

Who is the fairest of them all?

New ethical coffees have shunned Fairtrade Foundation approval in favour of the little-known Rainforest Alliance. Is it just because it is cheaper, or is this good news for small coffee growers, asks Sean McAllister

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The hearts and minds of British coffee-guzzlers with a social conscience are about to become a new battleground. Kraft Foods, Italy's biggest coffee-maker, Lavazza, and the 100-year-old Lyons Original Coffee brand are all to launch ethical offerings. But instead of working with the growing fair-trade movement, these brands have shunned the UK's leading ethical certification body, the Fairtrade Foundation, in favour of a little-known, New York-based international conservation organisation called the Rainforest Alliance.

Fairtrade-marked coffee accounts for 4% of all coffee drunk in the UK, and 20% of the premium roast and ground sector. Cafédirect, which sells only Fairtrade drinks, has proved that the ethical model can be a success: it is now the sixth largest coffee brand in the UK, with annual sales of over £22m. While the general coffee market has been static for a number of years, fair-trade alternatives have shown considerable growth - nearly doubling between 2001 and 2003.

The Rainforest Alliance, meanwhile, was established 17 years ago with the aim of halting the destruction of the rainforests by providing solutions to the problem of deforestation rather than just raising awareness, explains its marketing manager Sabrina Vigilante. Funded by the US Agency for International Development and a number of private agencies, it sets out to provide farmers with economic incentives to stop them destroying their environment.

So how do the ethical rivals differ? The biggest difference is in the price paid for the coffee. The Fairtrade Foundation guarantees farmers a minimum price of \$1.21 (65p) per pound of green coffee beans. This is much higher than the market price, which has averaged 80 cents this year, after recovering from an all-time low in October 2001, when it tumbled to 45 cents. The foundation also pays an extra five cents as a social premium to invest in community projects. This premium is paid even if the market price rises above \$1.21.

The Rainforest Alliance offers no minimum or guaranteed price. But Vigilante says that farmers under the scheme still gain financially. She claims certified farmers can receive an extra 10 to 60 cents above the market price for a pound of green coffee beans.

Kraft's corporate affairs manager, Jonathan Horrell, says it pays a premium of up to 20% for the coffee beans it uses in its Kenco Sustainable Development brand. At the current market price of 80 cents, this equates to about 96 cents per pound - still 21% less than the Fairtrade price.

The Rainforest Alliance's first initiative, in 1989, was to establish a forestry certification system called SmartWood. In 1991, it extended the scheme to bananas - it claims to certify 15% of all banana sales worldwide - and has since moved into coffee, cocoa and flowers. It now certifies a total area of more than 35m acres of farmland.

For growers to be certified by the alliance, they must meet a list of "sustainable agriculture principles". These include conserving local wildlife and water resources, minimising soil erosion and treating workers fairly, as well as protecting forests and reforestation where possible. In return, says Vigilante, "we give them the tools to lift themselves out of poverty and open their coffee to more profitable premium markets".

So what is the attraction to food companies of the alliance's scheme? Cynics will point to the price. Not only is Rainforest Alliance-certified coffee cheaper than the Fairtrade alternative, there is also no

licensing fee to use the alliance's logo. The Fairtrade Foundation, on the other hand, charges a 2% fee, based on the wholesale coffee price - another significant cost. This all makes the Rainforest Alliance a cheaper way for the large coffee brands to tap into the ethical market. Coffee roasters that sell coffee containing a minimum of 30% certified coffee beans can then boost their ethical credentials by using the Rainforest Alliance logo on packaging.

Lyons Original Coffee, which is owned by Drie Mollen, one of Europe's largest coffee roasters, was the first to launch a Rainforest Alliance-certified coffee in the UK, in April. The brand was revamped with a new "commitment from source to cup" catchline, as well as the Rainforest Alliance badge. Buying director Wayne Hanscomb says the company wanted to give something back to the farmers to celebrate the brand's centenary, while at the same time attracting a younger audience.

Kraft followed in July, with Kenco Sustainable Development coffee. Launched initially in restaurants, coffee shops, hotels and catered workplaces, the brand is likely to be rolled out across Europe, and probably in British supermarkets, in 2005.

The latest to join the fold is Lavazza, with its Tierra brand. It is not yet fully certified, but Lavazza is working with the Rainforest Alliance to ensure that farms in Colombia, Peru and Honduras, where the coffee is sourced, are certified within a year.

Lavazza's head of coffee buying, Mario Cerutti, says the price is only part of the story. "The point is to open up the profit," he says. "The price paid for coffee is only half the solution. We also help the farmers to become more cost-efficient. For instance, we have transformed the coffee pulp, which used to be discarded, into fertiliser. They now don't have to spend money on fertiliser."

Lavazza has invested more than \$600,000 (£320,000) in community schemes since it began working with the Rainforest Alliance in January. The money has been spent on new machinery and production systems for the farms to increase efficiency and coffee quality; on projects to enable the farms to achieve Rainforest Alliance-certified status; and on social projects, such as building new schools.

As a result, Cerutti says, the quality consistency of its coffee beans has improved, which enables the farmers to get a higher market price for the coffee. "We pay the market price, not an artificial price. There are more than 25m coffee producers in the world, so charity is not sustainable."

Cafédirect has also invested in projects that are over and above the minimum commitment required to meet Fairtrade Foundation criteria. For instance, it claims that in the past year it has invested over 70% of its pre-tax profit in supporting a wide range of activities, including providing market information and management training to help farmers grow their businesses. It has also spent money on social and economic development projects, such as building clinics and schools, and repairing roads.

Some would argue that the fair-trade model itself is flawed, and that the Rainforest Alliance offers a better solution to help coffee farmers escape the poverty trap. The root of the problem is that coffee prices have plummeted, due to a glut of coffee coming on to the market over the past 10 years.

Coffee farmers in Brazil, the world's largest coffee producer, have become more efficient and have increased production, while on the other side of the world, Vietnam has transformed itself into the world's second largest producer. This has increased supply faster than demand, causing a fall in prices.

Nestlé, which makes the Nescafé brand, believes the fair-trade model exacerbates this problem - in the long term, it draws farmers back into the market, attracted by a high artificial price, which will increase world production and force prices down further. Nestlé chief executive Peter Brabeck-Letmathe prefers a demand-led solution: "Present low coffee prices are the result of a global excess supply," he says. "The primary and most direct responsibility of companies like Nestlé lies on the demand side, with the promotion of coffee consumption."

But Ian Bretman, the Fairtrade Foundation's deputy director, says this criticism is misplaced: "No one has gone into the coffee market due to the Fairtrade price. We wouldn't encourage anyone to move into coffee production." In fact, he says, it is the market-price mechanism that is flawed. "Production

has not fallen due to lower prices, because small producers are too dependent on coffee - even at the low prices."

Cerutti believes that the argument as to which ethical accreditation is best for farmers is a pointless one. "There are hundreds of approaches to resolving the problems facing coffee farmers, and every one is beautiful," he says. "But we should not discuss which is the best approach until all the work is done."

Both models clearly have their merits, but the Fairtrade Foundation is concerned that consumers may be confused about how they differ in terms of stringency and the deals they offer to growers. Bretman says he is determined not to get into a negative campaign against its counterpart. But, despite efforts by the Rainforest Alliance to differentiate itself from its more established rival, Bretman points out that it doesn't stop a retailer or wholesaler saying, "We don't have Fairtrade coffee, but we've got something like it."

Yet Bretman thinks that the Rainforest Alliance could also open doors for fair-trade coffee. For a long time, he says, companies such as Kraft refused to consider launching a fair-trade-branded coffee because consumers could view its other, non-logoed coffee brands as "unfairly traded". Clearly, Kraft doesn't believe consumers will now perceive its other brands to be "unsustainable", says Bretman, "so maybe it is coming round to our point of view".