Fairtrade coffee in Indonesia

Fairtrade coffee - improved living conditions for coffee farmers, or just a higher coffee price?

Handledare: Elving Gunnarsson
Författare: Jon Werkander and Mattias Wondollek
Abstract

The aim of this study was to examine how membership in a Fairtrade coffee cooperative in the Gayo highlands in Indonesia influences developments with regards to economic and social factors for the small farmers. Furthermore we intended to examine how the profit from Fairtrade coffee refinement was distributed throughout its commodity chain within Indonesia.

A hermeneutic method was used throughout the study where primary data were collected through interviews with coffee farmers, collectors, cooperatives in the Gayo highlands and exporting and processing firms in Medan. The interview questions were mainly formulated with respect to the Fairtrade standards.

Our study revealed that membership in the two studied Fairtrade cooperative in the Gayo highlands hasn’t lead to any significant improved economic and social conditions for the small coffee farmers and that the exporters are the true winners of Fairtrade coffee in the studied commodity chains.
# Table of content

1 Introduction ........................................................................................................................................... 4  
1.1 Purpose ............................................................................................................................................... 5  
1.2 Research questions ............................................................................................................................ 5  
2 Methodology .......................................................................................................................................... 6  
2.1 The study and its location .................................................................................................................. 6  
2.2 Scientific approach ............................................................................................................................. 6  
2.3 Primary and secondary data .............................................................................................................. 7  
2.4 Selection of respondents and performance of the interviews ........................................................... 7  
2.5 Difficulties and sources of errors ....................................................................................................... 8  
2.6 Delimitations ...................................................................................................................................... 9  
3 Theory .................................................................................................................................................... 11  
3.1 Coffee ................................................................................................................................................ 11  
3.1.1 Cultivation and harvesting ........................................................................................................... 11  
3.1.2 Field processing .......................................................................................................................... 12  
3.1.3 Organisations .............................................................................................................................. 15  
3.2 Fairtrade model ................................................................................................................................ 17  
3.2.1 Generic producer standards ........................................................................................................ 18  
3.2.2 Generic trade standards ............................................................................................................... 18  
3.2.3 Product standards ....................................................................................................................... 19  
4 Field study to Gayo Province in Sumatra ............................................................................................. 20  
4.1 The regular commodity chain .......................................................................................................... 20  
4.1.1 Small farmer ............................................................................................................................... 20  
4.1.2 Collector ...................................................................................................................................... 22  
4.1.3 Big collector ............................................................................................................................... 23  
4.2 The PGC/MGMI commodity chain .................................................................................................... 24  
4.2.1 Small farmer ............................................................................................................................... 25  
4.2.2 Collector ...................................................................................................................................... 26  
4.2.3 Cooperative ............................................................................................................................... 27  
4.2.4 Exporter ...................................................................................................................................... 30  
4.3 The HPKOOGM / BMG commodity chain ....................................................................................... 31  
4.3.1 Small farmer ............................................................................................................................... 32  
4.3.2 Collector ...................................................................................................................................... 33  
4.3.3 Cooperative ............................................................................................................................... 35
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMG</td>
<td>CV. Bintang Musara Gayo (FT Coffee Exporter)</td>
</tr>
<tr>
<td>FLO</td>
<td>Fairtrade Labeling Organization</td>
</tr>
<tr>
<td>GA</td>
<td>General Assembly</td>
</tr>
<tr>
<td>HPKOGM</td>
<td>Himpunan Petani Kopi Organik Gayo Musara (FT Coffee Cooperative)</td>
</tr>
<tr>
<td>MFS</td>
<td>Minor Field Study</td>
</tr>
<tr>
<td>MGMI</td>
<td>Pt. Mandheling Gayo Mandago International (FT Coffee Processor Exporter)</td>
</tr>
<tr>
<td>PGC</td>
<td>Permata Gayo Cooperative (FT Coffee Cooperative)</td>
</tr>
<tr>
<td>SIDA</td>
<td>The Swedish International Development Cooperation Agency</td>
</tr>
<tr>
<td>FT</td>
<td>Fairtrade</td>
</tr>
</tbody>
</table>
1 Introduction

The aim of our first chapter is to give the reader an interesting introduction to our study and to explain the relevance of it. Furthermore the purpose of our study and our questions to be considered are stated.

Today, many coffee farmers live under poor circumstances. Besides limited income also their health and personal safety is sometimes jeopardized. One reason for this can be derived from the fact that companies worldwide often neglects these conditions in strive for profit and price competitiveness. (Davies and Crane, 2003)

However, in the recent years, the so called Fairtrade movement has gained attention. The movement means an alternative to the traditional market forces, with focus on an international trade system based on justice and fairness. The ambition behind Fairtrade is to create better economical and social conditions for marginalised producers and workers in developing countries. The Fairtrade label means that the workers hold the right working conditions and the land owner is living up to certain environmental requirements. (Rättvisemärkt, 2009) The goal of Fairtrade is to create better economic and social conditions for marginalized producers in developing countries. At the same time critical studies have revealed that the aim of Fairtrade in not necessary works in practice. (SVT, 2009) (Malmqvist & Wålsten, 2007)

Indonesia is a poor country, which over the years has been hard hit by various natural disasters. At the same time, the country is the world’s fourth largest coffee producing country and the coffee industry is important for the Indonesian economy and its inhabitants. The majority of Indonesia’s Fairtrade coffee is produced on Sumatra, where six of the countries seven Fairtrade certified cooperatives are located, more precisely in Gayo Highlands. (FLO, 2009)

Since coffee is such an important source of income in the Gayo highlands, and because coffee farmers in the country are living under poor conditions, the Fairtrade coffee industry in this region is suitable to serve as a study object in order to investigate the impact of Fairtrade on the livelihood of coffee farmers. (ICO, 2009)
1.1 Purpose

The aim of this study is to examine how membership in a Fairtrade coffee cooperative in the Gayo highlands in Indonesia influences developments with regard to economic and social factors for the small farmers. Furthermore, we intend to examine how the profit from Fairtrade coffee refinement is distributed throughout its commodity chain within Indonesia.

1.2 Research questions

- In what ways does membership in a Fairtrade cooperative in the Gayo highlands lead to improved economic and social conditions for the small farmers?
- How is the profit from the coffee refinement distributed among the actors within the commodity chain?
2 Methodology

This chapter starts with a description why we chose our subject and follows with a more detailed account for our preparations and the choice of scientific approach. After that, primary and secondary data are discussed, but also our selection of the respondents. Finally difficulties and sources of errors and delimitations are stated.

2.1 The study and its location

The idea of our study was hit up on a sunny day at Uppsala University campus when one of us had a cup of Fairtrade coffee in his hand whereas the other had a cup of regular coffee in his hand. We asked ourselves whether this extra amount money actually, in the end, would make any difference for the poor farmer at the farm who had picked the beans. About one month later our contribution had been selected by the MFS accountable at the business department at Uppsala University, which would give us a scholarship financed by SIDA to be able to perform our study of Fairtrade coffee cooperatives in Indonesia.

Since none of us had been in Indonesia before, we begun our stay in Indonesia with familiarize ourselves with the country as a whole, and the gathering of background material. After that we interviewed a representative of the exporting firm MGMI in Medan. Besides the interview, we were also shown the last processing step of the coffee, before it was ready for export and we received a book about coffee cultivation and processing. This information helped us gain valuable understanding about how coffee is produced and hence which actors in the commodity chain to interview. After the first interview we went to Takengon in Ache Tengah to prepare ourselves for our visits at two coffee cooperatives in Gayo highlands. When all necessary preparations were done, we moved to Pondok Baruh where we performed 12 interviews with coffee farmers and collectors of Fairtrade coffee as well as representatives from two coffee cooperatives and one employee from a processing firm. In addition to these interviews we also performed five interviews with farmers and collectors that neither produced nor sold Fairtrade coffee. These interviews were necessary in order for us to be able to draw any conclusions about the impact Fairtrade coffee has on the small farmer’s livelihood. During the writing on our thesis we later found some missing information we needed to know, in order to be able to perform our analysis. Thus we performed three further interviews in Medan with representatives from the two different cooperatives and one exporting firm.

2.2 Scientific approach

We chose a hermeneutic approach for our study and therefore it was important for us to write down our interviews and discuss our received answers between each other before we conducted any
further interviews. With support of our chosen theory we analyzed our empirical findings collected from our interviews in order to determine the essence of our data, which helped us compose further questions with the aim of increasing our understanding. Thus our choice of methodology resulted in different questions asked to the same kind of farmers, collectors etc., as our main objective was to increase our understanding for the livelihood changes that Fairtrade membership might bring to small farmers.

2.3 Primary and secondary data

Primary data were mainly collected through our interviews with coffee farmers, collectors, cooperatives, exporting and processing firms.

The questions were in large created from the theory of Fairtrade coffee as a starting point. However many questions, especially attendant questions merged during our interviews and were asked in order for us to better understand the answers of the respondents and the underlying causes for their first answers.

All interviews were recorded using a Dictaphone for us to be able to verify the answers. In order to increase the reliability of the answers and to identify interesting disagreements, many of the questions were given to all actors in the commodity chain.

One of us wrote down the answers on our laptop, while the other asked the questions. For every question asked, the time was written down. If there was any gap to fill after the interview, we could easy retrieve that answer by scrolling to that given time, instead of repeating the whole interview, which spared us a lot of time and effort.

Secondary data were mainly collected from the homepages of ICO and FLO, but were also taken from a coffee book about coffee cultivation and processing that we received from a representative of one of the exporting firms. Remaining data were found through various Internet sources.

2.4 Selection of respondents and performance of the interviews

Since it would have been impossible for us to find the respondents on our own, we turned to representatives of the cooperatives for help. We made it clear, what kind of respondents we were looking for i.e. old member of the cooperative, collector of regular coffee etc. We always started our interviews by confirming if the respondents fulfilled our requirements, since it happened a couple of times that the staff of the cooperative took us to wrong places. Interviews with farmers and
collectors were always performed in their own homes, sometimes located far up in the mountains, only accessible by motorbike on bad roads. Interviews with representatives from the cooperatives, processing and exporting firms on the other were taken place at some of their facilities. The interviews lasted between 30 minutes and two hours and each interview started with our translator Yan presenting us and the purpose of our visit to the respondents. We also made it clear for the respondents that it was perfectly fine with a blank answer instead of a made up answer. This because it seemed to be deeply social inherited in the Indonesian mind, always to respond questions with an answer, even though they didn’t knew the answer, since for them it was better to give a wrongful answer than losing their face.

The interviews were sampled with the help of a Dictaphone and the answers were typed down on the laptop to the utmost possible extent. After the interviews we made a complementary additions to parts, were information lacked with help from our recording device.

For the cooperatives and the exporting firms the use of interpreter was not necessary since their English skills we’re adequate in order to respond our questions. We however used interpreter during our interviews with small farmers, collectors and representatives from the processing firms, as they spoke Gayoneese (a form of Indonesian dialect). The manager of PGC helped us get in contact with an easy-going interpreter that was English teacher at a local high school and he had also been used during FLO inspections of Fairtrade cooperatives in the region before. We believe that his knowledge of the local coffee industry as well as the Fairtrade system increased his ability to understand our questions as well as the respondent’s answers, which not only facilitated our data collection but also increased the reliability and validity of it.

2.5 Difficulties and sources of errors

Even for two coffee enthusiasts who roast their coffee on regular basis, coffee cultivation and processing was something new and unfamiliar at the beginning of our study. Nevertheless it was a necessity of great magnitude to gain knowledge about this subject before we could proceed with what we were sent out to do. Even though we did some research before we went to Indonesia, it was not adequate and we still had some question marks to straighten out. This made many of our interviews long and non-linear, but fortunately our respondents were patient and taught us all there was to know.
Another difficulty was the language barrier. Even though the representative’s of the cooperatives and exporting firms spoke tolerable good English, many questions needed to be repeated and elucidated in order to obtain answers that corresponded to our questions.

In the beginning of our field study we tried to ask open questions but we soon found out that the respondents either gave us unrealistic answers or preferred not to answer our questions at all. Therefore we felt obliged to rephrase our questions in order to receive any information at all. Furthermore, many of the respondents had never seen any western people before and were therefore sometimes intimidated by our presence, which might have affected their answers in some way. We however believe that our use of an easy going local translator, that spoke Gayoneese fluently helped us to over bridge many cultural as well as language based hinders. Nevertheless our interpreter sometimes tended to summarize very long answers in a way that made us think we were not getting the whole picture.

In order for us to reach our respondents, two of the cooperative employed internal control staff took us there on their motorcycles. During the first interview they also sat in the same room as our respondents, which might have affected the answers in an inappropriate way. After the first interview, we tried to make it clear for ICS, in a kindly way that we not wanted them to be present during our further interviews, which they respected.

Furthermore since our scientific approach was hermeneutic and due to difficulties in reaching our respondents by ourselves, some respondents have received questions others haven’t, which makes it problematic to generalize the answers on some of our findings.

### 2.6 Delimitations

Fairtrade standards are divided into two main groups, where the first focus on small farmers and the second on hired labour. We interpret “small farmer” as a landowner whose land or income is too small in order to be able to hire labour work force. Since coffee cooperatives in general and the cooperatives we visited in particular consist of small farmers without any significant number of employees our main focus was to investigate the small farmer’s livelihood. (Rignell, 2002) Hence, our focus didn’t lie with investigating the livelihood of hired labour. Furthermore, the aim of our study was not to perform a proper Fairtrade inspection and hence far from all of the content in the Fairtrade standards was relevant for our study. As a consequence, only the parts that corresponded to the purpose of our study was chosen as theory.
As a result of the above stated, we have under the theory chapter presented selected Fairtrade theory, mainly assignable to coffee farmers. Therefore our analysis focusing on the small farmer is based on that theory.

In order to make our study feasible we limited our study to only investigate the commodity chain of Fairtrade coffee within the borders of Indonesia. By doing so, we narrowed the numbers of actors in the commodity chain to interview down to five (farmer, collector, processing firm, cooperative and exporting firm). Furthermore we limited the numbers of interviews with respondents from each respondent category to two, since a higher number would have made our study infeasible. Even though we made these limitations, the number of persons interviewed amounted to 18.
3 Theory

Chapter 3 contains general theory about coffee cultivation, harvesting and field processing, but also the Fairtrade standards are described in 3.2 Fairtrade model.

3.1 Coffee

3.1.1 Cultivation and harvesting
The climate is very crucial when it comes to coffee cultivation. Since the coffee tree is extremely sensitive to cold, coffee is mainly cultivated in a warm and steady climate.

The original coffee plant was located in Ethiopia but is today growing over the whole area of the earth, lying between the turning circles Cancer and Capricorn. (Kaffeinformation, 2009)

A wild coffee tree can be up to 10 meters high, however when coffee trees are grown on plantations, they are cropped so that it will not be higher than 2-4 meters. The Coffee tree is then more similar to a bush as it grows in width instead of height. The crop is made by hand and is a very hard and complicated work.

![coffee tree](image)

Figure 1, coffee tree

Most of the world's coffee growers are coffee farmers, but there are also larger plantations, especially in Brazil, where the flat country allows large plantations with some mechanical operation. (Kaffeinformation, 2009)

Ripe, unripe, and over ripe berries are sitting mixed, close to the each other on the branches.
It takes the coffee berries 8-9 months to mature, and the longer the time required, the better the quality. In the beginning the berries are green, but as they mature, their color turns red. In Gayo highlands the harvesting season ranges between September and May. (Interview with Mr. Armia, 2009-04-20)

There are now machines that can handle the cherry picking, but despite that, they are still mostly picked by hand. This is due to the fact that coffee cherries ripen at different times and because one can more carefully distinguish the ripe cherries. As can be seen on the picture below, the coffee pickers put the picked cherries into what looks like a bag. One full bag equals 5 Bambu, which is an important volume measure frequent to be used later in this thesis. (Interview with Armia, 2009-04-20, 2009-04-25 and 2009-05-04)

![Figure 2, Picking coffee cherries in Pondok, Bener Meriah](image)

Once the coffee is harvested, the flesh and skin are peeled away in order to get to the coffee bean, which is called *field processing* (IOCS, 2009)

### 3.1.2 Field processing

There are mainly two different types of field processing: The dry method and the wet method. The former method is the oldest and simplest one, mainly used in dry areas and for Robusta coffee. However since the latter method is of more interest in our study only this method will be described:

The berries are floating through canals, cleaning pools and collecting basins to a machine that removes the pulp by squeezing the cherries between moving and fixed surfaces. This stage is the
major difference between the two methods, because in the dry method the pulp of the fruit is separated from the beans after the drying stage and become *parchment*. (ICO, 2009 C)

**Figure 3, Berries to parchment**

Then the parchment is transported to washing channels, where shovels make the damaged berries float on top of the water and thus separating the damaged from the fresh beans. The parchment is then passed to a fermentation tank, where the beans are fermented between 12 to 36 hours.

**Figure 4, Fermentation process**

The fermentation is a chemical process that gives coffee beans certain acidity. Like the drying process in the dry method, the duration of the fermentation process in the wet method is very crucial to the taste and quality of the beans. (ICO, 2009 C)
After fermentation, the beans are rinsed clean in water and dried in a week.

Figure 5, Hulling process
When the beans have dried and only contains maximum of 40% water, *pergamino*, which is the silver layer surrounding the coffee bean, is removed by a so called *hulling machine*. This step is usually done by the processor, since the collectors can’t afford this type of machine. After this step the coffee is called *asalan*. (ICO, 2009 C)

Before the coffee can be sold, it must be, cleaned, sorted and dried once more until the moisture level is about 12 %. This is usually done by the exporter if there’s an exporter in the commodity chain. (ICO, 2009 C)

Figure 6, Sun drying at MGMI, Medan
Nowadays cleaning is usually done with the help of machines, but fine coffee is still sorted by hand and is thus called hand-picked.

Finally the asalan are sorted by size. When coffee beans are finished they are packed in bags to be sent out into the world. Coffee treated with the wet process is also called washed coffee. (Kaffeinformation, 2009)

3.1.3 Organisations

The story about Fairtrade started in 1988 when the world coffee prices sharply decent, triggering the first initiative regarding Fairtrade certification. The initiative was founded by the Dutchman Frans
Vanderhoff and named “Max Havelaar”. It offered players within the mainstream coffee industry an opportunity to adopt a standardized system of Fairtrade criteria. (Transfair USA, 2009)(Rignell, 2002)

Soon other national initiatives for Fairtrade followed the Dutch initiative such as the American organisation Transfair USA and the Swedish organisation Rättvisemärkt. In 1997 these national initiatives were harmonized with Fairtrade activities and standards under the umbrella organisation Fairtrade Labelling Organisation (FLO), based in Bonn, Germany. Today, FLO has 20 member organisations in 21 different nations. (Transfair USA, 2009)

FLO International is a multi-stakeholder non-profit association involving, producer groups, traders, external experts and FLO’s 23 member organisations. (Transfair USA, 2009)

FLO-Cert is the inspecting and certifying organ that audit producer groups in more than 50 countries across, Africa, Asia and Latin America. (Transfair USA, 2009)

Figure 9, Countries throughout the world holding labelling initiatives (FLO)

FLO is a member based non profit organisation that is open to labelling initiatives as well as producer networks. Fairtrade is not aid; it is a trading partnership that is based on dialog, transparency and respect between producers, importers, stores and consumers. Fair payment, good working conditions, sustainability, respect for human rights and the environment allows for long-term economic and social development in the producing local societies. It’s the national member
initiatives task to inform the public about Fairtrade products and to highlight the importance of buying Fairtrade goods. (Rättvisemärkt, 2009)

Rättvisemärkt is the Swedish national initiative for Fairtrade and Rättvisemärkt is a member of FLO. The organisation was founded in 1996 and consists of two organisations. The enterprise Rättvisemärkt i Sverige AB, takes care of the labelling of Fairtrade products in Sweden and is owned by Svenska Kyrkan and LO. The enterprise finances its operation through licence fees paid by companies selling Fairtrade products (3% of the products purchase price). Some part of these license fees are further distributed to the Fairtrade umbrella organisation FLO in Bonn. Föreningen för Rättvisemärkt is a member based non-profit organisation currently consisting of 39 Swedish member organisations. The organisations aim is to realise the vision that the obvious choice for consumers should be Fairtrade that strengthen human rights and counter poverty. The organisation operates in cooperation with its member organisations to create knowledge, awareness and demand for Fairtrade products. The goal is to improve the social and economic conditions for producers to take greater account of ecological conditions and thus ultimately increase the opportunities for sustainable development. Fairtrade certified products in Sweden includes coffee, tea, cacao, bananas and sport balls. (Rättvisemärkt, 2009)(Rignell, 2002)

In order for a coffee cooperative or exporting firm to become Fairtrade certified, there is an initial cost and an annual fee paid to FLO-cert in order for the latter to be able to finance the whole control system. The registration fee is 500 euro for both cooperatives and exporters, whereas the annual fee is 2000 euro for traders and 1700 for producers of Fairtrade coffee. (Interview with Husnita, 2009-05-04)

3.2 Fairtrade model

When you select a Fairtrade product you are said to contribute to improvement of working and living conditions for farmers and employees in developing countries.

• Farmers and workers obtain improved economic conditions
• Child labor and discrimination is countered
• Democracy and the right to organize is promoted
• Local communities are developed socially and economically
• Environmental and ecological production is promoted

Fairtrade is an independent product and your assurance that a product meets
International Fairtrade criteria. Rättvisemärkt is the Swedish representative of FLO.

International Fairtrade criteria are based on the ILO conventions on human rights in working life and promote economic development and increasing environmental concerns.

In order for a producer or trader to become Fairtrade certified there are some Fairtrade Standards to be met. Depending on if one is a producer or a buyer of Fairtrade coffee, one either needs to fulfil the requirements in the generic producer standards (3.2.1) or the generic trade standards (3.2.2) In both cases they also need to comply with the product standards (3.2.3) (FLO, 2009 A)

3.2.1 Generic producer standards

1) Social development:

In order for small farmers to bring their product to the market, the cooperative need to enable democratic decision making processes and as far as possible make it possible for small farmers to participate in the activities of the organization. The cooperative needs to be transparent for its members and there must not be any room for discrimination against any particular member or social group within the cooperative. (FLO, 2009 B)

2) Economic development:

According to the producer standards, all buyers are obliged to pay a Fairtrade Minimum Price and/or a Fairtrade Premium to the producers. The purpose of the minimum price is allowing the producer to cover their costs of sustainable production, whereas the Fairtrade premium is meant for improvement of farmers or workers livelihood through improvement of the local communities with regards to health, environment, education and economy. (FLO, 2009 B)

Moreover, the producer standards entail buyers of Fairtrade products to offer producers pre-financing upon request. By providing this, producers will be able to get more liquid assets which in turn can be used to overcome probably the biggest obstacles to the producers development. (FLO, 2009 B)

3.2.2 Generic trade standards

- Sign agreements that encourage durable planning and sustainable production.
- Assuring the authenticity of the Fairtrade products by certain traceability requirements.
• Make sure the terms of the contract is mutually agreed, well documented and clearly understood by both parties.

• Pay a price to the fair-trade producers, which at least cover the expenses of sustainable production, the so called *Fairtrade Minimum Price*.

• In excess of the minimum price, pay the producers a so called *Fair Trade Premium*, they can use for investments in development.

• Offer advance payment if the producers ask for it.

(FLO, 2009 D)

### 3.2.3 Product standards

**Contracts**

New sourcing plans must take place at longest three months before expiration and cover all harvest.

**Pre-finance**

Buyers of Fairtrade coffee must be able to pre pay at least 60% of the value of the contract upon request from the producer. And the money must be available at least eight weeks prior to shipment.

**Pricing**

Coffee producing cooperatives that sell their coffee via an exporting firm, should be able to meet an agreement upon the margin of the exporting firm, which should be adequate to cover its costs. (FLO, 2009 C)

<table>
<thead>
<tr>
<th>Type</th>
<th>Quality</th>
<th>Product characteristics</th>
<th>Quantity/ Unit</th>
<th>Currency</th>
<th>FT minimum price</th>
<th>FT premium</th>
<th>Date of validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arabica</td>
<td>Conventional</td>
<td>Non-Washed</td>
<td>1 / pound</td>
<td>USD</td>
<td>1,2</td>
<td>0,1</td>
<td>1.06.08</td>
</tr>
<tr>
<td>Arabica</td>
<td>Organic</td>
<td>Non-Washed</td>
<td>1 / pound</td>
<td>USD</td>
<td>1,4</td>
<td>0,1</td>
<td>1.06.08</td>
</tr>
</tbody>
</table>

(FLO, 2009 E)

In the above table, the Fairtrade minimum price and the Fairtrade premium for the types of cultivation and processing methods used by the coffee producers in our study can be seen. Unwashed means the wet method has been used.
4 Field study to Gayo Province in Sumatra

In the following chapter three different coffee commodity chains is presented, where the first is the regular commodity chain, the second is the PGC/MGMI commodity chain and the third is the HPKOGM/BMG commodity chain.

4.1 The regular commodity chain

Figure 10, The regular commodity chain
The commodity chain for regular coffee that is shown in Figure 10 above look very much alike the commodity chain for the Fairtrade cooperatives we’ve studied. Small scale farmers supply a number of collectors with coffee cherries. These collectors process the cherries so that they become parchment. The parchment is then sent to a processing firm that process the coffee so that it become asalan before its sent to the big collectors by the collector. The big collectors in turn either sell the coffee on the local market or sell the coffee to exporting firms in Medan who export the coffee overseas. (Interview with Tabrani, 2009-04-20) (Interview with Banta Cut, 2009-04-21)

4.1.1 Small farmer

Being a small coffee farmer isn’t always easy. Their work implies a lot of effort when cutting the branches and weed as well as picking the cherries. Not only were their working conditions hard, they
barely earn enough money to make a living. Especially not this year, since the harvest of 2009 in Gayo highlands was unusually bad. Too much rain during the growing season made the cherries bigger than usual, resulting in lower profit.

The two regular coffee farmers we interviewed informed us that they had an annual income between 4747 USD\(^1\) to 15189 USD a normal year, and 1899 to 5696 USD predicted income this year. The difference in income was mainly due to the size of their land where they cultivate coffee. One had 5 ha of coffee land whereas the other had 2 ha. Another explanation was also due to the fact that one of the farmers also worked as a collector, that is he processed his coffee by himself. When cultivation cost was encountered this numbers decreased to 3797 to 14240 USD in income per year, before taxes, for these two small farmer families. According to one of the farmers, his earnings were barely enough to supply his family. During the free condition time, both of the farmers went to their gardens and uses hoe to turn the grass around. If they didn’t covered the coffee tree roots with grass they would dry out in the dry season.

Since one of the asked farmers worked as a collector, he collected his own coffee. The price he paid the farmers for one bambu of cherries was 0.46 USD today, 0.49 USD\(^2\) one year ago and 0.51 USD\(^3\) three years ago.

The other farmer however got paid in cash when the collector came to his farm to collect his cherries. The sales price to the collector during 2009 years harvest was about 0.43 USD/bambu. One year ago this price was 0.43 USD/bambu and three years ago 0.40 USD/bambu. Since none of the farmers were members of any cooperative, they were free to pick the collector who could offer them the best price and payment procedure. Both thought it was important with direct payment in cash. According to one farmer, this was the main reason why he hadn’t joined any FT-cooperative. The other farmer’s reason was that there was no FT-collector in his village, but also that he has heard from other cooperative members that the cooperative had failed to distribute the FT-premium to the members, which had given him a bad opinion about Fairtrade.

When it came to transparency, one of the farmers told us that he trusted the big collector because he paid him direct in cash. The same farmer also said that he neither knew the final destination of his produced coffee, nor the big collector’s sales price. The only thing he knew was that the coffee was

---

\(^1\) The exchange rate used below for 2009 is 10534 Rupiah/USD, (2009-05-08), source [www.xe.com](http://www.xe.com)

\(^2\) The exchange rate used below for 2008 is 9209 Rupiah/USD, (2008-05-08), source [www.xe.com](http://www.xe.com)

\(^3\) The exchange rate used below for 2006 is 8742 Rupiah /USD, (2006-05-08), source [www.xe.com](http://www.xe.com)
going to Medan. The same farmer said that he could negotiate about the price, whereas the other farmer said he couldn’t.

For both farmers, the increased presence of Fairtrade farmers hasn’t had any effect on them, since they always made sure that they sold their coffee to the collectors who offer them the highest price.

On the question if they struggle hard to make a living, one farmer said that he worked very hard for producing his coffee because he worked alone in the garden. He also said that if he'd join Fairtrade, the FT-premium could be used to employ workers. The other farmer said that he hired people to clean his garden but that he did the pulping by himself. For the hulling process he paid 2% of the coffee if he brought it to the processor. If he had more than 20 bags, it was impossible for him to bring the parchment to the processor. (Interview with Alpiah Fauzi, 2009-04-26) (Interview with M Husin, 2009-04-26)

4.1.2 Collector

One of the four regular coffee collectors we interviewed informed us that he had an annual income of 2373 USD of which 1424 USD was from the collecting business and 949 USD from the farming. The same collector collected Avocado during the free condition time in order to increase his yearly income, which counted for 8-12% of his yearly income.

When it came to describing their working condition, two of the collectors explained that they went to the farmer and picked up the coffee and that this job was particularly hard during the wet season when the roads are bad. On the other hand, the third collector told us that the farmers brought their cherries to him.

The four collectors paid 0.43, 0.46, 0.47 respectively 0.47 USD for 1 bambu of cherries and sold their coffee as asalan for 2.28, 2.37, 2.42 and 2.47 USD/kg. One of the collectors said that his processing cost for the hulling process was 2.5 kg/100 kg if the processing firm collected his coffee and 2 kg/100 kg if he brought the coffee to the processing firm.

When we asked the regular collectors why they didn’t become Fairtrade collectors they all answered that they preferred being regular collectors, because this gave them the freedom of choosing between different big collectors instead of just selling their asalan to the cooperative. Hence, they could therefore, as regular collectors, sell their coffee to the big collector who offered the highest price. However according to one of the respondents, there were only one big collector in the local
area and the others only came there seldom and irregularly. Another explanation was that they thought that Fairtrade cooperative didn’t offer collectors any transparency. It should be mentioned that one of the respondents, that gave this answer, was a former member of a Fairtrade cooperative in Gayo highlands that lost their Fairtrade certificate. The same farmer however stated that she liked the idea of Fairtrade but her experience of it was bad, since the cooperative didn’t distribute any Fairtrade premium to its member.

On the question if the collector had noticed any change since other farmers in the village have become Fairtrade certified, one collector said that he hasn’t noticed any change. Another collector also said that it hasn’t been any change, as he still bought coffee from Fairtrade producers given that the price was good. He then sold this coffee as regular coffee even though it was Fairtrade produced. A third collector explained that it all depended on the price and that if he paid the regular coffee farmers more than the cooperative he could get more coffee. Only one collector was concerned about the decreased supply when more and more farmers become Fairtrade producers.

One of the collectors told us that the big collector tested the quality of the coffee upon delivery. The price was determined by the quality of the coffee and was thus not negotiable. The same collector said that the collectors only went there alone, never in a group to negotiate because they only sold coffee individually. The collectors didn’t want to go there as a group because they had their own business and thus there were a competition between them. (Interview with Tabrani, 2009-04-20) (Interview with Banta Cut, 2009-04-21)

4.1.3 Big collector

Our information about the big collectors is unfortunately constrained since we didn’t have access to any of the local big collectors in the surroundings of Pondok Baruh. According to the regular coffee collectors, there were three big collectors established in the local area. In addition to these, one of the collectors informed us that at least two big collectors were occasionally coming from Takengoon. (Interview with Tabrani, 2009-04-20) (Interview with Banta Cut, 2009-04-21)
4.2 The PGC/MGMI commodity chain

The PG cooperative was located in the Bener Meriah region, Permata and Bandar district, and the cooperative had during the time of our interview 587 members and a total of 1100 farmers and workers. The member households lived in eight different villages and each one of these eight villages had its own collector. Furthermore, each farmer owned its own land. After having grown and picked the Fairtrade coffee, the farmer sold the coffee to the collector in the nearest village. They in turn brought the coffee to the processing firm Arman Darwin to perform the hulling process. The processing firm kept 2-3% of the coffee as payment for the hulling process. After the coffee had become asalan, the collectors sold the coffee to the cooperative, which in turn either sold it to the exporting company in Medan, MGMI or brought it to a processing firm called CV Primaharavan. In both cases the coffee had to be handpicked and dried before it was send as “ready for export coffee” to an international buyer. The former company had around 22 workers and around 200 seasonal workers. The seasonal workers were woman which handpicked and sorted the coffee bean. They were paid based on the quantity of picking beans per day. MGMI mainly exported its coffee to coffee brokers in USA, New Zeeland, Sweden and the Netherlands. These brokers in turn, sold the coffee to different roasting firms or to other brokers. The latter company had 40-50 hand pickers, 5 other workers and the coffee was during our visit just about to be shipped to Holland and Canada for the first time. (Interview with Armia, 2009-04-20,2009-04-25 and 2009-05-04)
4.2.1 Small farmer

The two coffee farmers we interviewed informed us that they had an annual income between 949 – 3797 USD a normal year, and between 380 - 1899 USD predicted income this year. This can be compared to the guaranteed minimum wage in the Aceh province that 2008 was 109 USD/month.(Indonesia Matters, 2008) The difference in income was mainly due to the size of their land where they cultivate coffee. The former cultivated coffee at an area of 2 ha and the latter half that area. When cultivation cost was encountered this numbers decreased to 665-2943 USD in income per year, before taxes, for these two small farmer families a normal year. Since the coffee harvesting season only remained from October to May, the farmers had to get an additional income to make a living. The two small farmers that we interviewed either work in their own garden, growing vegetables that they sold on the local market, or they worked for another farmer growing vegetables as an employee. This year’s effort put into cultivating the coffee trees influence next years harvest and therefore next years profit. None of the two respondents said that there had been any major changes since they joined the cooperative, when it came to their working conditions.

When the cherries had been picked, the collector usually went to the farmers land and picked up the cherries. The farmers then got paid in cash directly when the collectors collected their cherries. The sales price of 2009 years harvest ranged between 0.43-0.47 USD/bambu, depending on the quality of the cherries and local market factors. For comparison: the sales price one year ago was about 0.41-0.43 USD/bambu and three years ago 0.40 USD/bambu.

Both of the small farmers we interviewed said that they believed in Fairtrade and they trusted the cooperative and the exporter in the way they handled Fairtrade issues in their daily activities. They both thought that the transparency of the cooperative was sufficient for their needs. Neither of the two farmers that we interviewed knew about the collector’s sales price to the cooperative nor about the cooperatives sales price to the exporting firm or to the overseas buyer. They didn’t know anything about major decisions made by the cooperative or the exporting firm. For example, one of the respondents didn’t know that the cooperative borrowed money from the exporting firm in order to finance the Fairtrade certification cost.

One of the farmers we interviewed didn’t know how large the Fairtrade minimum price was; whereas the other farmer thought that the Fairtrade minimum price was 2,37 USD/kg asalan. The latter received this information from the collector. Furthermore, both said that they believed that the
decisions made within the cooperative were good. One of the farmers told us that he never went to the cooperative if he has questions; instead he went to the collector.

One farmer stated that he sometimes hired between 4-5 workers to help him work in his garden. For 4-5 days of work these people were paid about 76 USD together. The other farmer didn’t have any hired labor since that farmers garden was to small.

One of the farmers stated that the Fairtrade premium this far had gone to projects that the small farmers benefited from individually. The reason for this, according to the farmer, was that the farmers of the village were not solely connected to the PGC. The two small farmers however told us that tools, such as grass cutters and hoes, were on their way. One of the farmers had received a grass cutter as well as a hoe by the time of the interview. The two farmers neither knew how large the Fairtrade premium was nor did they know how much the Fairtrade premium corresponded to in absolute figures last year.

No one of the farmers knew how large the Fairtrade certification cost was or how the cooperative financed the Fairtrade certification. (Interview with Kahwatina, 2009-04-21) (Interview with Halwan, 2009-04-26)

4.2.2 Collector

One of our two respondents was only collector, whereas the other was both a producer as well as a collector. When it came to describing their working condition, one of the collectors explained that he went to the farmer and picked up the coffee, whereas the other collector obtained the coffee from the farmers. After that, they processed the coffee from cherries to parchments with their pulping machine before they sent the parchment to the processing firm Arman Darwin. Depending on whether the collector delivered the coffee or the processing firm picked up the parchment from the collector, the price was set to either two or three percent of the parchment. This information did we receive from the cooperative. By average a PGC-collector collects 61 ton Parchment in one year.

According to the two collectors, they paid 0.47 USD for 1 bambu of cherries and sold their coffee as asalan for 2.42, and 2.47 USD/kg. The year of 2008 these figures were 0.52 and 0.43 USD/bambu and 2.71 and 2.61 USD/kg asalan. Three years ago the figures were 0.51 and 0.46 USD/kg cherries and 2.75 and 2.52 USD/kg asalan.
Regarding the collector’s knowledge about major decisions made by the cooperative and the exporting firm, one of the collectors informed us that the cooperative gathered all the collectors to a meeting at the cooperative office to inform them about problems with contracts to buyers as well as to what price the cooperative received for asalan. When the cooperative received a contract they informed all the involved collectors about one month in advance about the quantity and the price. If the cooperative received contract of more than one container the collector told us that he thought that one month was to short notice. The same collector told us that he never shared this kind of information with the farmers. The other collector only knew that the cooperative sold the coffee to American buyers.

When it came to transparency, one of the collectors said that the cooperative collected all the collectors to a meeting, where they informed the collectors about the problems and decisions, but also about the latest price they would receive for the asalan. The other collector said that the only thing he knew was that the coffee was going to America. Both of the collectors said that the distribution of the Fairtrade premium was decided upon through discussions in the general assembly. This far, the Fairtrade premium has been used for buying tools such as grass cutters and hoes to the farmers.

Furthermore, one of the collectors knew that the cooperative financed the Fairtrade certification cost with loan from MGMI. He received this information from Mr Armia, the director of PGC. The other collector though didn’t know anything about this.

When we asked the collectors in what way their village has benefited from joining the Permata Gayo Cooperative one of them answered that since his village joined the cooperative in May 2009 they haven’t received any Fairtrade premium yet, but he said that the village will maybe receive the premium next month. The other collector said that they recently had a general assembly meeting during which the delegates decided how the Fairtrade premium was going to be used.

One of the farmers told as that he used a book to keep record of all the cherries that the farmers deliver to him. If the farmers borrowed money from him he recorded these loans in the same book. (Interview with Irsyad, 2009-04-21)(Interview with Suganj, 2009-04-20)

### 4.2.3 Cooperative

The cooperative paid the collectors 2.47 USD for 1 kg of asalan and the cooperatives sales price for Fairtrade coffee to MGMI was between 2.47 and 2.71 USD for 1 kg of asalan. When the cooperative
exported coffee direct to buyers overseas the sales price was between 2.85 to 2.94 USD/kg asalan, excluding the Fairtrade premium. Furthermore, for regular coffee the exporting firm paid between 2.37 and 2.56 USD/kg asalan. Both of the above stated numbers differed from time to time depending on the local market and the world market price of Fairtrade coffee. Sometimes the price was over and sometimes it was below the minimum price, but most of the time it was over. It depended on the local market, competition, the timing. Sometimes MGMI bought coffee three month before shipment so they would reduce the price, since they paid interest to their bank. According to Fairtrade regulation, the cooperative was guaranteed the Fairtrade minimum price that was set to 3.08644 USD/kg as well as the Fairtrade premium which was set to 0.22046 USD/kg.

Today the cooperative has 39 collectors whereas 17 of these collectors delivered coffee to the cooperative that was sold to MGMI. Recently also 22 new collectors had delivered coffee that in April was sold directly overseas to coffee brokers or roasters for the first time. The first group of 17 collectors had an annual estimated production of 1032,2 ton of parchment whereas the other group of 22 collectors was projected to produce 1525,0 ton.

For the period July to December, the profit of PGC was 3100 USD, and the estimated for this year 15 000 USD net after tax.

The cooperative consisted of the board, the director, the general assembly, the collectors and the internal control. The general assembly was chosen by all members of the cooperative. Every village had its own representative, whose main assignment was to decide upon how to distribute the Fairtrade premium. It was the delegate’s responsibility to inform the members of any major decisions taken by the cooperatives general assembly or the board. General assembly meetings were being held every three month whereas board meetings took place more often. The collectors got regularly updated by the director about the current prices and demand. The internal control staff picked up coffee from the collectors and monitored that the farmers cultivated their land according to organic standards.

In order to receive a bank loan in Indonesia you must have some kind of property as insurance. Since the cooperative didn’t have any insurance it borrowed 500 Euros for the Fairtrade registration fee and 2400 Euro for the annual fee, from MGMI to finance the Fairtrade certification cost, which totally amounted to 2900 euro. As of May 2009, PGC owed MGMI 2400 Euros for the FT-certification. The GA had already decided that this dept would be reduced by reducing the FT-premium, with start the
year of 2010. The cooperative didn’t have any exact date set for the pay back and they didn’t pay any interest on the loan.

PGC and MGMI had a written contract that says that MGMI will buy all the Fairtrade coffee produced by PGC, meaning that whenever the cooperative had coffee with good quality it just delivered it to MGMI. This means that the farmers never planned their production according to the demand of the exporting firm. Instead the latter stored excess coffee in its warehouse. On top of this PGC also bought regular coffee.

30-40% of the annual profit was distributed to the members of the board and the rest was distributed back to the members.

The cooperative bought and sold Fairtrade as well as regular coffee. 90 percent of the members produced coffee was sold as Fairtrade coffee whereas the rest was sold as regular coffee to other buyers. In addition to the cooperative members produced coffee the cooperative also bought asalan from regular collectors which they sold to MGMI. This regular coffee bought from regular collectors summed up to 30 percent of the cooperatives total amount of coffee sold. The reason why PGC also bought and sold regular coffee was because the supply and demand of Fairtrade produced coffee was limited.

As stated above, the cooperative didn’t always sell their coffee to MGMI before it was sent overseas. Recently the cooperative had also begun to sell coffee direct to coffee agents overseas. But, in order to be able to sell the coffee direct overseas the cooperative needed to process the coffee to make it ready for export. Therefore the cooperative hired a company called CV Primaharavan that was located in Medan for machine sorting, hand picking and drying. For this service CV Primaharavan charged the cooperative 0.071 USD/kg asalan. Included in this price was the compensation of 0,033 USD/kg for the hand picking. An experienced hand picker could pick up to 120 kg a day whereas an inexperienced may only pick 40 kg a day. As a comparison, the national guaranteed minimum wage in North Sumatra was 89 USD/month the year of 2008. (Indonesia Matters, 2008)

PGC has sold Fairtrade coffee to MGMI since July 2008, and before that, the director of PGC sold regular coffee since 2006 to MGMI, as a big collector.

The ambition was to be able to sell all coffee direct to registered customers overseas. In that way PGC would be able to obtain a higher sales price. According to Mr. Armia, the director of PGC, the
The cooperative will have all of the processing equipment within a year in order to process all their coffee in house.

The processing equipment was really expensive, especially the hulling machine, which cost about 10000 USD. For the next general assembly meeting, Mr Armia said that he will suggest for the representatives of the villages to save money in order to afford buying one hulling machine.

Usually, the manager of PGC makes contact directly with a buyer and then he contact MGMI so that they can close the deal with the overseas buyer. Hence, it was MGMI that signed these contracts with the overseas buyer, not PGC. The cooperative knew the exact price that MGMI sold the coffee for. As the manager of PGC knew all about the prices that MGMI received for the coffee he sometimes thought that MGMI earned too much money. However, the price that MGMI paid PGC for the coffee was decided by five factors, and these were, the price on the NY terminal price, exchange rate between USD and Rupiah, local price, quality and timing. Furthermore, MGMI sometimes bought coffee from PGC three mounts before they received payment from the overseas customer. As a result, it was hard for the manager of PGC to argument for a lover margin for MGMI. (Interview with Armia, 2009-04-20, 2009-04-25 and 2009-05-04)

4.2.4 Exporter

MGMI, which was located in Medan, exported Fairtrade as well as regular coffee. Today, 10 % of its coffee sold was Fairtrade. MGMI exported coffee to USA, Netherlands, Germany, New Zealand and Sweden. The exporting firm only bought Fairtrade coffee from PGC. When the coffee came to MGMI it had a moisture level of up to 20%. This moisture level then had to be reduced by sun drying, until it reached a level of 12%. This was done in house without any other part involved and for this MGMI charged the buyer 0.24 USD/ kg asalan. MGMI received 4 175 USD / ton for Fairtrade coffee (this price includes the Fairtrade premium and processing costs) and 3 700 USD /ton for regular coffee sold to customers overseas.

PGC usually received prepayment between 10 to 14 days before delivery. However, sometimes PGC also received post payment; all depending on the amount of prepaid money and delivered coffee. This means that sometimes MGMI owed PGC money and vice versa.

Since MGMI kept record of every delivery of Fairtrade coffee, it was possible to track the date of delivery, producer, process stage, weight, amount accepted, amount rejected and total amount accepted. Regarding the regular coffee, they didn’t keep any record of the coffees origin. They only
recorded how much regular coffee they received every day. They didn’t keep any record of the coffees origin. (Interview with Husnita, 2009-04-16 and 2009-05-04)

4.3 The HPKOOGM / BMG commodity chain

![Commodity chain diagram]

Figure 12, The HPKOOGM/BMG commodity chain

Most of the members of HPKOOGM were from the Bener Meriah district, where the co-operative office was located. Other members were from the Bandar and Timang Gajah district. The HPKOOGM cooperative covered 14 village groups, organized according to 14 collectors and 718 farmers. The produced Fairtrade coffee was picked from the coffee bushes by the farmers and workers and then sent to the cooperative collectors.

Each collector was located in one of the 14 different member villages. They collected the coffee before processing the coffee from cherries to parchment before sending the coffee to the processing firm Lusung Gayo. Depending on who delivered the coffee, Lusung Gayo either charged 1 or 2 % of the amount coffee that was processed. After the processing at the Lusung Gayo, the collectors received the coffee before they sent it on to the cooperative headquarters in Wih Tenang Uken Village in the Permata district.
After that the cooperative received the coffee from the 14 different collectors the cooperative sold the coffee to the exporting firm CV BMG in Medan.

The exporting company CV BMG was Fairtrade certified as an exporting firm. CV BMG only bought coffee from the HPKOGM cooperative and they hired the processing firm PT Primataman to process its coffee. The CV BMH exported its coffee to buyers in USA and the European countries. (Interview with Abragem, 2009-05-03) (Interview with Alexander, 2009-05-03)

### 4.3.1 Small farmer

The two small farmers from HPKPOGM that we interviewed told us that they had an annual income of between 2373 and 4747 USD in a normal year, and this year they predicted their income to 949 to 1899 USD. When cultivation cost was encountered this numbers decreased to 759-1518 USD in income per year, before taxes, for these two small farmer families. When there was no harvest season the two interviewed farmers stated that they cleaned their own gardens. On the question if the farmers could describe their working conditions, one of the farmers answered that his working conditions today were much better than before since he nowadays used motorized tools in his daily work, this however had nothing to do with his cooperative membership. The other farmer told us that there had been no major changes since he joined the cooperative.

Both of the farmers told us that they were paid directly when their collector came to them to collect their cherries. The sales price of 2009 years harvest ranged between 0.46-0.47 USD/bambu. One year ago this price was between 0.49-0.54 USD/bambu and three years ago 0.40-0.51 USD/bambu.

Both the farmers said that they trusted the cooperative and the exporting firm when it came to questions about Fairtrade. One of them based his opinion in this matter on his convincement that the cooperative was for the coffee farmers and therefore he trust the cooperative and the exporting firm. He also said that transparency was not important, as long as the cooperative had no contract for selling FT-coffee. As soon as the cooperative started selling FT-coffee, he said he will ask for transparency. However, going to the cooperative asking questions was difficult according to both of the farmers. One of the respondents told us that his father once asked the cooperative why they haven’t sold any Fairtrade coffee yet. The answer he received was: “please be patient”. The same farmer explained his trust to the cooperative by the friendship to the chairman of the cooperative.
The two farmers neither knew what the collector’s sales price to the cooperative was, nor what the cooperative sales price to the exporting firm was. Furthermore none of the farmers knew what the minimum price level was set to. One however said that the FT-premium was set to 0.21 USD for 1 kg asalan. When questioned about how the cooperative financed their FT certificate, none of them knew anything about this. None of the respondents knew anything about any major decisions made by the cooperative or the exporting firm. One of them however knew that the cooperatives coffee had been sold in Canada, whereas the other believed that the chairman of the cooperative will tell about major decisions because of their friendship.

According to the farmers, the reason why they haven’t put any social projects into practice yet was because the exporting firm haven’t signed any contract with importing firms of Fairtrade coffee. On the question if their society has benefited from the coffee production in any way since they joined Fairtrade cooperative, one answered that he hasn’t noticed any change, whereas the other farmer said that the prices on cherries have consequently increased.

Both the farmers told us that they never sold their coffee to another collector than their own collector within the cooperative. One of the farmers however told us that he sometimes asked other collectors about the price in order to keep himself updated. He then informed the cooperative about this price in order to keep the cooperative updated about the local price of cherries. If the local price was higher than the price the cooperative collector paid the farmer, the cooperative made sure that farmer received that price from the collector.

One of the farmers informed us that the farmers could borrow up to 949 USD from the cooperative, money that could be used for paying for their kids education.

Both respondents told us that the cooperatives profit was not distributed to the members. None of them knew who received the cooperatives profit but one of them thought that the board members received the profit. (Interview with Syahdat, 2009-04-25) (Interview with Abdul Wahab, 2009-04-25)

### 4.3.2 Collector

One of our two respondents was only collector, whereas the other was both a producer as well as a collector. One of the two collectors we interviewed told us that he had an annual income of 5221 USD of which 2848 USD was from the collecting business and 2373 USD was from the farming. The other farmer stated that he earned 1899 USD in a normal year and 1139 USD this year.
When it came to describing their working condition, both of the collectors explained that they went to the farmer and picked up the coffee and that this job was particularly hard during the wet season when the roads were bad. However one of the farmers told us that the farmers sometime came to him to deliver the cherries. If the farmers brought the coffee to the collector, the price would be a little bit higher (0.01 USD/bambu).

The two collectors paid 0.47 and 0.46 USD for 1 bambu of cherries and sold their coffee as asalan for 2.45, and 2.42 USD/kg. The year of 2008 these figures were 0.52 and 0.43 USD/bambu and 2.71 and 2.61 USD/kg asalan. Three years ago the figures were 0.51 and 0.46 USD/kg cherries and 2.74 and 2.52 USD/kg asalan.

When there was no harvest season the two interviewed collectors said that they either treated their own or someone else’s garden. Both of the collectors stated they didn’t hire labour during the free condition time. During harvest time however, they would employ people to either pick the cherries or to process the coffee from cherry to parchment. The salary for the former was 0.01 USD for one bambu and the latter 0.05 USD per kilo. On the question if the collectors could describe their working conditions both the collectors stated that their working condition was very hard and strenuous as the roads are very slippery and almost impassable, especially during rainy season.

When it came to transparency, one of the collectors said that he knew the cooperative sales price and that he was informed about major decisions within the cooperative. The other collector told us that he knew the name of the exporting firm that the cooperative sold his delivered coffee to, but not to what price. None of the respondents knew anything about major decisions made by the exporting firm. Both of the collectors said that they didn’t know if the profit was distributed back to the farmers, only that the Fairtrade premium was distributed to the members. Furthermore, none of the collectors knew how the cooperative financed the Fairtrade certification cost. On the question why the farmers were still waiting for the Fairtrade-premium to be distributed, one of the collectors said that it was because there haven’t been any Fairtrade contracts signed yet.

When we asked the collectors if their village had benefited from Fairtrade in any way one of them answered that they haven’t benefited from Fairtrade in any way as they will receive the Fairtrade premium for the first time in July 2009. (Interview with Adami, 2009-04-25) (Interview with Misdar Putra, 2009-04-25)
4.3.3 Cooperative

The cooperative paid the collectors 2.47 USD for 1 kg of asalan and the cooperatives sales price for Fairtrade coffee to CV BMG was 2.52 USD for 1 kg of asalan and the sales price for regular coffee last year was 2.82 USD per kg. In addition CV BMG also paid the cooperative 600 Rupiah/kg asalan for the transport cost plus the Fairtrade premium.

The cooperative farmers were guaranteed at least 0.43 USD/bambu for regular coffee and 0.48 USD/bambu for Fairtrade coffee. The cooperative in turn were guaranteed 2.47 USD/kg for regular coffee and 2.52 USD/kg asalan for Fairtrade coffee by CV BMG.

The cooperative consisted of the board, the director, the general assembly, the collectors and the internal control. The general assembly was chosen in the same way as for the PGC. The internal control staff monitored that the farmers cultivated their land according to organic standards.

Because HPKOGM only has been selling Fairtrade coffee since beginning of May, it hasn’t received any Fairtrade premium yet, and hence no social projects have been put into practice by the cooperative.

The cooperative has borrowed, more than 6645 USD from CV BMG, to finance the Fairtrade certification cost. This far, the cooperative has refunded less than half of the loan using the cooperatives profit. The cooperative didn’t have any exact date set for the pay back and they didn’t pay any interest on the loan.

HPKOGM has written contracts with both CV BMG and PT Primataman. According to these contracts, only the coffee from HPKOGM could be processed by PT Primataman assigned by CV BMG.

2008 was the first year that HPKOGM was audited whereas for 2006 and 2007 the cooperative didn’t have any figures about their profit. The year of 2008 the cooperative earned 24078 USD from the coffee trade which was used for paying salaries, office equipment as well as inspection fees. According to the cooperatives advisor, the loan to CV BMG was too large in order to use the profit to refund the loan.

This far, the cooperative has only sold their coffee on the local market as regular coffee, but in early May the cooperative sold their first shipment of Fairtrade coffee to a customer overseas. There were
two major explanations why the cooperative hasn’t sold any Fairtrade coffee before May 2009. The first was that the cooperative didn’t receive their Fairtrade certificate until October 2008 and the second was that the overseas buyers preferred to buy Fairtrade coffee that was also organic produced.

HPKOGM has done business with CV BMG for the last three years, and according to the spokesman of the cooperative, they have a very trustful relationship. However, the cooperative doesn’t have any written sourcing plans with CV BMG that state date and amounts about when and how much coffee to deliver.

The cooperative did active market research, by looking at FLO website for potential buyers of Fairtrade coffee. It also received mails from interested buyers abroad and had recently signed contracts with two buyers with the sales prices of 3.200, resp. 3225 USD/ton. The ambition was to sell all of the coffee overseas. HPKOGM has discussed these plans with the exporting firm, but they have no written plan so far. (Interview with Abragem, 2009-05-03) (Interview with Alexander, 2009-05-03)

4.3.4 Exporter

CV Bintang Musara Gayo, which operated in Medan, only bought coffee from the HPKOGM cooperative and exported this coffee to buyers in USA and the European countries. When the coffee came to CV BMG it had a moisture level of 16%. This moisture level was then reduced by sun drying, until it reached a level of 12%. This step was done by the processing firm PT Primataman, which charged 0.19 USD/kg asalan. The exporting firm sold their Fairtrade coffee for 3.2 USD per kilo. This price included the Fairtrade premium and processing costs. (Interview with Abragem, 2009-05-03) (Interview with Alexander, 2009-05-03)
5 Discussion

In this chapter we will present a discussion with an emphasis on social and economic development for small farmers. Furthermore, we will discuss the distribution of profit from coffee cultivation among actors within the studied commodity chains.

5.1 Social development through Fairtrade

Both of the studied cooperatives have delegation systems, which means that delegates represent the small farmers in the highest decision making group of the cooperative, the General Assembly. When studying the PGC we found that discussions within the GA mainly focus on the questions regarding the distribution of the Fairtrade premium, whereas other questions such as prices, quantities and distributions of the cooperatives profit are discussed on the board meetings. This latter information is then spread to the collectors through meetings. However an important finding is that the collectors not necessary are members of the cooperative, and hence they don’t feel obliged to share, the information they receive during these meetings, with the small farmers. Hence the Fairtrade members neither receive this information from the collectors nor through the delegation system. This means that the transparency concerning these questions within the cooperative is being hindered.

The above discussion is based on the fact that none of the small farmers had any knowledge neither of sales prices nor of sales volumes within the cooperative. Moreover, none of the members of the two cooperatives knew who receives the cooperatives profit. This was a surprisingly finding since one of the most elementary ideas with a cooperative is that it’s supposed to be owned and managed by its members and hence the profit should be distributed back to its members. However, in PGC the manager of the cooperative told us that they were about to supply all of the members with bank books in which PGC will put 60-70 % of its annual profit, whereas 30-40 % percent of the annual profit will be given to the board members. Since none of the interviewed farmers of Permata Gayo knew about the profit distribution, one can assume that the members so far haven’t received any money from any profit made by the cooperative. Here we would like to level criticism against the Fairtrade standards, since we think it is unfortunate that there are no regulation against such a crucial potential source of income for the coffee farmers.

In the case of HPKOGM we were told by one farmer that transparency isn’t important, as long as the cooperative has no contract for selling FT-coffee. As soon as the cooperative starts selling FT-coffee, he will ask for transparency. However, going to the cooperative asking questions is difficult according
to both of the farmers we interviewed. From these statements we draw the conclusion that HPKOGM doesn’t live up to Fairtrade standards regarding transparency, even though the cooperative has been Fairtrade certified since October 2008. In the writer’s eyes, this looks like a catch 22, since without any Fairtrade contracts the members won’t ask for transparency, but without asking for transparency they won’t ever be aware of that the cooperative has received a Fairtrade contract. If we instead take the management’s viewpoint, today’s circumstances unfortunately open the door to the managers of the cooperative to take advantage of its position since they can always claim that they haven’t received any Fairtrade contract yet, even though they have.

Regarding the transparency throughout the commodity chain of regular coffee, we discovered that the regular small farmers are the ones that have the least information. The interviewed regular farmers only knew that their produced coffee is being sold to Medan. Sales prices of the other actors in the commodity chain were beyond their knowledge. Hence, the regular commodity chain lacked in transparency to a great extent since the small farmers neither knew anything about the coffee’s final destination nor anything about the other actors sales prices.

The conditions for enabling transparency, such as delegation systems and member participations are fulfilled by both cooperative. However, compared to Fairtrade farmers the difference in transparency is still astoundingly small. Hopefully this will change as the cooperatives develop, but there are no guarantees this will happen. That the farmers didn’t seem to raise any concerns when talking about this matters, we believe goes back to the fact the farmers are in some way narrow-minded when it comes to observing and describing their own life and work situation. They consider themselves as just simple farmers and what goes on above their heads is not part of their business even if it actually might concern them as well to a great extent. This makes it difficult for them to picture themselves in a situation they could be in instead of only focusing on their current situation. Furthermore it seems that the Fairtrade premium amplifies this uncritical thinking of the farmer since they apprehend it as some kind of receipt for the functionality of Fairtrade and hence they content themselves with knowing that they will receive things from the Fairtrade premium. An example that clarifies this suggestion is that one of the Fairtrade farmers of the HPKOGM cooperative said that he trusted the cooperative and the exporting firm since he will receive a part of the Fairtrade premium in the future when the cooperative have contracts.

According to the Fairtrade trader standard, the buyers of Fairtrade coffee are obliged to sign agreements that encourage durable planning and sustainable production. In the case of PGC we found that their written contracts with MGMI in practice means that the coffee farmers don’t need
any sourcing plans, since they continuously deliver their coffee to the collector during the harvest season without any considerations to the demand of Fairtrade coffee. Hence our findings suggest that PGC and MGMI have found a way of fulfilling the trader standards, when it comes to encourage durable planning and sustainable production, in an unconventional way. Furthermore, our findings show that the risk lies at the exporting firm because MGMI guarantees PGC to buy all of its produced coffee. When it comes to HPKOGM the situation is the other way around, since the risk lies at them because BMG doesn’t guarantee to buy all of its produced coffee.

5.2 Economic development through Fairtrade

According to Fairtrade standards, buyers are required to pay a Fairtrade minimum price and a Fairtrade Premium to the producer. As of April and May 2009, when this study was conducted, the Fairtrade minimum price for Fairtrade Organic non-washed coffee was set to 3.09 USD/kg and the Fairtrade minimum price for Fairtrade conventional non-washed coffee was set to 2.65 USD/kg.\(^4\) Our findings show that the Fairtrade minimum price doesn’t reach the Fairtrade cooperatives as intended. A matter of fact is that the majority of the higher sales price of Fairtrade coffee compared to regular coffee is retained by the exporting firms. Therefore, as little as 84 %\(^5\) of the Fairtrade minimum price reaches the cooperative in the case PGC/MGMI.

Furthermore, our findings show that being a Fairtrade organic certified cooperative by no means guarantee a proportionately higher price, accordingly Fairtrade minimum prices, for the coffee sold to the exporter. Nor does the sale of Fairtrade organic coffee, according to our findings, guarantee a higher price than conventional Fairtrade coffee on the world market.

Being a small farmer of a cooperative pays off in the sense that the farmer on an average receives a slightly higher sales price for his produced Fairtrade coffee than the regular non-member does. This is the case even though the Fairtrade premium hasn’t been taken into consideration. Nonetheless, the sales price that we’ve calculated as an average of the respondents is based on two farmers from each of the three groups of farmers and hence the uncertainty is large concerning the validity of these figures. Our findings however show that the small farmer’s income from coffee cultivation by no means is enough for them to make a living. Therefore they must grow other crops during the free condition time in order to make a living. To further clarify the above discussion the following must be


\(^5\) 2.59/3.09=0.84
considered. The harvest period for coffee in the Gayo highlands stretches eight months from October to May and the minimum wage in the Aceh province was 109 USD/month which sum up to a minimum wage of 869 USD/harvest period for one person. Coffee cultivation is a full time job for more than one person during the harvest season and five of the six interviewed farmers stated that they had an income of between 380 and 5696 USD this year and between 949 and 15189 USD a normal year (the farmer with the highest stated incomes was also a collector). Given that more than one person worked full time at every coffee farm it’s obvious that the majority of our interviewed coffee farmers, member of cooperative as well as regular ones, doesn’t earn enough money to sum up to the national minimum wage the harvest season of 2008/2009. This is even more obvious when the farmer’s cultivation costs are taken into consideration since it amounts to 20 % of their income at an average.

When it comes to the margin of the collector, it is very dependent on the moisture level of the cherries they receive from the farmers and can result in a difference between 17%-22% of how much asalan they receive out of 5 bambu cherries. This affects the margin of the collector in a significant way. For example, if the collector buys 5 bambu of cherries = 6 kg cherries for 2.26 USD he will, (with the processing cost encountered) in the best case receive 3.13 USD for this coffee. This means a margin of 0.88 Rupiah / 5 bambu=0.67 USD/kg asalan. On the other hand if he only receives 17% Asalan from his cherries he instead only will receive 2.42 USD for this coffee, which means a margin of 0.16 USD/5 bambu=0.15 USD/kg Asalan. Since a PGC-collector by average collects 61 ton of parchment which equals 0.690*61/=42 090 kg asalan(I.CRRRI, 2008), the annual margin of the PGC-collector will range between 6765 USD and 27909 USD. When comparing these figures with what the collectors answered upon the question what their annual income were (1424 to 5221 USD) it sounds a little bit high. This could be explained by the fact that 61 ton is an average value and that the collectors we interviewed might be small collectors. Either way we can state that the collectors are wealthier than the farmer but have a smaller margin than the exporter.

This year the PGC had a margin of 0.14 USD/kg asalan, which when consider the sales volumes of the cooperative results in an annual earnings of 146981 USD.
When comparing the sales prices over time it is clear that the sales price of the farmers and collectors has increased (see Appendix for more detailed information) the last three years, probably due to inflation, whereas the sales prices of the cooperative and exporting firm to a larger extent, follows the world market price of regular and Fairtrade coffee. When comparing the sales prices of regular and Fairtrade coffee for the small farmers, collectors and cooperative, we notice a significant smaller difference than the corresponding comparison for the exporting firms. This means that so far the two exporting firms are the true winners of the Fairtrade business. Even if we would add the processing cost of 0.19-0.24 USD/kg asalan, the transport cost of 0.06 USD/kg asalan to the sales prices of the cooperatives, the margin is still large enough in order for the exporting firms to pay the cooperative the guaranteed minimum price. According to our calculations MGMI earn at an average 1.06 USD/kg asalan\(^{11}\) bought from PGC whereas BMG earn at an average 0.47 USD/kg asalan\(^{12}\) bought from HPKOGM and hence there’s plenty of room for price increases. The discussion becomes even more interesting when the Fairtrade product standard is considered. This since cooperatives that sell their coffee via an exporting firm should be able to agree upon a reasonable sales price, which implies that the exporting firm margin is adequate to cover its costs. Our findings however show that the exporting firm’s margins widely exceed an adequate margin.

Table 2, All amounts expressed in USD/kg and Fairtrade premium excluded. The figures are mean values.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmer</td>
<td>2.26</td>
<td>2.12</td>
<td>2.33</td>
<td>2.58</td>
<td>2.21</td>
</tr>
<tr>
<td>Collectors</td>
<td>2.44</td>
<td>2.66</td>
<td>2.43</td>
<td>2.66</td>
<td>2.39</td>
</tr>
<tr>
<td>Cooperative/Big collector</td>
<td>2.59</td>
<td>2.85</td>
<td>2.52</td>
<td>2.82</td>
<td>2.47</td>
</tr>
<tr>
<td>FT minimum price</td>
<td>3.09(^{13})</td>
<td>-</td>
<td>2.65(^{14})</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Exporter</td>
<td>4.08(^{15})</td>
<td>3.49</td>
<td>3.24</td>
<td>No info</td>
<td>2.89</td>
</tr>
<tr>
<td>Direct export</td>
<td>2.90</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

As of April 2009 only the members of PGC had received anything from the Fairtrade premium, more precisely as grass cutters and hoes. In the case of HPKOGM none of their members had received anything from the premium since the cooperative, by the time of our interviews, hadn’t sold any

\(^{11}\) 41523-27250-2500-600= 11173 Rupiah/kg Asalan ready for export -> 1.06 USD

\(^{12}\) 34100-26500-2000-600= 5000 Rupiah/kg Asalan ready for export -> 0.47 USD

\(^{13}\) 1.4 USD/Pound=3.09 USD/kg

\(^{14}\) 1.2 USD/Pound=2.65 USD/kg

\(^{15}\) 4.175 – 0.22046(FT-premium) = 4.08 USD
Fairtrade coffee. One of them however knew how large the Fairtrade premium was, which none of the PGC-farmers did even though they had receive tools. This indicates that receiving things from the Fairtrade premium doesn’t guarantee more knowledge about the size of the premium. Moreover, our findings suggest that small farmers don’t have enough knowledge about the Fairtrade premium to be able to question the size or the distribution of the Fairtrade premium. But, according to our interviews with the members it seems like they don’t tend to questioning decisions or actions made over their head, in general, as long as they receive the same benefits as their equals do within the cooperative.

One of the most important purposes of the Fairtrade premium is its improvement of coffee farmers and workers livelihood through improvements of the local communities with regards to health, environment, education and economy. Our findings indicate that this isn’t the case, since the Fairtrade premium has gone to projects aiming to improve the small farmers livelihood directly rather than indirect through improvement of the local community. As a result thereof the dispersion effects of the Fairtrade premium to the local community have been limited in both of the studied cooperatives. Furthermore, our findings have shown that PGC farmers so far have only received personal tools because not all farmers of their villages are members in their cooperative, and thus only the members have benefited from the Fairtrade premium individually rather than the local community. Another reason might be that these tools have a greater impact on the improvement of the coffee farmers individual working conditions. In general our findings suggest that Fairtrade haven’t had any significant effect on neither the farmers working conditions or on their living situation, this goes for both famers that are members in Fairtrade cooperatives as well as for farmers that sell regular coffee.

As mentioned in the empirical findings, PGC sells 60% of their coffee direct overseas\(^{16}\), without a exporting firm, and has future plans by doing all of the processing in house, which will result in much larger margin for the cooperative and thus a better chance to make a difference for the small farmers when it comes to their livelihood.

Given that the PGC:s price paid to their collectors is 84 % of their sales price on the world market and that the buyer overseas offer 60 % pre-finance, our findings show that PGC need 24 %\(^{17}\) of the sales price in cash in order to be able to pay their collectors on delivery. According to the manager of PCG, they would need the roasters and brokers to prepay 80 % of the coffee two weeks before shipment.

\(^{16}\) \(1-(1525/(1032.2+1525))=0.5954\)

\(^{17}\) \(0.84 - 0.60 = 0.24\)
in order for them to send all of their coffee direct overseas. This means that they at a maximum can afford waiting for money corresponding to 4% of the sales price.

Even though MGMI sometimes pre-finance coffee bought from PGC it can hardly be said that PGC pre-finance the coffee bought from PGC on a continuous basis. This fact together with the cooperatives need of 4% of its sales price in cash constitute of the biggest obstacles for PGC to be able to sell their coffee directly overseas and therefore receive a higher price for their Fairtrade coffee. Even though both of the cooperatives according to Fairtrade standard have the right to receive up to 60% of pre-finance 8 weeks in advance, this is still to a great extent an unused opportunity for both of the cooperatives. Either way the amount of prepayment is as earlier mentioned insufficient for the cooperative in order to manage their business without the exporting firms.

The hand pickers at CV Primavaranah earned 350 Rupiah per kg handpicked asalan. Since they picked between 40 and 120 kg a day, their daily wage would sum up to between 1.33 to 3.99 USD/day. Given that the hand pickers worked six days a week and therefore 26 days a month their monthly income would sum up to between 34.6 to 103.7 USD. This means that only the best hand pickers will be able to reach the monthly minimum wage in north Sumatra (89.3 USD 2008) and their income is less than that of the poorest coffee farmers. Unfortunately these workers are by no means covered by the Fairtrade systems, since they can’t benefit from any Fairtrade minimum price or Fairtrade premium, even though they play a vital role in the processing of the Fairtrade coffee. This is a deficiency in the Fairtrade system which has to be corrected in order for Fairtrade to be fair throughout its commodity chain.
6 Conclusions

The aim of this study was to examine how membership in a Fairtrade coffee cooperative in the Gayo highlands in Indonesia influences developments with regards to economic and social factors for the small farmers. Furthermore we intended to examine how the profit from Fairtrade coffee refinement is distributed throughout its commodity chain within Indonesia.

We can conclude that the transparency within both Fairtrade cooperatives isn’t what it should be according to the Fairtrade standards. Important information, such as quantities, sales prices and profit distribution doesn’t reach the members of the cooperatives. In the case of HPKOGM, it is probably due to the very few general assembly meetings, whereas in the PGC case the same information isn’t discussed on the general assembly meetings at all and since the collectors doesn’t feel obliged to share information received from the board with the farmers the farmers won’t receive the information in either way. What make things even worse is that the farmers wasn’t concerned about the lack of transparency, as receiving things from the Fairtrade premium is a sufficient proof of a working Fairtrade system for them. Hence we can conclude that there are no major differences between members and non members of Fairtrade cooperative when it comes to transparency within the commodity chain.

When considering sourcing plans and durable planning, we found that written contracts between PGC and MGMI in practice means that the coffee farmers don’t need any sourcing plans, since they continuously deliver their coffee to the collector during the harvest season without any considerations to the demand of Fairtrade coffee. When it comes to HPKOGM the situation is somehow different, since the risk lies at them because BMG doesn’t guarantee to buy all of its produced coffee. Since none of the cooperatives have any sourcing plans, we can conclude that there’s no difference between the commodity chains of Fairtrade and regular coffee in this sense. According to the Fairtrade standards all buyers of Fairtrade coffee are obliged to pay a minimum price to the producer of Fairtrade coffee. However, since none of the two cooperatives received the Fairtrade minimum price from the exporting firms we can conclude that Fairtrade certification in the two studied cooperatives doesn’t guarantee that they receive the actual minimum price, at least not when the cooperative exports the coffee through an exporting firm. Therefore the Fairtrade minimum price certainly doesn’t reach the small farmer in the two studied cooperative.

Our findings suggests that there’s no significant difference in the sales price the Fairtrade farmer receives for his coffee sold compared to the regular farmer and hence no significant difference
between these two groups income. When we made the assumption that more than one person worked on the farmers land during the harvest season, five out of six interviewed farmers had an income below the regional guaranteed minimum wage. All of the farmers needed an additional income beside the coffee cultivation in order to make a living.

The collectors’ earnings are very dependent on the moisture level of the cherries they receive. With this fact taken into account our estimations showed that they earned between 6765 and 27909 USD/year at an average, which make them considerable wealthier than the average farmer. The PGC on the other hand had a sales margin of 0.14 USD/kg asalan, which when multiplied with the sales volumes results in an estimated annual earning of 146981 USD. This figure can be compared with the same cooperatives estimated profit of 15 000 USD net after tax, and 21049 USD estimated income for the HPKOGM cooperative. It seems like the true winner of Fairtrade is the exporting firms, which earn an average of 1.06 and 0.47 USD/kg asalan bought from the two cooperatives. Furthermore our findings show that both of the exporting firms have a margin large enough to enable them to pay their supplying cooperatives the Fairtrade minimum price.

In general Fairtrade farmers lacked knowledge about the Fairtrade premium whether they received anything from it or not. As a result of this, the small farmers don’t have enough knowledge about the Fairtrade premium to be able to question neither the size nor the distribution of the Fairtrade premium. However, our findings show that the members doesn’t tend to question decisions or actions made over their head, in general, as long as they receive the same benefits as their equals do within the cooperative. Furthermore, our findings have shown that PGC farmers so far have only received personal tools because not all farmers of their villages are members in their cooperative, and thus only the members have benefited from the Fairtrade premium individually rather than the local community.

In large our findings suggest that Fairtrade haven’t had any significant effect neither on the farmers working conditions nor on their living situation, this goes for both farmers that are members in Fairtrade cooperatives as well as for farmers that sell regular coffee.

Both the cooperatives have future plans to sell all of their coffee overseas without any exporting firm as a middle hand. This would in turn result in a larger margin for the cooperatives since the likelihood of selling their coffee at the Fairtrade minimum price would increase. This would in turn result in better chances for the cooperatives to improve the livelihood of their member. However, today the biggest obstacle for the cooperative to realize these plans is their lack of capital. For the PGC they
would need the buyers to offer them 80% prepayment, which are 20% units more than the minimum requirement in the Trader standards.

Another important finding is that the hand pickers at the processing firms are not covered by the Fairtrade system. Since their wages are even lower than the coffee farmers this is a very unfortunate circumstance, which has to be corrected in order for Fairtrade to be fair throughout its commodity chain.

Finally we can conclude that membership in our two studied Fairtrade cooperative in the Gayo highlands hasn’t lead to any significant improved economic and social conditions for the small farmers and that the exporters are the true winners of Fairtrade in the studied commodity chains.
7 References

Written sources


Internet sources


Fairtrade Labelling Organisation, FLO 2009 C, Product standards, Accessed 2009-03-31, Available at: http://www.fairtrade.net/fileadmin/user_upload/content/02-09_Coffee_SPO_EN.pdf


Fairtrade Labelling Organisation, FLO 2009 E, Fairtrade premium and minimum price guarantee, Accessed 2009-03-31, Available at: http://www.fairtrade.net/fileadmin/user_upload/content/2009/about_us/150509_EN_FTMP_and_P_Table.pdf
IOCS (2009), *Coffee farming*, Accessed 2009-03-12, available at:  
http://www.lboro.ac.uk/departments/cg/Projects/2003 smith_thomas/Farming.htm

http://www.ico.org/coffee_story.asp


http://www.ico.org/field_processing.asp

http://www.indonesiamatters.com/1509/minimum-wage/

http://www.kaffeinformation.se/upload/dokument/kaffeboken.pdf

www.landguiden.se

Rättvisemärkt, Accessed 2009-03-31, Available at www.rättvisemärkt.se

http://svt.se/svt/jsp/Crosslink.jsp?d=100760&a=1332392&lid=puff_1331617&lpos=extra_0

Transfair USA, Accessed 2009-03-31, Available at www.transfairusa.org/

## Interviews

<table>
<thead>
<tr>
<th>Date</th>
<th>NAME</th>
<th>ROLE</th>
<th>Company/Cooperative</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-04-16</td>
<td>Husnita</td>
<td>Exporter</td>
<td>MGMI</td>
</tr>
<tr>
<td>2009-04-20</td>
<td>Armia</td>
<td>Director</td>
<td>PGC</td>
</tr>
<tr>
<td>2009-04-20</td>
<td>Suganji</td>
<td>Collector</td>
<td>PGC</td>
</tr>
<tr>
<td>2009-04-20</td>
<td>Tabrani</td>
<td>Collector</td>
<td>-</td>
</tr>
<tr>
<td>2009-04-21</td>
<td>Irsyad</td>
<td>Collector</td>
<td>PGC</td>
</tr>
<tr>
<td>2009-04-21</td>
<td>Kahwatina</td>
<td>Farmer</td>
<td>PGC</td>
</tr>
<tr>
<td>2009-04-21</td>
<td>Banta Cut</td>
<td>Collector/farmer</td>
<td>-</td>
</tr>
<tr>
<td>2009-04-21</td>
<td>Zulkifli</td>
<td>Collector/farmer</td>
<td>-</td>
</tr>
<tr>
<td>2009-04-21</td>
<td>Unknown</td>
<td>Processor (employee)</td>
<td>Arman Darwin</td>
</tr>
<tr>
<td>2009-04-25</td>
<td>Armia</td>
<td>Director</td>
<td>PGC</td>
</tr>
<tr>
<td>2009-04-25</td>
<td>Adami</td>
<td>Collector/farmer</td>
<td>HPKOGM</td>
</tr>
<tr>
<td>2009-04-25</td>
<td>Misdar Putra</td>
<td>Collector</td>
<td>HPKOGM</td>
</tr>
<tr>
<td>2009-04-25</td>
<td>Syahdat</td>
<td>Farmer</td>
<td>HPKOGM</td>
</tr>
<tr>
<td>2009-04-25</td>
<td>Abdul Wahab</td>
<td>Farmer</td>
<td>HPKOGM</td>
</tr>
<tr>
<td>2009-04-26</td>
<td>Halwan</td>
<td>Farmer</td>
<td>PGC</td>
</tr>
<tr>
<td>2009-04-26</td>
<td>Alpia Fauzi</td>
<td>Farmer/collector</td>
<td>-</td>
</tr>
<tr>
<td>2009-04-26</td>
<td>M Husin</td>
<td>Farmer</td>
<td>-</td>
</tr>
<tr>
<td>2009-05-03</td>
<td>Abgragem</td>
<td>Advisor</td>
<td>HPKOGM</td>
</tr>
<tr>
<td>2009-05-03</td>
<td>Alexander</td>
<td>Chairman</td>
<td>HPKOGM</td>
</tr>
<tr>
<td>2009-05-04</td>
<td>Husnita</td>
<td>Exporter</td>
<td>MGMI</td>
</tr>
<tr>
<td>2009-05-04</td>
<td>Armia</td>
<td>Director</td>
<td>PGC</td>
</tr>
<tr>
<td>2009-05-14</td>
<td>Abgragem</td>
<td>Advisor</td>
<td>HPKOGM</td>
</tr>
<tr>
<td>2009-05-14</td>
<td>Husnita</td>
<td>Exporter</td>
<td>MGMI</td>
</tr>
<tr>
<td>2009-05-14</td>
<td>Armia</td>
<td>Director</td>
<td>PGC</td>
</tr>
</tbody>
</table>
Appendix

General information about coffee

The difference in taste, quality and price is large when it comes to coffee. The varieties depends a lot on which country the coffee is grown in, the elevation of the plants over the sea level, but also on the harvesting and processing methods. (Kaffeinformation, 2009) (ICO, 2009 A)

There are three main species of coffee beans: Coffea Arabica, Coffea Canephora and Coffea Liberica. Arabica is the original specie and the most common one today. Coffea Canephora, or Robusta which is its more famous name, accounts for about 30% of coffee on the world market. If you order a cup of black coffee in Sweden you can almost be sure it is Arabica. Its mild taste has made it popular and it is the most expensive of the three types. The price of the bean is mainly in proportion to its size, which in turn is correlated to the altitude where it grows. (ICO, 2009 B)

The finest coffee comes from cultivations located 700 m over the sea level. The Colombian coffee tree grows at 1500-1700 m, whereas the Kenyan coffee tree up to 2000 m over sea level. In Gayo highlands the coffee is cultivated 1500 meter over sea level, and thus only Arabica is cultivated there. (ICO, 2009 B)

Interview questions

Exporter

• What does Fairtrade mean to you?
• How much does it cost to obtain a Fairtrade license?
• How much do you pay for Fairtrade coffee vs. regular coffee?
• How much do you receive for your FT-coffee vs. regular coffee?
• In what currency do you receive the payments? And in what currency do you pay your bought coffee?
• How much coffee do you export (kg)? FT vs. conventional?
• What is the main differences between the commodity chain of Fairtrade vs. Regular coffee traded by your company?
• How do the other actors in the commodity chain finance their Fairtrade certification?
• How do you ascertain the authenticity of Fairtrade coffee? Is it possible to trace the Fairtrade coffee vs. regular coffee back to the producer?
• What is your opinion about the contracts between you and the producer/cooperative/processor? Any difference between regular and FT?
• How do you enable your Fairtrade producers to have long-term access to markets under viable conditions? In what ways does this differ from your regular coffee producers?
• How do you ensure that your Fairtrade producers can deliver the required amounts of products of the required quality to the buyers? In what ways does this differ from your regular coffee producers? (Sourcing plans)
• Do you assist your Fairtrade producers with regards to price updates, quality training, risk sharing plans and others?
• Are you offering your Fairtrade producers any pre-financial payments? If so, what terms do you offer your producers?
• Why did you start to trade FTO-coffee?
• Has your sales been affected since you started to trade FTO-coffee?
• What has been the biggest challenge with the Fairtrade certification of your company?
• How does the supply chain of your Fairtrade coffee look like? (Producer, exporter, roastery in western country?)
• How much of the Fairtrade coffee bought from Fairtrade cooperative is sold as non Fairtrade coffee?
• From how many different producers or cooperative do you buy your coffee?
• Who are your main customers?
• From which countries are your customers?
• How many people work for Mandago Internasional?
• What is the minimum price guarantee you pay for FT-coffee set to? How much is this compared to regular coffee?
• Is there any minimum guaranteed price a Fairtrade-exporter is guaranteed on the world coffee market?
• Are there any initial costs for your FTO-certification?
• What’s the cooperatives pay-off time for their loan from you to pay the FT-certification?
• Any differences between how you help the delivering part how much coffee they should supply you with if they are regular or Ft-producers?
• How do you ensure that your Fairtrade producers can deliver the required amounts of products of the required quality to the buyers?
• Does your processing cost also include the weight decrease that’s a result of sun drying?
• Do you receive any pre-payments from your overseas customers? If yes, how many percent? If no, how long time do you have to wait until you receive payment from that the coffee has left your warehouse?

**Cooperative**

• What does Fairtrade mean to you?
• How large is the Fairtrade premium?
• How is the Fairtrade premium distributed?
• What is the today’s price level and the minimum price level for the coffee you buy from the producer?
• What is the today’s the minimum price level for the coffee you sell to the exporter?
• What is the minimum salaries set to?
• How large is the certification cost? How do you refund your loan from the exporter?
• Can you give any example of any social projects financed by the FT-premium?
• Who or whom decides upon how the premium should be distributed or what it should be used for?
• For how long have you been doing business with your exporter? (Do you trust your exporter? Long term relationship?)
• What is your relation to Arman Darwin company?
• How much do they charge you for processing coffee?
• Do you have future plans on doing all the processing in house?
• How much coffee does your cooperative produce every year (kg/year)?
• How much do you pay for Fairtrade coffee bought from Fairtrade producers?
• How much do you pay for your Fairtrade license?
• How do you finance the Fairtrade certification costs? Cost distributed among members? In what way?
• Do you do any active market research? (FLO website)
• Do you receive prepayments, payment on delivery or payment post delivery?
• Do you receive external funding from banks or government?
• Have you arranged a collective fund within the cooperative, from which the members save and borrow money?
• Can you give any example of any social projects financed by the FT-premium?
• Are there any meetings with member representatives within the cooperative?
• How is information spread among the members of the cooperative?
• How is decision making distributed among the members of the cooperative?
• How much do you know about major decisions made by the exporting firm?
• How does the supply chain of your Fairtrade coffee look like? (Producer, exporter, roastery in western country?)
• How does the land ownership look like? Is the land, where the coffee is produced, owned by the worker the farmer or the cooperative?
• How much of your produced Fairtrade coffee is sold as Fairtrade coffee?
• Who are your customers? Who buys your produced coffee?
• How many members are there in your cooperative?
• How do you apply for membership in your cooperative? What standards do you have to live up to in order to become a member of your Fairtrade cooperative?
• Are the 14 collectors included in the member statistics? How about the workers, are they included too?
• Are the coffee beans sorted by machine or by hand (or both)?
• Approximately how many workers by average work for each farmer?
• Are the workers guaranteed any minimum wages?
• How much does it cost for a farmer to obtain a Fairtrade certification?
• Do you (Armia) also sell regular coffee to Mandago? What decides what is sold as FT and regular coffee?
• What's this year's predicted coffee production in the cooperative?
• Given that you produce as predicted this year, how much will the cooperative receive for the coffee sold? How much of this from Mandago and how much other buyers?
• Who are the members in the board, and how many are they? What are the board members responsibilities?
• Who are the members in the GA, and how many are they?
• Do you have any plans to buy a sorting machine, so that the cooperative can do the processing that Mandago Internasional does today?
• Do you have any written contract with Mandago Internasional what so ever? This means, that whenever you have coffee ready, you will send it to Mandago? So you don’t need an invoice to send it, you just send it?
• What company do you use for the last processing before you export your coffee to your overseas customers?
When you rent Arman Darwin you pay 3% of the coffee weight. How is it with CV Primaharavan?

Do you hire lawyers to write contracts? With Primaharavan? But when you sell coffee overseas do you have already prepared contracts or do you only change the amount and the dates?

Is the warehouse that you use when Permata Gayo export directly overseas without Mandago Internasional owned by the cooperative? If not, who owns that warehouse and processing machines?

When you use this other warehouse and processor in Medan, is it employees of the cooperative that perform this work or do you use hired labor to do this work?

How many people work with drying? How many people work with sorting?

One of the FT-premium-suggestions was to supply all the members of the cooperative with bank books. What is the purpose of these bank books?

Are these books suppose to replace those that are used today between the collector and the farmer to keep track on credit and debit (balance), or are they supposed to be used between the cooperative and the farmer? Does each member have a bank account at the cooperative? Does this imply that the role of the collectors will change in the way money are being transfer between the member and the cooperative?

Do any collector that buy and sell your FT-coffee also buy and sell regular coffee? If yes, are there any differences between collectors vs. collectors/members?

Do any farmer that sell your FT-coffee also buy and sell regular coffee?

How much of the coffee you sell to Mandago is FT and how much is regular

How often do you arrange GA-meetings.

The representatives in the board do they have any salaries?

How much did the collectors get for FT coffee last year?

How long time does it take from that the coffee is delivered from the collectors to that the coffee, that is processed by CV Primaharavan, is delivered to the cargo ship?

How much is your sales price for regular coffee today, when you sell regular coffee direct to customers overseas? How much does farmers that are members in Permata Gayo receive for coffee that is sold as regular coffee?

Can brokers or coffee roasters you’ve been in contact with, offer prepayment? How many percent prepayment is sufficient in order for PGC to be enable to export all of its coffee overseas without Mandago Internasional?

How large was the cooperatives profit last year, how large is the predicted profit this year?
• Is the GA deciding upon the farmers and the collectors sales prices?
• Has HPKOGM always sold its coffee to CV Bintang Musara Gayo?
• To which companies does HPKOGM sell its coffee?
• Do all of your members grow organic coffee?
• How often are the FT minimum price and the FT premium updated according to the exchange rate between rupiah and USD?
• How much does the processing firm (Lusang gayo) charge for the hulling?
• How much FT/regular coffee does your cooperative produce every year (kg/year)?
• Given that you produce as predicted this year, how much will the cooperative receive for the coffee sold? What is your sales price to the exporting firm?
• How much does Primatana charge you for the processing?
• What is the sales price of the exporting firm?
• What is the minimum price level the farmer receives from the collector? Are there any FT minimum price that the collector is guaranteed?
• What is the managers responsibility within the cooperative?
• Do you only buy and sell FT-coffee or do you also buy and sell regular coffee? If so, how much FT vs. regular?
• Is the cooperative obligated to follow the FLO producer standard or the trader standard?
• How often do you arrange GA-meetings.
• The representatives in the board do they have any salaries?
• How much do the cooperative pay the collectors, today, 1 year ago, 3 y ago for 1 kg asalan?
• What was the cooperatives turnover last year?
• What do the cooperative do with the annual profit?
• At an average, how much does a collector and a farmer of your cooperative earn in one year for their coffee?
• How much do farmers, collectors, cooperative and the exporting firm today receive for their regular coffee in your commodity chain?
• What is the future plans for HPKOGM? How much of the coffee will in the next years be sold direct overseas without any exporting firm?
• Has HPKOGM sold coffee overseas, without CV BMG before? If so, what was the price for regular coffee 2008 and today?
• Do you receive any pre-payments from CV BMG? If so, how many percent? Can brokers or coffee roasters you’ve been in contact with, offer prepayment? How many percent
prepayment is sufficient in order for HPKOGM to be enable to export all of its coffee overseas without CV BMG?

- Do you have any written plan (sourcing plan) with the exporting firm of how much coffee your cooperative is due to deliver? Does this plan cover a whole harvest season?

**Collectors of Fairtrade coffee**

- What is good and what is bad about FT?
- In what way do you think FT increases your livelihood?
- Do you feel that you can influence the use of the FT-premium? If so, in what way?
- What is the price you pay for 1 bambu?
- Is it true that 5 bambu= 1 kg asalan?
- What is your sales price of your asalan?
- Can you describe your working situation? Do you have to struggle hard to make a living?
- Do the farmers bring the farmer here, or do he go to the farmers in order to collect the cherries?
- To how many farmers do you go?
- Why did you become a collector?
- Are you a FT collector as well as a producer?
- How many farmers does he collect from at a total?
- How have the buy and sales prices changed since you became a FT-member?
- Are you aware of the loans the cooperative has in order to finance the certification cost?
- How does the payment procedure look like? Any changes since FT-certification?
- Do you or the cooperative give the invoice to the farmer?
- For how many years have you been a collector?
- Has your village benefited from FT. If so, in what way?
- Are you a collector as well as a distributor?
- Can you ask him to tell us about how the members are represented in the GA?
- How is the FT-premium distributed to the cooperative members?
- How much do you know about major decisions made by the exporting firm and by the cooperative Does he get any info about where the coffee is sold and to what price etc?
- Does he know any thing about the world market price or the price the exporter gives?
- How is the collectors/members represented in the cooperatives GA and the board?
How many days in advance do the cooperative order coffee from you as a collector? Is one month in advance enough?

Does he as a collector tell the farmer this information?

How did you receive the information about the loan that the cooperative has to Mandago?

How do you keep record of the loans to the coffee farmers?

How many ours do you work every day?

Do the farmers bring the coffee here, or does he go to the farmers in order to collect the cherries? Does the price differ depending on if you pick up or the farmer leave the coffee?

How have the buy and sales prices changed since you became a FT-member?

How many years ago did you become a member?

In what way do you think FT increases your livelihood? Your livelihood as a collector?

Do you know how the Cooperative finance the FT-certification cost?

Are you guaranteed any minimum price for the coffee you sell to the cooperative?

Can you mention any social projects from the FT-premium in the cooperative

Do you know why the farmer still waiting for the FT-premium? Is the reason that FT-coffee is sold as regular coffee? Hast this cooperative ever sold FT-coffee?

What information do you get from coop? Do you know how much coop receive when it sell the coffee?

What do you do when there’s no harvest season?

Does he have any employees, as a producer and as a collector?

Is the processing done in your facility or at the employees house?

Do you only buy and sell FT-coffee?

To how many farmers do you go to in order to collect the coffee?

How much do you earn in one year as a collector?

Does he know any thing about the world market price or the price the exporter receives for the coffee overseas?

What information do you share with the farmers?

Do you only buy and sell FT-coffee?

Collectors of regular coffee

Are you a collector as well as a producer?

What is your general opinion of FT? How about the idea of FT?

What do you pay for 1 bambu of cherries?
• What’s here sales price today when she sell aslant to big collector?
• Can you describe your working condition as a collector and as a farmer?
• How does the payment procedure look like to the small farmer and to the big collector?
• Do you owe money to the big collector?
• Do you know anything about major decisions made by the cooperative or the exporting firm?
• Does he deliver his coffee to the same big collector as Irsat?
• Have you noticed any change since other farmers around here became Ft-certified, how has this affected you?
• Why don’t you become a FT-collector?
• Is it possible to become a FT-collector and a producer at the same time?
• What do you know about FT?
• Do the coffee farmers have loans to you? How much can every farmer loan?
• What do you do for a living in the free condition time?
• Is coffee or Avocado the most profitable business?
• How much money does he earn in one year from being a coffee collector and from being a avocado collector? Is that as a collector, or collector and producer?
• Between which months do you harvest coffee and avocado?
• Have you experienced any increased competition between big collectors recently?
• Is it possible to negotiate the price with the big collector? If he delivers a lot of coffee to the big collector is it possible to raise the price he will receive?
• Do you only sell your coffee to this Big-collector? Where are the big collectors?
• Can you write the commodity chain?
• Do you pick cherries from the trees?
• Are there any differences since other farmers around here became Ft-certified, how has this affected you?
• Do you use all of the cherries that is the rest product after the cherries have gone through the pulping machine as fertilizer?
• Do you think that it is good to be a collector of regular coffee?
• How does he know anything about FT at all?
• How much money do you lend to every farmer?

**Fairtrade coffee farmers**

• What is your general opinion about Fairtrade?
• Are you a land owner?
- When did you become a FT-member in a FT-cooperative? (01:00) For how long a coffee farmer?
- What is your total annual cultivation cost?
- Do you have any employees?
- How much are the people paid for helping you cultivate your land?
- What is the sales price on your produced Fairtrade coffee? (cherries to collector) Today, 1 year ago, 3 years ago?
- How does the payment procedure look like?
- Do you receive prepayments, (in what currency?) payment on delivery or payment post delivery?
- Could you describe your working conditions? Do you struggle hard to make a living? (difference before and after joining FT-cooperative) When he has cut down all branches is it still hard? Any difference since you became a member?
- Is his income adequate in order to cover the expenses? Bring kids to school etc.
- How much does a Fairtrade certification cost?
- Do you know how the cooperative Finance the certification cost?
- Do you know how the cooperative are going to refund the loan?
- Do you know how large the Fairtrade premium is?
- Do you trust the exporter, the processor and the Fairtrade cooperative management?
- Do you know how large the Fairtrade minimum price is? (asalan)
- How do you receive that info?
- Do you feel that your voice is important when decisions are made regarding the use of the Fairtrade premium for social projects?
- When will there be contract?
- Can you mention any social projects this far? Any suggestions about the future social projects? For how long have these discussions been going on?
- How do they decide which social projects to finance through FT-premium?
- Has the cooperative sold ay FT coffee yet?
- Do you only sell FT-coffee?
- What is your opinion about the decisions taken in the GA?
- Do you know why there’s haven’t been any FT-coffee been sold yet? Has he asked anyone why?
- Is it difficult to ask this question direct to the cooperative?
• How much do you know about major decisions made by the exporting firm/cooperative? I.e. price, market
• Do the delegate inform the farmers about what’s been said during the meetings?
• What is your relation to the collector? Does he/she come here and picking up your beans or do you deliver it to the collector?
• Is there any price differences depending on if he delivers the coffee or the collector picks up the coffee?
• Do you only cultivate organic coffee?
• Does the head of village advice you in any way when it comes to coffee production?
• What is head of villages job? Why do you have him?
• Is he economically compensated in any way?
• Have you got together with other farmers to negotiate the price with collector? Are you allowed to organize yourself into trade unions? Why not as a group?
• Do you think the cooperative earns too much money?
• Why doesn’t the cooperative negotiate for his sake?
• How much the cooperative pay the collector for 1 kilo asalan.
• Have you considered going to another collector in order to get better price?
• How are the members represented in the general assembly/board?
• Has your village/society benefit from the coffee production in any way since you joined FT?
• Are you in any way disappointed that your FT coffee produced yet hasn’t been sold as FT coffee.
• Since the coffee hasn’t been sold as FT-coffee yet, there haven’t been any guaranteed minimum price?
• Have you discussed with other producers why the coffee hasn’t been sold as FT coffee yet?
• Does he think it is difficult to ask these questions to the cooperative?
• Why do you think it is difficult?
• Do you know if the cooperative or the exporting firm is FT-certified or not (as a trader)?
• Do you know for how long time that company has been certified?
• Do you feel that the cooperative is transparent?
• What kind of information do you get from the collector?
• How can you be sure that your produced coffee isn’t sold as FT coffee overseas?
• Do you know how much FT-premium you receive in one year, and thus know how much FT-premium you should receive during one year?
• How can you know that the entire premium is distributed back to the farmers?
What is most important when it comes to distributing the FT-premium to the members?

What operations are done by hand and what operations are done by using machines?

What is good and what is bad about Fairtrade?

What is your opinion about using pesticide when growing coffee?

What do you do the rest of the year when there is no harvesting season?

How much do you earn as an employed and how much do you earn for producing coffee every year?

What is your total income in one year?

Is the cooperatives profit distributed to its members?

Do you know what the loans are for?

How much can you borrow from your collector?

Who receives the cooperatives profit?

How much do you think a board member earn?

Do you know how much coffee the cooperative export?

Do you have loans? How much can you borrow from the cooperative?

Does the cooperative help you in any way when it comes to cultivation?

How much does it cost to become a FT-certified cooperative?

What’s your opinion of decisions taken by the cooperative?

What do you do in the free condition time?

Is his income adequate in order to cover the expenses? Bring kids to school etc.

Do you know how the cooperative Finance the certification cost?

Do you know for how long time that company has been certified?

Do you think the cooperative is transparent?

How can you be sure that your produced coffee isn’t sold as FT coffee overseas?

**Regular coffee farmers**

What is your general opinion about Fairtrade?

Are you a land owner?

What is your annual cultivation cost?

Do you have any employees?

How much are the workers paid?

What is the sales price on your produced coffee? (cherries to collector) Today, 1 year ago, 3 years ago?

What is the sales price on your produced coffee? (asalan) Today, 1 year ago, 3 years ago?
• How does the payment procedure look like?
• How does he process his coffee?
• How much does he pay for the processing service from parchment to asalan?
• Could you describe your working conditions? Do you struggle hard to make a living? (difference before and after joining FT-cooperative) Any difference since you became a member?
• Why don’t you become a FT-member? Why don’t you become a collector?
• In what way do you think it is good to be a regular coffee farmer?
• Do you sell to different collectors? What factors determines which collectors to sell to?
• How much do you know about major decisions made by the big collector? I.e. price, market
• Do you trust the collector, exporter and the big collector?
• What is your relation to the big collector? Does he/she come here and picking up your beans or do you deliver it to the collector?
• Have you got together with other collectors to negotiate the price with big collector? Are you allowed to organize yourself into trade unions?
• Is it most common that non FT-collectors sell their coffee as parchment or asalan to big collectors?
• Have you considered going to another collector in order to get better price?
• Has your village/society been affected in any way since other become FT-members? In what way?
• Do you buy cherries from other farmers?
• Does he think it is difficult to ask these questions to the big collector?
• Why do you think it is difficult?
• Do you think that the collector and the big collector is transparent when it comes to communicate information to you?
• What operations are done by hand and what operations are done by using machines?
• What is good and what is bad about Fairtrade?
• What is your opinion about using pesticide when growing coffee?
• Approximately how many % of the coffee produced in Gayo is produced as organic?
• What do you do the rest of the year when there is no harvesting season?
• How much do you earn as an employed and how much do you earn for producing coffee every year?
• What is your total income in one year?
• Is the cultivation cost more when you produce more coffee?
• Do you think your income is enough to cover the costs? How many persons support?
• Do you know how much coffee is exported?
• Why haven’t you joined FT?