

Sustainable Development of Fairtrade Coffee in Laos*

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Abstract

Coffee is one of the main cash crops for many farmers in developing countries. The farmers in the southern part of Laos, who are the subject of this study, are no exception. The research intends to investigate the impacts of Fairtrade coffee in Laos. The Fairtrade system to a large extent still shares many characteristics with conventional trade. The research also found that despite the benefits of greater social capital, participating in Fairtrade does not help reduce the level of farmers' vulnerability to and dependency on the global food market. On the contrary, in terms of socially sustainable development, Fairtrade indeed spreads what Hamilton and Denniss (2005) call "luxury fever" to farmers. Ignored and hidden by Fairtrade are the environmental impacts of the production (coffee) life cycle, so "Fairtrade as a contributor to environmentally sustainable development" is questionable. In addition, the study considers whether the amount of work the farmers invest to achieve the Fairtrade standard is worth the higher price they receive. Therefore, it is anticipated that the findings of this study will generate some suggestions that have the potential to contribute to the sustainable development of the community and to inform consumers as to whether Fairtrade should be supported.

1. Introduction

According to IFAT (2004, cited in Bacon, 2005, p.500) Fairtrade is defined as: A trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to and securing the rights of, marginalized producers and workers especially in the South. Fairtrade organisations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.

This study aims to investigate the socially, environmentally and economically sustainable development of Fairtrade coffee in Lao PDR. It intends to research the potential

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benefits of participating in Fairtrade in terms of these three dimensions of sustainable development and determine whether the Fairtrade system is just “old wine in a new bottle”.

Fairtrade vs Fair Trade

According to Fairtrade Labeling Organizations International (FLO) (2009), Fairtrade and Fair Trade are different:

The term Fairtrade is used to describe the certification and labeling system governed by FLO. The Fairtrade system allows consumers to identify goods that have met Fairtrade standards. The term Fair Trade is used to refer to the Fair Trade movement as a whole and can be used to describe both labeled and unlabelled goods and the work of Alternative Trade Organizations (ATOs), Fair Trade federations and networks such as NEWS, EFTA etc. The term Fair Trade is a broader term often used to describe one or many of the above, and is also used to refer to trade justice issues.

Because this thesis focuses on the coffee with a Fairtrade label, not the whole Fair Trade movement, the term Fairtrade is used throughout.

History of Lao Coffee

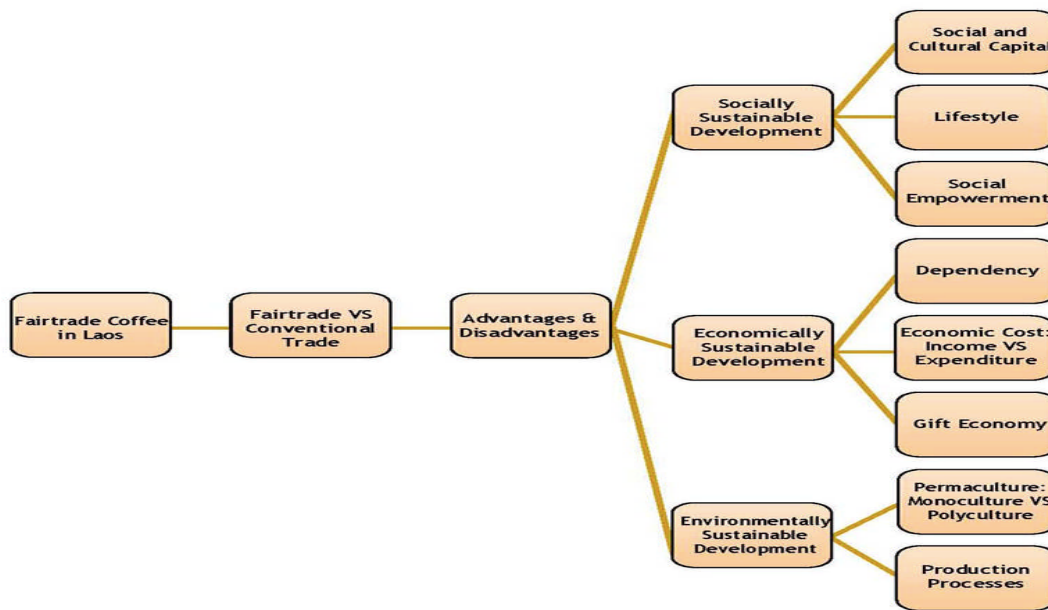
The coffee growing community in Laos includes about 20,000 farming families in 250 villages and several larger farming companies. French colonists planted the first coffee trees in Laos around 1915, when both Arabica Typica and Robusta plants were selected from Saigon's botanical gardens and planted in Thateng, a village in the northern part of the plateau (Jhai Coffee Farmer Cooperative, (2008)). The plateau suffered from the effects of the Vietnam War, as did much of Laos. There are still many tons of unexploded ordinance (UXO) on the plateau. With the end of the war and the relocation of many families to the fertile and productive plateau, the coffee business recovered and flourished again. Currently, the Lao coffee harvest generates a peak of 25,000 tons a year, 25% of which is Arabica (JCFC, 2008). Over the past 20 years, various development agencies, including Jhai Coffee Farmer Cooperative (JCFC) and the Lao government have been working with the farmers to introduce hearty, high yielding Arabica plants to the plateau.

JCFC is a project operated by Jhai Foundation, a non-profit organisation founded in 1997 by Lee Thorn and Bounthanh Phommasathit. It was established in 2001 and its main product is Arabica Coffee. The cooperative includes 500 farmers in twelve villages. From

2001-2004, the roasting partner was Thanksgiving Coffee in the United States, who assisted in upfront payment, packaging and selling. In 2005, JCFC coffee received Fairtrade certification with a guaranteed minimum price of US\$1.26 per pound for the farmer plus US\$0.10 per pound for the cooperative to be used in business and community development. JCFC's main domestic marketing partner is now Lao Mountain Coffee in Vientiane, Laos, and its main financial support is Rabobank Foundation. The main buyers of the export grade coffee from JCFC in 2008 were Alter Eco and Lobodis in France, and CafeMa in Switzerland (JCFC, 2008).

Research Questions

Figure 1.1: Research Questions – From Research Area to Specific Concepts of Research Questions



2. Literature Review

Sustainable development is a complex issue and in order to claim that something is developed sustainably, three aspects, social, environmental and economic, must be taken into account (Eckersley, 1998; Partridge, 2005). It is possible to consider the Fairtrade process in terms of whether it is socially sustainable in this way. Lyon (2006) found that there was a lack of cooperative member participation in the Fairtrade movement's international decision making, agenda setting and marketing strategies. Another issue requiring further research is

the farmers' dependency on the food market. Because farmers are dependent on coffee as their main source of income, other things need to be bought from elsewhere; basic foods such as vegetables or fish that could otherwise be sourced from their rich forests and rivers (Brown, 1993; Trainer, 1994; Elliott, 1998; Lappe et al., 1998; Becheur et al., 2008).

In terms of the economic aspect of sustainable development, focusing solely on growth is not efficient. According to Brown (1993), Bacon (2005), Lyon (2006), Kornell (2007), Williams (2007), Wilkinson (2007) and Becheur et al., (2008), the Fairtrade system, to a certain extent, differs from conventional trade in that it cuts off the middlemen in the trade system. In addition, as Germov and Williams (2008) suggest, what shapes and influences our decisions or behaviour is to a large extent socially constructed. If the ideal of Fairtrade should be socially constructed as a better and ethical choice, then it is worth knowing the genuine impacts that Fairtrade has for farmers such as those in the southern part of Laos.

3. Methodology and Research Design

An appropriate methodology is fundamental to achieving the objectives of research. In examining the sustainable development of Fairtrade coffee in Laos, qualitative research was employed. Applying overt research approach allowed me the opportunity to immerse myself in the social setting, to seek out and analyse this population on what Fairtrade means to the people who live it, making it a real experience, not just the making of assumptions based on what I have read or been told (Robson, 2002; Bryman, 2004).

Qualitative research methods used include ethnography-participant observation and interviewing. These approaches were chosen because they would best demonstrate how people understand the concepts of Fairtrade and organic production and how they experience it (Lewis, 2005; Lyon, 2006; Bellows et al., 2008). Several modes of qualitative interviewing were employed such as semi-structured interviews, oral history interviews, telephone interviews and focus group discussions. These approaches allow respondents to answer openly, with their own words, not just respond with the yes no answers such as those elicited in a structured interview (Longhurst, 2003; Travers, 2006). It is also about the researcher engaging with the respondents without being judgmental and superficial (Longhurst, 2003; Travers, 2006).

Both convenience and snowball sampling were used. The decision to use convenience sampling, that is, by selecting respondents who the researcher had access to and had a

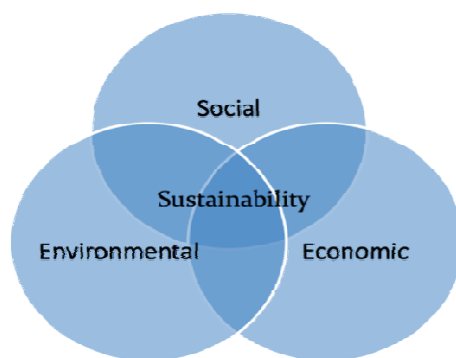
connection with, was used because this strategy is economical in time and effort (Hay, 2000). Because using snowball sampling strategy was very helpful in gaining contact with other farmers outside the co-op.

The interviews took place in different locations around Paksong District, Champasack Province in the southern part of Laos, where and whenever it was convenient for coffee farmers to participate. Each interview took approximately one hour and there were about twenty interviewees, including both cooperative and non cooperative farmers, managers of the co-op and staff from non-government organisations, coffee entrepreneurs in Laos and coffee technicians. The sample was chosen regardless of gender, sexuality, class, religion or ethnicity, so as to encourage a diverse range of individuals to participate in the study (Robson, 2002).

4. Socially Sustainable Development

To claim that something is developed sustainably, three aspects, social, environmental and economic, should be taken into account (Eckersley, 1998; Partridge, 2005) (See Figure 4.1).

Figure 4.1: Multiple Aspects of Sustainability



According to Partridge (2005, p.12), a socially sustainable society is “one that is just, equitable, inclusive and democratic, and provides a decent quality of life for current and future generations”. Socially sustainable development also includes a number of dimensions such as community engagement, distribution of benefits, local capacity to govern and manage development, governance and social accountability (Partridge, 2005).

It is possible to consider the Fairtrade process in terms of whether it is socially sustainable in this way. Lyon’s (2006) research revealed that there was a lack of cooperative member participation in the Fairtrade movement’s international decision making, agenda

settings and marketing strategies. Her research also revealed that even though the Fairtrade coffee market has been operating for almost a decade, knowledge and understanding of the term “Fairtrade” was limited, on the part of cooperative members. Instead, interviews revealed that cooperative members primarily understood Fairtrade to be a market transaction paying slightly higher prices than conventional coffee markets. This is parallel to what was found in relation to JCFC where the meaning of Fairtrade was ambiguously imparted to farmers by JCFC without any intervention or monitoring from FLO. This is illustrated in the JCFC membership form, where in the Lao version, the term “Free Trade” was used rather than “Fairtrade”. In addition, the interview data supports Lyon’s (2006) findings on the lack of sense of ownership and social accountability on the part of members.

Even though all the coffee making infrastructure (a donation from Jhai Foundation) was given to the JCFC cooperative, that is, to the members of the cooperative, the cooperative members interviewed do not have a sense of ownership but rather feel and express that such infrastructure belongs to someone else - “them”. This illustrates a lack of understanding of the term cooperative itself. Indeed, it also suggests that this cooperative, under the Fairtrade system, does not contribute to the sense of ownership, but rather only creates the feeling that the members are simply employees in a workplace. If the sense of ownership is missing, it is harder for the cooperative members to have that sense of accountability to engage, govern and manage the operation and development of the cooperative, because they believe it belongs to others. This leaves the emphasis made by Oxfam Shop (2009) “Empowers communities” in doubt.

One of the benefits of participating in Fairtrade is the premium that belongs to the co-op as a collective benefit for the development of the community. With Fairtrade certification in place, JCFC qualifies for a guaranteed minimum coffee price of US\$1.26 per pound which goes to the farmer plus an additional US\$0.10 per pound, the premium benefits, which is contributed to the cooperative, in order to build the business and community (JCFC, 2008). However, in the case of JCFC, the distribution of the premium benefit received from Fairtrade to the Lao coffee farmers is in doubt. The interviewed cooperative members revealed that the farmers have not received any premium benefit though they have been with the co-op since 2005. They were told by the manager of JCFC that the money was spent on coffee making infrastructure.

This represents a lack of understanding of the cooperative per se and acceptance of management by others. Additionally, one interviewee suggested that the infrastructure in

some centres was being paid for by international donors such as New Zealand and French Development Projects. This illustrates a blurring in the transparency and the democracy of the system. Further, farmers were actually unclear about the funding arrangements which had been operating, since a variety of opinions existed about the source of funding for the infrastructure. None of this suggests that the farmers' co-ops are actually organising the Fairtrade operation in their villages. We can compare this situation to research on Fairtrade in Mexico (Daniel, 2007). As the interview with Paola Ghillani, the president of FLO and the Chief Executive Officer (CEO) of Max Havelaar Switzerland suggested, if there is any problem or if farmers cannot break even, then it must be the result of an inefficiency or corruption on the part of the cooperative leadership (Daniel, 2007).

While this response may be accurate, it must be asked why nothing has been done to address this. It must also be asked who will respect the transparency of the system if even the European administrators of Fairtrade certification do not. This suggests a level of hypocrisy, particularly from an organisation that purports to be creating transparency, raising awareness and campaigning for changes in the rules and practice of international trade when the producers' management transparency is dubious. In addition, interviews with farmers in Paksong and staff from related government departments suggested that many privately owned companies do not only pay decent pay for local labour but also assist in building roads, infrastructure, hospitals and schools for the local community where the coffee plantations are located and sometimes even provide free shelter and food for workers. This illustrates that such social benefits are not only achieved through participation in Fairtrade and are solely the benefits of having a premium.

Another finding from the research reveals that the farmers who are involved in the Fairtrade cooperative have a high dependency on the global food market for purchasing food. They do not have time to collect their basic food when they have to focus on intensively producing the 'specialty coffee' (Brown, 1993; Trainer, 1994; Elliott, 1998; Lappe et al., 1998; Daniel, 2007; Fridell, 2007B; Becheur et al., 2008). Alternatively, a quote from Fairtrade organisations Equal Exchange and Transfer USA cited in Daniel (2007, p.3) claims that:

Because we buy direct, provide pre-harvest credit and always guarantee a minimum floor price, our trading partners have a chance to break the cycle of poverty and can make the economic choice to farm their land sustainably. By doing so they are able to grow alternative cash and food crops in addition to coffee....

This claim contradicts what was disclosed from interviews with the members of the JCFC. It was reasonable to ask how the farmers could find time to grow alternative cash and food crops when the time to find basic daily food alone was not enough.

Interviewee A: “Mostly I buy food from the market because we don’t have time to go and find food that is available locally... if it is the coffee harvest season then there is no time left for anything else....”

Interviewee B: “If it is not the coffee harvest season, we hardly go to the market as we have a chance to go and find food ourselves from the rivers to catch fish... so there is enough to survive if we go and look for it.”

In addition, interestingly, while walking around the plantation, conversation among the farmers led to this discussion:

Interviewee: “Don’t feed the baby again otherwise you will run out of milk before the day when you were planning to buy some!”

Interviewer: “Don’t you breastfeed your baby?”

Interviewee: “I stopped six months ago as I wanted to go back to work!”

In other words, this mother is buying milk for the baby, and seems unable to afford enough milk – because she needs to free up time for her work producing Fairtrade coffee. So interviewees are working hard to get more money, but then have to spend more money on things that they once obtained free or at a cheaper price when they were not working as much. It is questionable whether this extra work is really worth the effort (Hamilton, 2003; Hamilton and Denniss, 2005). One questions whether this is a sustainable way of life or not. In relation to Partridge’s definitions, this is not socially sustainable because it is actually a form of disempowerment. Whereas, in the past, control over material necessities and food resources was locally based – in regard to access to fish and vegetables sourced from local supplies – food has now become a necessity that has to be purchased after payment for work. The outcome is that farmers depend on the whole global system of food marketing to sustain their basic health and well being – and this supply of work and food that can only be purchased with available cash is far from assured. Already we are seeing shortages, evidenced by farmers being cautious about supplying milk to babies on demand.

Leahy (2009) stated that one of the barriers to the Millennium Goals set by the United Nations in 2000 is the global food crisis. An increase in food prices is to a large extent, the

result of oil shortages, and this consequent rise in the price of oil contributes to an increase in the cost of agricultural products that have to be transported around the planet (Leahy, 2009; Joel, 2009). During 2008, the price of rice actually tripled (Leahy, 2009). This raises the question of how an increase in income as a result of an increase in coffee price provided by Fairtrade could help to solve the farmers' vulnerability in food security, and how it could provide a 'decent' quality of life for farmers when what they earn may not even be sufficient to pay for their basic food needs. Listening to what the farmers in Paksong have to say may help answer these questions.

Interviewee: "For the old generation like my parents' generation, there were not many expenses because they found food from the forest, but now all those areas have been turned into nature reserves ...it was sufficient in their time even though they didn't have many coffee plants, plus they had 9-10 children; they still survived..."

Interviewee: "Well I would have to say that I have more debt, the coffee price increases but more so our debt, more than before because food is really expensive, everything is expensive as it increases with the coffee price, plus now I have more desires to buy things as well..."

It is not just an exposure to material and affluent lifestyles that make these farmers more vulnerable but the fact that they are heavily dependent on buying the basic food that they do not have time to grow or gather as they once used to. They have become economically dependent on the world food market. As Trainer (1994) points out, exposure to the affluent Western lifestyle can increase demand, meaning that locals believe they need to acquire consumer goods available in rich countries. He illustrates this by pointing to the Solomon Islanders who were made to believe that they must have luxury goods, like TVs. This means they must earn export income to finance the higher demand for imported goods, not just to satisfy their basic needs to alleviate hunger and poverty also their need to have an affluent lifestyle. Interviews with the farmers in my study support this analysis:

Interviewee: "Well now that the country is more civilised, we have more exposure to things and therefore, more desire for things. Whatever we have seen, we want to have. Before there was nothing, no progression, so we didn't have such a

desire, so we were not in debt. Now when we see the car, we want to have one too, thus end up in debt, more debt, get poorer indeed... for example, before there was no electric stuff, now this stuff is available, so we want to have it which means more expenses....”

This is indeed the answer to the research question as to what has changed in these villages – they have been exposed to consumption and materialism. As Goleman (2009) suggests, more income does not just provide better life circumstances in terms of food, health and education for producers in developing countries but also more consumer spending on non-essential items. However, what these people are confronting is of concern. Hamilton and Denniss (2005) suggest that once our desire is placed ahead of where we are, we are likely to fall victim to consumerism. This potentially leads to a rapid increase in consumer debt such as what is happening currently in Australia. Higher levels of consumption are driving many Australians to work too hard, people feel they must work longer and harder to meet ever-rising aspirations, taking away their time to spend with their families and communities, as well as to pursue activities that they find personally fulfilling (Haworth, 1997; Holt, 1998; Hamilton, 2003; Hamilton and Denniss, 2005). “Materialism thus robs us of autonomy” as Hamilton and Denniss, (2005, p. 15) demonstrated. Such a trend is described as “luxury fever” and it seems such a fever is also spreading to these farmers.

The root of the problem is indeed our attachment to material goals and the way they condition our thinking, which gives us our self-definition and rules our lives. It is not consuming but consumerism that is criticised, not affluence but affluenza (Appadurai, 1986; Hamilton and Denniss, 2005). A simple life would probably be a happier one as one interview with an NGO staff member demonstrates:

Interviewee: “They look really happy, no ambition, no greed, just happy with what they have because they never see any other alternatives... So I think at the end of the day, it should be about how you feel that is to live comfortably and happily.”

This is also supported by a number of studies of the relationship between materialism and quality of life which reveal that those individuals who were high in materialism were less satisfied with their life as a whole and with specific life domains than those who were low in materialism (Haworth, 1997; Hamilton and Denniss, 2005). Therefore, if Fairtrade is about socially sustainable development, it should help prevent the spread of “luxury fever”, rather than help spread it.

Is there a solution to this? What would happen if people stopped or reduced their consumption? Of course, this means that once people no longer feel the compulsion to consume as much, they will need to devote less time to paid employment. While a lower growth rate would reduce the demand for labour, falling interest in consumption would mean less labour supplied to the market. This in turn, provides the right environment for policies aimed at redistributing work from those who have too much to those who have too little (Hamilton and Denniss, 2005). Therefore, it will allow us to begin to understand what is actually worthwhile and fulfilling, as opposed to what advertisers and the marketing society tell us will give us meaningful lives. As Eckersley (1998, p. 6) states, “a better life means a higher quality of life, not just higher material living standards”.

Nevertheless, there are certainly some positive aspects. Fairtrade does contribute to an increase in the social capital of the farmers in JCFC. Social capital according to Putnam (1993, cited in Eckersley, 1998, p.160) refers to:

A clear component of civic virtue, of the contributions people made in public life, primarily through their formal and semi-formal involvement in community life; constituting the measures of attention, sociality and trust which bind people into social systems.

Trust is therefore proposed by Eckersley (1998) as the currency of social capital that “leads to engagement and commitment and therefore to social bonds” (Eckersley, 1998, p. 160). Trust is indeed one of the keys to the success of the operation of the cooperative. Some of the co-op members are in positions of influence in local government. These members sacrifice their time to work at the cooperative centres all day and night without receiving any payment. The following comment shows one response when asked why they do so.

Interviewee: “It is a tough job...if I am here then nobody can help out at home and if I am at home then nobody can help out here...so I decided to stay here because working at the cooperative will take only about a month or a month and a half...but the most important thing is I want to prove and show to others who still hesitate to join the co-op that we are taking this co-op seriously and to survive, and to better improve and sustain our coffee business, we have to work together harmoniously as a cooperative, not as an individual.”

Even though these members did not receive any payment in the initial years of the co-op, they believed their input was for the long term benefit. They figured that if the co-op worked, in the long run the benefits from the premium would pay off. During a visit to one of

the centres during the peak time when farmers finish picking the cherries and are bringing them to the centre, just before sunset, the place was packed with people; they were drinking, playing sports and musical instruments, singing and making jokes while working. Some children of workers were also present and joined in. It was a pleasurable working environment to see, even though everyone was busy, their enjoyment was obvious and the smiles never disappeared from their faces.

Interviewee: "It is about social harmony, the harmony among the members. For example, if there are 100 people working together, we learn to cooperate, deal with problems and laugh together."

This, therefore, demonstrates how the Fairtrade system contributes to social capital and social bonds, where it creates commitment in a relationship and engagement within the communities. However, it would be naïve to believe that without the Fairtrade system such social capital would not exist and to ignore the fact that such social bonds and trust could possibly be present in other coffee plantations as well.

5. Environmentally Sustainable Development

Although colonialism theoretically no longer exists in the twenty first century, the economic foundations that it left in its wake during the colonising period, to a large extent, paved the way for the economic structure of many present-day countries. The colonisers restructured the economic system by disrupting the patterns of indigenous sustainable ways of farming and herding, replacing self sufficient and sustainable agricultural production with monocultural production where the national economy was dependent on export to meet the demands of wealthy outsiders during the colonising period (Palmer and Parsons, 1977; Danaher, 1995; Philips, 2005; Short, 2005; Knox and Marston, 2007). The consequences of such economic restructuring included soil erosion, deforestation and an increased level of dependency of colonised countries on the colonisers. Even after becoming independent, the former colony still relied on the same economic structure (Elliott, 1998; Lappe et al., 1998).

Numerous studies demonstrate the consequences of dependency where agricultural countries strive for export earnings by increasing their agricultural products but the result is harm to the environment (Palmer and Parsons, 1977; George, 1990; Danaher, 1995; Barraclough and Ghimire, 2000; Philips, 2005; Short, 2005; Knox and Marston, 2007). Most tropical rain forests in many countries have been removed or subjected to unsustainable logging for products that are demanded by overseas consumers because it is believed to be an

effective way to increase export earnings (Palmer and Parsons, 1977; George, 1990; Danaher, 1995; Redcliff, 1995; Short, 2005; Philips, 2005; Knox and Marston, 2007; Daniel, 2007). History has already proven that this belief does not apply in practice; an increase in export income does not necessarily contribute to sustainability or benefit the population per se. In Bolivia, during 1990, 95% of people living in rural areas lived below the poverty line, while the country achieved a 600% increase in dollar-value from the growth of agricultural exports (Lappe et al., 1998, p.110). Chile, as another case in point, had become the world's number one exporter of table grapes by the early 1990s. Its sales, mainly to the US, accounted for 90% of total world trade in that commodity. At that time, the population who lived in extreme poverty doubled and Chile also experienced a similar increase in the number of the poor (20% in 1970 and 41% in 1990) (Lappe et al., 1998, p.110-111).

The former French colony, Laos, is no exception. The land of Paksong Province was once covered by forests and highly fertile. It was, and still is known as, 'the golden land' by local people, as one of the interviewees proudly stated when talking about his life history. However, during the early 1900s when the French brought coffee into the area, a large amount of the forest was replaced by coffee plantations as a colonial commodity. At the same time, many existing rice plantations were also replaced by coffee plantations because coffee attracted a higher price. Since then, the local villagers have depended on growing this cash crop as their main source of income.

Interviewee: "Before the land was rich with forests and also rice farms so we did not have to buy rice, but then these were replaced by coffee plantations, so now we have no choice but had to depend on income from coffee in order to purchase rice."

Offering a higher price for coffee could lead to a monoculture similar in some aspects to trade created in the colonising period. With a higher price guaranteed from Fairtrade, many farmers tend to increase the number of their coffee plantations, which means more deforestation:

Interviewer: "So since there is a co-op, do people start to grow more coffee?"

Interviewee: "Increasing in every household! Every year, minimum about 300 tonnes especially last year because the price was very good. Before people did not pay much attention. This is because of the progress and success of the co-op and with a permanent market as well, people are starting to pay more attention and

grow coffee more seriously; within the next three years there will not be any land left to dry all these coffee beans.”

By offering a higher price, Fairtrade attracts farmers' attention to expanding this insecure cash crop. This creates a monoculture which is comparable to the colonial past. It suggests that Fairtrade does to a certain extent contribute to an increase in the dependency level on this monocultural crop, which is a source of soil degradation, deforestation and indeed, the poverty in the first place (Mollison and Holmgren, 1978; George, 1990; Ransom, 2006; Fridell, 2007B; Daniel, 2007). If Fairtrade wants to make this trade environmentally sustainable, it should assist these farmers in becoming more self-sufficient and empower them to become more independent by not encouraging their dependence on an insecure luxury commodity like coffee. Quantitative data of 40 coffee families in Paksong gathered by Mino (2008) revealed that the majority of farmers who depend solely on coffee said they were not able to have sustainable livelihoods, that is, to put food on the table. Whereas, only 10.52% of farmers interviewed, who produce both coffee and other agricultural products such as fruits and vegetables, experienced such an issue. That is to say, it is not about criticising the growing of coffee or arguing that the farmers should stop growing coffee, it is about assisting farmers in reducing the level of their dependency on this cash crop by seeking alternatives based on what is locally available and making use of local resources wisely, as Leahy (2009) has suggested.

As Mollison and Holmgren (1978) point out, sustainability of environmental development should be about seeking an answer to the question of how the local community organises agriculture to fit within the goals of the environmental movement as a whole. Mollison and Holmgren (1978) proposed the concept of permaculture, emphasising the significance of subsistence agriculture for sustainable development in terms of the environment. It is suggested that farmers should focus on growing a variety of agricultural products necessary for their survival rather than purely depending on coffee products (Random, 2006). This is certainly not the intention of Fairtrade as found in the study of Fairtrade coffee in Laos – JCFC.

The initial element of the coffee production and consumption process is manufacturing. This includes growing coffee trees, washing and drying the beans. Interviews with co-op and non co-op members provided similar responses in relation to the use of

fertiliser in coffee plantations. The following is the response of the non co-op member when asked:

Interviewer: "What sort of fertiliser do you use in your coffee plantations?"

Interviewees: "Sometimes animal manure but mostly we use soft fruit pulp that falls out of a hopper as compost."

Interviewer: "Why not use chemical fertilisers? Doesn't it give more product?"

Interviewees: "We don't use chemical fertilisers! The coffee will not taste good and most importantly, it is too expensive- a bag of 20 kilos costs about 200,000-300,000kip. Even the cow manure costs 8000kip¹ per 20 kilos (sufficient to fertilise four coffee trees) and we still cannot afford it; we don't have that money, let alone money to buy rice."

This demonstrates that organic production processes, which mean that neither pesticides nor chemical fertilisers can be used to fend off disease (Ransom, 2006), were a common practice in this area prior to the establishment of Fairtrade co-ops, for reason of economy. Unfortunately, not everyone who employs organic production methods will receive organic prices, only farmers who qualify and pay for organic certification can sell their coffee products at a higher price (Wilson, 2006; Daniel, 2007; Fridell, 2007B). What Fairtrade has contributed in relation to the farmers in Paksong is, however, the new value that chemical fertilisers should not be used at all, otherwise their products will not qualify as 'organic' which means the farmers will not be able to sell their products at a higher price, or possibly will be unable to sell them at all.

Interviewee: "If we used chemical fertilisers, we may get about five kilos more of cherries, but the disadvantage is, we will not be qualified as 'organic', thus, cannot sell, and also if it is organic we get a higher price." "For JCFC, quantity does not matter, but organic is their priority!"

Redcliff (1995) and Lappe et al., (1998) raised the point of how consumer culture plays a crucial role in environmental crises in developing countries, where consumer preferences for cosmetic standards lead to the use of pesticides. In the U.S. for example, it is estimated that 60-80% of the pesticide applied to oranges and 40-60% of that applied to tomatoes is to improve appearance, without any improvement in nutritional content. West

¹ In October 2010 US\$ 1= 8000 kip approximately

Africa uses pesticide on 90% of their exported products and Latin America 77%. This is not only causing ecological problems but contributes to diseases that claim the lives of people in developing countries (Redcliff, 1995; Lappe et al., 1998, p.53-54). If we examine the environmental issue from this point of view, it suggests an advantage of Fairtrade coffee in terms of environmentally sustainable development, in that it assists in creating a new consumer culture. Consumers are encouraged to prefer 'quality' over 'appearance'. An increase in such demand directly impacts on farmers, forcing them to change their production methods, or sustain their production methods as in the case of Lao coffee farmers, in order to achieve a higher price and be able to sell their products. This helps to improve and sustain the fertility of the soils as well as protect human health. Even though Fairtrade is not the reason farmers employ organic production processes in the first place, at least it helps to encourage and motivate farmers to sustain such practices. In other words, it is beneficial but not necessary.

The production of coffee, particularly during the washing process, uses enormous amounts of a precious commodity, water. A report by The Economist Newspaper (2009) reveals that to produce a single litre of coffee, growing the beans, washing, packaging and so on are measured, 1,120 litres of water is used while only 120 litres is needed to produce the same amount of tea. It is therefore questionable whether Fairtrade coffee contributes to environmentally sustainable development when the coffee itself is not a sustainable crop. Leahy (2009) points out that a key environmental problem is global warming as a consequence of the burning of fossil fuels for energy. The main mode of domestic freight transport is by road, which accounts for 38% of emissions (Macintosh, 2007, p.VI). In addition, as Goleman (2009, p.54) pointed out, shipping by sea, for instance, produces about one-fifth the emissions of trucking. For someone in Boston, it turns out, a bottle of Bordeaux wine that came from its French vineyard by ship will have a smaller carbon footprint than a bottle of California Chardonnay brought by truck (Goleman, 2009). Laos is a landlocked country and trucks are the preferable mode of transportation, which accounts for a major contribution to greenhouse gas emissions (Macintosh, 2007; Goleman, 2009). Research on organic products such as handmade paper or organic coffee has raised an interesting question as to how such products under the Fairtrade label could contribute to environmentally sustainable development when they have to be transported to the other side of the world (Murdoch and Miele, 1999; Biggs and Messerschmidt, 2005; Lyon, 2006). Other carbon variables involved in producing coffee, from harvesting methods to the water used and fuel

consumed to make the packaging, still stay hidden (Goleman, 2009). This is not to mention that packaging alone accounts for 25%-50% of waste that is transferred to landfill (Turner et al., 1994, p.252).

There is no doubt that in examining the sustainable development of Fairtrade coffee in Laos, it is crucial to study the impact of consumers on the survival of Fairtrade coffee. The basic concept of trade is about demand and supply and there is no exception for the Fairtrade system; this market will survive only if there is support from consumers. Fairtrade makes use of the consumers' conscience such that they continue their consumption patterns and do not switch to products that are not "Fairtrade" or "Organic" (Healey, 1998; Johnston, 2001; Harrison et al., 2005; Hamilton and Denniss, 2005; Ransom, 2006; Lyon, 2006; Steinrucken and Jaenichen, 2007; Williams, 2007; Wilkinson, 2007; Fridell, 2007B; Adam and Raisborough, 2008). The documentary, *One Cup* (Allen, 2006) delivered a persuasive and very emotive message to consumers as to how their support can make a difference in terms of helping the marginalised farmers who desperately need support.

It demonstrated the role of Fairtrade as a bridge connecting and creating relationships between consumers and producers. In reality, producers have no idea who consumes their products, and on a practical, daily level, there is nothing to remind producers of their participation in Fairtrade, let alone their understanding of what Fairtrade is. Consumers and producers may often have a very different understanding of the definition (Lyon, 2006; Daniel, 2007). Ethical consumption emphasises guilt more than a reduction in the level of consumption, but even more so, it emphasises consumption as voting (Harrison et al., 2005; Hamilton and Denniss, 2005; Goleman, 2009). Indeed, it is the existing consumption patterns which are characterised by "overconsumption" in the North that threaten the depletion of natural resources. That is, ethical consumption is not about encouraging a reduction in level of aggregate consumption per se but quite the reverse (Fridell, 2007A; Fridell, 2007B), and it functions more like a practice of social distinction (Harrison et al., 2005).

As noted by Holt (1998) and Hamilton (2003), modern consumers no longer consume the utility of goods and services, they consume their symbolic meanings. This is how modern marketing builds symbolic associations between the product and the psychological states of potential consumers; which indeed is what the Fairtrade marketing strategies aim for. Using labels as a way to create the consumption of Fairtrade products is a form of identity construction, designed to distinguish the Fairtrade consumer from others in society (Bourdieu, 1984; Appadurai, 1986; Healey, 1998; Hamilton, 2003; Daniel, 2007; Fridell,

2007B). Because people who are able to afford Fairtrade prices are likely to have a good economic status, Fairtrade product not only creates and maintains status distinctions between high-cultural-capital consumers and low-cultural-capital consumers, but the product itself creates a high cultural capital status by attracting people with a high profile (Bourdieu, 1984; Csikszentmihalyi and Rochberg-Halton, 1981; Hamilton, 2003; Harrison et al., 2005). And because Fairtrade coffee costs more than conventional coffee, the concept of price can bias our experience, our purchasing decisions and also the taste itself; the lower the price, the lower our expectations of a product and vice versa (Goleman, 2009). But with a higher price and 'label' attached, consumers are likely to assume that certain products are better than others. As Ransom (2006, p.5) states "buying Fairtrade is good for the soul, just as buying organic is good for the body". That is to say, unless current consumption patterns change, the planet will not be able to sustain capitalism, thus the transition must not only be one from a fossil-fuel based economy but also from an overconsumption-driven economy (Speth, 2008).

Another aspect in the coffee production and consumption process that is ignored by Fairtrade is the container used to hold the coffee when it is consumed. Goleman (2009, p.21) found that a paper cup consumes 33 grams of wood, while a polystyrene one uses about four grams of fuel oil or natural gas and both require a slew of chemicals. Making the paper cup consumes 36 times as much electricity and produces 580 times the volume of wastewater which contains some level of contaminants like chlorine. On the other hand, making the plastic cup produces pentane, a gas that harms the ozone layer and is also a greenhouse gas, but then there are also the methane releases of paper cups left to biodegrade in a landfill (Goleman, 2009). This demonstrates that at the consumption stage of the process, Fairtrade cannot guarantee environmental sustainability. Thus, to contribute to the sustainability of the environment, Fairtrade should require retailers to use a more sustainable cup, if they are using the Fairtrade product.

Disposal of waste is seen as a growing environmental problem around the world. Each year, in Australia alone, nearly 20 million tonnes of waste goes to landfill (Hamilton and Denniss, 2005, p. 111). In addition, 90% of environmental impact occurs during manufacture and disposal, not usage (Goleman, 2009, p.93). This implies that for Fairtrade coffee to be claimed environmentally sustainable, radical transparency must be implemented in relation to all products as Goleman (2009) suggests. Such transparency means every substantial impact of an item from manufacture to disposal being tracked, not just its carbon footprint and other environmental costs, but its biological risks, as well as its consequences

for those who laboured to make it. These impacts should be summarised for shoppers deciding what to purchase (Goleman, 2009). Furthermore, it is crucial that Fairtrade focuses not only on fundamental changes in the way coffee is produced but also on how finished goods are distributed (Speth, 2008). Fairtrade is not the answer to environmentally sustainable development and such problems will not be solved without addressing the associated consumption problem of consumer lifestyles.

6. Economically Sustainable Development

Economically sustainable development focuses not solely on growth, but also on how to integrate both social and environmental costs into the balance sheet. A truly sustainable economy is one that functions within society, not one that determines the structure of society. Neo-liberal ideology encourages the free trade system as the best way to run the economy. This system discourages public spending and encourages more consumption so that when demand increases, supply rises. This results in a rise in production and employment, that is to say, economic growth (Fridell, 2007B; Mitchell, 2009). Within the conventional trade system, there is an unequal distribution of wealth between rich countries and developing countries; where there is an imbalance of power in the trading relationship, an unstable market of injustices of the system, leaving farmers and workers at the beginning of the chain, like those in developing countries, with an unfair share of the benefits of trade. Therefore, Fairtrade was established in order to contribute to a fairer trade system. The Fairtrade system differs from conventional trade to the extent that it cuts out the middlemen in the trade system and provides a more sustainable trade relationship. It provides a higher and more stable price for farmers in developing countries. Fairtrade Standards also require buyers to provide a financial advance on contracts (pre-financing) to assist producers' access to capital when they are most in need (Brown, 1993; Bacon, 2005; Lyon, 2006; Ronchi, 2006; Imhof and Lee, 2007; Wilkinson, 2007; Kornell, 2007; Fridell, 2007B; Daniel, 2007; Becheur et al., 2008; FLO, 2009). Under this trade system, profit making and production growth are not the only objectives, unlike conventional trade (Turner et al., 1994; Fridell, 2007B). These points will become clearer in the analysis of the economic advantages of participating in Fairtrade.

Similarities and differences between Fairtrade and conventional trade can also be explained through the concept of 'hybrids of the gift economy and capitalism' (Leahy, 2009). According to Cheal (1988), the gift economy is characterised by the principle of redundancy, which distinguishes it from other economic systems. In other words, gifts may be redundant

in the sense that they bring no financial advantage or net benefit to the donors, but they are used to construct certain kinds of voluntary social relationships. Fairtrade, as Leahy (2009) suggests, is an example of the concept of a 'hybrid' of the 'gift economy and capitalism'.

The Fairtrade system has features that challenge elements of capitalism as a system. First, this is because the premium that the farmers receive (as a result of participating in the Fairtrade system) belongs to the whole co-op; it is not private gain. So, farmers do not appropriate this extra cash as individual workers within a typical free market business model (as wages or in this case piece rates for coffee beans). Instead, this extra money goes to the cooperative as a whole and to the communal purposes of the whole group of farmers/workers. It can and is intended to be spent on things like health and community transport. Furthermore, the Fairtrade system, as set up internationally, is designed to help to reverse the inequalities of trade between rich consumers and poor farmers in developing countries. The premium that rich consumers pay at the supermarket is discretionary and intended to benefit poor farmers. To that extent it is intended as a gift from rich consumers – it is discretionary in the sense that a more individualistic and economically rational approach would be to buy the cheapest product of the desired quality, not the Fairtrade product. It is a benefit that adds no financial advantage to consumers but instead creates a social bond between producers and consumers, as Fairtrade claims (Steinrucken and Jaenichen, 2007; Oxfam Shop, 2009).

On the other hand, what makes Fairtrade a normal part of the free market system (and consequently a 'hybrid' of capitalism and the gift economy) are various other features of the transactions. For example, the fact that farmers own their own land privately and get money from what they produce, is a pure example of the market economy. Also, the operations of cooperatives such as JCFC under the Fairtrade system are to a certain extent an introduction of free market models of management and organisation – founded on the intention to produce the greatest quantity at the least expense and to supervise and control the workforce to ensure profit. As found in this research, Fairtrade brings free market into the co-op, especially in the management and production processes where there is more bureaucracy and labour division than had been customary in coffee growing in this region – workers in the co-op are allocated more specialised tasks, and there is more investment in machinery and technology to produce more efficiently – in other words to produce more at less expense (Braverman, 1975; Wilson, 2006; Daniel, 2007). In addition, the role of advertising in Fairtrade is a typical example of the current market economy at work. In contemporary market economies, advertising plays a significant role in shaping the relationship between knowledge and the control of demand. It

uses textual and graphic images to represent and reinforce the virtues of the rich lifestyle (Appadurai, 1986). This is exactly what Fairtrade does in terms of its marketing strategies, as discussed in Chapter IV. These examples illustrate some of the ways in which the Fairtrade system functions as another form of trade within the capitalist system.

The economic advantages of joining Fairtrade will be examined based on the following four main characteristics of the system mentioned earlier: i. *a more sustainable trade relationship*, ii. *a higher and stable price*, iii. *no middlemen* and iv. *access to financial support*.

i. *A more sustainable trade relationship*

Hudson (2003), Ransom (2006) and Daniel (2007) point out that, under Fairtrade terms, a contract must be a long term contract of more than one harvest cycle in order to provide financial security for the farmers. However, in the case of the JCFC, the co-op not only has to find markets itself, but so far, since the co-op became a Fairtrade member, the contract has only been for one harvest cycle. This means the co-op has to find a market every new harvest cycle based on their ability to negotiate and compete with other Fairtrade producers. This demonstrates a weakness in the Fairtrade system where the terms are not strongly supervised and practiced accordingly. Paying US\$3,460 per co-op to become a Fairtrade member should be more than a ticket to enter the Fairtrade house, it should be the house where these farmers can at least receive support and a sense of security. As Daniel (2007) suggests, Fairtrade needs independent watchdogs, NGOs and activist groups, who can monitor the practices of Fairtrade, ensuring that they match the assurances made.

ii. *A higher and stable price*

One economic advantage of participating in Fairtrade is the higher and stable price that the Fairtrade system claims to offer. Currently FLO minimum guaranteed price for coffee beans is US\$1.26 per pound paid by the buyers to the local Fairtrade partners in the developing countries, plus a social premium of \$0.05 per pound and an organic premium of \$0.15 per pound (Calo and Wise, 2005; Wilson, 2006; Fridell, 2007B; Global Exchange, 2007). If conventional prices rise above this price, the Fairtrade price will readjust to remain at least five cents above conventional price (Fridell, 2007B). This is the primary reason for participating in Fairtrade, as the interview with farmers in JCFC indicates Interviews with many farmers indicated that, “normally the co-op price was around 18,000 kip per kilo while non co-op price was about 12,000 kip per kilo.”

The quantitative data collected by Minoos (2008) from 40 families in Paksong, Laos revealed that the average price the co-op offered was about 16,078 kip per kilo while the conventional market offered 10,090 kip per kilo. Thus, it is about 6000 kip per kilo difference. If looking purely at these figures, Fairtrade does provide a much better price for these marginalised farmers. However, this data does not include thousands of hard hours of unpaid family labour involved in picking, hauling, wet processing, drying and selecting the coffee in order to produce Fairtrade coffee to the quality required (Calo and Wise, 2005; Wilson, 2006; Daniel, 2007). Farmers often work late into the night to remove husks from the beans because delays cause an unacceptable loss of quality. Organic coffee requires a number of further tasks such as applying compost to the coffee plants, constant weeding, building terraces and plant barriers to prevent erosion, additional pruning, removal of old coffee plants, and laboriously selecting the processed coffee, bean by bean, before sale (Calo and Wise, 2005; Daniel, 2007).

Interviewer: "Wow is it that hard work? It sounds like working 24 hours a day."

Interviewee: "Oh yeah it is like working 24 hours a day! You have to finish it as soon as possible and cannot leave them overnight otherwise it is not a good coffee and we cannot sell it."

Because of such high labour demands, some farmers decided not to participate, or even quit the co-op.

This situation is not only found in Paksong but also in other cooperatives, such as Michiza co-op in Mexico, where: "They don't want to join because of the too hard work: to remove bad coffee beans, to make it clean, to attend the meetings, to build the terraces-they don't want to do it" (Daniel, 2007, p.125). It is said that the trader takes advantage of these situations, but it is also true that many people prefer his service because the trader imposes no demands regarding the quality of the products or its cleanliness.

Interviewer: "Is there any difference between joining and not joining the co-op?"

Interviewee A: "Difference in price! To sell to non-co-op, the coffee does not have to be good, traders buy them all regardless of the quality even the very bad ones, they can also come and pick them up at your house! So just pick, dry and sell! But for co-op, the coffee quality has to be good to be able to sell to them."

Interviewee B: “Benefit for not joining the co-op is that it is more flexible, no grading your beans, no fixed price, you can sell it in whatever price and whenever you are happy with it.”

The Fairtrade work is divided and grouped into each stage of production, including more than ten tasks that are required to produce Fairtrade or organic coffee. In addition, within these processes, new machinery has been introduced and utilised. This is an example of what Braverman (1975) regards as typical of the organisation of work within the free market system. He suggests that the production process as a whole is no longer the province of any individual worker. The work is now routinised by the use of science and technology into a specific task where skills and decisions are taken out of the hands of the workers and built into the tools and into the relations between fixed instruments and procedures. The creative process as a whole is controlled by management and professional scientific experts – not by craft workers making decisions on the basis of their own experience and expertise. At the JCFC centre, for instance, each task is closely supervised and monitored by the supervisor at the centre to ensure the work is reaching the Fairtrade standard and that each person performs their task effectively and efficiently. Conversations with the farmers indicate that they have to check constantly with their supervisor whether their task is completed and they can proceed to the next stage. This indeed illustrates the capitalist aspects of work organisation within this Fairtrade cooperative.

In addition to the overload of work, in order to qualify for extra US 0.34 cents per pound, the farmers must contribute to the Fairtrade Certification fee of US\$3,460 per co-op per year and the administration fee and other fees of around US\$5,000 per co-op which is not paid for by buyers (Wilson, 2006; Fridell, 2007B). Moreover, to gain the 15 cents per pound extra for organic coffee, they have to pay the Organic Certification fee of US\$3,000 plus other administration fees of US\$6,000. There are only 500 farmers in the co-op (JCFC, 2008), hence, it costs each farmer about US\$35 to keep the certifications up to date. This indicates that regardless of the higher gross incomes that result from higher Fairtrade prices, there is no guarantee of a positive net household income for these farmers who are charged the high costs of foreign inspectors and certification. This situation is similar to that of farmers in Mexico where Daniel’s (2007, p.235) research demonstrated:

With Michiza, you avoid giving your money to the coyote but you also have to pay a ton of fees, organic, fair trade, inspection, certification, the difference is small between what

*Michiza pays and what a merchant pays. Michiza is more demanding, it takes more time.
We earn about 10 cent more.*

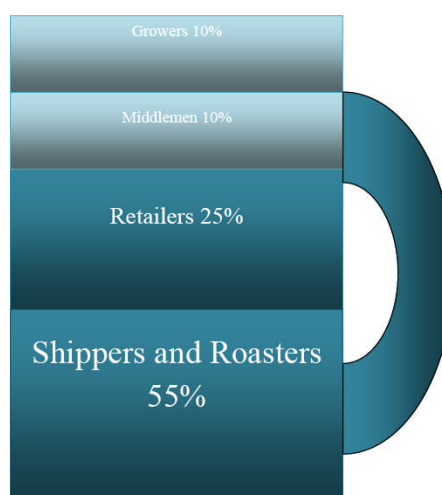
It is apparent then that not only one cooperative confronts this issue. Neither the organic nor the Fairtrade system is currently designed to address this problem (Daniel, 2007). As Harrison et al., (2005), Daniel (2007), and Goleman (2009) suggest, consumers need to be educated about the huge sacrifices of time and labour that small farmers make to coffee production and rethink what we, as consumers, do to contribute to sustainability. Producers struggle to use the extra money they generate from Fairtrade, an amount hardly sufficient for their survival, to sustain the ecosystem. In addition, organic and Fairtrade certifiers also need to examine how to make certification more affordable and more culturally appropriate to small producer organisations, as well as to non co-op members (Daniel, 2007). Another problem for producers of Fairtrade products in Laos is the exclusion of much of the coffee product from sale to the Fairtrade co-op in the first place. Because of the high coffee standard set by Fairtrade, not all coffee beans qualify for Fairtrade markets. In fact, quantitative data gathered by the author from coffee farmers in 40 families in Paksong indicated that only 19% of their coffee is sold to the co-op, 81% is sold on the conventional market because the quality is not sufficient for Fairtrade. It is therefore questionable whether an increase in revenue is really the result of participating in Fairtrade, if only such a small portion of the production is sold to the Fairtrade market (Raynolds et al., 2004; Lyon, 2006).

Even though the costs of production are increasing, the Fairtrade basic minimum price of US\$1.26 per pound has remained the same for ten years. In fact, FLO has recently debated proposals to lower the Fairtrade minimum price and even to eliminate it entirely (Daniel, 2007; Fridell, 2007B). According to one calculation, the price of coffee sold by farmers involved in Fairtrade has lost 75% of its value because of inflation in Mexico during the time Fairtrade has been in place (Calo and Wise, 2005). Fridell (2007B) also found that today's Fairtrade price appears to be relatively consistent with conventional price. From 1976 to 1989 and from 1995 to 1998, a total of sixteen years, the international price for Brazilian Arabica beans was generally close to or well above US\$1.26 per pound (Fridell, 2007B). For most of these years conventional farmers received a final price that was higher or equivalent to the Fairtrade price. In some years, international prices were nearly twice as high as today's Fairtrade price (Fridell, 2007B). So, if Fairtrade does not necessarily help contribute to both socially and environmentally sustainable development, and the higher minimum price is now proven to be inadequate, the benefits Fairtrade contributes to the farmers must be questioned.

iii. No middlemen

‘Middlemen’ refers to the exporters – the traders or ‘coyotes’ who organise the trade in the producing country (Ransom, 2004). According to Ransom (2004), the final price of a jar of coffee received in conventional markets is generally divided among four main groups: 1. growers, 2. exporters (middlemen), 3. shippers and roasters, and 4. retailers (See Figure 6.4 below).

Figure 6.1: The coffee jar: Proportion received of the final price of a jar of coffee (Ransom, 2004, p. 41)



Fairtrade purchasing takes place in grocery stores or retail co-ops, where products are presented in recognisable, branded packaging, and compete for consumer attention with their conventional trade competitors (Daniel, 2007). In that way, Fairtrade coffee is no different from any other coffee brand. What we need to analyse is how much the importer and the roaster are making, as Daniel (2007) suggests. The real costs of insurance, shipping, roasting and distribution remain much the same, if not higher for Fairtrade, because it is relatively small-scale and cannot attract the advantageous contracts given to the big corporations, or benefit equally from the economies of scale (Ransom, 2006). According to my interviews, in 2008 for instance, one container of washed beans weighing 42,316 pounds (19,200kg) cost around US\$10,000 to produce, including all the expenses such as wages, paper work, maintenance, management and so on. Regarding the Fairtrade price for 2008, JCFC was paid US\$1.26 per pound by the roaster companies, Thus, for one container JCFC received about

US\$53,318 (42,316 pounds x US\$1.26). Out of the US\$53,318, US\$10,000 was taken for expenses and the rest was paid to farmers. This leaves farmers with the final price of about US\$1.02 per pound ($\text{US\$53,318} - \text{US\$10,000} = \text{US\$43,318} / 42,316 \text{ pounds} = \text{US\$1.02 per pound}$). This price is also confirmed in the interviews with farmers mentioned earlier. In addition to that, the FLO premium paid by the roaster companies to JCFC was 10 cents per pound, hence per one container; JCFC received about US\$4,231 for the premium.

So, in total after expenses, the farmers received about US\$1.02 per pound and 10 cents per pound as a social premium (which is normally quoted as five cents per pound) (Hudson, 2003; and Fridell, 2007B). However the premium was invested back into the infrastructure of the centres in order to improve the quality of their production so as to reach Fairtrade standards. This suggests that it takes a number of years before farmers can use the benefits of the Fairtrade premium to improve their social conditions such as education and health. According to FLO (2009), the greatest advantage of Fairtrade is to cut out the middlemen. Ransom (2006), however, points out the cost of the services of the middlemen is only 10% of the retail price of coffee. The retail price in European markets range from about US\$4 to US\$5 per 250g (Lobodis (Alter Eco, 2009; Lobodis, 2009). If using Alter Eco retail price as a case in point, one pound of coffee costs about US\$10. This would mean that the saving from cutting out the middlemen would be US\$1 ($\text{US\$10} / 10\%$). Thus, the farmers should receive US\$2 per pound for their coffee beans. In other words, their typical local price of approximately US\$1 per pound plus another US\$1 per pound that is the 10% not being paid to the middleman. However, as the interview revealed, the farmers only received US\$1.02 per pound. This makes the claim from Oxfam Shop (2009) that the middlemen pay farmers less and less for their work making farmers vulnerable seems doubtful. My research suggests that, on the practical level, farmers will only get a slight increase in earnings when the middlemen are cut out because the main final proportion of 80% still goes to the retailers, shippers and roasters (See Figure 6.1). This suggests that a fundamental shift in the market structure is needed if farmers are to get a significant premium for their production.

iv. Access to financial support

As mentioned by Fridell (2007B), in FLO contracts, Northern partners offer Southern partners an up-front payment of 60% of the value of their contract at the start of the harvest season when funds are needed the most. The loan can then be repaid by crediting it to the final price of the contract at the end of the season. Similarly, Oxfam Shop (2009) states “we

pay as much as 50% of the order value in advance for groups that require capital”. However, this is not the case in JCFC. It is not the partners/buyers that provide this financial support. It is through having the contract with the partners/buyers that the co-op has the opportunity to borrow the money from the bank, yet the co-op still has to pay interest, which in this case is 8% per harvest cycle. Rabobank Group is an international financial services provider operating on basic cooperative principles (Rabobank, 2009) and it is the bank JCFC depends on. Once the contract with markets is proven, Rabobank will provide JCFC with 70% of the value according to the contract signed. This means that farmers will receive 70% of their final coffee price once they bring the coffee to the centre. The rest of the 30% will be paid once the beans are exported and the buyers pay the price, which is about three months later. Thus, when middlemen are able to pay close to or even occasionally above what the co-op offers, the organisation sometimes finds it difficult to retain members. This is because some farmers are understandably tempted by the opportunity to cash out immediately with the dealer rather than sell to the organisation, thus avoiding both a significant labour investment in quality control and a three month wait for full payment; making the farmers vulnerable in the conventional market as usual.

When is a premium not a premium? The differences between conventional and Fairtrade have been examined above. Fairtrade coffee production differs from that of the conventional system and the economic sustainability benefits of Fairtrade for JCFC seem minimal. The Fairtrade system is not an alternative to international trade as it claims, but it is just another form of trade. Cutting out the middlemen may provide farmers with an opportunity to receive up to 10% more for their coffee price. It is dubious whether all this extra work can be justified for the extra 34 cents per pound that the premium provides. It is now clearer that what Becheur et al., (2008) claims defines a “fair price” within Fairtrade discourse is not as fair as it sounds. The theory of Fairtrade as a ‘hybrid’ of free market system and the gift economy certainly makes sense but the reality is that consumers in the rich world are not giving a great deal, if anything at all, to the poor farmers of the JCFC. What is given with one hand is taken away with the other.

7. Conclusion

To claim that Fairtrade coffee contributes to sustainable development, three aspects, social, environmental and economic, have to be examined. The use of qualitative research to investigate the sustainable development of Fairtrade coffee in Laos reveals that to Lao coffee

farmers, particularly the members of the Fairtrade co-op - JCFC, the sustainability resulting from participating in the Fairtrade system is questionable. In terms of socially sustainable development, this research paralleled what was found in Lyon's research (2006). It reveals there is a lack of awareness of the role the members play in Fairtrade networks where producers have limited power in decision making and administrative control. It also suggests that what Fairtrade portrays in its marketing strategy as "connecting between consumers and producers" is in fact a myth; in reality, producers have no idea about the people who consume their products, let alone the meaning of the term "Fairtrade" itself. The understanding of the system is low, so producers are unclear about their role in the system. This impacts on their sense of ownership, accountability to engage, govern and manage the operation and development of the cooperative.

For the farmers, working in the Fairtrade co-op is comparable to being an employee in a workplace. Fairtrade claims that one main advantage to marginalised farmers is the premium. Despite the fact that, with Fairtrade certification in place, farmers receive US\$0.10 per pound extra to build their business and community, it takes a number of years before the premium can be used for community development purposes such as education and healthcare. This is because such money is needed to build the infrastructure that produces the 'specialty' Fairtrade coffee. The co-op has to pay almost US\$10,000 each year to the Fairtrade Organisation to be able to access the Fairtrade markets and receive the premium. In addition, the amount of work producers have to put in to produce Fairtrade coffee cannot be justified by the extra US\$0.34 per pound they receive. The demanding work also makes farmers vulnerable to the global food market. Focusing intensively on producing Fairtrade coffee, farmers do not have adequate time to find basic daily food, let alone to grow alternative food and cash crops. Food has now become a necessity that has to be purchased.

So farmers are working hard to get more money, at the same time, they are spending more money on things that they once obtained free or at a cheaper price when they were not working as much. An increase in oil and rice prices has worsened the level of the farmers' vulnerability to food security, leaving the essential question of Fairtrade as a contributor to a 'decent' quality of life unanswered. Replacing a 'simple' life with a material life is what these farmers confront. More income does not necessarily provide better conditions in terms of food and basic necessity items, both very important to eradicate poverty in developing countries. It actually means consumers in developing countries may spend money on non-essential items. Therefore, if Fairtrade is about socially sustainable development, it should

help prevent the spread of attachment to materialism and consumerism or what Hamilton and Denniss (2005) term “luxury fever”, rather than help spread it. The Fairtrade system does provide advantages in terms of some social elements within the co-op community such as creating social bonds and trust between the workers. Despite this, to be claimed socially sustainable, one component is insufficient.

In terms of environmentally sustainable development, the Fairtrade system impacts on the agricultural structure of Lao coffee farming in a similar way to what happened during the colonial period, where the production of food necessary for local people was replaced by the introduction of monocultural cash crops. The setting up of such a production system results in not only an increased level of dependency of producing countries on consuming countries, but also soil erosion, and deforestation. By offering a higher price, Fairtrade attracts farmers’ attention to expanding this insecure cash crop; encouraging dependency on an insecure luxury commodity like coffee rather than becoming more self-sufficient. In other words, farmers should be encouraged to focus on growing a variety of agricultural products necessary for their survival rather than purely depending on coffee products.

Granting some environmental advantages of organic coffee production, we can nevertheless see other ways in which coffee is not a sustainable agricultural product. In terms of water usage, production of a cup of coffee requires an enormous amount of water. Once the coffee beans are ready, most are packed and transported to another side of the world, producing more emissions which cause environmental problems such as global warming. The impacts to the environment when the coffee is consumed and the receptacle disposed of are also hidden from Fairtrade’s discussions on environmentally sustainable development. Indeed, it is the issue of overconsumption per se that leads to environmental problems, the issue that is ignored by the movement of ethical consumption. So, for Fairtrade coffee to be claimed environmentally sustainable, the system must focus on fundamental changes not only in the way coffee is produced but also on how the finished products are distributed.

In terms of economically sustainable development, the research reveals that the Fairtrade system may seem on the surface to be a ‘hybrid’ of the ‘gift economy and capitalism’ but that there is strong weighting towards the capitalist aspects of the hybrid. A number of its features overlap with the capitalist system, and the Fairtrade system is proven to function merely as another form of trade within this. The research suggests that there are a number of weaknesses in the Fairtrade system when it comes to economic advantages. The claim of providing a more sustainable trade relationship fails in the case of the JCFC. The

claim of providing a higher and stable price is dubious at best.. A low economic benefit in return for a high labour use is the reason why many farmers have decided not to participate in the co-op or even quit after joining. This phenomenon did not only happen in Laos but also in other co-ops such as those in Mexico. Access to financial support is found to be similar to the conventional market system where producers still have to borrow money from banks and pay interest to invest in their business and the claim that buyers would assist in upfront payment was not found to be accurate in the case of JCFC. Cutting out the middlemen is argued to be one of the main economic advantages for the coffee farmers. However, this did not find this to be the case. After cutting out the share of the middlemen (approximately 10%) from the final coffee retail price, farmers would still receive an amount no different from what they would get under a normal trading arrangement. This is because the main imbalance in profit distribution does not lie in the middlemen portion of the process but rather in the other parts of process chain such as retailers, shippers and roasters, which mostly located in developed countries.

All in all, what shapes and influences our decisions or behaviour is to a large extent socially constructed. Therefore, before the ideal of Fairtrade is socially constructed as a better and ethical choice, shaping and influencing our food choices; it is worth examining the genuine impacts of the system. I anticipate that the findings of this research on the impacts of Fairtrade for Lao farmers, would assist first world consumers in making informed decisions. Whether this system of trade is better than any other form of trade, or just “old wine in a new bottle”, remains to be seen.

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Appendix 1

Interview Guide and Questions:

- Can you tell me about yourself - how long have you been living here?
- What is your main occupation?
- Are you a member of the co-op?
- Are there any differences between participating in the co-op and traditional way of producing coffee?
- What are your thoughts on this new system (working with the co-op)?
- What do you do in your free time? Any differences prior to participating in the co-op?
- How would you describe changes within the past five years?
- What are the developments or improvements in your family or your community?