

FAIR TRADE? YOU BE THE JUDGE

By Hal Weitzman in Cajamarca, Peru

Coronel Vasquez Bernardino, a gangly 25-year-old wearing a filthy Argentina national team football shirt and decrepit trainers, points to the wooden barn floor on which he and 17 other labourers have slept during the summer. Outside, there is one small tap from which water trickles constantly. The only toilet is a hole in the ground surrounded by flimsy walls of black sacking.

Mr Vasquez has come with friends from his village in a remote part of Cajamarca, a department in Peru's northern highlands, to pick coffee in the Moyobamba region on the edge of the jungle.



"This is good work," he mumbles awkwardly. "We come here for the summer, when there's no employment for agricultural labourers in the highlands."

He and his co-workers work from 6am to 4.30pm, for which they are paid 10 soles a day (about \$3) - better than the eight soles a day some coffee farmers pay, he says. However, the amount is below the 11.20 soles a day that is the legal minimum he should receive - even after a 30 per cent discount from the official rate of 16 soles, which pays for his accommodation and meals.



Mr Vasquez is unaware that the amount is below Peru's legal national minimum wage. He is also unaware that some of the coffee he picks ends up on the shelves of retailers in the developed world with a Fairtrade stamp or other certification, sold at a premium to consumers prepared to pay more for a product that trumpets its ethical production.

The farm owners, who grow 20 hectares of coffee, say the premiums that Fairtrade and other certifiers pay to grower organisations are a source of much-needed income. They also say the certifiers have made them more aware of the importance of making production fully organic and taking better care of the environment.



However, in paying their casual labourers less than the legal minimum, they are contravening Fairtrade's standards for small farmer's organisations. They state: "The producer organisation must pay wages in line with or exceeding national

laws and agreements on minimum wages or the regional average" to "all those employed, including casual, seasonal and permanent workers".



Rainforest Alliance, a US-based certifier that supplies Kraft, the world's second-biggest food company, and Utz Kapeh, a Dutch organisation supported by Ahold, the world's fourth-largest food retailer and distributor, give similar guarantees.

"No certifier is able to check that at no time are workers paid below minimum wage," says Luuk Zonneveld, Managing Director of Fairtrade Labelling Organizations International (FLO) in Bonn. "This issue comes up everywhere. Poor people struggle to pay their workers fairly."



The FT's findings cast doubt on the certification process. "The low pay issue wasn't picked up in our audit because it wasn't done at harvest season," says Chris Wille, Chief of Sustainable Agriculture at Rainforest Alliance. However, Mr Wille says his organisation is aware of the problem and is developing a plan to tackle it.

"There no way to enforce, control and monitor - in a remote rural area of a developing country - how much a small farmer is paying his temporary workers," says the founder of one Peruvian Fairtrade certified coffee producer. "Many farmers are earning less than minimum wage themselves."

Although farmers were paying casual labourers less than the minimum wage in four out of the five certified farms visited by the FT, Mr Zonneveld contends that low pay is not systemic in the coffee sector. That is a view contradicted by Eduardo Montauban, head of the Peruvian Coffee Chamber, a private exporters' group. "No one in the industry is paying minimum wage," says Mr Montauban. "It's simply not feasible for producers."

Some observers suggest that the capacity of certifiers to ensure their standards are met has not kept up with the growing demand for 'ethical' coffee. That was also one of the reasons cited to the FT by industry insiders who said they had witnessed non-certified coffee being falsely exported as Fairtrade.

"I've seen falsification in Peru and in other countries," says Geoff Watts of Intelligentsia Coffee, a premium roaster in Chicago that recently stopped working with Fairtrade. Mr Watts was one of the few people who spoke to the FT on the record about the issue.



Mr Zonneveld says that while FLO has detected "anomalies" in the system, the extent of any falsification is limited. Although it is impossible to gauge the extent of the falsification, the cases brought to the FT's attention occurred in several different coffee-growing areas. "Last year I visited ten mills," says an industry source. "All of them had sold uncertified coffee to co-operatives as certified."



The FT was also handed evidence of at least one coffee association that received Fairtrade certification despite illegally growing some 20 per cent of its coffee in protected national forest land. Mr Zonneveld would not comment on the case, but says FLO introduced environmental standards this year. He said that in the past, "our environmental guidelines weren't very significant."



An emerging criticism of Fairtrade within the industry is that the organisation misleads consumers about its ability to monitor production practices. FLO Cert, a body officially independent of FLO, monitors the certification process. Critics say there is a need for an outside auditor.

"The way Fairtrade promotes itself is a little irresponsible," says Mr Watts. "The certifiers need an external watchdog."