The coffee producers are required to follow the standard in the production and supply of coffee. For this the coffee farmers receive better price that at least cover the cost of production and some profit margin. The system works through reduction of the coffee chain and by directly linking them to the international buyers who also enter into agreement with the certifying bodies. On the other hand the organic coffee certification also focuses on an ethical trade and focuses on the production processes.

The investigation focusing on the small coffee farmers in Oromia that are organized into union to get the benefit of the fair-trade and organic coffee certification. The OCFSU

representing the primary coffee cooperatives in the Region facilitated the certification of some cooperative societies out of which the *Afta* and *Haro* cooperatives got the certification.

The processes and progress in certification is low due to a number of reasons. The cooperative structures in the country are not conducive to attain the full benefits of the fair-trade. The past legacy and the weak financial position of the cooperative is one. The socio-economic standard of the country also is one factor where the FLO standard has no specific considerations for countries is not observed.

The fair-trade is at its infancy and while most of the cooperatives in the coffee sectors were under heavy debt specially those surveyed cooperatives are still paying to the creditors almost what they get as dividend. The cooperative member who expects to receive the second payment receives little or nothing at all. In addition to this the benefits of fair-trade and organic coffee depends also on supplying large quantity where the cooperatives do not have the finance. The cooperatives surveyed have no any freedom to make decision on getting credit outside the Development Bank of Ethiopia since they owe the bank large amount of money they could not pay.

The other factor that overshadows the fair-trade benefit is the current stability of the coffee market. If the price falls again those under the fair-trade scheme receive fixed price and take the advantage.

The study also meant to look into the impact brought about by coffee certification, the result is that there is no much difference between certified cooperatives and non-certified cooperative due to the challenges mentioned.

## **7.2 Policy Implications**

It is clear that agriculture is the backbone of the economy of the country. The agriculture is also characterized by poor agricultural practices, and low productivity. It also employs the largest proportion of the rural population. Coffee being one of the commercial commodities represents the livelihoods of many small farmers who could not even feed themselves. Therefore, any programme or intervention to improve the livelihoods of the farmers requires careful identification of the root cause of problems that leads to food insecurity and then

devise appropriate course of actions. In this regard, the study conducted at Mana *woreda* on the impact of coffee certification helps to spotlight areas that require genuine intervention to the policy makers and executers. It further highlights that the standards of the FLO did not consider the differences among countries and applied blanket standards across the world leaving those cooperatives with low level of development to gain very less from the scheme. The study therefore points out that FLO revisit its standards taking into consideration the reality of the country to achieve its objective of benefiting the poor coffee farmers in the country.

All actors in development agree with one word that the objective is to improve the livelihoods of the poor but the divergence is on how to approach. As the study indicates the lack of transparent and democratic institutions in which the voice of the poor to be heard need attention. The coffee farmers know what is good for them and therefore, any effort geared toward more democratic institutions changes facilitate the improvement in the livelihoods of the people.

The practice of fair-trade and organic certifications also needs the support of government in order to jointly identify the problems and scale up further.

The study also indicates that the members of the certified cooperatives themselves did not have understanding of the fair-trade and organic certifications process and its benefits. In this area, a lot of efforts is needed to aware the community with support so that the benefits are captured.

Based on the findings of the study, different policy actors need to focus on the following emerging issues in order to make the coffee certifications one of the key contributors to the well being of poor coffee producers;

- Primary Cooperatives formations and structures need further investigation and revitalization. Although the cooperatives reorganization made some important changes, there needs further improvement. E.g, in most of the study area the leaders or the executives of the cooperatives are those from previous ones due to their experience.

- Cooperatives were principally taken for democratic institutions, transparent and one way of empowering the community. Contrary to these principles the cooperatives investigated were commented to lack these key principles. Even the base of the fair-trade and organic coffee certification is on such principles were they believed the community developed into more vibrant society even in other sphere of life. Therefore, efforts that promotes democratic and transparent institutions needs to be devised and implemented. In general, the cooperatives formation in the country needs revision in the light of the International Cooperative Alliance (ICS) principles.
- The current debt burden on cooperatives needs to be solved. This may require the international donors as well but the local government can at least transfer the amount to government financial institutions in order to at least reduce or stop compounding the interest. The interest rate is continuously compounded further increasing the principal amount.
- Fair-Trade Labelling Organization (FLO) needs to pay attention to the reality in developing countries and adopt its standards according to the practical situations rather than applying blanket standards throughout the world.
- Concerning organic coffee certifications, countries like Ethiopia are believed to use fertilizers even where it is utilized. In the study area, where over 90% comes from the forest, set of simple criteria and supervision would be suffice to declare organic. People and researchers concerned to push for set of minimum standards and awareness to maintain the threshold by the farmers needs to be in place. The government bodies can identify products and even areas in the country where organic coffee are produced reducing the supervision and determination cost so that larger proportion of the society take the advantages on the world market.
- OCFSU has to investigate why there is no significant impact on fair-trade and organic certification and redirect their intervention. In addition, clear and transparent discussion with the cooperatives on the issue of the coffee certification is required. Training the community and awareness creation also removes some of the misunderstanding that exists.

### 7.3 Recommendations for further research

The study is focused on the impact of coffee certifications on poor coffee producers in Oromia Region. During the study, different issues that require the attention of researchers in the field were emerged. The theme is of new area in the country where a lot of research work is required. Coffee certifications involves institutions that represent the interest of the poor and marginal farmers; supportive national level institutions that forge links with the FLO and other labelling organizations, and agents that are involved in the certifications process. In addition, the policy environment has positive or negative impact on the achievement of the objectives of certifications. All of the areas mentioned in relation with coffee certifications calls for further research.

Some of the specific areas that require further study were emerged during the study undertaken at Mana *Woreda* are as follows:

Currently the FLO is certifying coffee through cooperatives with the assumptions that cooperatives are the right channels to benefit the poor farmers. With all the current challenges, the hope to make remarkable change is not that attractive. Study needs to be made on new channels or reformulate local institutions that may integrate the interest of the certifying bodies as well as consider the capacity of the Ethiopian coffee producers is required. The recommended study may investigate the current legal frameworks on cooperative formations and come up with practical solutions.

Further research should be undertaken on the current standards of FLO which became barrier to take the advantage from the benefits of the commodity certifications. The study may suggest practical recommendations that help Ethiopian farmers to fully utilize the benefits from coffee certifications.

Coffee value chain in free market and cooperative systems is recommended to be studied in order to see the significance and refocus attention on coffee value chain.

The total costs spent on coffee production and marketing needs further research to identify family labour and other incidental activities which need to be accounted to the overall cost.

Study on coffee yield loss that face the farmers every three years or five years interval needs further study to give viable solutions.

## REFERENCES

- Baffes, John.** 2003. Tanzania's Coffee Sector: Constraints and Challenges in a Global Environment. THE WORLD BANK 1818 H Street, NW, MC 2-339 Washington, D.C.
- Barratt, B. M.** 1993. *Fair Trade: Reform and Realities in the International Trading System.* London: Zed Books Ltd.
- Bernard, T., Abera Birhanu and Eleni Gabre-Madhin.** 2006. Linking Ethiopian Smallholders to Markets: Promises and Pitfalls of Collective Action. *Paper submitted for ESSP Policy Conference 2006 "Bridging, Balancing, and Scaling up: Advancing the Rural Growth Agenda in Ethiopia"* 6-8 June 2006, Addis Ababa, Ethiopia.
- Bray, D.** 1997. Where markets and Ecology Meet: Organic Coffee from the Sierra Madre of Chiapas. *Inter-American Foundation Review (IAF).* Washington, DC.
- Central Statistical Agency.** 2007. Annual Statistical Abstract. Addis Ababa, Ethiopia
- Clay, J.** 2004. *Coffee: World Agriculture and the Environment.* Washington DC: Island Press.
- Creswell, W.J.** 2003. *Research Design: Qualitative, Quantitative and Mixed Methods Approaches.* Sage Publications, London.
- Degefa Tolosa.** 2005 Combining Household Qualitative and Quantitative Data in Food Security Research. *Working Papers on Population and land use in Central Ethiopia*, no. 5 ACTA Geographica-Trondheim, Norway.
- Donald, P. F.** 2004. Biodiversity Impacts of Some Agricultural Commodity Production Systems. *Conservation Biology* Vol. 18 (1), 17-38.
- Dubois, P.** 2001. International Cooperation for the Development of a Sustainable Coffee Economy. *Paper presented at The First Asian Regional Round-Table on Sustainable, Organic and Specialty Coffee Production, Processing and Marketing.* February 26-28. Chiang Mai, Thailand.
- Eshuis, F. and Harmsen, J.** 2003. Making Trade Work For The Producers: 15 years of Fairtrade Labelled Coffee in the Netherlands. The Max Havelaar Foundation.
- Fair Trade Foundation, UK.** 1999. Standards of Fair-trade.  
<[http://www.fairtrade.org.uk/what\\_is\\_fairtrade/faqs.aspx](http://www.fairtrade.org.uk/what_is_fairtrade/faqs.aspx).> Accessed on 1/01/08.

- Fair Trade Foundation, UK.** 2007. What is Fair trade Certifications?  
<[http://www.fairtrade.org.uk/what\\_is\\_fairtrade/faqs.aspx](http://www.fairtrade.org.uk/what_is_fairtrade/faqs.aspx)> Accessed on 12/12/07.
- Fair Trade Foundation.** 2000. Fair Trade Facts.  
<[http://www.fairtradefoundation.com/ab\\_facts.html](http://www.fairtradefoundation.com/ab_facts.html)> . Accessed on 12/11/07.
- Federal democratic Republic of Ethiopia.** 2002. Ethiopia: Sustainable Development and Poverty Reduction Program. Addis Ababa, Ethiopia.
- FLO .**(1999). The Fairtrade Certification Mark (CM).  
<[http://www.fairtrade.net/certification\\_mark.html](http://www.fairtrade.net/certification_mark.html)>. Accessed on 14/01/08.
- FLO.** 2007. Fairtrade Labelling Organizations International Annual Report 2006 /7  
<<http://www.fairtrade.org.uk>> . Accessed on 1/01/08.
- Fulton F.,**1999. *Co-operatives and Member Commitment*. Centre for the Study of Co-operatives, University of Saskatchewan, 101 Diefenbaker Place Saskatoon SK S7N 5B8
- Gibbon, P.,** (2003). *Commodities, Donors, Value-Chain Analysis and Upgrading*. Danish Institute of International Studies, Strandgade 56, Copenhagen K.
- Global Exchange.** (2007) Coffee Cooperatives. <[www.globalexchange.org](http://www.globalexchange.org)>. Retrieved 5-11-07.
- Goodman, K. Michael.** (2006). Trade, Fair. Entries for the Sage Encyclopaedia of Environment and Society. King's College, London.
- Gresser, C., & Tickell, S.** 2002. Mugged: Poverty in your cup. Washington, D.C.: Oxfam International.
- ICO.** 2000. Organic Coffee: Summary of a round Table discussion on coffee produced by "organic" farming methods. London, England.
- IFOAM .**1999 .Information about IFOAM."  
<<http://www.ecoweb.dk/ifoam/general.htm>>. Accessed on 30/01/08.
- IFOAM.** 1996. Basic Standards for Organic Agriculture and Processing and Guidelines for Coffee, cocoa and Tea; Evaluation of Inputs. Werbedruck, St. Wendel.  
<<http://www.eco-label.org>> Retrieved 1-11-07.
- International Cooperative Alliance.**2004.Cooperative Principles.  
<<http://www.coop.org/>> . Accessed on 1 /8/2004.

- International Institute for Sustainable Development.** 2004. Sustainability in the Coffee Sector: Exploring Opportunities for International Cooperation. A Background Document for Brainstorming Mechanisms for Sustainability in the Coffee Sector .UNCTAD
- Karanja, Andrew M. and Nyoro, James K.** 2002. Coffee prices and regulation and their impact on Livelihoods of rural community in Kenya. Tegemeo Institute of Agricultural Policy and Development, Egerton University.Nairobi
- MacDowell, E. Megan.** 2005. *Waking Up from Coffee Crisis: Finding the path towards conservation and justice. Sustainable Development and Conservation Biology.* University of Maryland, College Park.
- Maizels, A.** 2000. Economic dependence on commodities, *paper given to UNCTAD X High-level Round Table on 'Trade & Development: Directions for the 21st Century'*, Bangkok.
- Milford, A.,** (2004). Cooperatives and competition: The Impact of Fair Trade. *CMI Report*, Chr.Michelsen Institute.N-5892 Bergen, Norway.
- Ministry of Coffee and Tea Development Authority.** 1987. Coffee: Ethiopia's Gift to the World. *Progress Report.* Addis Ababa, Ethiopia.
- Myers, Alisha.** 2005. Old Concepts Revisited: Are Cooperatives the Way Forward for Smallholder Farmers Engaged in International Trade? *Dissertation submitted in partial fulfilment of the requirement for the degree of arts in SA 472 MSc Social Policy and Planning in Developing Countries.* London School of Economics and Political Science, University of London. Unpublished.
- Nicholls, A.,** 2005. *Thriving in a Hostile Environment: Fairtrade's Role as Positive Market Mechanism for Disadvantaged Producers.* London: Sage
- Nicholls, A., and Opal, C.** 2005. *Fair Trade: Market Driven Ethical Consumption,* London: Sage
- Northwest Shade Coffee Campaign.** 1999. Coffee, Birds and Trade Policy: Making the Connection. Seattle Audubon Society 8050 35th Avenue NW Seattle.
- OCFCSU Ltd.** Brochure, Unpublished, Addis Ababa, Ethiopia
- O'Connor, J.** 1998. *Natural Causes: Essays in Ecological Marxism.* New York: Guilford.
- Organic Trade Associations.** (2007). Facts About Organic Coffee.
- Oromia Bureau of Finance and Economic Development.** 2006. Physical and Socio-Economic Profile of Mana District of Jimma Zone. Addis Ababa, Ethiopia
- Osorio, N.** 2002. The global coffee crisis: a threat to sustainable development. *Presentation to the International Coffee Organisation World Coffee Conference.*

- Oxfam America.** 2007. Facts About Fair-Trade.  
<<http://www.oxfamamerica.org/whatwedo/campaigns/coffee/fair-trade-resource-center>>. Accessed on 12/5/07
- Oxfam GB.** 2001. Bitter Coffee: How the Poor are paying for the slump in coffee prices.  
<[http://www.oxfam.org.uk/resources/policy/trade/downloads/bp36\\_Coffee.pdf](http://www.oxfam.org.uk/resources/policy/trade/downloads/bp36_Coffee.pdf).>  
> accessed on 12/11/2007.
- Oxfam GB.** 2003. Europe and the Coffee Crisis: A Plan of Action. *Oxfam Briefing Paper* no. 36. <[www.oxfam.org.uk](http://www.oxfam.org.uk)>. Accessed on 1/01/2008.
- Pagiola, S. and Ruthenberg, I.,** 2002.*Selling Biodiversity in a Coffee Cup*. Earth scan Publication Ltd. London.
- Pay, C. & McAdam, P.,** 2004. Fair-trade Certification and SMEs: The Case of a Honey Producer in Kenya. Market Access Centre Traidcraft Exchange, UK.
- Ponte, Stefano.** 2001. Coffee Markets in East Africa: Local Responses to Global Challenges or Global Responses to Local Challenges? *CDR Working Paper 01.5* .Centre for Development Research · Copenhagen
- Raynolds, L.T.** 2002. Poverty Alleviation Through Participation in Fair Trade Coffee Networks: Existing Research and Critical Issues. *Background Paper Prepared for Project Funded by the Community and Resource Development Program*. The Ford Foundation, New York.
- Raynolds, L.T.,**2000. "Re-Embedding Global Agriculture: The International Organic and Fair Trade Movements." *Agriculture and Human Values*. 17:297-309.
- Reynolds, A.** 1998. The Impact of New Generation Cooperatives on Their Communities. P. Duffey(ed.) *RBS Research Report 177*. Washington, D.C.
- Rice, A. Robert.** 2000. Noble Goals and Challenging Terrain: Organic and Fair Trade Coffee Movements in the Global Market Place. *Journal of Agriculture and Environmental Ethics* 14: 39-66. Kluwer Academic Publishers.
- Rodriguez, D. & Epperson, E.J.**2001. *The Latin American Organic Coffee Industry: U.S. Market Inroads*. University of Georgia, Athens,
- Rouse, J.** 1996. Rural people's organisations in a liberalised market economy: recent FAO experience' SD dimensions, Sustainable Development Department, Food and Agricultural Organisation of the United Nations (FAO).

## APPENDICES

### Appendix I: CHECKLIST FOR FOCUS GROUP DISCUSSION

#### I. BOTH CERTIFIED AND NON CERTIFIED

Name _____ of _____ the cooperative _____	Date of discussion: _____
Date the cooperative established: _____	Date of certification (for certified): _____
Number of current members: total: _____	1. male _____ 2. female _____ 3. _____
Number of members when established: total: _____	1. male _____ 2. female _____ 3. _____
The cooperative is organized by: a. NGO b. GO (cooperative promotion office) c. Local people d. other: _____	

1. What are the main criteria to join cooperative?
2. What are the advantages and disadvantages of cooperative society?
3. What are the challenges?
4. Indicate the major responsibilities and accountabilities of
  - a. Cooperative members
  - b. Cooperative structure
5. How significant is coffee in the livelihoods of the community (cooperative members)? What is the average coffee field owned by one household?
6. Describe the productivity of coffee (forest/plantation). Comment in terms of quality?
7. Describe the main area that requires financial outlays in coffee production. What is the average cost spent to produce and sale one quintal of coffee? (family labor to be considered)
8. What do you remember about critical fall in coffee prices? And what happened as a result to the local community?
9. Describe the issues in coffee sale by farmer. To whom, where and when is coffee sold in your community?
10. What is changed as a result of being organized as cooperative?
  - a. In production (growing)
  - b. In harvesting and storing
  - c. In marketing

#### II. CERTIFIED ONLY

11. How did you hear about coffee certifications?
12. What are the conditions and criteria for fair-trade certification?
13. What are the conditions and criteria for organic certification?

14. What are the internal control systems and requirement to remain certified fair-trade? Organic?
15. What are the challenges in coffee certification?
16. State the advantages and disadvantages(costs and benefits) of:
  - a. Fair-trade certification
  - b. Organic certification
17. How do the benefits related to fair-trade and organic coffee certifications managed?
18. Do you think that the social premium is significant to the community?
19. Do you think that the current benefits received from coffee certification sustainable? What is your argument to your answers?
20. What are changed in coffee growing, harvesting, drying and storing, marketing, environment and shared decision making before and after coffee certification?

### III. NON-CERTIFIED ONLY

21. What is your understanding of coffee certifications?
22. Why your cooperative non-certified?
23. What is your relation to OCFSU?

## Appendix II: CHECKLIST FOR OCFSU MANAGEMENT/EXPERTS DISCUSSION

1. Date of establishment: \_\_\_\_\_
2. Number of cooperative Societies (current) .....
3. Number of cooperative Societies in 2006 .....
4. Number of cooperative Societies in 2004 .....
5. Number of cooperative Societies in 2002 .....
6. Number of cooperative Societies in 2000 .....
7. Number of cooperative Societies upon establishment .....
8. Please describe OCFSU formation. What are its objectives?
9. Is there changes in your strategic objectives since the establishment of the organization and why?
10. What are the supports you have got from internal/external institutions and what are their names and objectives?
11. Why are some cooperatives certified and other non-certified?
12. Please describe in detail the coffee value chain for conventional coffee market and certified coffee (from coffee farmer to international consumers)
13. Please describe costs involved in producing and supplying one quintal of coffee bean by small coffee producers (current period).
14. What are the main socio economic impact indicators for certified coffee from the household level to the Regional/national level? And how do you measure the impact?
15. What are the main challenges in getting certification and sustaining it?
16. What are the main criteria for certification of fair-trade organic coffee?
17. What are the procedures in managing the sale of certified coffee and the benefits thereof?
18. What are the main conditions for small coffee farmers' cooperative to be member of OCFSU?
19. How does the OCFSU structure is related to small coffee farmers' cooperative? What are your major supports to your member cooperatives societies?
20. What is your strategy to capture the benefits related to fair trade and what are the main challenges in achieving your plans? What is the trend in demand for certified fair-trade and organic coffee?
21. Are there any other organizations involved in coffee certification and sale in Oromia? If yes, their names and your relations.
22. How significant do you think certification contribute to the overall poverty reduction strategy of the country and what is your hard evidence?

### Appendix III: CHECKLIST FOR CASE STUDY

Name of the Household:		Age:	Sex: 1. male 2. female
Education level:		Marital status: 1. single 2.married 3.divorced	
Occupation:			
Name of cooperative:		Date of discussion:	
Member of dependent under 15 age: 1. male;_____2.female:_____3.total_____			
Member of dependent over 15 age: 1. male;_____2.female:_____3.total_____			
Household member attending school (1-10 <sup>th</sup> ): 1. male____ 2. female:____3. total____			
Household member attending higher education: 1. male____ 2. female:____3. total____			
Member of household employed: 1. male____ 2. female:_____ 3.total:_____			

1. What are the sources of your livelihoods and the proportion of each?

2. Please briefly describe your coffee production history?

Coffee production

Year	Coffee production and yield					
	Organic		Non organic		Total	
	Coffee field(hectare)	Yield (quintal)	Coffee field(hectare)	Yield (quintal)	Coffee field(hectare)	Yield (quintal)
2007/8						
2006/7						
2005/6						
2004/5						
Initial						

Revenue from coffee sale

Year	Certified coffee (in ETB)			Non certified	Total
	Fair-trade	Organic	Fair-trade organic	Conventional	
2007/8					
2006/7					
2005/6					
2004/5					
initial					

3. What is your understanding of certification as fair-trade and organic? How did you hear about certification? What was your immediate response?
4. Comment on the certification processes from information to certification?
5. What is your evaluation of cooperatives? Please describe where and to whom you used to sell coffee in the past and currently?
6. What are the costs and benefits of
  - o Fair-trade certification
  - o Organic certification
7. Please tell me in detail the impact of coffee certifications on your household life? Compare your life before and after certification?
8. What is your comment in general about the certifications?

## Appendix IV: STRUCTURED QUESTIONNAIRE FOR HOUSEHOLD DISCUSSION

### I. HOUSEHOLD BACKGROUND INFORMATION

Questionnaire Code: \_\_\_\_\_ Name of cooperative: \_\_\_\_\_

Name Household: _____	of	Age: _____	Sex: 1. Male 2. Female
Education level : _____	Occupation: _____		
Date discussed: _____	Marital Status: 1. Single 2. Married 3. Divorced		
Member of dependent under 15 age: 1. Male: _____ 2. Female: _____ 3. Total: _____			
Member of dependent over 15 age: 1. Male: _____ 2. Female: _____ 3. Total: _____			
Member of dependent attending school (1-10 <sup>th</sup> grade) 1. Male: _____ 2. Female _____ 3. Total: _____			
Member of dependent attending higher education 1. Male: _____ 2. Female _____ 3. Total: _____			

### II. LIVELIHOODS SOURCES

Livelihoods activities	%age Contributions to livelihood
A. Agriculture	
1. Coffee	
2. Other crop	
3. Livestock	
B. Petty trade	
C. Employment	
D. Other	

***This part is to be responded by both certified and non certified cooperative members***

1. What is the total size of your coffee field in hectare/local unit? Forest coffee \_\_\_\_\_ plantation\_\_\_\_\_
  
2. Coffee production costs and revenues for four consecutive years(family labor to be considered)

Year	Total yield (in quintal)	costs				Sales value (in ETB)
		Production (in ETB)	Harvesting (in ETB)	Transportation (in ETB)	Other (in ETB)	
2007						
2006						
2005						
2004						

3. How frequent do you face extremely low coffee yield due to bad weather condition? A. Every other year b. Once in five years c. Once in ten years d. Not faced loss of yield e. Other: specify\_\_\_\_\_
4. How often do you weed your coffee field? A. Once a year b. Twice a year c. Three times a year d. four times a year e. More than four times a year f. No significant weeding
  
5. Do you hire additional workforce outside your family labor? A. Yes b. No
  
6. If your response is yes to question # 5, during which period of coffee production do you hire additional labor? (multiple response is possible) a. Harvesting b. Weeding c. Hoeing d. All of the above
  
7. Have you ever applied fertilizers or pesticides to your coffee field? A. Yes b. No
  
8. In which area do you face the most challenge in coffee production? A. Growing b. harvesting and storing c. Marketing d. Other: specify:\_\_\_\_\_
  
9. Have you ever got training in coffee production? A. Yes b. No

10. If you received training, in what area of coffee production?(multiple response is possible) a. Coffee growing b. Harvesting and storing c. Marketing d. All of the above

11. If you got training who provided it? (multiple response is possible) a. NGO b. OCFSU c. GO d. Other: \_\_\_\_\_

III. COFFEE MARKETING

12. Have you ever faced extremely sharp fall in coffee price? A. Yes b. No

13. If you faced sharp fall in coffee price, when did it happen? \_\_\_\_\_

14. What was the lowest price you were offered? \_\_\_\_\_ ETB/quintal

15. What was your immediate decision when you faced sharp fall in coffee price, if it happened? (Multiple response is possible) a. Changed the coffee field to other crop b. Employed as daily labourer c. Migrated to other area d. Did not take any action.

16. To whom you used to sell your coffee before joining cooperative? (multiple response is possible) a. Intermediaries b. Government agents c. Licensed coffee traders d. Other: specify \_\_\_\_\_

17. If you used to sell your coffee to intermediaries (local coffee collectors), what forced you to sell to them? (multiple response is possible) a. Lack of market information b. Lack of transportation c. Lack of finance d. Other: specify \_\_\_\_\_ e. All of the above

IV. COFFEE COOPERATIVE

18. When did you join the cooperative? \_\_\_\_\_

19. What do you like about cooperative?

Access to credit is easy and possible	
Good market access for coffee	
Shared decision making	
Reduced transportation cost	
Access to production and marketing information	
Training and awareness creation	

Community development through cooperative	
Get supplies at reasonable costs and sale produce to it	
other	

20. What do you dislike about cooperative

Bureaucratic and inefficiency	
Decisions taken reflects the voice of the powerful	
Corrupt and lack integrity	
Conditions to join are 87ulfil87rable to the poor	
I do not have understanding about it	
Other: specify	

21. How often do you meet during coffee harvesting? \_\_\_\_\_ marketing ? \_\_\_\_\_

22. What support did you get from OCFSU? (multiple response is possible) a. Marketing information b. Training and awareness on coffee c. Representing the cooperatives at national and international level d. Purchases coffee from the cooperative at fair price e. Other: specify \_\_\_\_\_.

23. Have you ever got support from other organization/agent? A. Yes b. No

24. If your response is yes to question # 23, what kind of support did you get?(multiple response is possible) a. Training b. Marketing information c. Other: specify \_\_\_\_\_ d. All of the above

25. What do you like about OCFSU? (multiple response is possible) a. Its effectiveness and efficiency b. Engaged in development of poor coffee farmers c. Facilitates credit at time of need d. All of the above. E. Other: Specify \_\_\_\_\_.

26. What do you dislike about OCFSU? (multiple response is possible) a. It is not supportive b. It is not transparent and democratic institution c. Although it has noble cause, it doesn't fulfill its missions in practice d. Takes too long to settle payments and other benefits to the farmers e. All of the above f. Other: specify \_\_\_\_\_
27. What do you want to be changed of OCFSU? (multiple response is possible) a. Improvement in its management b. Improvement in its the relationship with the cooperatives c. Other: specify \_\_\_\_\_ d. Nothing, since the current status is good.

V. COFFEE CERTIFICATION *(this part is to be responded by certified cooperative members only)*

28. How were you informed of the certification? (multiple response is possible) a. Government b. NGO c. OCFSU d. Mass media e. Other: specify \_\_\_\_\_
29. Please list down the main challenges in getting certification.
30. Do you clearly understand conditions and criteria for coffee certification? A. Yes b. No
31. Who is responsible to follow up so that the conditions of certification are maintained? (multiple response is possible) a. The cooperative b. Cooperative members c. OCFSU d. Other: \_\_\_\_\_
32. Are there challenges in receiving payments and benefits related to certifications? A. Yes b. No
33. If your response is yes to # 32, what are the challenges? \_\_\_\_\_

*The following questions is to be responded by non certified cooperative members only*

34. Are you informed of coffee certifications? A. Yes b. No
35. If you are already informed of certifications, what is the sources and how long since you are informed? \_\_\_\_\_
36. What is your understanding of fair-trade certification and organic certification?

Fair-trade certification	Organic certification

37. What do you think the reason for your not participating in the certifications so far if you are already informed?
38. Does your cooperative engaged in social development activities? A. Yes b. No

VI. IMPACT OF COFFEE CERTIFICATION *(to be responded only by certified cooperative members)*

39. Conventional and certified coffee prices

	Coffee type		
	Conventional coffee	Fair-trade	organic
Price/kg (the highest)			
Price/kg (the lowest)			
Price/kg (current)			

40. What is the volume of coffee you supply as certified fair-trade? \_\_\_ organic? \_\_\_ conventional \_\_\_
41. Describe in detail the economic impacts of your participation in fair-trade and organic certifications program?


42. What are the social development activities implemented in your community through participation in fair-trade?


## **Appendix V: FAIRTRADE LABELLING ORGANIZATIONS INTERNATIONAL**

### **FAIRTRADE STANDARDS FOR COFFEE**

#### **Fairtrade, an Alternative for Small Farmers and Workers**

#### **PART Generic Fairtrade Standards for Small Farmer's Organisations**

##### **1 Social Development**

- 1.1 Fairtrade adds Development Potential
- 1.2 Members are Small Producers
- 1.3 Democracy, Participation and Transparency
- 1.4 Non-Discrimination

##### **2 Economic Development**

- 2.1 Fairtrade Premium
- 2.2 Export Ability
- 2.3 Economic Strengthening of the Organisation

##### **3 Environmental Development**

- 3.1 Environment Protection

##### **4 Standards on Labour Conditions (applicable if the organisation employs a considerable amount of workers)**

- 4.1 Forced Labour and Child Labour
- 4.2 Freedom of Association & Collective Bargaining
- 4.3 Conditions of Employment
- 4.4 Occupational Health and Safety

#### **PART B Product Specific Standards for Coffee**

#### **PART C Trade Standards for Coffee**

#### **Fairtrade, an Alternative for Small Farmers and Workers**

Fairtrade is an initiative for small farmers and wage workers in the South, who have been restrained in their economical and / or social development by the conditions of trade (= 'disadvantaged'). If fair access to markets under better conditions of trade can help to overcome the restraints of development, they can join Fairtrade.

**Small farmers** can join Fairtrade if they have formed organisations (in co-operatives, associations or other organisational forms) which are able to contribute to the social and economic development of their members and their communities and are democratically controlled by their members. Organisations can be certified by FLO if they comply with the requirements in this document.

**Workers** can participate in Fairtrade if they are organised, normally in unions, and if the company they work for is prepared to promote workers' development and to pass on to the workers the additional revenues generated by Fairtrade. Such companies working with hired labour (farms, plantations, etc.), can be certified if they comply with the requirements in this document.

In setting its Standards FLO follows certain **internationally recognised standards and conventions**, especially those of the ILO (International Labour Organisation), as this form the basic labour rights most widely accepted throughout the world. In this document each Standard is formulated in general terms, and, where applicable, reference is made to external standards which FLO follows.

The Standard is then followed by the **requirements** against which producers will actually be inspected. The requirements are divided into:

**minimum requirements**, which all producer organisations must meet from the moment they join Fairtrade, or within a specified period; and

**progress requirements**, on which producer organisations must show permanent improvement. A report on the achievement of progress requirements should be made each year.

Minimum in this sense is meant to ensure that:

1. Fairtrade benefits reach the small farmers and/or workers.
2. The small farmers' organisation and/or the workers has/have potential for development.
3. Fairtrade instruments can take effect and lead to a development which cannot be achieved otherwise.

The degree of progress, which FLO requires from each producer organisation, depends on the level of economic benefits it receives from Fairtrade and on its specific context.

FLO also requires that producer organisations always abide by **national legislation**. Furthermore, national legislation prevails if it sets higher standards on particular issues than FLO.

The Standards laid out in this document apply to **small farmers' organisations ONLY**. For Standards related to hired labour situations please see the respective document.

## **PART A Generic Fairtrade Standards for Small Farmer's**

### **Organisations**

#### **1 Social Development**

##### **1.1 Fairtrade adds Development Potential**

Fairtrade should make a difference in development for certified producers.

###### **1.1.1 Minimum Requirement**

1.1.1.1 The producer organisation can demonstrate that Fairtrade revenues will promote social and economical development of small farmers.

###### **1.1.2 Progress Requirement**

1.1.2.1 A monitored plan should be developed under which the benefits of Fairtrade (including the Premium) are shared based on a democratic decision taken by the beneficiaries.

##### **1.2 Members are Small Producers**

By small producers are understood those that are not structurally dependent on permanent hired labour, managing their farm mainly with their own and their family's labour-force.

###### **1.2.1 Minimum Requirement**

1.2.1.1 The majority of the members of the organisation are small producers.

1.2.1.2 Of every Fairtrade-certified product sold by the organisation, more than 50% of the volume must be produced by small producers.

###### **1.2.2 Progress Requirement**

1.2.2.1 Where a minority of small producers from within a small producer organisation is producing a particular Fairtrade-product, special attention needs to be given to ensure that they will always receive a cost-covering price for their product from the small producers' organisation. The small producer organisation will establish an adequate system for this respectively.

##### **1.3 Democracy, Participation and Transparency**

The organisation must be an instrument for the social and economical development of the members, and in particular the benefits of Fairtrade must come to the members. The organisation must therefore have a democratic structure and transparent administration, which enables an effective control by the members and its Board over the management, including the decisions about how the benefits are shared. Furthermore, there must be no discrimination regarding membership and participation.

### **1.3.1 Minimum requirements**

1.3.1.1 An organisational structure is in place which enables control by the members. There is a General Assembly with voting rights for all members as the supreme decision taking body and an elected Board. The staff answers through the Board to the General Assembly.

1.3.1.2 The organisation holds a General Assembly at least once a year.

1.3.1.3 The annual report and accounts are presented to and approved by the General Assembly.

1.3.1.4 Administration is in place.

### **1.3.2 Progress requirements**

1.3.2.1 The organisation works towards transparent planning of the business. Organisations are encouraged to make annual business plans, cash flow predictions and longer term strategic plans. Such plans will be approved by the General Assembly.

1.3.2.2 The participation of members in the organisation's administration and internal control is promoted through training and education - and improves as a result.

1.3.2.3 The organisation establishes or improves internal mechanisms of members' control over the administration, such as a control committee with rights to review the administration, external audit, etc.

1.3.2.4 Increasingly, the organisation's policies are discussed in member meetings. Management actively encourages members' participation in meetings.

1.3.2.5 There is improvement of the flow of information from board to members about the business and the organisation's policies.

1.3.2.6 Measures will be taken to improve the members' commitment to the organization.

## **1.4 Non-Discrimination**

FLO follows ILO Convention 111 on ending discrimination of workers. The Convention rejects "any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation" (art. 1). As far as applicable, FLO extends these principles to members of organisations.

### **1.4.1 Minimum requirements**

1.4.1.1 If the organisation restricts new membership, the restriction may not contribute to the discrimination of particular social groups.

## **1.4.2 Progress requirements**

1.4.2.1 Programs related to disadvantaged/minority groups within the organisation are in place to improve the position of those groups in the organisation, particularly with respect to recruitment, staff and committee membership.

## **2 Economic Development**

### **2.1 Fairtrade Premium**

The organisation has the commitment and capacity to administer the Fairtrade Premium in a way which is transparent for beneficiaries and FLO. Decisions on the use of the Premium are taken democratically by the members.

#### **2.1.1 Minimum requirements**

2.1.1.1 The organisation administers and manages the Premium transparently and uses it in line with the requirements outlined in these Standards.

2.1.1.2 The use of the Fairtrade Premium is decided by the General Assembly and properly documented

#### **2.1.2 Progress requirements**

2.1.2.1 As soon as Premium is available, there is a yearly Premium plan and budget, preferably these are part of a general work plan and budget of the organisation.

### **2.2 Export Ability**

The producers must have access to the logistical, administrative and technical means to bring a quality product to the market.

**2.2.1 Minimum requirements** Generic Fairtrade Standards for Small Farmers' Organisations Version January 2003 4

2.2.1.1 Logistics and communication equipment are in place.

2.2.1.2 The producer organisation proves that it meets current export quality standards, preferably through previously exported products which were accepted by importers.

2.2.1.3 Demand for the producers' Fairtrade product exists.

2.2.1.4 The organisation has experience in the commercialisation of a product as an organisation.

#### **2.2.2 Progress requirements**

2.2.2.1 The producer organisation increases efficiency in their exporting operations as well as in other operations and this way maximises the return to the members.

## **2.3 Economic Strengthening of the Organisation**

### **2.3.1 Progress requirements**

2.3.1.1 Members will gradually take on more responsibility over the whole export process.

2.3.1.2 The organisation will work towards the strengthening of its business related operations. This could for example be through the building up of working capital, implementation of quality control, training/education and risk management systems, etc.

## **3 Environmental Development**

### **3.1 Environment protection**

Producers are expected to protect the natural environment and to make environment protection a part of farm management.

Producers will implement a system of Integrated Crop Management (ICM), with the aim of establishing a balance between environment protection and business results, through the permanent monitoring of economic and environmental parameters, on the basis of which an integrated cultivation and protection plan is devised and permanently adapted. FLO encourages producers to work towards organic certification.

ICM minimises the use of fertilisers and pesticides, and partially and gradually replaces them with organic fertilisers and biological disease control.

#### **3.1.1 Minimum requirements**

3.1.1.1 The producers live up to national and international legislation regarding the use of pesticides, handling pesticides (storing, filling, cleaning, administration, etc.), the protection of natural waters, virgin forest and other ecosystems of high ecological value, erosion and waste management.

3.1.1.2 Pesticides in WHO class 1 a+b, pesticides in the Pesticide Action Network's "dirty dozen" list and pesticides in FAO/UNEP's Prior Informed Consent Procedure list (respecting updates, see appendix) cannot be used.

#### **3.1.2 Progress requirements**

3.1.2.1 The producer organisation will encourage its members to implement **a system of Integrated Crop Management.**

## **4 Standards on Labour Conditions**

FLO regards the ILO Conventions as the authority on working conditions, and expects all registered producers to meet the requirements as far as possible. Where a significant number of workers are employed by a small farmer organisation, there

are specific standards to meet. Where a smaller number are employed and where workers are casually hired by farmers themselves, the organisations should take steps to improve working conditions and to ensure that such workers share the benefits of Fairtrade. This should be part of the development plan and be reported to FLO.

The term "workers" refers to all those employed, including casual, seasonal and permanent workers.

In cases where a plantation or factory is a member of the producer organisation certified by FLO, the generic standards for hired labour apply fully and the plantation or factory will need to go through a separate certification process.

**Applicable to all producer organisations:**

**4.1 Forced Labour and Child Labour**

FLO follows ILO Conventions 29, 105, 138 and 182 on child labour and forced labour. Forced or bonded labour must not occur. Bonded labour can be the result of forms of indebtedness of workers to the company or middlemen. Children may only work if their education is not jeopardised. If children work, they must not execute tasks, which are especially hazardous for them due to their age.

**4.1.1 Minimum requirements**

4.1.1.1 Forced labour, including bonded or involuntary prison labour, does not occur.

4.1.1.2 Children are not employed (contracted) below the age of 15.

4.1.1.3 Working does not jeopardise schooling or the social, moral or physical development of the young person.

4.1.1.4 The minimum age of admission to any type of work which by its nature or the circumstances under which it is carried out, is likely to jeopardise the health, safety or morals of young people, shall not be less than 18 years.

4.1.1.5 Employment is not conditioned by employment of the spouse. Spouses have the right to off-farm employment.

**Applicable to Producer organisations in which a significant number of workers are employed:**

**4.2 Freedom of Association & Collective Bargaining**

FLO follows ILO Conventions 87 and 98 on freedom of association and collective bargaining. Workers and employers shall have the right to establish and to join organisations of their own choosing, and to draw up their constitutions and rules, to elect their representatives and to formulate their programmes. Workers shall enjoy adequate protection against acts of anti-union discrimination in respect of their employment.

### **4.2.1 Minimum requirements**

4.2.1.1 The organisation recognises in writing the right of all employees to join an independent trade union, free of interference of the employer, the right to establish and join federations, and the right to collective bargaining.

4.2.1.2 The organisation allows trade union organisers to meet all the workers, and allows workers to hold meetings and organise themselves without the interference of the management.

4.2.1.3 The organisation does not discriminate against workers on the basis of union membership or union activities.

### **4.2.2 Progress requirements**

4.2.2.1 If one or more independent and active trade unions exist in the sector and the Region, FLO expects that the workers will be represented by (a) trade union(s) and that the workers will be covered by a Collective Bargaining Agreement (CBA).

4.2.2.2 If no independent and active union exists in the Region and the sector, all the worker's will democratically elect a worker's committee, which represents them, discusses with the organisation and defends their interests. This committee negotiates with the organisation an agreement on the conditions of employment, covering all aspects normally covered by a Collective Bargaining Agreement (CBA).

4.2.2.3 The representation and participation of the workers is improved through training activities. These are also aimed at improving the workers' awareness of the principles of Fairtrade.

4.2.2.4 If no union is present, the organisation and the workers' committee gets into a process of consultation with the national union federation(s) and the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) or the respective International Trade Secretariat about improvement of the workers' representation and implementing a Collective Bargaining Agreement (CBA).

## **4.3 Conditions of employment**

FLO follows ILO Plantation Convention 110, ILO Conventions 100 on equal remuneration and 111 on discrimination. All employees must work under fair conditions of employment. The producer organisation must pay wages in line with or exceeding national laws and agreements on minimum wages or the Regional average.

### **4.3.1 Minimum requirements**

4.3.1.1 Salaries are in line with or exceeding Regional average and official minimum wages for similar occupations. The employer will specify wages for all functions.

4.3.1.2 Payment must be made regularly and in legal tender and properly documented.

#### **4.3.2 Progress requirements**

4.3.2.1 Regarding other conditions of employment like maternity leave, social security provisions, non-monetary benefits, etc. at least the provisions as laid out in the Collective Bargaining Agreement or the Agreement signed between the workers' committee must be fulfilled.

4.3.2.2 All workers are employed under legally binding labour contracts.

4.3.2.3 The organisation works towards all permanent workers having the benefits of a provident fund or pension scheme.

4.3.2.4 An adequate sick leave regulation is put in place.

4.3.2.5 A working hours and overtime regulation is put in place.

4.3.2.6 Salaries are gradually increased to levels above the Regional average and official minimum.

4.3.2.7 Differences in the conditions of employment for casual, seasonal and permanent workers are progressively diminished.

#### **4.4 Occupational Health & Safety**

FLO follows ILO Convention 155 which aims "to prevent accidents and injury to health arising out of, linked with or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment."

##### **4.4.1 Minimum requirements**

4.4.1.1 Workplaces, machinery and equipment are safe and without risk to health. FLO may require that an inspection is carried out by a competent authority or independent inspection agency.

4.4.1.2 The following persons are not allowed to work with the application of pesticides: persons younger than 18 years, pregnant or nursing women, persons with incapacitated mental conditions; persons with chronic, hepatic or renal diseases, and persons with diseases in the respiratory ways.

##### **4.4.2 Progress requirements**

4.4.2.1 Among the workers' representatives, a person must be nominated who can be consulted and who can address health and safety issues with the organisation.

4.4.2.2 Those who are handling agrochemicals are adequately trained in storage, application and disposal of these. They are actively informed of all relevant

information on the product they are handling by the producer organisation. This information is provided in the local language.

4.4.2.3 Adequate personal protective equipment of good quality is available and appropriate, especially for the use of agrochemicals. Workers handling agrochemicals must use it.

4.4.2.4 Workers' capability and awareness of the chemicals they are using, relevant health protection and first aid are improved through training.

4.4.2.5 Establishment of a occupational health and safety committee with the participation of workers.

4.4.2.6 Collective risk assessments are carried out regularly.

## **PART B Product Specific Standards for Coffee**

### **1 Social Development**

There are no additional social standards specific to coffee producers.

### **2 Economic Development**

There are no additional economic standards specific to coffee producers.

### **3 Environmental Development**

There are no additional environmental standards specific to coffee producers.

## **PART C Trade Standards for Coffee**

### **1. Product description**

The Fairtrade Standards cover two species of coffee.

#### **Coffea arabica - Arabica coffee**

*Coffea arabica* was first described by Linnaeus in 1753. The best known varieties are 'Typica' and 'Bourbon'. The average arabica plant is a large bush with dark-green oval leaves. It is genetically different from other coffee species, having four sets of chromosomes rather than two. The fruits are oval and mature in 7 to 9 months; they usually contain two flat seeds (the coffee beans) - when only one bean develops it is called a peaberry. Arabica coffee is grown throughout Latin America, in Central and East Africa, in India and to some extent in Indonesia.

#### **Coffea canephora - Robusta coffee**

The term 'robusta' is actually the name of a widely grown variety of this species. It is a robust shrub or small tree growing up to 10 metres in height, but with a shallow root system. The fruits are rounded and take up to 11 months to mature; the seeds are oval in shape and smaller than those of *C. arabica*. Robusta coffee is grown in West

and Central Africa, throughout South-East Asia and to some extent in Brazil, where it is known as Conillon.

## **2. Procure a Long Term and Stable Relationship**

Buyers and sellers will procure to establish a long term and stable relationship in which the rights and interests of both are mutually respected. Buyer and seller will sign contractual agreements for the first part of the season and a letter of intent for the rest of the season, to be confirmed by purchase contracts as the harvest progresses, which stipulate basic conditions such as: volume, quality, procedures to establish differentials and fix prices, shipment schedules, etc.

## **3. International Customary Conditions**

All other customary conditions applicable to any international transaction will apply, such as the conditions of the European Contract of Coffee, latest edition (hereinafter to be referred to as ECC-conditions), unless overruled by any of the special FLO-International conditions as specified herein.

## **4. Pricing and Premium**

All buyers functioning in the FLO system use international standards when they fix prices and consider to include "price fixation at seller's call" (against the relevant position of the futures market) into their policy.

Price fixation, once effected and confirmed, cannot be changed, neither by the buyer nor by the seller.

For Arabicas the New York "C" contract shall be the basis of calculation. The price shall be established in US\$-cents per pound, plus or minus the prevailing differential for the relevant quality, basis F.O.B. origin, net shipped weight. For Robustas, the London "LCE" contract shall be the basis of calculation. The price shall be established in US-dollars per metric tonne, plus or minus the prevailing differential for the relevant quality, basis F.O.B. origin, net shipped weight. When by legal regulation, all coffee has to be passed through the auction, importer and exporter will agree upon a reasonable margin for the exporter to cover his costs.

**Over the New York "C" and London "LCE" established prices, there shall be a fixed premium of 5 US\$-cents per pound.**

For certified organic or biological coffee with officially recognized certification, that will be sold as such under the mark of one of the marking organizations signatory to the agreement governing FLO of which these FLO-International conditions form part, an additional premium of 15 US\$-cents per pound green coffee will be due, on top of the FLO-International price as determined under point 3.5.

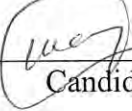
To protect the producers, minimum prices have been defined which overrule FLO-International prices as defined under 3.5 when these are lower than the relevant minimum price. The minimum prices vary according to the type and origin of the

coffee. The following minimum prices, including quality differentials, the fixed FLO-International premium of 5 US\$-cents per pound and the organic premium of 15 US\$-cents per pound, apply: (all prices in US\$-cents per pound F.O.B. port of origin)

Regular		Certified organic		
Type of coffee	Central America, Mexico, Africa, Asia	South America, Carribean Area	Central America, Mexico, Africa, Asia	South America, Carribean Area
Washed Arabica	126	124	141	139
Non-washed Arabica	120	120	135	135
Washed Robusta	110	110	125	125
Non-washed Robusta	106	106	121	121

I, the undersigned, declare that the thesis is my original work, has not been presented for a degree in any other university and that all sources of materials used for the thesis have be duly acknowledged.

Declared by:

Alonso Chisari  
  
Candidate

Confirmed by:

\_\_\_\_\_  
\_\_\_\_\_  
Advisor