

EQUAL EXCHANGE: FAIR TRADE COFFEE BLENDED WITH DEMOCRACY

GEO Editor Bob Stone visited Equal Exchange in August, 2000 and here is his report.

When we ponder how to build not just a single cooperative but an alternative *economy* that pairs workplace democracy with conscientious consumerism, we think of **Equal Exchange (“EE”)**. Founded in 1986 by three activists, the way this pioneering Boston-area co-op markets gourmet coffee might be a model for revolutionizing global business “from below.”

It started in October of 1986. Jonathan Rosenthal and two friends, idealistic workers in the consumer co-op movement, founded Equal Exchange to put into practice a new kind of business—one based on economic justice instead of profit. Modeled on the Basque country’s Mondragon cooperatives, Equal Exchange’s 25 worker-owners share profits and have equal votes on policy and leaders. It buys fair trade coffee, wholesale, from environmentally sound, democratically run, coffee co-ops in Latin America, then grinds it and sells it retail. Many of EE’s U.S. clients are member-controlled co-ops.

Why the Focus on Coffee?

Astonishing but true! Coffee is the world’s second most valuable commodity after petroleum. And in the U.S. we purchase 25% of the beans traded in the global market. Over 500,000 farmers in 17 countries sell over 32 million pounds of coffee per year through the fair trade network.

In a centuries-old pattern of child labor and starvation wages, coffee farmers in 50 countries typically receive 30 to 50 cents a pound for coffee that retails for \$10, or only \$600 a year for a family. Breaking this pattern, “*Fair Trade-certified*” coffee like EE’s satisfies (or exceeds) criteria set and monitored by TransFairUSA, a young certifying agency in Oakland, California. This means EE meets Fair Trade Coffee Standards such as the following.

Equal Exchange’s Fair Trade Coffee Standards

- The minimum price paid to the farmer is \$1.26 per pound, and a premium of \$0.15 is paid for organic coffee. (This in spite of drops in the market price to as little as \$0.48 per pound.) Farmers regularly are paid a third or less of this price by traditional free trade importers.
- The importers establish long-term relationships with the producers to create stability.
- Importers often pay up to 60% in advance (to avoid high borrowing costs for farmers).
- Perhaps most importantly, the coffee is purchased directly from democratically organized small-scale farming cooperatives. In this way, EE claims, “*the benefits of fair trade [will] actually reach the farmers and their communities.*”

Fair Trade Makes a Real Difference for Farmers

Equal Exchange started by paying fair prices for small amounts of Nicaraguan coffee—called Cafe Nica—to support that country’s Sandinista revolution of 1979. Encouraged by Sandinista policy, 3,200 new cooperatives grew in the countryside before a policy reversal by the conservative Chomorro government caused more than half of them to

fail. Deborah James reports “[*Equal Exchange*] support made the difference in many cooperatives keeping rather than losing their land when the Sandinistas lost power in 1990.” In the new pressure-cooker environment, farmers started their own grassroots organizations like Segovias Cooperative Development Program (SCDP), which provides technical support, credit, and marketing services to local co-op farmers.

Nowadays Equal Exchange purchases about 10% of the coffee of SCDP’s larger successor, PRODECOOP, which serves its over 2,500 farmer-owners. More importantly, reports TransFair USA’s director Paul Rice—who spent 10 years working with Nicaraguan cooperatives—“*Equal Exchange has been an educator and advisor to the project, helping SCDP managers to learn the ropes of international coffee marketing and make contact with other Fair Traders.*” EE coffee now comes from partner co-ops in 11 countries, mostly in Mexico, Central and South America, but also in Tanzania and Indonesia. In 1997 it had \$4.7 million in revenues, yielding \$200,000 pre-tax profit.

Fair Trade Means High Quality Products for Ethical Consumers

Avoiding mistakes of now-defunct fair traders like Pueblo to People, which tended to let social justice alone “carry” its products, McKinnon says “*our commitment to social justice is matched by our commitment to bringing consumers quality coffees.*” EE’s Bruce McKinnon says the co-op targets “*ethical consumers*” who are “*those who live out their values.*” The time appears ripe for this matchup: A *Business Week*/Harris poll last year showed 51% of those interviewed support fair trade rather than protectionism or “free trade.” Moreover, A *US News & World Report* poll showed that “*6 in 10 Americans are concerned about the working conditions under which products are made in the United States and more than 9 in 10 are concerned about the working conditions under which products are made in Asia and Latin America.*” Perhaps it is not unrealistic to think, as does EE, that “*the coffee we drink each day can be a powerful tool to bring about positive change...*”

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For boxes:

Fair Trade retailers pay \$1.26 per lb. of coffee.

So-called Free Trade retailers pay \$0.30 to \$0.50 per lb. of coffee.

Coffee is the world’s second most valuable commodity after petroleum.

Fair Trade made the difference in many Nicaraguan coffee cooperatives keeping rather than losing their land.