

## **Socio-Environmental Certifications: Risks and Opportunities for Small-Scale Coffee Farmers in Central America**

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The promotion and compliance with socio-environmental certifications in the coffee sector worldwide is increasing. On one hand, consumers in industrialized countries have become more aware and educated on social-environmental concerns. There has been an increase in the number of companies and corporations promoting clean production, enforcing the compliance with social and environmental regulations among coffee producers. These certifications have an impact on the price of coffee, usually favouring small-scale producers. Nevertheless, many coffee producers in developing countries consider the process of complying with standards and acquiring certifications as complex and all the requisites and costs involved seem too confusing. This paper focuses on identifying the main causes that limit the participation of coffee producers in Central America in the process of complying with certifications, particularly Organic, Fairtrade, Utz CERTIFIED, Rainforest Alliance and Starbucks C.A.F.E. Practices. Coffee farmers partly lack information, money and external support to be able to accomplish with the upcoming requirements of a certification. Potential benefits for certified small-scale coffee producers are not only better income for being paid premium prices for high quality, but also more stability by ensuring the sale of the yield.

Keywords: Central America, certification, fair trade, coffee, value chain

### **Introduction**

Coffee is one of the world's most widely traded commodities, produced in over 60 countries and providing a livelihood for over 125 million people (ICO 2011). Many of the producing countries are heavily dependent on coffee, which can account for over 50 per cent of their total export earnings (ICO 2011). Ponte (2001) argues that the analysis of the coffee marketing chain is important because over 90 per cent of coffee production takes place in developing countries, while consumption takes place mainly in industrialized countries.

Ponte (2001) also points out that coffee has been the second most valuable traded commodity after oil and that attempts to control the international coffee trade have been taking place since the beginning of the 20th century. Among consumers, coffee is a universally popular drink, with over 600 billion cups consumed each year. Its cultivation, processing, trading, transportation and marketing provide employment for hundreds of millions of people worldwide. Moreover, coffee is a major traded commodity on futures and commodity exchanges, most importantly in London and New York, making it one of the most important regulated commodities in the world. Coffee export has been a success for a few countries in the history of development, for instance for Brazil, at the end of the nineteenth century, and for Colombia and Costa Rica in the 1920s.

An important observation is the dislocation of the governance in the past: Producing countries used to play an important role in the domination of the global value chain for coffee, until in the late 1980s when the consuming countries took the lead, especially roasters (Daviron & Ponte, 2005). The advent of instant coffee played an important role for the sale, because for its making, fewer coffee beans are used (Mayer 2006).

During the past years coffee drinking in industrialised countries has become more popular and coffee bars have opened in major European and North American cities, bringing the consumers a new coffee-drinking experience in a wide range of forms and tastes. Coffee consumption in its differentiated form, where consumers demand knowledge of what they are drinking, and where the coffee beans are coming from, has meant that the era of drinking plain black coffee is slowly drawing to an end. But this also has other implications, especially for farmers in developing regions of the world. Daviron and Ponte (2005) refer to this as the 'coffee paradox'. In essence, there is a 'coffee boom' in consuming countries and a 'coffee crisis' in producing countries. They argue that the international coffee market is flooded of 'low quality' coffee, while there is a shortage of 'high quality' coffee. And it is the high quality coffee that generates sales growth. Moreover, the coffee market reflects the division of the world into developed and developing countries. In 1982, 27% of the world coffee export came from African countries and 13%

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came from Asian countries. The industrial countries bought 90% of the coffee traded on the world market (Mayer, 2006). Coffee suffers regularly from periods of oversupply and low prices, followed by periods of short supply and high prices. The low prices have dramatic consequences on developing countries where less money is available for health care, communication and education. Many farmers survive with difficulties in the coffee plantations or even abandon them (SAI, 2011). Nevertheless, the ICO sees the upward trend continuing despite the fluctuation in prices. The economic growth and changing lifestyles in China and other Asian economies have helped to keep the consumption of coffee firmly on an upward path (Hunt, 2011).

According to the ICO (International Coffee Organization) (2012), in the coffee year 2011/2012 exports in coffee have increased by 2.95 per cent to 107.8 million bags compared to 104.7 million bags in 2010/11. Exports of Arabica decreased slightly from totalled 67.8 million bags in 2010/11 to 66.0 million bags last year. Robusta exports increased from 36.9 million bags in 2010/11 to 41.8 million bags in 2011/12. In 2011, highest composite coffee prices were found in April with 231 US cents/lb. In October 2012, prices are back where last in mid-2010 with 147 US cents/lb (ICO, 2012).

### Information gap

The study shows that farmers face difficulties in addressing international standards. An information gap is the issue of how to facilitate farmers' ability to comply with international standards. It is still unclear if there is a way to make certifications more accessible and accomplishable for small scale farmers. Opportunities for farmers are seen in improved services like providing access to credits (also to outlast transition periods), extension services, which could lead to improved farm management and procedure. As there are coffee regions with hardship in abandoning chemicals,

maybe a sound IPM could be included into a certification scheme. As such, targeting an improved coffee quality, certifications could also be used as a tool to improve farm management by giving accurate incentives. Not included within this study is the role of the farmers' cooperatives. One has to assume, that their role is central in supporting and strengthening small scale farmers getting access to services and certifications. Nevertheless, there is clearly a need of rising awareness and increase pressure among coffee concerns that free trade doesn't equalize fair trade and as such their support is essential for small scale farmers to get the chance to become certified.

### Data Collection

This paper is based on literature research found mainly in published reports, books, web pages and online articles. Data from the World Bank and the FAO (Food and Agriculture Organization of the United Nations) have basically been used for the economic evaluations. Giovanucci and Ponte are important sources on this issue as well as the International Coffee Organisation (ICO).

Additionally a short interview was accomplished with the CEO of SOGIMEX S.A. in Honduras, which is a green-coffee export company belonging to the ECOM Coffee Group.

### Coffee production in Central America

Coffee production is important for the Central American economy (i.e. Guatemala, Honduras, El Salvador, Costa Rica and Nicaragua), as it is an important source of income for millions of small scale farmers. The total production for the crop year 2010/11 is estimated at 133 million bags, representing an increase of 8.1 per cent (ICO, 2011). All Central American countries analyzed in this paper are among the top 20 producers worldwide (Table 1).

Table 1. Top production, value and quantity of green coffee in 2008.

Rank	Area	Production (in 1000 US\$)	Production (MT)
1	Brazil	2'286'655	2'796'927
2	Viet Nam	872'663	1'067'400
3	Colombia	563'037	688'680
4	Indonesia	558'342	682'938
5	Peru	223'831	273'780
6	Ethiopia	223'520	273'400
7	Mexico	217'321	265'817
8	India	214'200	262'000
9	Guatemala	203'256	248'614
10	Uganda	173'098	211'726
11	Honduras	155'448	190'137
12	Costa Rica	87'757	107'341
13	Philippines	79'653	97'428
14	El Salvador	73'417	89'801
15	Côte d'Ivoire	65'404	80'000
16	Papua New Guinea	61'644	75'400
17	Nicaragua	59'458	72'727
18	Venezuela	58'864	72'000
19	Madagascar	54'776	67'000
20	Thailand	41'239	50'442

Source: FAO (2011).

Sustainable coffee production has been growing rapidly within the coffee industry (Kilian et al. 2004). The driving factor for this development is the growing consumer awareness of environmental and social production aspects. This awareness has been accompanied by several new sustainable concepts and coffee farmers had more and more choices of participating sustainable certification schemes to add value to their product (Kilian et al. 2004). Daviron and Ponte (2005) also report that sustainability has become a hot topic in the coffee industry. The first forms of sustainable certified coffee were developed in Europe by fair trade movement (Daviron & Ponte, 2005). Sustainability includes aspects as 'economic viability for farmers', 'environmental conservation' and 'social responsibility'. Some of these sustainable coffees are sold as certified coffee, such as organic, fair trade, Rainforest Alliance-certified and Utz CERTIFIED. Others are sold by private companies with or without third party monitoring, as for example Starbucks' C.A.F.E. programme (Daviron & Ponte, 2005).

In principle, the fair trade system works as follows: The farmer joins a democratically organized cooperative which obtains a fair trade certification provided it fulfils certain minimum standards (e.g. the pursuit of ecological and social goals) (Baumann et al. 2008). The importers of the commodity then have to buy their goods directly from the cooperative. The importers guarantee a minimum price plus a social premium above that minimum or the world market price, whichever is higher. The guarantee of the minimum price and long-term agreements, then, are supposed to protect the farmer from price volatilities and exploitative importers. Therefore, fair trade aims at improving the living conditions of the poor (Baumann et al. 2008; Ruben, 2008).

Producers in developing countries applying for fair trade must fulfil certain requirements, so Ruben (2008), and they are small scale farmers who depend mainly on family labour for production. Very complex instructions need to be followed in order to achieve a certification. Every certification is only valuable for one year and due to that has to be renewed every year. As an example, in Honduras, private coffee exporter SOGIMEX S.A. employs momentary at about 12 agronomists who explain the different code of conducts to the coffee producers and help them in the certification process. After an external inspection, the farmer gets the certification for one year. This certification belongs to him and he is freely in deciding how, where, when and whom he wants to sell (Gerber, 2011).

Certification process varies depending on the required certification, but in general, it involves an initial review of the farm and/or company, to determine whether or not it meets the requirements to obtain certification. The certification process could take from one to three years.

## Types of Certifications

Some of the most relevant certifications for Central American farmers include organic and Fair trade certifications, as well as UTZ Certified, Rainforest Alliance and Starbucks C.A.F.E. practices. It is important to highlight that some of these initiatives were born in Central America and have become global certifications for the coffee industry.

### Organic certification

The International Federation of Organic Agriculture Movements (IFOAM) is the worldwide umbrella organization for the organic movement, uniting more than 750 member organizations in 116 countries. IFOAM actively participates in international agricultural and environmental negotiations with the United Nations and multilateral institutions to further the interests of the organic agricultural movement worldwide (IFOAM, 2011).

IFOAM not only promotes organic agriculture *per se*, it promotes conservation through the prohibition of clearing primary ecosystems, biodiversity preservation, soil and water conservation, a prohibition on the use of genetically modified organisms, diversity in crop production, and the maintenance of soil fertility and biological activity. Aspects of social justice have also been implemented by IFOAM accredited certification bodies. Organic certifications are one of the main programs adopted by small-scale farmers. Just in the south-west region of Honduras, for example, 58% of the farms are organic certified, which has directly impacted the coffee chain in the region (Garcia, 2012).

### Fairtrade

Fairtrade International (FLO) is the non-profit, multi stakeholder body that is responsible for the strategic direction of Fairtrade, sets Fairtrade standards and supports producers. FLO owns the FLO-CERT, an independent certification company, which inspects producers and traders to ensure they comply with Fairtrade standards (Fairtrade, 2011). The FAIRTRADE Mark gives assurance to retailers and consumers that Fairtrade producers in the developing world are getting a fair deal for their work. Fairtrade certification also ensures adherence to strict social standards that foster healthy working conditions, prohibit child labour and ensure that natural ecosystems are not degraded and cultivated land is used sustainably. However, coffee farmers have to pay a fee to external parties in order to become certified. Originally, the economic issues have been the most important aspect of Fairtrade labeling, but ecological and social aspects are now also covered by this label (Oxfam, 2007).

### ***Rainforest alliance***

The Rainforest Alliance, established in 1986, is an international non-profit organization, committed to the conservation of tropical forests for the benefit of the global community. The program pursues its mission through education, research in the social and natural science and cooperative partnerships with businesses, governments and local people (Rainforest Alliance, 2011). The Rainforest Alliance is one of the partner groups of the Sustainable Agriculture Network (SAN). The SAN is a coalition of leading groups born in Central America and the neighbouring region (i.e. Guatemala, Costa Rica, Honduras, Ecuador, and Colombia, among others) that links responsible farmers with conscientious consumers (SAN, 2011). By implementing the SAN sustainable farm-management system, farmers can control costs, gain efficiencies and improve crop quality (Rainforest Alliance, 2011). The Rainforest Alliance is presented around the world, and is especially strong in Central America, particularly Costa Rica where the SAN administrative branch and its agriculture program are based (SAN, 2011).

The aim of the Rainforest Alliance certification is to maintain biodiversity in the production areas, while at the same time striving for sustainable living conditions for farmers, plantation workers and the local population. The most important criteria in the Rainforest Alliance certification is the ecological cultivation. In contrast to Fairtrade, within Rainforest Alliance minimum prices don't exist. They have negotiable price premiums between 7 and 20 US cents per pound of coffee (Oxfam, 2007). Rainforest Alliance is simplifying the marketing of coffee. Better management systems should help farmers dealing with price fluctuations. Nevertheless, the farmers have to pay the fees for the certification on their own. Rainforest Alliance can lead to a better market approach and to better quality while farmers receive better prices and higher incomes.

### ***UTZ Certified***

UTZ CERTIFIED was founded in 1997 by Guatemalan coffee producers and the Dutch coffee roaster Ahold Coffee Company (UTZ CERTIFIED, 2011). Utz CERTIFIED offers coffee, cocoa and tea certification programs. It is one of the leading coffee certifications worldwide. Its aim is it to achieve sustainable agricultural supply chains while giving assurances of sustainable production and sourcing. Additionally it offers online traceability of agricultural products back to their origin (UTZ CERTIFIED, 2011). Buyers have an insight into where their coffee comes from. Producers who are UTZ CERTIFIED comply with the UTZ CERTIFIED Code of Conduct. The code of conduct includes economic, social and environmental criteria for responsible production. Coffee producers are

subject to annual inspections by independent certifiers to ensure they comply with the requirements of the Code of Conduct. Producers are rewarded with a price premium for their UTZ certification. The premium reflects the added value of the UTZ certification of the coffee. It is the difference between the agreed upon price and the price that same coffee would have received if it were not certified. The UTZ CERTIFIED premium is explicitly determined in a negotiation process between the buyer and seller and UTZ CERTIFIED does not interfere in these price negotiations.

### ***Starbucks C.A.F.E. Practices***

In cooperation with Conservation International Starbucks developed in 2001 a set of social and ecological responsible guidelines for coffee production, called C.A.F.E. Practices (Coffee and Farmer Equity Practices) have been established. The intention of these guidelines was to collaborate with the coffee farmers to assure high quality coffee, to advocate for equal relations with the farmers, labourers and communes, and to protect the environment (Starbucks, 2011). The guidelines contain 28 special indicators, which are classified into four main areas: product quality, economical responsibility, social responsibility, ecological guide roll in the coffee cultivation and the coffee manufacturing. These guidelines value coffee through a point system. The more points a farmer gets, the higher the price for his coffee (Oxfam 2007). Starbucks purchases more than 50 per cent of its coffee through this codex.

### ***Main actors behind the certifications***

There are numerous coffee roasting companies in industrialized countries. They buy green coffee and sell them as roasted beans or as instant coffee. The five biggest roasters, based in USA and Europe (i.e. Kraft, Nestlé, Sara Lee, Procter & Gamble and Tchibo), are giants and dominate the entire chain. The five named companies purchase almost half of the green coffee world production (Oxfam, 2002).

Sara Lee ranks third worldwide in coffee volume behind Nestlé and Kraft Foods, and ahead of other leading firms such as The J.M. Smucker Company and Tchibo. In 2011 Sara Lee announced also that it is expanding the number of sustainable certification partners with which it works. Although the UTZ CERTIFIED Foundation will remain Sara Lee's main partner for sustainable certification, the company will liaise occasionally with other programs such as certified organic or Rainforest Alliance. Sara Lee has purchased more than 110 million kilos of coffee during the last five years. They committed to certifying more than triple that amount in the next five years across all its markets and product segments (Sara Lee, 2011).

Jacobs, a part of Kraft Food is working with Rainforest Alliance, selling 100 per cent certified Arabica coffee (Medaille d'Or, 2011). Tchibo, a German company, works with Rainforest Alliance, Fairtrade and Bio-Siegel. Tchibo indicates on their webpage that they are willing to buy more and more certified coffee in the future which have standards like 4C Standards, Rainforest Alliance, Fairtrade or Organic.

Nestlé, on the other hand, has mentioned that they don't own any commercial coffee farms nor do they promote contract farming. In most cases their coffee is sourced from small land holders (Nestlé, 2011), but no liaisons with third-party certifications are known. The same is true for Procter and Gamble, who doesn't mention any collaboration with certifications concerning coffee on their webpage. Procter & Gamble is selling its coffee mainly in North America. The famous names of the leading labels allow it to demand prices that are far-off from the manufacturing costs. The enterprises spend every year millions to maintain the image and to augment the popularity of their brands. For instance in year 1999, in the UK flew 65 million US dollars only into promotion for instant coffee, mainly for the brands Nescafé, Kenco and Douwe Egberts (Oxfam, 2002). Baumann et al. (2008) report that critics claim that in their search for the cheapest location of production, MNC's (multinational companies) coerce governments of poor countries to grant them tax breaks and to turn a blind eye to both, working hours and working conditions of their labourers.

One of the big issues about certifications is how much profit is made by farmers. Empirical evidence indicates that higher incomes expected from certified production motivate farmers to get certifications

(Baumann et al. 2008; Ruben, 2008; Davidron & Ponte, 2005). How much profit retailers in North America and Europe make from certified products such as organic and fair trade coffee make is hard to estimate, but it is assumed that they also have a larger profit margin. Exact data about the profit of the coffee roasters is hard to find, because the coffee sector is very often only one section of these big beverage and food concerns and data is seldom made public. Nevertheless, estimates have been made. Korneffel et al., 2002 report that at the end of the 1980's consumers in the world spent 30 billion US dollars a year on coffee. Of that money spent, 10 billion US dollars went to the countries of origin. Twenty years later, when coffee sales are also well-established in most Eastern Europe and Asia, the market volume has increased at almost 60 billion. However, only US\$ 6 billion effectively reach the producing countries. The rest is going to retailers in the north.

### Risks and Opportunities for Farmers

Price premiums alone do not answer the question if sustainable certification helps producers reach their final objective of ensuring a better economic situation (Kilian et al. 2004). Production processes as well as yields are not only influenced by higher price premiums but also by sustainable management. And organic coffee farming does not signify just the absence of chemical inputs; it is necessary to change and adapt further farming systems (Kilian et al. 2004). An effort on differentiating the certifications more specific has been done in Table 2.

Table 2. Comparison of the different certifications.

	Conventional	Organic	Fairtrade	Rainforest alliance	Utz Certified	Starbucks C.A.F.E. practices
Production Process	-	+	-	0	-	0
Environmental Aspects	-	+	+	+	+	+
Social Aspects	-	+	+	+	+	+
Economic Aspects	-	+	+	0	0	+
Price Premiums	-	+	+	0	0	0
Accessibility of credits	-	0	+	0	0	0
Marketing B2B	-	-	-	+	+	-
Marketing to final client	-	+	+	0	-	+
Retraceability	-	0	+	-	+	-

Impact through certification: + = high; 0 = medium; - = low; Source: Adapted from: Kilian et al. (2004).

Kilian et al. (2004) report that Organic and Fairtrade certifications have a strong orientation toward the final client, Rainforest Alliance and Utz CERTIFIED work more on the business-to-business level (Table 2). Marketing promotion towards the final client intends to differentiate the product and to reach higher prices for rather small quantities, whilst promotion on the business level intends to facilitate the trade of large quantities of coffee to favourable

conditions (Kilian et al. 2004). Fairtrade and organic certifications apply more to small scale farmers because they offer reasonable price premiums and are very demanding in environmental and social aspects. In contrast, Rainforest Alliance and Utz CERTIFIED are more directed toward larger-scale coffee production (Kilian et al. 2004).

Accessibility of credits for coffee farmers is especially important during periods of low prices, as

during the coffee crisis. Kilian et al. (2004) define in their work that although the certifications state that they are facilitating and supporting access to financing, many farmers find it difficult to obtain financing to cover the costs of switching to organic production. Prices depend strongly on the provided quality of the coffee beans. Bad quality doesn't sell well or doesn't sell at all. Kilian et al. (2004) say that a certification cannot solve problems in farm management. Better prices can only be reached when quality is accompanied by respect for environmental and social aspects (Kilian et al. 2004). Certifications are only a part of an overall strategy to help farmers and other options are available to Central American coffee farmers. Other examples of differentiated coffee niches are origin certification, which promote higher quality and better premium prices as well as other improved agricultural and environmental practices. The strategy to help coffee farmers should comprise the whole coffee chain including macro-level issues such as access to credits and the role of the state and supporting institutions is indispensable.

Giovanucci (2004) evaluated the pros and cons of conventional and differentiated production in his report *The State of Sustainable Coffee*. Under conventional production a governmental support is given, it seems to be easier to access markets and to broaden the market size. Some disadvantages though are the immense price pressure and the intense competition, whereas under differentiated production the governmental support and the market size is limited. Advantages are consistently higher prices and a reward for quality and processes, so Giovanucci (2004). Garcia (2012) compliments these findings and reports that in Honduras over half of the farmers don't know if there is government support behind the initiatives to help them comply with certifications.

Participating in a certification program doesn't mean automatically that the farmers have access to financing and can actually afford it to change to organic production. The condition is mostly to produce three years in advanced organic before the producer is entitled selling for the premium prices.

In the study case for Africa, Ponte (2001) comments that the transition to organic farming is relatively easy in Robusta cultivation, because minimal chemical inputs are used. Furthermore he reports that many producers are already producing organic coffee but are being paid for non-organic coffees. The main problem is the lack of information about certification processes and on how to approach certification agencies. Raynolds (2002) even reports cases about coffee farmers abandoning their crops as they cannot access fair trade markets. Moreover, prices of oil products have continued to rise. This causes further increasing costs of the important production factors in the coffee supply chain, such as transport and fertilizers.

During the harsh months before the yield, farmers are specifically affected from lacking credits (Oxfam, 2002). Some farmers bond their land to get credits. But not all farmers are documentary land owners. Especially women are disadvantaged; because of the dominating laws on site they very often do not possess land (Oxfam, 2002). Increasing debts mean less new credits and the pressure to pay back those debts hinders the farmers to await better price situations and they have to accept the daily, maybe very low prices of the retailers (Oxfam, 2002). Study cases in Ethiopia show the important role of independent agricultural cooperatives concerning the definition of a minimum price for coffee (Oxfam, 2002). With help of the cooperatives it is often possible to bypass in-between and to achieve better access to lucrative export-markets. This can increase the income of individual farmers (Oxfam, 2002).

Further the author of the 'Kaffeekrisestudie' indicates that many farmers suffer of lacking information about updated price information and new yield technics, which brings quality losses and lower prices for their products. Moreover, know-how is essential for raising the yields and qualities of coffee (Oxfam, 2002).

Gerber (2011) warns that no certification can assure a constant price. Therefore it is possible, that a non-certified producer is selling to higher prices than a certified producer. But this only happens because he sold at a better point of time. Over a long time period the certified producer is much better off, thanks to the higher yields and the lower costs. Garcia (2012) found that there was no significant difference between non-certified and certified producers and price data for 2009 to 2011. However, this could only be explained by the favorable conditions of the market. After the coffee crisis, the proposal to fight against these trends was the creation of systems like Origin Denomination and Participatory Guarantee Systems (currently operating in countries like Costa Rica, Honduras, and Jamaica).

## Discussion and Conclusion

Central American coffee farmers are facing difficult challenges ranging from oversupply and low prices to complex standards and labelling systems. The increasing concentration of the coffee industry brought lower and more unstable prices for many years in the past. An enormous slice of the producers income flew out of their hands and were put right into consuming country operators hands (traders, retailers and especially roasters) (Ponte, 2001). At the same time, market liberalisation had a big influence on the quality of the coffee. It was more difficult to keep high quality coffee isolated from lower quality coffee, especially in countries where smallholders are the key producers and because

coffees bought by private traders are all mixed together (Ponte, 2001). As ICO (2011) points out: "The latest coffee crisis, which lasted from 2000 to 2004, saw prices fall to their lowest levels in nominal terms since the late 1960's and took a heavy toll in terms of reduced rural income; abandonment of plantations; replacement by other crops, including illegal drugs; and migration from rural areas." Although there has been a significant recovery, at least in terms of market prices, the situation for farmers remains difficult.

In the last decade the popularity of coffee escalated all around the world. People in consuming countries have become more aware of the environmental and social production aspects in the coffee chain. This evolution was accompanied by the establishing of several new sustainable concepts and schemes. Nowadays, farmers have a considerable choice of sustainable certification schemes to add value to their goods (Kilian et al. 2004). But the analysis says clearly that the farmers lack financial, technical and social assistance to achieve a switch to certified production. Despite the fact that organic and fair trade certifications receive the highest price premiums, higher production costs, more demanding farm management and yield losses can lead to income deficits, which can likely exceed the additional price premium income (Kilian et al. 2004). Aiming to lower the costs of coffee growing, productivity can be increased, but only helps for the short term (Korneffel et al. 2002).

Does fair trade improves or worsens the situation of the poor? Ruben (2008) states: "The Fair Trade movement was established in 1992 out of several founding organisations, as a coordinated initiative aimed to contribute to the improvement of quality of life among primary producers in the developing world." There has been a rising importance of fair trade during the last decades. Despite that, a relatively small amount of academic research concerns its implications. But discussions concerning this subject are coming up again and again. Baumann et al. (2008) reports about the discussion, that free trade may not necessarily be 'fair trade' as it appears that quite a number of people are excluded from the benefits of globalization. Focusing on the coffee market, many authors find that fair trade might have a positive impact on a small group of farmers, but these need not necessarily be the poorest (Baumann et al. 2008). However, producers connected with a fair trade organizations are better off than before. Producers unable to get certified are worse off.

The main causes which limit the participation on certification processes of coffee producers in Central America from this analysis seem to be lacking information, knowledge, funds and technical and social assistance to be able to change to certified production. Additionally it is not in every region that easy to disclaim on chemical usage, as the example

of Ponte in Africa shows. The evaluation of the five certifications (Organic, Fairtrade, Rainforest Alliance, Utz CERTIFIED and Starbucks C.A.F.E. Practices) clearly makes a difference on which program suits the best to small-scale farmers and which to large-scale farmers. Fairtrade and also Organic certification apply more to small scale farmers because they offer reasonable price premiums and are very demanding in environmental and social aspects. In contrast, Rainforest Alliance and Utz CERTIFIED are more directed toward larger-scale coffee production, because they foster the business-to-business relations.

Looking at the world coffee market, clearly an increasing amount of coffee is consumed. Especially the Asian market is evolving. It has to be assumed that the demand for fair trade coffee will increase continuously within this market. As coffee is mostly grown in underdeveloped countries, this sector does mean a chance for the poor people producing coffee. Finding a suitable agency which offers a contract with fair conditions could mean a more stable livelihood for many small scale farmers. Relevant for all countries is that certification does not solve problems in farm management. But maybe there in particular the problem is hidden. There exist barriers for farmers. First they have difficulties to access the agencies; secondly, the agencies seem to not provide enough support for farmers to achieve certain changes in farm management. And as such they are not able to accomplish with the upcoming requirements.

Furthermore, and probably as a consequence, not enough 'high quality' coffee is produced. Possible ways to increase the amount of fair trade coffee produced is seen in a broader and stronger information and service system. Not to forget the importance of farmer cooperatives. Cooperatives have higher chances to get access to the market and bring easier access to extension and credits for single small scale farmers. This study shows that the single farmer has to strengthen himself with skills in sustainable farm management, but also marketing. They need to become active and get access to information about prices and the general coffee market development. Coffee is crucial to the economies and politics of many developing countries; for many of the world's Least Developed Countries, exports of coffee account for more than 50 per cent of their foreign exchange earnings.

However, the present study tells that in general certified farmers are better off. As such it is recommended that farmers are actively looking for certification and call for their rights. The certification should cover and support all necessary aspects of a sustainable production system (economic, ecologic, social, etc.). Last but not least, an increasing fair trade coffee sector with stable prices needs joint efforts from both, producers and buyers. Sustainable coffee production seems to be a

viable opportunity for producers to differentiate their products, explore new market accesses and raise their competitiveness and as Kilian et al. (2004) states: "Sustainable coffee production could be seen as a positive entrepreneurial opportunity that can provide a bridge to the post-coffee-crisis future in Latin America."

On the consumer side, not everything in the coffee value chain is as nice as to sit in a chic coffee-bar sipping a tasty 'white-chocolate-mochaccino' in a relaxed atmosphere. The consumer should know about the situation on the other side of the coffee value chain, the production side. By buying certified coffee a good thing is done, but it should not be forgotten that the hardships in the coffee production process remain. Obviously, the 'coffee paradox' will not disappear so easily. One has to assume, that the South will always remain the weaker part in the coffee sector. But already the awareness of this imbalance can make a change.

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