

# Ethical coffee certification – what it means and why it matters.

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As the world grapples to come to terms with what COVID-19 has meant for its people, consumers in the richest countries have started to feel a greater sense of global responsibility. For many, this has manifested itself in an urge to support their regional neighbours to overcome poverty. In Australia, for example, 56% of people think that it's important to consider how their purchases impact people overseas.\*

One of the easiest ways for consumers to do this is to buy products with ethical certification so that their purchases work towards environmental or social sustainability, and coffee is one of the products where ethical labelling is most recognised and sought after.

Coffee is one of the world's most popular beverages but 80% of it is produced by 25 million smallholders. Many of these farmers are unable to earn a reliable living from the coffee they produce because they are subject to huge volatilities in market prices depending on what's happening with the climate, crop disease and even transportation. Of course, in the last few years, coffee farmers have also been impacted by the pandemic, in part because the producers haven't been able to move around (even regionally) to process and sell their coffee.

In addition, the coffee supply chain is complex as beans pass through the hands of growers, traders, processors, exporters, roasters, retailers until finally reaching the consumer. To counteract all of these challenges, some coffee farmers form cooperatives and Fairtrade certifies over 750,000 of these coffee farmers throughout the world.

Certification with Fairtrade is a rigorous process. Farmers go through a period of checks and balances supported by Fairtrade, where they have to agree to meet a range of standards around governance, working conditions, environmental management and gender equality.

Once certified, the cooperative/producer organisations can trade all over the world but anyone buying Fairtrade products must agree to pay (at least) the Fairtrade Minimum Price.

This Fairtrade Minimum Price is set by Fairtrade based on what the farmers need to be paid to cover the costs of production and is often much higher than the market price. For the farmers it means they can plan knowing the very least they will get for their products. The minimum price works to alleviate poverty which then has flow-on effects in areas like child labour, sustainable farming practices, and gender equality.

The Fairtrade Minimum Price has been higher than the market price for coffee most of the last five years (except this year, when the market price has soared because of supply issues). Where the market price is higher than the minimum price, Fairtrade farmers get that instead.

In addition to the minimum price, Fairtrade producers receive another sum of money called the Fairtrade Premium for each pound of coffee they sell. This money doesn't go directly to individual farmers but instead goes to the cooperative and the whole community decides together how that money should be spent. Premium projects include things like hospitals, childcare centres, warehouses to store produce and wells for clean drinking water.

Fairtrade then continues to work with producers after they are certified to encourage product improvement and development as well as ongoing support in areas of fair pay, gender equality and sustainability.

Fairtrade's whole system has been engineered to increase transparency in the supply chain and for coffee, this is extremely important.

For every Fairtrade product, including coffee, each part of the supply chain is independently audited to make sure that every linkage is fair. This means that as well as knowing the farmers are being treated fairly, we also know that the people hulling, drying, packing, transporting and roasting the coffee are being treated properly too.

The essence of Fairtrade is that it is not aid, but instead a means of empowering farmers and workers so that the future will be fair.

\*Source - *The Australian Ethical Consumer Report*, Baptist World Aid Australia, July 2021.

