



Fair Trade matters!

A study on the influence of Fair Trade certification on living conditions of coffee farmers in Laos



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Contents

1.	Introduction	3
2.	Summary	4
3.	Methodology	6
4.	Geography: Laos and the Bolaven Plateau	7
5.	Coffee cultivation and processing in Laos	9
6.	Organizations involved in improving living conditions of farmers in developing countries.....	15
7.	Working method of the coffee cooperative AGPC	18
8.	Criteria for Fair Trade and Organic certification	22
9.	Rabobank Foundation's mission related to AGPC	25
10.	The Food and Agriculture Organization of the United Nations.....	27
11.	Influence of certification on living conditions of farmers	29
12.	Discussion and conclusions	35
13.	Acknowledgements	37
14.	Reference List	38

1. Introduction

This report is the result of a graduation research project (profielwerkstuk) for secondary school Gymnasium Beekvliet in Sint-Michielsgestel, the Netherlands. The project is linked to the subject geography.

This project has obtained the 2013 scholarship (BIC-beurs) that Gymnasium Beekvliet grants for the most promising international project. Due to the international scope, it is written in English.

The key question of this project is:

Do Fair Trade certifications positively influence the living circumstances of coffee farmers in Laos?

In order to properly study this impact, a study trip was organized to Laos to visit a coffee farmer cooperative. Additionally, the Food and Agriculture Organization of the United Nations (FAO) in Bangkok, Thailand, was visited.

The visit to Laos was made possible through kind assistance of Caroline Mol of the Rabobank Foundation (RF). She has put us in contact with AGPC, a coffee cooperative on the Bolaven Plateau and Pakse, Laos. Through contact with RF and AGPC, we found out that a press delegation from the Fair Trade Organization of Austria was scheduled for November 2013. After discussions with RF and AGPC, it was decided to plan our visit together with the press delegation so that AGPC would not have to organize another visit with approximately the same focus. Also, our research would overlap with the objectives of the press delegation, so we could learn from them. The visit to AGPC in Laos is the main focus of our project.

The project set-up is slightly different from the original plan (annex 1). For example, we originally planned to go to a cacao cooperative in Indonesia. However, in consultation with RF (annex 2), a visit to a coffee cooperative in Laos seemed more appropriate, partly because it coincided with the visit of the Fair Trade delegation from Austria. The visit to the FAO was added, since we were very interested to visit another international organization and were given the opportunity through contacts of Frederike Praasterink who worked with the FAO in Asia for many years.

All in all, the project as is reported here was VERY interesting and we were thrilled that this was all made possible by kind cooperation of many people, financial contribution of Gymnasium Beekvliet and our parents, and the many professionals we met during our project.

In this report we will first explain the methodology used to collect data. The coffee growing and processing process is explained and information is given in about some of the organizations that work in the area of international trade and international development cooperation and their inter-relationships. Discussion and concluding remarks can be found in chapter 12.

We hope the reader will enjoy reading our report as much as we have enjoyed doing this project!

Marente Lokin and Sabine Nutters

2. Summary

This report is the result of a graduation research project (profielwerkstuk) for secondary school Gymnasium Beekvliet in Sint-Michielsgestel, the Netherlands. The project is linked to the subject geography. The key question of this project is:

Do Fair Trade certifications positively influence the living circumstances of coffee farmers in Laos?

In order to answer this question, interviews were held in the Netherlands and a study trip was organized to Laos to visit a coffee farmer cooperative and interview coffee farmers directly. We met various institutions that work on improving living conditions of farmers, and we selected prof. Tim Lang's **food system** to outline their inter-relationships.

According to professor Lang's framework, context, institutions and shaping forces influence primary food production, and this affects the living circumstances (social impact) of farmers. We have measured the influence of these factors by focusing on Rabobank Foundation representing one of the 'shaping forces', the Food and Agriculture Organization representing one of the 'institutions' and the AGPC representing an organization that merges various production steps.

AGPC is an association with the mission to provide technical and commercial support to its members (coffee farmers) with the aim of increasing its members' income by including them in a responsible value chain. According to the farmers themselves, the AGPC proves to be an excellent example of how good cooperation between farmers leads to better living circumstances for the whole community. Members of AGPC produce according to Fair Trade and Organic certification guidelines.

Fair Trade certification (FT) is a guarantee for a better price for farmers and better production circumstances. The farmers directly benefit from FT through the premium price they receive when they produce according to FT criteria. In addition, this premium price is used to make the cooperative financially sustainable and independent and to do community projects. Organic certification is a guarantee for production with respect for environment. Communication about FT production is essential for general awareness of the public and therefore to increase consumption of FT coffee.

Through kind assistance of AGPC, we were able to visit several villages, coffee plantations, wet coffee processing centres and the factory and laboratory. This gave us thorough insight in the way coffee is being produced and processed in Laos. During these visits, we interviewed coffee farmers in various villages on the Bolaven Plateau in order to answer our research question. We interviewed six farmers, of which two were chief of the village as well, and one vice-president of a member group. All the interviewed farmers were very positive about the work of AGPC and the Fair Trade premium price they receive. In comparison with the situation before membership with AGPC, farmers mentioned the following benefits:

- Income doubled
- Independence of middlemen
- Farmers join forces to get access to a better market
- Health circumstances have improved because of Organic production
- New sanitary system installed in the village
- Higher yields because of improved technical knowledge
- Farmers can now afford their children's school fee
- Quality of and facilities for local education have improved
- Income increased because more added value of the coffee goes to farmers

The farmers explained that the situation before they joined the AGPC was more difficult in terms of financial security, inability to find a good market for their coffee and lack of community benefits. Although we have not thoroughly explored the total coffee business, nor all the organisations involved in international trade and international development cooperation, we are convinced that the AGPC plays a crucial role for farmers. AGPC makes it possible for farmers to join in the cooperative farmer groups and work together to increase production and quality of coffee, and to do the processing at their own locations. The Rabobank Foundation importantly facilitates this by pre-financing harvests and providing technical assistance. Through AGPC, farmers are connected to the (international) market. The fact that these groups produce according to Fair Trade principles and receive a premium price is on top of that.

However, even without Fair Trade, they would have been better off because they join forces and do the whole process from farm to packaging themselves. The fact that the living conditions of all interviewed farmers have improved may be due to joining AGPC as much as through the Fair Trade certification. However, the Fair Trade certification surely improves the living conditions even more. We are very impressed with the work of the AGPC and Rabobank Foundation. We are convinced that buying Fair Trade products helps improve living conditions of farmers.

It has been an amazing and unforgettable experience!
Many thanks to all people who made this project possible!



Image 2.1 Staff and members of AGPC

3. Methodology

To answer the main questions of this research project, the following methods were used:

- Desk research
- Interviews, both in the Netherlands (RF) and in Thailand (FAO)
- Field research in Laos, consisting of field visits and interviews

Desk research was used to find background information about the coffee production process, Fair Trade and Organic certification, and the organizations involved in cooperatives, international trade and development cooperation.

Interviews were conducted to collect specific information related to the focus of this project: a coffee cooperative in Laos and their Fair Trade and Organic certification, and the role of Rabobank Foundation. The interviews in the Netherlands also focused on organizing and planning the field trip to Laos.

During the field research, farmer groups of the coffee cooperative AGPC were visited and interviews with farmer members were conducted to collect information about the impact of Fair Trade certification on their living conditions.

In reflection on the quality of the research, a number of factors should be noted:

Qualitative research

It should be noted that the methodology used is qualitative. Time (nor research set-up) did not allow for quantitative research.

Not a proper 'control' group

During the field research, we have interviewed six farmers. All farmers were members of the cooperative AGPC. Although they explained why they became members and what the situation was before they were member, we have not interviewed non-members of AGPC. Although we understand that a proper control group therefore lacks, we consider the 'before and after' AGPC membership information as the comparison.

Cultural aspects and translation may bias results

The AGPC organization kindly provided translation for doing the interviews. We noted however, during the interviews, that cultural differences in the way of communication and the translation necessary to communicate, may indeed bias our data collected. The awareness of these cultural aspects was however actually one of the big added values of doing the field research.

Dimensions of scale

The field research focused on village level impact. The information in this report about the organizations of Rabobank Foundation and the FAO have an international dimension. In the discussion, we have tried to bridge the information from various dimensions of scale (country level, regional level, household level, individual level, etc.) to a sensible conclusion.

4. Geography: Laos and the Bolaven Plateau

The Lao People's Democratic Republic (Lao PDR, in this report referred to as 'Laos') is a landlocked country in Southeast Asia. The capital city is Vientiane, and other large cities include Luang Prabang, Savannakhet and Pakse. It has a population of 6.6 million people. A third of the country's population lives below the international poverty line which means living on less than US\$1.25 per day. In 2013, Laos ranked the 138th place (tied with Cambodia) on the Human Development Index (HDI), indicating that Laos is currently low developed.



Exhibit 4.1 Map of Southeast Asia

The Bolaven Plateau¹ is located in an ancient volcano that erupted millions of years ago, the area spans 50 km of Southern Laos most vegetated area. From an altitude of 800 and 1350 meters (Paksong area) it is green all year round and cooler than the rest of Laos and Thailand. Surrounding the plateau there are a number of protected national parks, waterfalls, remote hill tribes, dense jungle. The area is, as we know, famous for the production of coffee beans.

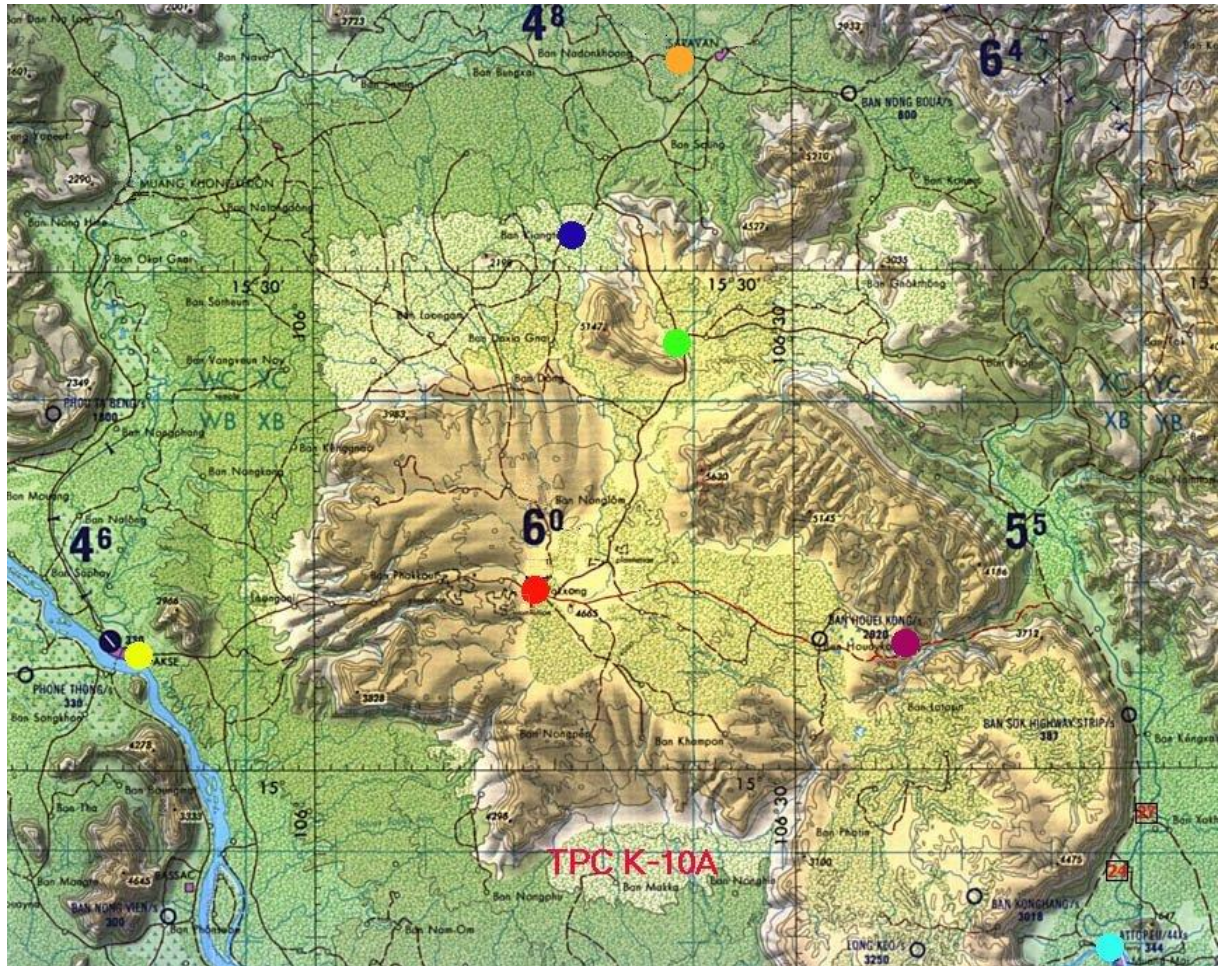


Exhibit 4.2 Map of Bolaven Plateau

Yellow = Pakse (Pakxe)
 Red = Paksong (Pakxong, Pak Song)
 Purple = Tat Katamtok (waterfall)
 Blue = Attapeu (Attapu)
 Green = Tatheng
 Blue = Tat Lo (Tad Lo, Tad Loh)
 Orange = Saravan (Saravanne, Salavan)

5. Coffee cultivation and processing in Laos

In the field

Coffee grows on a bush. Two main species are Arabica and Robusta. These coffee species have a different shape of the bush, different harvest time and produce a different quality of coffee beans. Coffee (image 5.1) grows in plantations (image 5.2). It needs very specific circumstances to grow: fertile soil with a humidity of 25%. On average, one coffee branch produces three to five kilograms of red cherries a year. Farmers are not allowed to use chemical fertilizers and pesticides in order to receive the Organic trademark, so they have to be creative and use alternative methods to keep their crops healthy.



Image 5.1 Coffee cherries growing



Image 5.2 Interview on a coffee plantation

Wet processing centre

After the cherries have been harvested, they are transported from the different villages to a wet processing centre. Here, the good cherries are separated from the bad ones whilst they are thrown into a big basin filled with water (image 5.3). The good cherries will sink to the bottom and the infected cherries will float to the surface where they can easily be separated from the sunk ones. The good cherries are put into a machine where the beans are separated from their cherries (image 5.4). The cherries are collected to be transferred into organic fertilizer, whilst the beans are washed and laid out in the sun to dry (image 5.5). In the evening when the sun has set, the beans are covered with plastic to avoid them from getting moist by the humid air. The drying process takes several days. During this process, leftover bad beans are separated from the good ones in the picking parchments (image 5.6).



Image 5.3 Sorting by floating



Image 5.4 Hulling



Image 5.5 Drying parchment



Image 5.6 Sorting parchment

Factory

The dried coffee beans arrive in the AGPC factory in bags of 25 kilograms. The village number, the first date and duration of drying and the quantity of the coffee inside before and after drying are registered on the sack. The factory has two different final products: green beans for the export and packed coffee for the domestic market. The dried beans still have a yellow husk. They are peeled (image 5.7) and sorted by size in the sorting machine. The size of the beans does not affect the quality or aroma of the coffee made from it, but according to international standards for the roasting process it is important for the beans to be divided into groups of the same size.



Image 5.7 Coffee beans before and after peeling

After the peeling and sorting, the beans for the export are packed into sacks of 60 kilograms and transported to a harbour: from there, they can be shipped to other continents. Laos is a landlocked country, so all the export of Lao green coffee beans is being transported through the harbour of Bangkok, Thailand. The remaining beans are being processed into ready-to-drink coffee for the local market. In order for this to happen, a few more production steps must be taken in the factory. The green beans are being roasted in the roasting machine (image 5.8). It takes fifteen minutes to roast 24 kilograms of hulled and sorted green beans. The roasting process causes a weight loss of two to four kilograms, so the quantity of roasted coffee beans coming out of the machine is 20 to 22 kilograms. These beans need to cool down for approximately five minutes, and then the beans are ground in the grinding machine (image 5.9). After this, the ground coffee is manually packed into small packs of 250 grams (image 5.10). These packs are ready for sale.



Image 5.8 Roasting machine



Image 5.9 Grinding machine



Image 5.10 Packing

Laboratory

The AGPC laboratory is built to enable specially trained employees to taste the difference between the coffee from different villages (image 5.11). The Bolaven Plateau is big, so the villages where the coffee grows are situated on different altitudes and different types of soil, and this causes the coffee to taste slightly different as well. The final product of the production process must taste the same every time, so the differently flavoured types of coffee need to be mixed.



Image 5.11 Cup tasting

6. Organizations involved in improving living conditions of farmers in developing countries

Many organizations are involved in farmer empowerment. Usually, national governments are involved in agriculture (Ministry of Agriculture), regional or local government offices are active (e.g. provincial and/or regional). For example, the national government of Laos has very recently approved a strategy to make locally-grown coffee a major national product in Laos for development of an international standard, according to an article in the Vientiane Times (January 21, 2014): see exhibit 6.3. National private companies are working on production and trade of agricultural commodities, such as coffee. International organisations such as the United Nations are involved in development issues, such as food security, food safety and training programs. Non-Governmental Organisations (NGO's) work on specific issues related to their mission. For example, NGO's are SNV, Oxfam Novib, and Solidaridad.

The complex relationships between the many organisations involved in food production (from “Farm to Fork”) is illustrated by the Food System by professor Tim Lang² below.

This food system shows that many organizations and parties are involved in producing our food and that the living conditions of farmers are eventually influenced by many factors, including context (environmental ‘givens’, socio-cultural influences, economic drivers), shaping forces (see right side of schedule), and institutions (see left side of schedule). It is therefore very complex to determine or to measure what the exact impact is of one organization on the living conditions of farmers. The outcome of the food system, specifically social impact, is the topic of our research project.

The food system, its external influences and outcomes: a flowchart

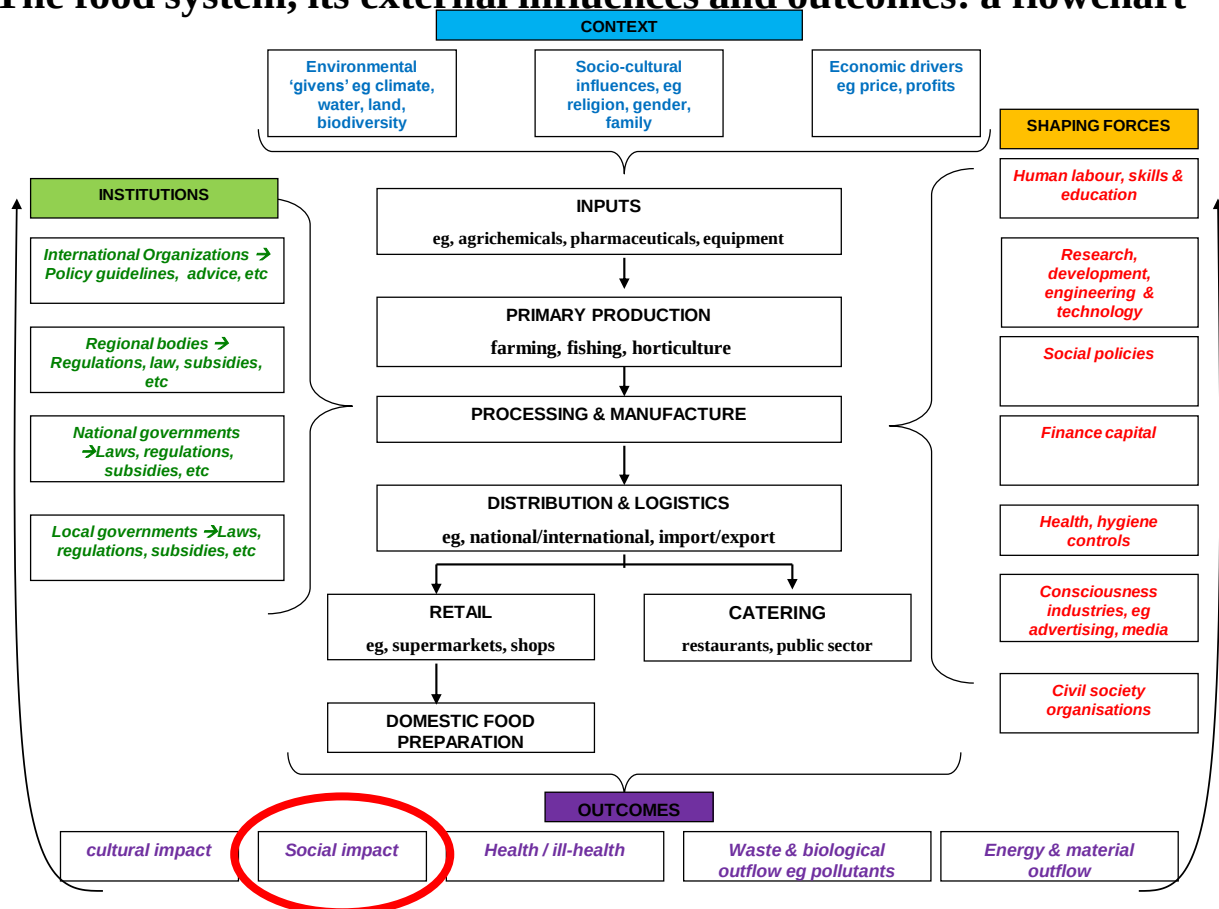


Exhibit 6.1 Tim Lang's food system

It would be too complicated to deal with all the factors and organizations and their inter-relationships in this project. In fact, if we could 'solve' this, we would receive the Nobel Prize... Therefore, the focus is on Rabobank Foundation representing one of the 'shaping forces', FAO representing one of the 'institutions' and AGPC representing an organization that merges various production steps (primary production – processing & manufacture – distribution). Details about AGPC are further explained in chapter 7, Rabobank Foundation in chapter 9 and FAO in chapter 10.

The food system, its external influences and outcomes: a flowchart

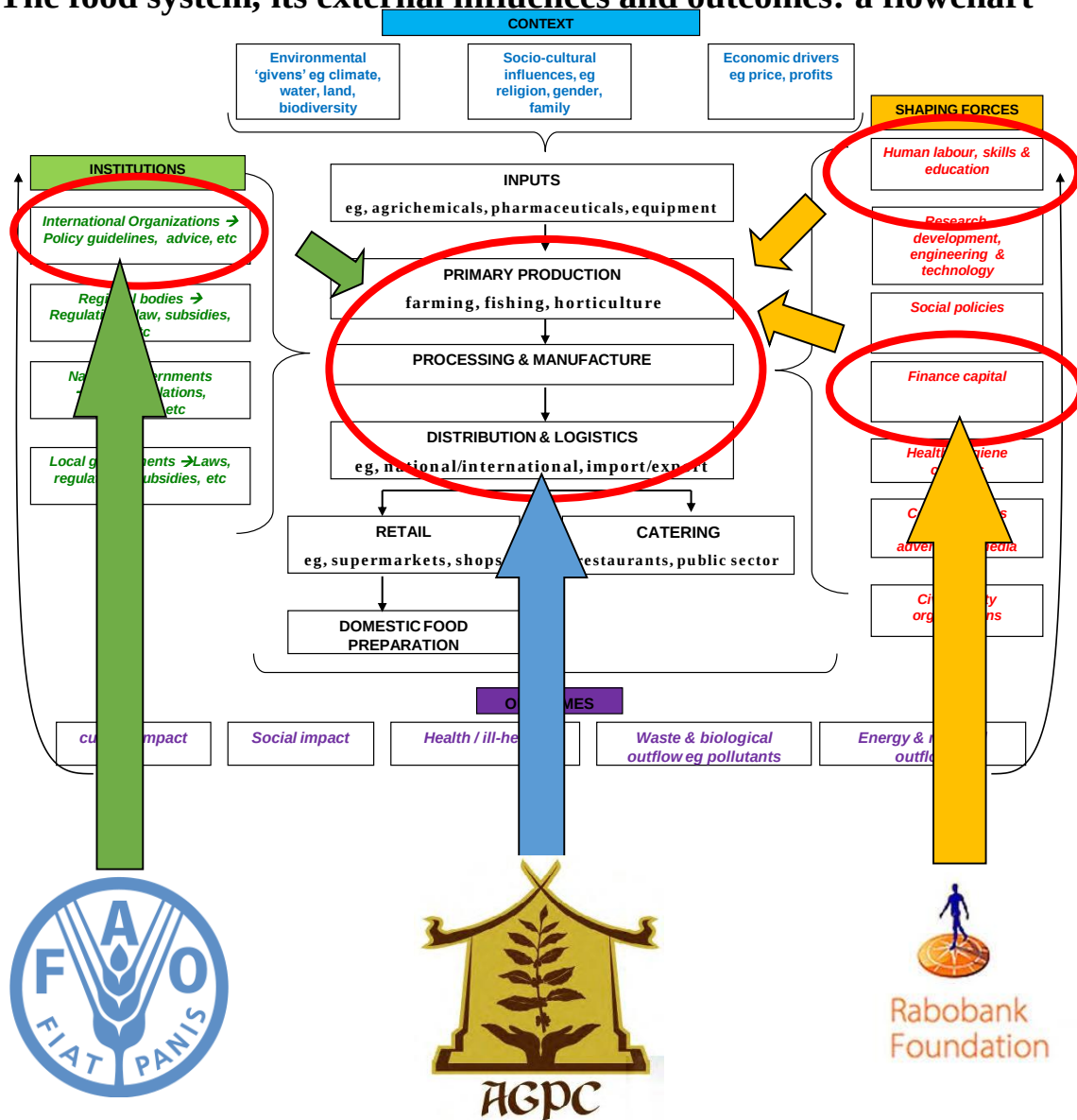


Exhibit 6.2 Organizations playing a role in Tim Lang's food system

Strategy to boost coffee quality, value

The government has approved a strategy to make locally-grown coffee a major national product in Laos for development to an international standard.



Coffee is the top agricultural export and can bring high income to Laos.

Lao Coffee Board Secretary Office Coordinator, Mr Khambon Phasouk said the cabinet had approved the strategy earlier this month, outlining plans to improve the quality of coffee, production development and promotion in domestic and international markets. The Lao Coffee Sector Development Strategy is also set to improve the business environment for competitiveness and reduction of costs, securing producers' land rights, zoning and land use planning and strengthening institutions and organisational capacities.

The aim of the strategy is to expand coffee production systems, increase sustainability, boost access to international markets and to protect producers and entrepreneurs. It also looks to enhance the contribution of the Lao coffee sector to meet the national socio-economic development goals of poverty alleviation and economic growth, said Mr Khambon.

To achieve the strategy, he called on the government to improve on current financial policies as producers are still experiencing high interest for loan credit and short terms, while entrepreneurs cannot access financial loans easily. Mr Khambon said the government should also increase the budget in the sector because coffee development would require a high investment in researching. Laos currently produces more than 30,000 tonnes of green coffee beans each year, and is exporting about 22,000-25,000 tonnes, Mr Khambon reported. About 60-70 percent of producers still face a lack of education about production management, marketing and financial access, he explained. The Bolaven Plateau, which stretches from the district of Pakxong in Champassak province, through Thataeng in Xekong province and into Lau-ngam district in Saravan province, is Laos' most significant production region with coffee plantations covering an estimated 68,000-70,000 ha – representing more than 95 percent of the country's total production.

The quality of Lao coffee in these areas is varied, leading to a negative impact on the image of Lao coffee and price according to the strategy. The production demand of local traders is high and there has been a very strong competition between buyers in recent years. In the short term, this competition may be profitable for producers. The strategy outlines that to boost the development of the coffee industry, it is important to increase the volume of coffee produced in order to ensure the supply to existing traders. Production increases will be undertaken mainly by smallholder producers, as granting new land concessions to foreign investors could lead to these parties exporting their own products and may not contribute to supplying local exporters. Recent growth and investment in the coffee sector have been driven by high coffee prices on the international market. One of the challenges that might be faced by the sector will be to sustain the profitability and competitiveness of the Lao coffee industry in the context of lower prices. By value coffee is the top agricultural commodity exported by the Lao PDR. It contributes to improving the trade balance and generating income, in particular for smallholder farmers who are growing the majority of the beans. The strategy also states that the coffee sector brings an important contribution to the wealth of the Lao PDR, and there is still room for further development of the coffee sector in Laos, both in terms of production increase, including production in non-traditional areas, and increasing the added value.

Source: Vientiane Times, 21 Jan 2014 <http://www.vientianetimes.org.la/>

Exhibit 6.3 Recent article in Vientiane Times

7. Working method of the coffee cooperative AGPC

The Association des Groupements de Producteurs de Café du Plateau des Bolavens (AGPC³) is an association created on August 7, 2007 with the support of the Lao Ministry of Agriculture and Forestry. It consists of 1796 families in three districts (Paksong, Laongam and Thateng), 55 producers groups and 42 wet processing centres. These households represent about 15-20% of the Bolaven Plateau coffee farmers families. About 60% of these villagers live below the poverty threshold. Therefore, these producers organize themselves in groups in order to increase the value of their produce and to fight against all forms of exploitation (direct beneficiaries). The AGPC has a team of 22 staffs and two French technical advisors. The factory of AGPC has one dry mill with the capacity to process 20 tons of green coffee daily. The green coffee is being exported to nine countries: France, Belgium, Sweden, China, Hong Kong, Singapore, New Zealand, Australia and Japan. They work with two certifications: Fair Trade and Organic. More than 4316 hectares of coffee plantations are certified as Organic and 699 hectares is in conversion. In 2010 the AGPC won an award: “Laos Best coffee exporter 2012” – best prices & best quality.



Image 7.1 Coffee plantation from AGPC farmer

The AGPC is supported by various international organisations or institutes, including a French agency Agence Française de Développement (AFD) and Rabobank Foundation. In this report however, we only focus on the parties that we interviewed.

AGPC has the mission to provide technical and commercial support to its members with the aim of increasing its members' income by including them in a responsible value chain. Therefore, as a non-profit organization, AGPC has three specific objectives:

1. To represent the coffee farmers of the Bolaven Plateau at the government level, within the bodies' coordination of the coffee supply chain at domestic and international levels, and for all activities related to coffee.
2. To provide technical assistance to its members in all aspects of coffee production.
3. To support its members in all activities related to coffee marketing and promotion.

Since the collapse of the world market price for coffee, AGPC experiences that more farmers realize the benefits of becoming member of AGPC and as a result, more member requests are received. AGPC is not so keen on expanding the amount of members too quickly, because they prefer good quality of the production process of the current members above quantity of the total members. In order to meet the high Fair Trade and Organic criteria the AGPC demands from new members, every farmer that requests to be a member has to be checked and monitored for three years before delivering coffee beans to the wet processing centres and factory of AGPC. For AGPC, it is highly important to be able to guarantee that all of the produced coffee beans with Fair Trade and Organic certification really meet the standards, so it is crucial to avoid not yet fully certified coffee beans from entering the collective production process. In order to achieve this, farmers in this pre-stage of becoming a member get technical assistance to be able to deliver coffee beans that fully meet the Fair Trade and Organic criteria.



Image 7.2 Members of AGPC

AGPC's focus group are small farmers with an average plantation of two hectares. Despite the large amount of members, AGPC has very little total soil surface compared to the amount of fertile hectares on the Bolaven Plateau. Farmers with bigger plantations are often not interested in becoming a member of AGPC. The steps they need to take to make their production fully Organic are too big compared to the economic benefits of being an AGPC member, because they often already have found a good (international) market for their production. In other words, they are rich enough already and do not want to put much effort in Organic production if not absolutely necessary. They are, however, often not aware of the environmental and health damage that chemical fertilizers and pesticides cause.

The General Assembly of AGPC meets once a year to approve AGPC's financial statement and the current accounts. Furthermore, the General Assembly has to elect a new Board of Directors (consisting of five persons, including a President who is in charge of supervising AGPC overall policy and activities, a vice-President, a treasurer, a vice-treasurer and a secretary) every three years. The Board of Directors is elected democratic. In addition to the Board of Directors, there is a Control Committee that includes three members who are in charge of monitoring AGPC's financial and accounting management. Thanks to the Fair Trade premium price, which enables the groups to invest in education, healthcare, farm improvements or processing facilities, the whole community of each village benefits from the coffee sales through AGPC (indirect beneficiaries). The Fair Trade premium is collective money earned by the Fair Trade certification, which is used to improve the living circumstances of the farmers.



Image 7.3 Members of the Board of Directors

AGPC supports their members by promotion, by offering coffee processing facilities and with technical and organizational trainings. Commercial promotion and financial support (in the form of loans without interest, also see chapter 9) are to enable the members to sell their coffee at a higher price and to be included in a responsible value chain through the Fair Trade network. Another aim of this support is to avoid the exploitation system by local middlemen who buy farmers' crops but at a selling price that is set at the loans disbursement and which is usually equivalent to half the average market price. AGPC offers the members coffee production facilities in order to meet its targets on high quality coffee production. AGPC carried out the construction of 42 wet-processing centres and one factory. Technical and organizational trainings in agronomy, Organic farming, accountancy and governance are to improve the knowledge of farmers.



Image 7.4 AGPC members with Marente and Sabine

8. Criteria for Fair Trade and Organic certification

Certification⁴

Certificates help consumers to choose healthier and more sustainable products. Each certificate has to meet certain requirements. There are lots of different requirements, for example for sustainability, for origin and quality and for animal welfare. An independent organization decides whether a certificate meets the specific requirements. If so, the logo of the certificate will be placed on the packaging.

Fair Trade and Organic are two of few internationally standardized certifications. Many countries have their own specific national labels to explain the origin, production methods or contents of a food product⁵.



Exhibit 8.1 Examples of certificates

Fair Trade⁶

Fair Trade is an alternative approach to conventional trade and is based on a partnership between producers and consumers. Fair Trade offers producers a better deal and improved terms of trade. This allows farmers the opportunity to improve their lives and plan for their future. Fair Trade offers consumers a powerful way to help reduce poverty through their everyday shopping.

Fair Trade works according to a number of important principles:

Fair Trade principles⁷:

1. Offering opportunities to disadvantaged producers
2. Transparency
3. Fair Trade conditions
4. A fair price
5. No child labour, no forced labour
6. Equal opportunities
7. Justifiable working opportunities
8. Capacity building
9. Care for the environment
10. Promotion of Fair Trade

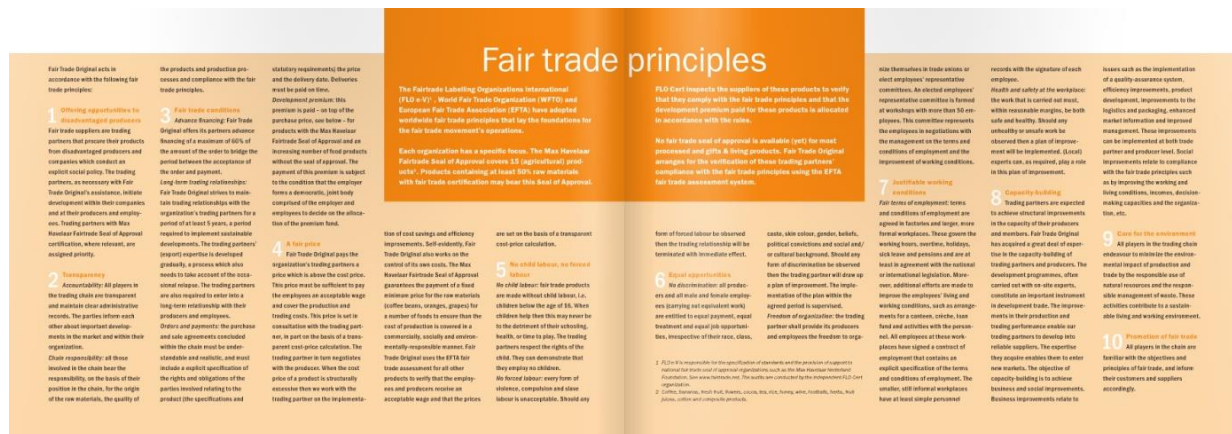


Exhibit 8.2 Explanation of the Fair Trade principles (for further explanation, see annex 3)

The members of AGPC produce according to these Fair Trade principles. The way this is done, and the regular checks are performed by the local groups of AGPC, supported by technicians of AGPC. It is of great importance that the members respect the production criteria because certification organizations may (unexpectedly) visit farmers to check on their production methodologies. Non-compliance with the Fair Trade principles of one member may result in problems for the whole group.

During this research project, we focused on the impact of FT on living conditions, not on whether FT criteria were met by the farmers. We therefore assume that, given the high interests and the professional organisation, AGPC members meet the Fair Trade criteria at all times.

Organic certification

The International Federation of Organic Agriculture Movements (IFOAM)⁸ is an international umbrella organisation that unites all stakeholders on organic production. In close cooperation with many stakeholders, IFOAM develops those criteria for organic production. AGPC works according to the Organic principles of IFOAM. The basics of organic production are that no chemical pesticides and chemical fertilizers are used, production is soil-based and no genetically modified crops or organisms are used.



Image 8.1 Main gate of AGPC's office

"Organic Agriculture is a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects. Organic Agriculture combines tradition, innovation and science to benefit the shared environment and promote fair relationships and a good quality of life for all involved."

Definition of organic agriculture – IFOAM

Transparency and publicity

When farmers produce according to specific certification standards, they (usually) receive a premium price. This premium price is eventually paid by consumers. Consumers, for example in the Netherlands, pay an additional price for products that have a logo for Organic or Fair Trade production. It is very important that consumers can rely on those logo's, that they are sure that the extra price they pay is indeed going to farmers or farmer communities (in case of Fair Trade) or indeed contributing to a better environment (in case of Organic). This is why regular inspections from a certification organization occur. Next to those inspections, proper marketing of Fair Trade and Organic products is important. Consumers should be familiar with Fair Trade and Organic products, should know why it is good to pay a little bit extra and what the impact of this extra price is. This is also why communication, marketing and regular positive press attention is important.

During our visit to Laos, we accompanied an Austrian Fair Trade Press delegation. This was a group of fifteen people, mostly journalists and people working for the Austrian radio (image 8.2). The objective of their visit was to generate publicity for Fair Trade production.



Image 8.2 Members of Austrian press delegation interviewing manager of AGPC's factory

9. Rabobank Foundation's mission related to AGPC

Rabobank Foundation⁹ is an independent organization, strongly related to the Rabobank. Its vision is that everyone who wants to get ahead should be given the opportunity for self-development. In order to give people, especially farmers, all over the world this opportunity, Rabobank Foundations mission is to offer deprived groups the prospect of a sustainable future through the deployment of their financial resources, their Rabo expertise and their network. Decades ago, the Rabobank itself started off as a financial collaboration between farmers, so they understand the advantages and opportunities that cooperatives offer. In developing countries Rabobank Foundations support is geared to helping small agri-producers gain access to funding, expertise and markets via their cooperatives.

“We’re not in the business of old-style charity, rather we invest in the independence and self-sufficiency of people and organisations. If you call on people to use their own initiative from the start, chances are that after a time they’ll be able to make it on their own.”

Pierre van Hedel, managing director of Rabobank Foundation

Typical process¹⁰

A cooperative is a partnership between farmers with a common interest: reducing poverty. The collaborating farmers produce the same crop, so together they have easier access to an (international) market. Together, these farmers can determine the problem which they all encounter, but to realize the solution, there is often a lack of financial and technical means. Rabobank Foundation verifies if the problem is well analysed and if the solution is suitable. If so, the quantity of knowledge and money needed is established, and on that basis the main objectives and Key Performance Indicators (KPI's) of the project are being draft. Finally, it can be determined when the cooperative can be called fully independent and when the Rabobank Foundation withdraws.

Regarding the relationship between the Rabobank Foundation and the involved farmer cooperative, four different stages can be distinguished:

Stage 1: In this first phase, there is a need for technical assistance (knowledge) and financial support. This support takes the form of donations, to be used as start-up capital or to finance training initiatives.

Stage 2: The financial emphasis rapidly shifts from gifts to loans: working capital, investment loans for producer cooperatives or long-term loans for savings and credit cooperatives. The cooperative is in this stage still unable to become a normal customer of a local bank, because the farmers income is not yet stable and local banks are not willing to take a risk. Supporting the cooperative is for Rabobank Foundation, opposed to those local banks, not very risky because in combination with the technical assistance and well-structured plan and agreements they have with the cooperative, the loans are highly likely to return to Rabobank Foundation again.

Stage 3: This subsequent phase revolves around co-financing, together with a local financier, or focuses on bank guarantees for building up a track record and as an extra financial buffer. Once the cooperative becomes an ordinary customer of the local bank, the cooperative becomes “bankable” and the mission of Rabobank Foundation is completed.

We have experienced AGPC as a very well-organized and professional cooperative. They have almost reached stage 3 and are therefore on the way of becoming fully independent.

The cash flows between the farmers organization, the buyer of the crop and RF are schematically displayed in the following image:

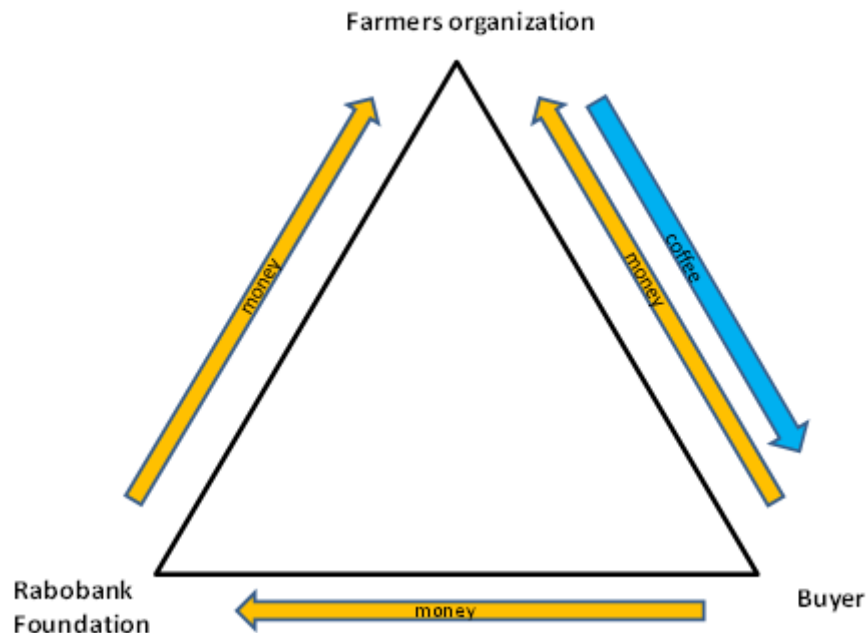


Exhibit 9.1 Cash flow schedule

AGPC and Rabobank Foundation

RF supports the AGPC through pre-financing harvests. This means that farmers can get some money (loan) already at the beginning of the coffee growing season in order to be able to properly manage the coffee plantation. Usually, farmers receive the money only at the delivery of harvest and this makes it difficult for a good planning and maintenance of the production fields and the processing centres and factory. RF supports AGPC because it is the only farmer cooperative in Laos, and an example for other initiatives. Although Lao people due to their communist history have not always positive feelings about cooperation (the Russian sovkhos system (state farms) was not seen very positive) AGPC proves that this farmer cooperative is very successful in marketing, trading and supplying farmers a fair price for their coffee beans. In addition, to do part of the processing of the beans by the members of the cooperative at their locations, the added value comes for the benefit of the farmers, not elsewhere in the value chain. This is strengthened by the fact that all AGPC members produce according to the Fair Trade and Organic production standards. This gives an even greater added value to the coffee and results in a premium price.

Trade

Coffee prices are determined by the international (world) market. Fair Trade and Organic certified coffee gets a premium price. The way that prices are determined is not part of this study. It should however be noted that the Fair Trade premium price is on top of the financial benefits of cooperative collaboration of farmers. For more information about this premium price and the way it is spent, see chapter 11.

10. The Food and Agriculture Organization of the United Nations

According to the criteria of the OESO (Organisatie voor Economische Samenwerking en Ontwikkeling), Laos is a developing country¹¹. Therefore it may receive donor assistance from NGO's, governments or international organizations such as the United Nations. The Food and Agriculture Organization¹² (FAO) is one of the UN organizations with the main goal to end hunger and poverty. Various objectives are being set to accomplish this, farmer training in IPM (Integrated Pest Management) in agricultural crops being one of them.

The FAO is active in Laos, specifically in the area of capacity building in Northern Laos, in rice and vegetable programs. The FAO Laos program is part of a regional program called "FAO Regional Vegetable IPM Programme in South & Southeast Asia" that is active in a number of countries in Asia. The scope of this program is explained in the text box below. This IPM program is coordinated from the Regional Office of FAO in Bangkok, Thailand. We have visited this office during our project and interviewed staff of the regional IPM project. This is a programme for vegetables and rice, not coffee.



Image 10.1 FAO's main entrance in Bangkok, Thailand

In this IPM program, the FAO works through the national Ministry of Agriculture and Forestry (MAF) to organize Farmers Field Schools to empower farmers to increase their agriculture production and to increase good cooperation between farmers and the various organizations involved in agriculture, such as the extension service and research institutes.

The FAO works on capacity building of farmers and of institutes, mostly governmental institutions. The FAO does not work specifically on economic aspects such as trade. Their focus is on development issues that need to be strengthened for economic development. The IPM program works on increasing the productivity and quality of agricultural crops, on food security, food safety (e.g. no pesticide residues on food crops) and on sustainable development, including social and environmental issues.

FAO Regional Vegetable IPM Programme in South & Southeast Asia

Indiscriminate use of chemical inputs, both fertilizer and pesticides, puts agricultural production at risk. In particular, the overuse of pesticides is known to eliminate important ecosystem services resulting into secondary pest outbreaks which could potentially jeopardize national and regional food security. Intensive use of extremely and highly hazardous chemicals by small-holder farmers also continues to cause high incidence of farmer poisoning.

For over a decade, the FAO Regional Vegetable IPM Programme, working with government and nongovernmental organizations, has carried out farmer education and participatory research activities to promote and support Integrated Pest Management in vegetables by Asian smallholder farmers.

Integrated Pest Management IPM is an ecological approach to crop production and protection that combines different management strategies and practices to grow healthy crops and minimize the use of pesticides.

The training approach used by the FAO Regional Vegetable IPM Programme is primarily the Farmer Field School (FFS). In the FFS, 25-30 farmers meet weekly facilitated by qualified extension staff and/or experienced farmers. Employing non-formal education methods, the field is used as the primary resource for discovery-based learning. Farmers acquire management skills, generate knowledge, carry out experiments, and learn how to make better informed decisions. The process seeks to empower farmers in applying the principles learned to other spheres of their daily lives aimed at improving rural livelihoods.

Source: <http://www.vegetableipmasia.org/index.html>

Exhibit 10.1 FAO Regional Vegetable IPM Programme in South & Southeast Asia

The Farmer Field Schools create farmer groups that work together on crop production issues. Most of those farmers did not work together before, in fact, they often see other farmers as competitors. After the FFS many farmers appreciate the cooperation with other farmers but when the FFS finishes, the 'formal' cooperation between the farmers also finishes. The FAO does not work on organizing cooperatives, there is no institutionalizing of the cooperation between farmers by making it an official cooperative. This is what Rabobank Foundation does. RF stimulates formation of cooperatives in which farmers work together. As visualized in the food system (see chapter 5) this makes the FAO and RF of different scope and complementary to the work of stimulating economic development.



Image 10.2 Interview with Mr Jan Willem Ketelaar, Ms Dada Moralis and Mr Kevin Gallagher

11. Influence of certification on living conditions of farmers

In order to answer our main research question, a number of farmers was interviewed, sometimes during a visit to their farm or during a visit to the coffee processing centres. We were very kindly welcomed and were allowed to see all steps into production and processing of coffee. During the village visits, many of the AGPC members were present and in most cases, an official welcome speech was given by the chief of the village or the president of the member group. In addition, family member of the farmers and also some of the workers were present to demonstrate the coffee processing. All people were very cooperative and pleasant and eager to tell us about their experiences with AGPC and with Fair Trade. In all situations, our interviews with farmers were facilitated by a translator from AGPC. Due to the fact that we were in a delegation with many other people from the Austrian press, we could also benefit from their questions to the farmer groups, which greatly helped our understanding of how Fair Trade affects the living conditions.



Image 11.1 Welcome speech by the chief of Porkhem village

Fair Trade premium price

The money that members of the AGPC receive from Fair Trade – the so called premium price – is mostly spent on improving the equipment of the cooperative as a whole, such as the wet processing centres. Rattapraseud Nhouyvanisvong (better known as Mr Kitam), representative of AGPC: “People tend to think that we immediately start investing in education, infrastructure etcetera. However, it doesn’t work like that. Our first priority is to make the cooperative financially sustainable by improving the agricultural facilities for farmers, after that we can focus more on collective projects. It just goes step by step.” Since AGPC is relatively far developed as a cooperative already, there have been various community projects in the region sponsored by the Fair Trade premium price that the members of the AGPC receive: in this chapter, examples of these community projects are given by several people we interviewed.

*“Improvement of living circumstances
of farmers goes step by step”*

Mr Kitam



Ms Sutz, farmer and member of AGPC

Ms Sutz, a woman, is a member of AGPC and the owner of a coffee shop and plantation. She also cultivates and sells tea and pepper. She produces eighteen tons of Fair Trade and Organic certified red cherries every year on her coffee plantation of four hectares. Before Ms Sutz, two other generations owned the coffee shop and plantation: her father and her grandfather. She is an AGPC-member since 2007, and her income has doubled ever since. The biggest benefit she has since she is an AGPC member is the higher price she gets for her coffee and better access to the (international) market. Her plantation is not exploited by middlemen anymore, which increases her income even more and as a result of that, also her living circumstances. Ms Sutz is very ambitious to enlarge her harvest of tea and pepper as well and is using her income to improve her facilities for these crops. This, however, takes some time.



*“The higher income we have since we are AGPC-member helps my
family”*

Ms Sutz, owner coffee shop and plantation

Ms Mon, farmer and member of AGPC

Ms Mon is an AGPC member for four years now. The most important reasons for her to become an AGPC member were the better price she would receive for her coffee and the ability to become independent of middlemen. She owns five hectares of land for processing Arabica coffee and produces fifty tons of red cherries per year. She has four children: two boys and two girls, and she thinks it is very important for them to go to school. However, a few years ago, the local primary school's facilities and quality of education were not so good. Last year, a part of collective money earned through Fair Trade premium price was used to purchase new tables for the school and to install a fence around the schoolyard. Mon is very happy that her children can go to school safely and receive good education. Her oldest son, who is 22 years old, goes to law school in Pakse, which is very important to her. He can go to school due to the better financial situation as a result of the Fair Trade price. Because her son goes to high school, she knows he will get a better life.



“My son can study thanks to Fair Trade”

Ms Mon

Mr Kapono, farmer and member of AGPC

Mr Kapono is a farmer and the owner of a coffee plantation of two hectares. His membership with AGPC allowed him to use the advice of more experienced farmers to improve his technical skills. His harvest has hugely increased due to these new insights in techniques of coffee production. He appreciated the help of his fellow AGPC members and realizes with his new knowledge, he is able to help the next generation improving their technical skills as well.

“More technical skills have improved my harvest! I’m very determined to use my knowledge to help others”

Mr Kapono



Mr Khamstone, independent farmer

Mr Khamstone is a farmer with sixteen hectares of land. He is not an AGPC member but he is closely involved with AGPC to exchange knowledge (about Organic production) and to facilitate translation for international guests. There are no benefits for Mr Khamstone to be a AGPC member because he is independent enough with his large plantation. He does not work with certifications but he does see the need of Organic production because of health and environmental reasons. He creates his own organic pesticides and uses the waste of the coffee cherries to make organic fertilizer.

“Producing fully Organic is easier than it seems”

Mr Khamstone



Vice president of AGPC's member group in Paksong

The vice president of the member group in Paksong is doing this job for five months now. Every three years a new vice president is elected. Before he was the vice president, he was a member of the control community. With his household, consisting of four children and his wife they own three hectares of land. The vice president takes care of the members in his member group and is in charge of contacts and communication between farmers and the board of AGPC. Through the better price they receive and the facilities AGPC offers, the farmers are happy: they now see the importance of working together to expand the market for their coffee and to even be able to export their coffee. The vice president sees his members working effectively on a better future. The improvements made now are also beneficial for the farmers' children and their future.



“The farmers now see the need of working together for a better future”

Vice president of member group in Paksong

Chief of Kamput Sampala

The chief and leader of the small village of Kamput Sampala is a women, as opposed to most other chiefs of the villages, who are men. She is very proud of the way her village has positively developed and the way the farmers join forces to get better access to the (international) market. With the higher income they receive as a result of this, the coffee production facilities in her village have improved.

“Women have the brains”

Chief of Kamput Sampala



Chief of Nosonpong

As the leader of the village of Nosonpong, this chief is in a high extent involved in de quality of the living conditions of his citizens. He proudly tells us that he used the Fair Trade premium price to build toilets in all the houses of Nosonpong. This is a great improvement for the health conditions of the families. He is also very glad that the organic pesticides and fertilizers have contributed to a healthier environment for the farmers and their families.

“Proud and happy that Fair Trade premium price contributes to better health conditions in my village!”

Chief of Nosonpong



The results of these interviews with people benefitting from Fair Trade premium price are summarized in the following schedule:

Name of village	Farmer's name	Situation before FT and membership with AGPC	Benefits of FT and AGPC to the community	Specialties
Paksong	Ms Sutz	Exploited through middlemen, low income	No middlemen anymore, income doubled	Production of tea and pepper as well
Porkhem	Ms Mon	Bad facilities on the local school (no fence, no proper tables and books)	Her higher income enables her to pay for school fee's and education facilities have improved	Her oldest son goes to law school in Pakse
Nosonpong	Mr Kapono	His harvest was not optimal because of lack of technical knowledge	His technical skills on coffee production have greatly improved, and so did his harvest	He is outstandingly motivated to learn and determined to further improve his skills
Nosongpon	Vice-president of member group	Farmers worked individually and could only find a very small market for their harvest	Farmers of his member group join forces to expand their market	The communication between board and farmers is excellent
Kamput Sampala	Chief of the village	No cooperative collaboration between farmers	Farmers join forces and that leads to a higher income	The village is led by a women
Nosonpong	Chief of the village	No sanitary facilities in the village, chemical fertilizer and pesticides caused health problems	Higher income, better health circumstances because of organic production and new sanitary system	The chief is very proud of the farmers in his village!

12. Discussion and conclusions

The key question of this project was:

Do Fair Trade certifications positively influence the living circumstances of coffee farmers in Laos?

In order to answer this question we looked at various parties involved in 'social impact'.

The food system, its external influences and outcomes: a flowchart

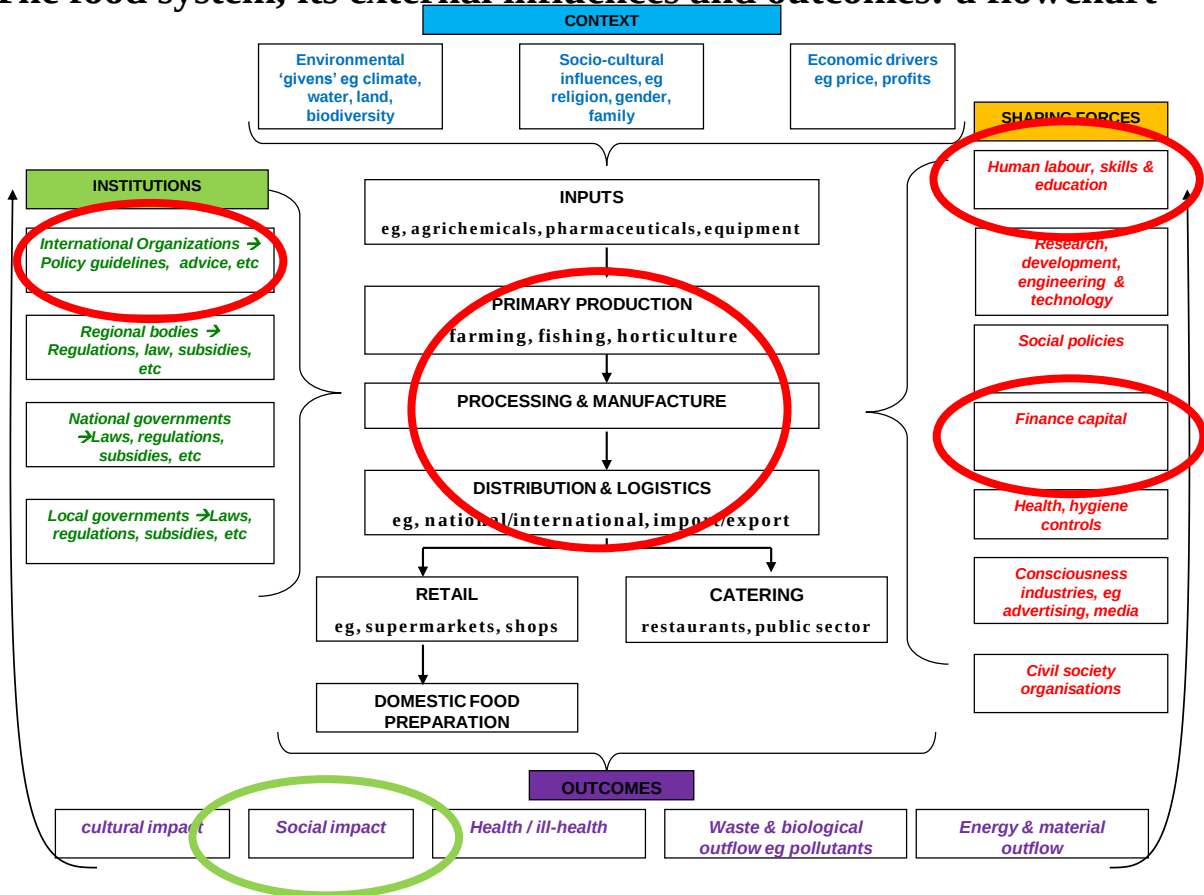


Exhibit 12.1 Tim Lang's food system

According to this schedule, the combination of context, institutions and shaping forces influence the living circumstances of farmers in Laos. During our project, we found that the influence of the parties we visited (the FAO, RF and AGPC) on the living conditions of farmers was very positive.

Although the FAO was not involved specifically in the AGPC and in the coffee production of Laos, they do work on farmer education in other crops in Laos, such as vegetables and rice. In that respect, the FAO contributes greatly to improving primary production and living conditions of farmers, albeit not the coffee farmers in Laos.

RF contributes to AGPC by pre-financing harvests. AGPC is the farmer cooperative that organizes farmer cooperation in different villages (55 producers groups), provides technical assistance for production of coffee according to Fair Trade and Organic principles and organizes the processing facilities and distribution of coffee. The objective of AGPC is to develop into a sustainable organization, that functions well without additional funding or inputs from external organizations. The Fair Trade certification provides the farmer groups of AGPC with a premium price that allows them to earn more money than without Fair Trade so that they can work on both making AGPC a self-sustaining organization as well as on improving their personal and community living conditions.

As mentioned in chapter 10, all farmers that we interviewed in the different villages at the Bolaven Plateau were very positive about the benefits of joining AGPC and the Fair Trade system. The AGPC helped them with setting up the Fair Trade production system and also helped establishing the processing centres. This means that more of the added value of coffee is going to the farmer groups. Many benefits were mentioned by the interviewed farmers, ranging from higher income to community benefits such as roads built, sanitary systems installed, etc. The farmers explained that the situation before they joined AGPC was more difficult in terms of financial security, inability to find a good market for their coffee and lack of community benefits. Although we have not thoroughly explored the total coffee business, nor all the organizations involved in international trade and international development cooperation (see food system, chapter 5), we are convinced that AGPC plays a crucial role for farmers. AGPC makes it possible for farmers to join in the cooperative farmer groups and work together to increase production and quality of coffee, and to do the processing at their own locations. Without AGPC this would not have happened. AGPC makes it possible for farmers to cooperate and to be connected to an international market. The fact that these groups produce according to Fair Trade principles, is on top of that. That gives the groups the premium price. But even without Fair Trade, they would have been better off because they join forces and do the whole process from farm to packaging themselves. The fact that the living conditions of all interviewed farmers have improved may be due to joining AGPC as much as through the Fair Trade certification. However, the Fair Trade certification and premium price surely improves the living conditions even more.

In view of this, we think it is good that AGPC keeps part of the Fair Trade premium price for the organization. With this funding they work to make the cooperative sustainable by investing in equipment and processing facilities in addition to directly funding the farmers. The cooperative must be self-organised so that it can continue this work in the future. This is the priority of AGPC, because a sustainable cooperative is to the benefit of the whole community.

We are very impressed with the work of AGPC and the farmer groups. We are convinced that buying Fair Trade products helps improve living conditions of farmers.

Review

This project was definitely the best thing we did in our graduation year. Not only have we learned very much from the preparations, our travel to Laos and the making of this report, we also enjoyed everything about it. Our visit to AGPC has added so much value to our research and really made it complete. Without the possibility to go to Pakse, the Bolaven Plateau, AGPC office and factory, to interview farmers, visit wet processing centres and receive so much information, we would never have been able to deliver a report like this.

It was an amazing experience for both of us! We have had a great time in Laos, seeing so much of the beautiful country and being perfectly able to perform our research. The educational aspects were just as enjoyable as the cultural aspects of this project. It was the first time in Asia for both of us, so the cultural differences with Europe were very impressive. Most striking was the hospitality of the Lao people we met, and their eagerness to answer our many questions.

This is the end of our graduation project, but hopefully this was only the beginning of our international adventures in the area of international development cooperation! After being closely involved in this complex but very interesting world of farmers, institutions and shaping forces we are very eager to learn even more about it. This of course influences our choice of further education; after this project and our journey to Laos, we consider to start a university bachelor in International Development Studies (Marente) and Communication Sciences (Sabine) to learn, research and communicate about similar international development issues.

13. Acknowledgements

This project was made possible through kind cooperation of many people. In particular we would like to thank:

- All staff and members of AGPC, particularly Mr Rattapraseud Nhouyvanisvong (better known as Mr Kitam), Mr Yannick Lamezec and Mr Chansamone Lomany, general manager.
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- Copyright of images: Ms Veronika and Ms Frederike Praasterink.
- Ms Frederike Praasterink for accompanying us to Laos. We love you. Seriously.

It has been an amazing and unforgettable experience!!

Thank you so much 😊

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