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‘Fair trade’ movement flouts economic reality

By JORDAN J. BALLOR

The Brazilian government has just completed the mapping of more than 200,000 DNA sequences of coffee varieties grown in the country. This DNA data bank is being touted as a resource that will allow local industry to double the amount of coffee produced, while increasing the flavor and quality of the beans.

Brazil is already one of the world's largest coffee producers. The U.S. Department of Agriculture estimates that in 2004-05, Brazil will export 42.4 million bags, weighing 132 lbs. each. In 2002, when Brazil exported just under 30 million bags, it already accounted for about a third of total world exports according to the International Coffee Organization.

If the Brazilian estimates are even close to reality this technical innovation even further floods an already saturated world coffee market. This puts fair trade coffee advocates, already coping with the effects of a global glut in beans, into an even more precarious position. The current market price of 50 to 60 cents per pound for growers has sent many fair trade groups around the world into a tizzy, as the fair traders contend that such a price is simply not enough to live on.

The fair trade answer to the coffee crisis is simple: fix the price of coffee at a level that will provide an adequate standard of living for the farmer. Currently fair traders affirm that this fair level is a minimum of \$1.26 per pound.

Increasingly, the fair trade campaign is finding new adherents in religious organizations, which are busily issuing guidelines for consumers. In churches and synagogues all over America, the once ideologically innocent coffee klatch has become a forum for international trade policy.

Prominent religious advocates of fair trade include the Interfaith Fair Trade

Initiative, an outreach of Lutheran World Relief, and the Presbyterian Coffee Project of the Presbyterian Church (USA). In December of 2003, Catholic Relief Services announced the launch of an effort to boost fair trade coffee consumption among the nation's 65 million Catholics.

These groups love to scapegoat “globalization” for the plight of coffee farmers, but in doing so, religious fair trade advocates risk being turned into mere marketing tools for the fair trade move-

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ment. Unable to affect the oversupply of beans, religious advocates are forced to attempt to promote consumption of coffee to increase demand. Should churches really be in the business of pushing caffeine?

The artificial and arbitrary measures at the heart of the fair trade philosophy fly in the face of economic reality. The law of supply and demand is a major factor in regulating the price of coffee, as with most commodities. The economic price mechanism takes into account a variety of factors that an artificial price standard cannot hope to deal with justly.

Thus, fair traders ignore one of the main reasons coffee growers face price drops: worldwide production has greatly expanded. Worldwide coffee production hit historic highs in 2002, and because of a long buildup of surplus finally showed a 15 percent decline last year. There's simply too much coffee on the market, and demand isn't increasing to match the supply. The success of Brazil's DNA innovation would only exacerbate

the world's coffee problems.

The fair trade movement represents a wholly inadequate response to the growing coffee crisis, as it argues for a complete standardization of its price-fixing methods. Global Exchange, a San Francisco-based fair trade advocacy group, calls for “a total transformation of the coffee industry, so that all coffee sold in this country should be Fair Trade Certified.”

The success of this sort of endeavor could never be comprehensively effective. As Global Exchange admits, “despite the growing popularity of Fair Trade coffee, demand has not yet matched supply: Last year about 200 million lbs. of certified Fair Trade coffee was sold at normal market prices because of insufficient demand.”

Rather than attempting vainly to maintain the status quo, the fair trade movement should look for other, more innovative ways to provide resources for the world's poor. For example, Ronald J. Sider in his book “Rich Christians in an Age of Hunger” (Dallas: Word Publishing, 1997) outlines ideas about micro-enterprise development that might offer a better solution. Those who care about small coffee growers, following Sider's model, might invest capital and enable farmers to grow other crops that are in higher demand and command a higher profit margin.

In this way, those who choose to stay in the coffee-growing business would see less competition and, in theory, rising prices resulting from decreased supply. How much better than fair trade price fixing which cannot stand against the increasing innovation behind the Brazilian bean.

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