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The Fair Trade Coffee Business Model's Affect on the Small Scale Producers through the Lens of the Triple Bottom Line

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*The Fair Trade Coffee Business Model's Affect on the Small Scale Producers through the Lens
of the Triple Bottom Line*

BY

JOSEPH KRUPKA

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree

Of

Executive Doctorate in Business

In the Robinson College of Business

Of

Georgia State University

GEORGIA STATE UNIVERSITY
ROBINSON COLLEGE OF BUSINESS
2012

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ACCEPTANCE

This dissertation was prepared under the direction of the Joseph Krupka Dissertation Committee. It has been approved and accepted by all members of that committee, and it has been accepted in partial fulfillment of the requirements for the degree of Executive Doctorate in Business in the J. Mack Robinson College of Business of Georgia State University.

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The Fair Trade Coffee Business Model's Affect on the Small Scale Producers through the Lens of the Triple Bottom Line

ABSTRACT

BY

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July 31, 2012

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The aim of this study is to understand the Fair Trade Coffee Business Model by determining how the Fair Trade Coffee Business Model affects the livelihoods of the small scale producers in developing countries. The Fair Trade Coffee Business Model is driven by the mission to improve the well-being of the small scale producers located in developing countries through the lens of the Triple Bottom Line (economic, social and environment). What is the significance of fair trade coffee to the economies of developing countries that produce coffee? The economies are considerably impacted by coffee production as coffee ranks as the second foremost exported commodity from developing countries (European Coffee Federation, 2006). Ensuring the small scale producers receive a fair price for the coffee they grow is only one of the initiatives of the model. Other key initiatives include pre-harvest financing, increased healthcare services, working together for a higher quality coffee, fairer business conduct, improvements in education, and technical assistance. The findings of this study provide some insights into the Fair Trade Coffee Business Model's effect on the livelihoods of the small scale producers in developing countries through the lens of the Triple Bottom Line. The Fair Trade Coffee Business Model has increased the quality of the coffee bean produced by the small scale producers along with developing long term business relationships throughout the Fair Trade Coffee Business Model supply chain. In sum, the small scale producers reported that the Fair Trade Coffee Business Model has a positive effect on their livelihood and well-being. More specifically, they also indicated that the motivations for them to participate in the Fair Trade Coffee Business Model are receiving a better price for coffee, democratic decision making and farm training. An additional finding affirms that the Fair Trade Coffee Business Model is a sound contributor to the socio-economic stability of the small scale producers, offering a sustainable income-generating alternative market strategy.

Key Words: Fair Trade Coffee, Small Scale Producers, Global Poverty, Triple Bottom Line

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ABBREVIATIONS

List of Abbreviations (in Alphabetical Order)

ATO	Alternative Trade Organization
C.A.F.E.	Coffee and Farmer Equity
CSR	Corporate Social Responsibility
FLO	Fairtrade International
FT	Fair Trade
FTC	Fair Trade Coffee
FTCC	Fair Trade Coffee Co-op
FTCBM	Fair Trade Coffee Business Model
FTF	Fair Trade Federation
ICA	International Coffee Agreement
IFAT	International Fair Trade Association
IYC	International Year of Cooperatives
NGO	Non-governmental organization
RCM	Roaster Co-op Member
SSP	Small Scale Producer
SSPC	Small Scale Producer Co-op
TBL	Triple Bottom Line
UCIRI	Union of Indigenous Communities of the Isthmus Region

I. INTRODUCTION

1.1 Research Domain

Fair Trade Coffee (FTC) is a long-term, equitable partnership between small scale producers (SSPs) and Fair Trade Coffee Co-ops (FTCCs). The mission of the FTCBM from its inception was to work with SSPs to improve their livelihood and well-being through small FTCC's such as ABC Co-op. The Fair Trade Coffee Business Model (FTCBM) includes paying a fair price plus, among other things, pre-harvest financing, sharing information, and working together for a higher quality coffee and fairer business conduct.

ABC Co-op is a FTCC in the state of Georgia comprised of 24 co-op members located throughout the United States and Canada. ABC Co-op strives to promote the FTCBM and sustainable development alternatives in developing countries while continuing to sell the highest quality coffee on the market. ABC Co-op works to build powerful strategic alliances with organizations that have shared values of creating a fair, transparent and sustainable system of FTC that directly benefits the SSPs, their families and their communities. The focal point of this study is on the SSPs through their membership in Small Scale Producer Co-op (SSPC's) affiliated with ABC Co-op. The study focuses on the attainment of the core mission of the FTCBM which is the livelihood and well-being of the SSPs in developing countries. In order to illustrate the FTCBM, it is helpful to first understand the history of coffee and the Fair Trade (FT) movement to establish a contextual framework.

1.1. a. History of Fair Trade

Background

Why do we care about FTC? While coffee has been around for over 11 centuries, it is the most widely consumed beverage in the world. Second only to oil as a world traded commodity, 100% of the global coffee supply is produced in developing countries; Latin America produces 60% of the global coffee supply with Asia's output at 24% followed by Africa at 16% (Baffes et al., 2005). SSPs throughout history had been kept in a life of poverty. The FTCBM provides an opportunity to reduce the exploitation of the SSPs by becoming members of SSPCs to enrich the SSPs livelihood and well-being by improving the quality of coffee produced to earn a better price (Impact Report, August 2010, www.fairtrade.net). FT provides an opportunity for pre-harvest financing along with increased access to export markets. Valkila et al (2010) assert that the emergence of FT is in response to the injustices of poverty and inequality perpetrated on the SSPs; in contrast, the intent of the FT is to create a socially and environmentally sustainable world.

The FTCBM is an alternative approach to conventional trade and is based on a partnership between the SSP and the FTCC. It is the intention of the FTCBM that the SSP has an opportunity to improve their well-being and plan for their future. The cry of the FTC movement is "trade not aid" (Fridell, 2007, p. 39) as an attempt to differentiate its philosophy of local development and empowerment through trade not charity.

Era's of Fair Trade

The Beginning Era (1940-1970)

In the 1940s FT began humbly when a few small North American and European organizations reached out to poverty stricken communities to help them sell their handicrafts to well-off markets. The International Coffee Agreement (ICA) was created to stabilize the chronic price fluctuations of the coffee industry in the 1940s. After World War II, a boom in coffee demand reduced the need for the ICA to step in and stabilize prices. Nevertheless, the United States government continued to support the ICA by enforcing import restrictions during this timeframe as there was ongoing fear about the spread of communism in Latin America (Haight, 2011).

The Solidarity Era (1971-1990)

During the solidarity era, craft products provided the bulk of sales. These were sold predominantly through mail order, small church shops, charity shops or Alternative Trade Organizations (ATOs). By 1989 with the advent of the fall of the Berlin Wall and the collapse of communist influence, the United States lost interest in supporting the ICA. Lacking United States backing and efforts, the ICA fell prey to widespread cheating on the part of its members and was dissolved (Haight, 2011).

During the latter part of the 1980s, the price of coffee plummeted; the FTC movement was formulated to enable SSPs access to developed markets and be paid a better price for their coffee produced. In 1988, the first FT certification, Max Havelaar was created in the Netherlands, named after a fictitious Dutch character that defied the Dutch colonists in the East Indies as a result of their abusive treatment of SSPs. The start of the Max Havelaar label has proven to be a distinctly positive turning point for the FTCBM movement (Haight, 2011). In 1986, Mexican

coffee farmers from the UCIRI (Union of Indigenous Communities of the Isthmus Region) co-operative in Oaxaca had met with the Dutch development aid organization, Solidaridad, to develop an alliance that would enable the SSPs to increase their access to the European coffee market with fair-minded terms. Essentially, the co-operative was asking the European alternative trade movement to go beyond its largely symbolic purchases and buy coffee in volumes sufficient to make a significant difference in the incomes of UCIRI's SSPs. The SSPs opted to create a label, Max Havelaar, which could be placed on coffee sold under any brand, certifying that the SSPs had received a premium price and considered a fair return. Coffee became the first certified FT product because of the forces that brought UCIRI and Solidaridad together (Jaffee, 2007).

The Niche-Market Era (1991-2002)

It was during this niche-market era that products were not branded as FT while being marketed and sold to not-for-profit and commercial organizations. The product's FT status was a result of the reputation of the ATO; therefore, following the Max Havelaar label, several initiatives for certification in various countries emerged. In 1997, the FLO was formed to oversee accreditation; that same year the United States began certification under TransfairUSA, which changed its name to FairTrade USA in 2010 (FairTradeUSA, <http://www.fairtradeUSA.org>).

The Mass-market Era (2003-present)

There were transformations that occurred within FT during the mass-market era. The standardization of audit and certification of FT products was being developed. The marketing of FT products focused on re-branding to enlarge their target markets. An expansion of independent retailers selling FT products created alternative sources for the consumer to purchase FT

products. In addition, the global distribution channels for FT products became more accessible (Davies, 2007). Today, FTC is the leader of the global efforts of FT products. The FTCBM has been an income source for millions of SSPs throughout developing countries. The mission of the FTCBM is an alternative trade model aimed at reducing global poverty through SSPs selling FTC to the consumers in developed countries. Globally, more than 25 million people depend on income from coffee to pay for education, medical, and transportation needs (FLO 2009).

1.1. b. Fair Trade Organizations

Over the past half century Fair Trade Organizations have evolved from both a global and national perspective. FLO is the most recognized worldwide leader as a FT certifier of products with Fair Trade USA its counterpart in the USA. In the late 1990's the FT Trade movement significantly developed in the USA coinciding with the formation of Fair Trade USA in 1998. The FLO, the largest FT certifier in the world, has the intention to make available mainstream markets and fair trading conditions, thereby allowing the, poverty-stricken people to claim responsibility for their work and lives, and with the provided resources and support, overcome disadvantages and social marginalization (FLO 2009). Table 1 illustrates the chronological development of the key Fair Trade organizations.

Table 1 - The Development of the Key Fair Trade Organizations

Type of Trade Organization	Year Established	Information:
Alternative Trade Organizations (ATO's)	1960-1970	Church based sales and stores
Equal Exchange	1986	USA Fair Trade Organization
Max Havelaar	1988	Netherlands Fairtrade, now Fairtrade Max Havelaar
International Federation for Alternative Trade (IFAT)	1989	Four ATO's which merges to create IFAT
TransFair	1990	Fairtrade Germany
Fairtrade Foundation	1990	Fairtrade Great Britain
Fairtrade International (FLO) <i>(Note: In 2011 name was change from Fairtrade Labeling Organization)</i>	1997	Worldwide umbrella Fairtrade certifier
Fair Trade USA <i>(Note: In 2010 name was changed from TransFair USA)</i>	1998	The leading third-party certifier of Fair Trade products in the United States.
FLO Certification, Ltd.	2004	Independent Certification Unit established

Source: Jaffe 2007

Within FT, there are **two types** of organizations:

1. *Product Certification* – Fairtrade International (FLO) sets standards for the supply chains of FTC from point of origin to point of sale. Fairtrade International has a powerful global vision for all Fairtrade organizations, including ABC Co-op, to strive towards. FLO's global vision incorporates the following: (1) all producers enjoy sustainable livelihoods and realize their potential and choose their future; (2) FT considers that trade can be a primary driver of poverty reduction; (3) FT believes that people can rise above marginalization and take more control over their lives; (4) FT considers that people, businesses and civil society institutions in the developed world are supportive and understand the needs of producers and the opportunities that FT offers; (5) FT is driven by informed consumer choices and the desire of business to meet the

expectations of their customers to reform international trade rules and create a fairer economic system; (6) FT embraces transparency and stakeholder participation (FLO 2010).

There is no end to the number of products ready to become FT; however, there are only two restrictions on growth set by the FLO: (1) how long it takes to get supply chains accredited and (2) products must come from countries in the south. In relation to the physical volume of different products, fair trade has exploded from beverages, sugars, fruits, nuts products and confectionary to cover a plethora of products which continually grows and now includes rice, flour, footballs, flowers, wine etc. (<http://www.fairtrade.net/products.html>) Today, coffee is a leader in the global FT product arena. FLO's efforts are driven by the principles and programs working towards the goals listed in Table 2. ABC Co-op as a member FLO and Fair Trade USA embeds these principles, programs and goals in its ongoing hard work.

TABLE 2 - FLO PRINCIPLES, PROGRAMS AND GOALS

FLO	Process/Program:	Goal:
Principle:		
• Development	Price	Improved standard of living for farmer
	Premium	Community Development
• Empowerment	Farmer Input	Participation of local populations for best practices
	Ethical/informed decisions of consumer	Decreased global inequalities through trade
• Access to Programs	Certification	Accountability, consumer confidence
	Pre-export credit	Farmer economic security
	Education and training	Informed and independent farmers
• Access to Markets	Specialty Coffee	Increase market, add value
• Access to Information	Transparency	Legitimacy, Accountability
• Collapse of Supply Chain	Partnerships with farmer cooperatives	Reduce actors on supply chain to ensure greater value goes to farmer

Source: Fairtrade Label International (FLO) <http://www.fairtrade.net>

2. *Organizational Evaluation* – The World Fair Trade Organization (formerly IFAT) and the Fair Trade Federation (FTF) evaluate organizations for their commitment to Fair Trade principles. Each FT organization undergoes a rigorous screening process to evaluate their practices and commitment to these principles. Approaching business and development in a holistic way, members work to make trade a tool to alleviate poverty, reduce inequality, and create opportunities for people to help themselves.

The *Fairtrade Standards* for coffee production in the United States are:

- Producer organizations are paid a floor price (Fairtrade Minimum Price) of USD 1.40 per pound for FT certified washed Arabica and USD 1.35 for unwashed Arabica, or the market price, if higher.
- For FT certified organic coffee, producer organizations receive an extra minimum differential of US 30 cents per pound.
- A FT Premium of US 20 cents (with US 5 cents earmarked for productivity and quality improvements) per pound is added to the purchase price and is used by producer organizations for social and economic investments at the community and organizational level.
- FT coffee certification is currently only open to SSPs. They must be structured as a democratically formed Co-operative.
- Democratic decision making is required. Everybody has an equal right to vote.
- Environmental standards restrict the use of agrochemicals and encourage sustainability.
- Pre-export lines of credit are given to the producer organizations. If requested, up to 60 % of the purchase price may be pre-financed to the producer organizations.

- Trade standards aim to encourage fairer negotiations, clarify the role of price fixing, and reduce speculation

Source: Fairtrade Label International (FLO) <http://www.fairtrade.net>

Certification of Fair Trade Coffee

Since the introduction of the Max Havelaar certification program, FT certification establishes the minimum prices for its products with the intention of improving the prices paid to the SSPs (Valkila, 2010). Certification and labeling standards have evolved to include the economic, social and environmental aspects of the FTCBM, i.e., better prices, quality control procedures and empowerment of the SSPs. There are many multifaceted certification issues from price and production to lifecycle and end-use considerations. The certifying FT organizations have developed on-going procedures that are performed throughout the entire supply chain in an effort for transparency and traceability in the FTCBM.

Several factors explain this growing interest in certification as a means to contend with the ineffectiveness of many governmental and intergovernmental processes; to adjust to the rapid pace of economic globalization, and to address adverse environmental and social impacts (Auld et al., 2008). Understanding both the theory and the reality of this topic are keys to developing a deeper understanding of when and how standards, certification, and labeling can be used to impact the livelihood and well-being of the SSP [Fairtrade Label International (FLO), <http://www.fairtrade.net>].

Social Labeling

Similarly, social labeling is used within the FTCBM and its objectives. Fair Trade USA enables sustainable development and community empowerment by cultivating a more equitable global

trade model that benefits SSPs through its mission by labeling and promoting FT products. The FT label assures consumers that the SSPs behind the product receive a fair price for the coffee they produce and reassures consumers that their purchases are socially and environmentally responsible. In the case of social labeling, we find NGOs applying these traditionally economic measures as tools for social change through the FTCBM. A definition of social labels (Zadek, et al., 1998) is that they are words and symbols associated with products or organizations which seek to influence the economic decisions of one set of stakeholders by describing the impact of a business process on another group of stakeholders.

Other social labeling initiatives that developed have been of a more patriotic nature, such as “Buy American,” or taken an environmentally friendly character in green labels or eco-labels (Hilowitz, 1997). In economics, labeling is seen as a way of creating a product for which higher prices can be obtained by dividing the market into niches. The basis of this labeling is the idea of the economics of information, which allows for the determining of quality that might not even be visible.

1.2 Fair Trade Coffee Business Model

The primary mission of the FTCBM is to reduce global poverty by improving the well-being of the SSPs located in developing countries. Table 3 presents a comparison between FTC and Conventional Trade Coffee. FTC places its efforts on our global society while the Conventional Trade Coffee simply looks to improve its financial profits. FTCBM is not driven from simply an economic perspective but rather from “*it’s the right thing to do*” and “*we can make a difference*” in the global community through the lens of the TBL. To address poverty in developing countries it is necessary to understand the heavy dependence on coffee as a primary source of income.

TABLE 3 -Fair Trade Coffee and Conventional Trade Coffee Comparison

Fair Trade:	Conventional Trade:
Concerns for people, planet and profit	Profit is driving force
Advances credit during production	Payment received at time of shipment or within 30, 60 or 90 days
Technical assistance and training and investments in low income communities	Corporate philanthropy in community
Making partners in the supply network with disadvantaged groups such as women and minorities	Supply chain seeks out lowest cost labor and raw materials
Consumer Education Advocacy	Marketing directed to increase profitability
Mission driven	Market driven

Source: DeCarlo, 2007

In contrast to the conventional trade coffee model, the FTCBM created a different path to the market, one that delivers more dollars to the SSP communities. FTCBM aims to keep SSPs as an active part of the world marketplace. Table 3 illustrates that the TBL is integral to the FTCBM with economic, social and environmental aspects being emphasized.

FT is a set of business practices voluntarily adopted that are designed to advance the livelihoods and well-being of the SSPs by raising and stabilizing the incomes of the SSPs. Through equitable distribution of the economic gains, there are increased opportunities and reduced risks associated with the production and sale of FTC. The FTCBM increases the organizational capacities of SSPCs. SSPCs are operated democratically giving a voice to each SSP member. The FTCBM strictly adheres to the policies of the International Labor Organization supporting labor rights. The FTCBM supports safe and sustainable farming methods including training in quality control, clean water and coffee waste utilization. Furthermore, the FTCBM promotes local community development and increasing consumer awareness of the issues affecting SSPs. The FTCBM emphasizes direct trade relationships

and long term contracts between the SSPC and FTCC that enhances stronger connections along the supply chain. A key aspect of the FTCBM is that the SSPs - receive a minimum price which is higher than conventional market prices. The provision for affordable pre-harvest financing has allowed SSPs the available cash flow necessary prior to their harvest season. Independent third-party monitoring and certification practices offset the concerns of non-compliance with the FTCBM [Fairtrade Label International (FLO), <http://www.fairtrade.net>]. The FTCBM is an alternative trade model with its mission to reduce global poverty, however there are still challenges to overcome.

1.2. a. Challenges and Controversies

While FT prices and premiums have adjusted upward over time, the FTCBM itself has remained fairly static since its inception in 1997 (Haight, 2011). Most importantly, the FTCBM has upheld its main mission to have the RCMs work with and for the SSPs. However, this is not without its challenges. Large coffee roasters that are participating in FTC have presented such challenges and controversies as mainstreaming and the halo effect (fairwashing).

Mainstreaming

The original mission of the FTCBM is to have the FTC stay from seed to cup in the FTCBM. This meant that the SSPs produced FTC and sold to fully committed FTCCs, typically niche market stores. More recently, the large retail operators market to the consumer that they support FT products, but in fact offer only a limited portion of their products with the FT label and are not committed to the tenants of the FTCBM. This has created confusion for the general buying public. For those consumers who want FTC, it's not clear which products are FT and which are not. For the less initiated consumers, the perception is that everything is FT. The shortcomings that mainstreaming has on the adherence to the

original mission of the FTCBM has created concerns for the SSPs and FTCCs.

A case study of a FTC pioneer, CaféDirect, examined how CaféDirect became part of the UK mainstream coffee industry from a FTC niche player. CaféDirect's initial mission was to pioneer FTC into the mainstream. The CaféDirect founders' shifted away from their original mission of the FT movement to now include other commercial products to compete in today's marketplace. CaféDirect continues to flourish in the mainstream with their extensive supermarket chains, however, FT products are a limited portion of their offerings (Davies, et al., 2009). Mainstreaming has harmed the hard work by the FTCCs that strictly comply with the FTCBM. Consequently, adherence to the FTCBM, which is to purchase and sell 100% FT products, is not being followed and results in an overall dilutive impact and not achieving the intended benefits for the SSPs. This dilemma will continue to be debated by both small and large coffee roasters which eventually could lead to a significant shift in the FTCBM (Jaffee, 2010).

Halo Effect or Fairwashing

Another growing concern is what is labeled as the halo effect or fairwashing. Some companies carry a FT certified product to look good, as opposed to a genuine desire to make structural changes in corporate practices. This is referred to as the halo effect, or leveraging the good feelings ascribed to one product to extend to the complete portfolio of products (Holt-Gimenez et al., 2007). Some activists also call this fairwashing, akin to the label of greenwashing, a term which is attributed to organizations that present an environmentally friendly public image that is not reflected in its underlying operations and strategies (Nicholls & Opal, 2005). It is alleged that for some organizations, involvement in FT is motivated by a desire to protect public image with the goal of profitability (Fridell, 2007). Large coffee roasters do promote social responsibility but they are not embracing the spirit of FTC, wanting only to be associated with FTC for corporate marketing and public relations (Obermiller, et al., 2009).

Jaffee (2010) examined the development of U.S. certified FT standards. Since 1999, there has been rapid growth in FTC certifications, in addition to controversies regarding FTC standards in the U.S. Jaffee focused on five key issues that have generated much debate within the U.S. FT movement. These issues have been centered on market-oriented versus movement-oriented retailers, certifier's relationship to market and movement participants, certification of plantations, fairness along the supply-chain and managing the growth of the FTCBM. The standards were lowered globally when Starbucks was allowed to enter the FTC industry by purchasing only 1% of their coffee as FTC (Jaffee, 2010).

Fridell (2009) compared the visions of Planet Bean, a small-scale coffee roaster in Guelph Ontario with Starbucks. Starbucks is more concerned with its ability to sell its corporate social responsibility (CSR) image than with meeting the needs of stakeholders. Planet Bean through its expansive stakeholder driven mission strictly adheres to the FTCBM. It has been argued that the difference between FT and CSR, is that FT is mission driven, while CSR is economically driven. Starbucks is passively participating in the FTCBM by offering a limited number of FTC products to its consumers. Planet Bean and Starbucks have competing visions of FTC, raising challenging questions about the future of the FTCBM (Fridell, 2009).

1.3 Small Scale Producer Co-operatives

The FTCBM requires SSPs to become a member of a local SSPC to participate in the FTC industry. This provides the SSP advantages and benefits by capitalizing on the capacity produced by membership in the SSPC.

The SSPC creates an opportunity that:

1. Provide the power of size. A SSPC, as a group can combine member resources to build a coffee processing facility to benefit all of the SSP members; however, one SSP does not have the resources available to build this on their own.

2 SSP can obtain access to the global marketplace. The strength in combining the efforts of the SSPC members leads the SSP entrance into the global marketplace.

3 Advance FTC quality control. The SSPC utilizes resources to train the SSP in quality control procedures.

4. Political action efforts. The SSP as members of a SSPC has the depth and organization to be a voice in the local political arena.

5. Provide empowerment to the SSP. Most SSPs have a rudimentary education and an inadequate understanding of the FTCBM. These two factors make it difficult to maintain strong democratic SSPCs and meet production requirements. Training and educational programs are critical components to reduce the challenges of the less advantaged SSPs. Knowledge is the foundation to assuring improved empowerment of the SSPs' (Equal Exchange, <http://www.equalexchange.coop/farmer/partners.com>).

United Nations International Year of Cooperatives

The United Nations has played a large role in why the organizational framework of the FTCBM is the co-operative model. In the 1950s, the United Nations and the governments of developing countries promoted thousands of co-operatives, among them many coffee co-operatives. Unfortunately, the co-

operatives became hotbeds of political conflict, administrative inefficiency and corruption, and the word “co-operative” took on a bad connotation for many people (Attwood and Baviskar 1988).

On Monday, October 31, 2011 in New York the United Nations launched the International Year of Co-operatives (IYC) at the UN General Assembly Hall highlighting the contribution of co-operatives to socio-economic development. The United Nations General Assembly Resolution A/RES/64/136 encourages all member States, the United Nations and all relevant stakeholders to take advantage of the IYC to promote cooperatives and raise awareness of their contribution. United Nations Secretary-General Ban Ki-moon was quoted that “Co-operatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility” (www.2012.coop, p.1).

The United Nations has struggled for decades with regard to cooperatives not gaining the recognition as an organizational form that is beneficial in developing countries because they present opportunities for economies of scale. The United Nation has created 2012 as the year of co-operatives in a world-wide effort to growth public awareness and to promote formation and growth of co-operatives. The FTC industry is working with the United Nations this year promoting co-operative formation and development (United Nations Year of the Co-op, <http://www.coop>).

The Characteristics of a SSPC from a Small Scale Producer Prospective

What does FTC feel like from a SSP perspective? The spirit of the FT relationship is one of partnership (Tallontire, 2000) in which the SSPs have the opportunity for:

- An emphasis on direct relationships between buyer and producer organizations.
- The provision of some level of support against price fluctuations.

- The payment of either a premium passed directly to the producer or a social premium to be used for the benefit of the community rather than individual producers.
- The provision of pre-harvest financing (often 60% of the final value of the order) to producers as part of a stable, long-term business relationship.
- Source of information on design, demand, rules and regulations, and prices.

This is accomplished by the SSPC being democratically organized and following three core values: an equal voice, equal vote and equal sharing of profits for all members. If a SSP is thrown out from his SSPC, he will not only lose the opportunity to sell his coffee at the guaranteed FTC price, he will also lose all other benefits associated with their membership (Tallontire, 2000).

Co-operatives in Competition

Very often, agricultural co-operatives have been formed as a response to market failure, to counterbalance monopsony or oligopsony power in the processing sectors (Rhodes 1983, Fulton 1999, LeVay 1983). Through the efforts of the FTCBM, the SSPC combats a monopsony, a buyer's monopoly in the small scale producer coffee industry, and mitigates that the SSP will not receive a fair price for the coffee they grow. Many times the SSPC has to handle the problem of "coyotes", buyers who represent the informal economy and attempt to opportunistically buy directly from the SSP. Occasionally, SSPs can sell their coffee to coyotes and receive a higher price than they would by selling to the SSPC. However, they receive no long term commitment or any other benefits as they would have by selling to the SSPC. These black market buyers "coyotes" buy coffee from the SSPs generally at below the world market price. The SSPC is a safety net against the efforts of the profit-siphoning "coyotes" by providing security to the SSP so that they will get a fair price for the coffee produced. The SSP does have the freedom and choice of which SSPC they want to join and become a

member of. If a SSP who is a member of a SSPC does sell their coffee to a “coyote”, they will be terminated from membership as they have violated both their long-term commitment to the FTCBM and legally, the membership agreement to sell their coffee to the SSPC. Thus, the short-term additional money received could have a long lasting devastating economic effect on a SSP. Many SSPs could then have a difficult time in some regions finding a SSPC that will accept their membership. The “coyotes” impact on the FTCBM differs from region to region due to their range of power and influence within each region (ABC Co-op Founder Interview April 2, 2012).

Potential Benefits

The co-operatives have an economic, social and environmental function in empowering the SSP in developing countries. The co-operative format which is required by the FTCBM, supports the SSP, to have each voice heard and action taken by a democratic decision making process of the SSPC.

Organizational size of the SSPC plays a large role in permitting the SSP to benefit from combined resources available to the SSPC. Better prices paid to the SSPs, pre-harvest financing, along with farm training including quality control techniques are additional potential benefits that membership in the SSPC provides.

Potential Problems

Free Riding

Free riding is letting other members do the work while one enjoys the benefits without having participated in the process of creating the positive results. One of the lessons drawn from co-operative experiences is that without the active involvement of all the members, there is little chance of long term success. Co-operatives must have internal controls to resolve this type of a potential problem before it creates a significant organizational issue (Milford, 2004).

Dependency

Dependency is another potential problem and occurs when co-operatives receive substantial financial, technical, or administrative support from an external third party, such as a public institution or an NGO. Thus, a co-operative could stop functioning shortly after these providers cut off their support. SSPCs have the best potential for success when they are initiated and managed by their members and have little or no financial support from outside providers (Milford, 2004).

Effect on Poverty

The most frequently used argument in favor of the FTCBM is that it provides a SSP with the additional income needed to avoid lives mired in poverty. Poverty in coffee growing communities is a multi-faceted problem that cannot be reduced to a simple question of price mechanisms and improved trade relationships. Despite the growth of the FTCBM and the tangible benefits it provides in terms of higher prices, poverty remains a persistent problem in many coffee communities, even those who sell all their coffee under the FTCBM. The SSPC always works with a long term vision of increasing the livelihood and well-being of its membership. One of the most important decisions affecting the long term mission of the FTCBM is the relationship between the SSPC and the FTCC.

1.4 ABC Co-op and its Small Scale Producer Co-operatives

ABC Co-op is a FTC importing co-operative committed to supporting and partnering with SSPCs. ABC Co-op's story began in 1997, when its founder, inspired by his encounter with a Guatemalan coffee co-operative on a Habitat for Humanity delegation, decided to start up a coffee roasting company that would import FTC. The original idea was simply to assist SSPs in creating direct markets

for their FTC in the U.S. while ensuring that the SSPs receive a fair price. ABC Co-op’s Founder’s role would be to establish long-term relationships with the SSPCs, buying and importing their green coffee, paying them a fair wage, and selling it to RCMs in the U.S. who cared about the people behind the coffee. This is how the first FTCC for green coffee beans was born. In 1999, seven roasters met in Atlanta and officially formed ABC Co-op. ABC Co-op is a social enterprise, which can be defined as the formation and activity of a business enterprise utilizing economic, social and environmental resources intended to support a particular social cause such as the FTCCBM. In the same year, FTC made its debut in the United States. The United States now consumes an amazing one-fifth of the world’s coffee, more than any other nation, making coffee the country’s single most valuable food import. Since its inception in 1999, ABC Co-op has expanded their social enterprise efforts. In 2011, twelve years later, the co-operative has grown to include 24 roasters who are located throughout the United States and Canada (See Table 4).

TABLE 4 – Roaster Co-operative Member Locations
(Listed in Alphabetical Order)

CANADA (7):	USA (17):		
1. Ontario (3)	1. Colorado (2)	6. Michigan	10. Tennessee
2. Quebec (3)	2. Florida (2)	7. Minnesota (2)	11. Texas
3. Yukon	3. Georgia	8. North Carolina	12. Vermont
	4. Idaho	9. Rhode Island	13. Wisconsin (2)
	5. Kentucky		

Source: ABC Co-op

SSPCs are member owned and are people-centered which enable its members to work on economic, social and environmental activities specifically addressing their members’ local needs. ABC Co-op has partner relationships with SSPCs in twelve countries (See Table 5).

**TABLE 5 – Small Scale Producer Locations by Country
(Listed Alphabetically)**

<u>AMERICAS:</u>	<u>AFRICA:</u>
1. Bolivia 2. Columbia 3. Dominican Republic 4. El Salvador 5. Guatemala 6. Honduras 7. Mexico 8. Nicaragua 9. Peru	1. Ethiopia 2. Uganda <u>ASIA:</u> 1. Sumatra

Source: ABC Co-op

Relationship building for long-term efforts throughout the supply chain is emphasized over price. Networking with the SSPCs is the founder’s strategy to develop working relationships. He meets potential supply chain associates at trade shows, traveling, coffee meetings, and is networking all the time to start a new working relationship. The SSP is able to put a face on the buyers of their coffee when they meet them. The founder’s personal commitment is at a very passionate level which is very important to the entire supply chain in FTCBM. He emphasized that he would not have entered the coffee business if not for the FTCBM (ABC Co-op Founder Interview April 2, 2012).

The FTCBM utilizes the coffee roaster co-op organizational framework to secure FTC from SSPs. This study focuses on the efforts of ABC Co-op and its participation in the FTC industry through its affiliation with SSPCs in developing countries.

2. Literature Review

2.1 Fair Trade Coffee

After completing an extensive literature review the FTC literature has mainly focused on comparing FTC vs. Non-FTC producers, marketing to Northern consumers, SSPs in a small region, solely the economic effect to the SSP the coffee roasters in developed countries, and the sustainable supply chain.

McKone-Sweet (2004) studied FTCBM as a trading partnership that focuses on sustainable development for SSPs. It seeks to do this by looking at the triple bottom line of a fair deal for SSP's, environmental sustainability and profitability for all parties in the supply chain. For FTC, these criteria include a fair price, democratic organization, direct trade and long term relationships, access to credit and environmental protection. McKone-Sweet (2004) reports five lessons derived from its examination of the FTC supply chain: 1) supply chains can be streamlined; 2) generating customer loyalty; 3) succeeding with long-term relationships; 4) networking; and 5) build a sustainable supply chain structure. The FTCBM applies these lessons of supply chain effectiveness by continually reinforcing the relationships developed between the SSPs, SSPCs, and RCMs.

FT principles have the foundation of a sustainable supply chain. Auroi (2003) studied improving sustainable chain management through FT in Costa Rica, Peru and Venezuela. One of the goals of FT is to reduce the social and economic distance along the chain between SSPs and consumers. FT can potentially make a significant contribution as standard procedures for developing new sustainable supply chains (Auroi, 2003).

Arnould et al., (2009) applied a survey methodology to compare TransFairUSA co-operative SSP's and nonparticipating SSP's in Nicaragua, Peru and Guatemala on socioeconomic indicators of SSPs well-being. This study shows that, overall, participants derive social benefits, even if these results are mixed. In addition, the study suggests that the FTCBM is not the answer for third-world poverty but, nevertheless, from a social policy perspective , FTCBM is contributing to building a better world (Arnould, et al., 2009).

In 1988, the initial FT certification program began under the Max Havelaar label, which was the first certification program that ensured a minimum price to the SSPs for their FTC produced. Long-term agreements were made that allowed SSPs to receive up to 60% of their coffee revenue in advance through pre-harvest financing. Gielissen and Graafland (2009) found that 70% of their respondents to a survey considered price to be unfair when it fails to provide the producer with a minimum level of subsistence.

Ruben, et al. (2009) examined the effect of FT on coffee co-operatives in Peru and Costa Rica by contrasting FTC SSP's and non-FTC SSP's . The study focused on three issues : 1) direct tangible impact of FTC arrangements on income, welfare, and livelihoods of rural households; 2) indirect effects of FT for improving credit access, capital stocks, investments, and attitudes to risk; and 3) institutional implications of SSP organizations and externalities for local and regional employment, bargaining, and trading conditions. An important outcome was the overall positive effect of the involvement in FTC on strengthening of the coffee co-operatives. While direct tangible effects on net income remain rather minimum, the study showed positive effects

on asset increases , credit use, investments, spending practices , and organizational depth . The most significant change observed was the SSP feeling more empowered (Ruben, et al., 2009).

Bacon's (2005) study examined if the FTCBM reduces SSP livelihood vulnerability in northern Nicaragua. The study included three phases: first, the researchers spent fifteen months accompanying a coffee quality improvements project team with coffee co-operatives, secondly a survey and finally a walking assessment of the SSP's principal coffee farm. The main findings of this study was that 25% of those in the sample are 3rd or 4th generation SSPs and that coffee is the hope of a better future and gives value to their land. SSPs selling only to conventional markets are four times more likely to perceive a risk of losing the title to their land due to low coffee prices. The results suggest that participation in the FTCBM reduces SSP livelihood vulnerability (Bacon, 2005).

Utting (2009) studied livelihood impacts on primary stakeholders which she defined as the SSPs. This article seeks to present a flexible impact assessment framework that can be used by researchers to carry out a systematic evaluation of both negative and positive local level sustainability impacts of responsible trade initiatives. The five livelihood impacts on SSPs researched were: 1) Human Capital, 2) Social Capital, 3) Physical Capital, 4) Natural Capital and 5) Financial Capital. Fair Trade along with other responsible trade initiatives experiences a credibility gap because data is not effectively circulated to make a significant difference in the lives of SSPs. The majority of the SSPs interviewed asserted to have accessed credit for the first time through their SSPC. The results showed that FTC production even with some challenges, has contributed to sustainable livelihoods, the development of organizational capacity and the creation of greater policy and institutional impacts.

Reed, et al. (2010) studied two FTCBM research issues including how agendas for fair trade research should be developed and the existence of major gaps in the literature. Their primary conclusions were that more research is needed to know how the FTCBM functions currently, what the available resources are for improving current practice and what obstacles exist that are likely to inhibit the preferred changes. In addition, the developments of measurement techniques that will bring current practice more in line with FTCBM's mission (Reed, et al., 2010).

Several articles on the FTCBM mention briefly, but do not investigate the efforts of FTCBM in creating a more democratic and equitable trading system. The FTCBM has significant elements to share with other industries about the functioning of their sustainable supply chain. There is a major gap in the literature in that both the democratic organization and supply chain efforts of the FTCBM are rarely studied. The literature has discussed in length large coffee roasters in developed countries mainstreaming the FTCBM. There is a gap in the literature regarding studies focusing on the future of the FTCBM's efforts to co-exist with the small and large roasters sharing possibly a modernized FTCBM. These future studies must keep in its forefront the effect a new innovative FTCBM could have on the livelihoods of the SSPs. While a good number of studies on FTCBM focus essentially on the economic characteristics of the FTCBM, others tend to emphasize the social or environmental aspects that contribute to improving SSP's livelihoods. The literature has shown mixed results on the effect of FTCBM on the livelihood of the SSPs' and illustrates that the FTCBM is still a work in progress.

This research will examine the effect of the FTCBM on twelve countries throughout Latin America, Asia and Africa, compared to previous literature that limit their comparison to two or three countries that are predominantly in Latin America. Moreover, this study extends the

literature through the lens of all three aspects of the TBL effecting the livelihood and well-being of the SSPs, the principal stakeholder. The FTCBM embeds the stakeholder theory as part of its core mission with an emphasis on the stakeholder relationship between the SSPs and RCMs

2.2 Stakeholder Theory

The word stakeholder first appeared in the management literature in an internal memorandum at the Stanford Research Institute (SRI) in 1963. It was originally defined as “those groups without whose support the organization would cease to exist” (Freeman 1984, p.31). Freeman’s (1984) seminal work on stakeholders refined the definition of stakeholders as any group or individual who can affect or is affected by the achievement of the organization’s objectives. Stakeholder interests are therefore integrally tied together and viewed jointly by the organization. From a stakeholder perspective, organizations can be understood as a set of relationships that have a stake in the undertakings of the organization (Freeman, 1984). Stakeholder theory has consequently become widely used to describe a business’s relationship to society.

Freeman’s remarks reflect the distinction he saw between traditional management theories and stakeholder theory, stating “Gone are the good old days of worrying only about taking products and services to market, and gone is the usefulness of management theories which concentrate on efficiency and effectiveness within this product-market framework” (Freeman 1994, p.4).

Stakeholders replaced the product as the focal point transforming the organizations’ efforts toward stakeholder relationships. Freeman, et al., (2010) further argues that we must reconceptualize corporations focusing on the following question: For whose benefit should the organization be managed? Stakeholder theory should not be seen as the demise of the modern corporation but rather as a transformation. Milton Friedman's (1970) now-famous assertion that

the only social responsibility of a corporation is to provide a profit for its owners, stands in direct contrast to those who claim that a corporation's responsibilities extend to stakeholders as well. Stakeholder theory represents a more comprehensive compilation of corporate responsibility than just to its stockholders. In 1988, Evan and Freeman called for a redefinition of the purposes of the organization to act as a vehicle for coordinating stakeholders interests. They argued that management has a fiduciary relationship to stakeholders and to the organization. They must act for the stakeholders and organization to ensure the long term survival of both (Evan and Freeman, 1993). The stakeholder theory continues to be integrated into business and society because stakeholders are worried about the sustainability of today's economic system. Today's economic environment accentuates the underlying reality at the foundation of stakeholder theory; economic value is created by people who voluntarily come together and cooperate to improve everyone's condition (Freeman, et al., 2004). Managers must develop relationships, inspire their stakeholders, and create communities where everyone strives to give their best to deliver value for the organization.

2.3 Normative Stakeholder Theory

Extending stakeholder theory, Donaldson and Preston (1995) identified three uses of the theory in the literature: descriptive, instrumental and normative. The stakeholder model as a descriptive tool is used to describe the nature of the organization and how managers may think about their responsibilities to stakeholders in the management of the organization. As an instrumental tool, the stakeholder model may be used to demonstrate the effect on corporate performance of managing from a stakeholder rather than stockholder perspective. The normative stakeholder theory is linked to an organization's morals and values that management draws on in its actions

towards all stakeholders. This viewpoint looks at why organizations should take into account stakeholder interests: To whom should the organization be responsible? Normative stakeholders gain moral standing by making contributions to the organization. As a normative tool, the stakeholder model is used to identify moral guidelines for how organizations ought to be run and can be defined in terms of having valid normative claims on the organization. The normative stakeholder theory initially surfaced in support of the social responsibilities of an organization to all stakeholders. The normative stakeholder theory is considered a theoretical partner of the FTCBM, as the FTCBM's mission is strongly tied to the moral values of its stakeholders.

Normative stakeholder theory is embedded in the straight forward moral intuition that an organization's responsibilities to all its stakeholders should go considerably beyond what is recognized by contemporary shareholder approaches and is supported among business ethicists (Hendry, 2001). The normative stakeholder theory is used to interpret the function of the organization, including the identification of moral or philosophical guidelines for its operation and management. Normative stakeholder theory asserts you should "Do the Right Thing" ethically and morally for all your stakeholders (Donaldson and Preston, 1995). Evan and Freeman (1988) argued that organizations may not treat their stakeholders merely as means to the organization's ends, but must recognize them as moral agents.

Freeman's (1994) aim was to unite the moral and economic aspects of normative stakeholder theories into an economic model of the organization. The organization can be described as a dynamic system of relationships between moral actors, each of which have specific legal, economic and social characteristics. These relationships of interdependence create a range of

moral obligations. A key factor in normative stakeholder theory is that decisions affecting stakeholder outcomes should be ethical and the organization should build principles on how they plan to operate with all stakeholders. These principles have permitted the FTCBM to build organizational strategy consistent with its core mission.

Research on corporate social responsibilities for organizations such as FTCC operating in developing countries has been limited. Reed (2002) argues that organizations doing business in developing countries tend to have additional corporate social responsibilities since different (economic, political, and sociocultural) conditions exist in each developing country which typically does not come into play in developed countries. There must be an understanding that community members should live in unity with the norms and values of their local communities, which imposes those same local norms on organizations operating in the local communities of developing countries.

Developing countries typically are less fortunate than developed countries in terms of education, health, food and shelter and gender rights (United Nations Development Programme, 2000). The FTCBM's mission to improve the livelihood and well-being of the SSPs with social programs through their SSPCs are designed to ease these social issues in developing countries. The FTCBM is rooted with the moral values of "doing the right thing" in its work towards improving the livelihood and well-being of the SSPs in developing countries. The transparent and long-term relationships between the stakeholder groups in the FTCBM signify their connections are much deeper than the conventional buyer-seller relationship.

2.3. a. Who are the Stakeholders?

A predominant way of distinguishing stakeholders is to consider them as groups of people who have a classifiable relationship with an organization. The primary groups of stakeholders commonly are shareholders, customers, employees, local communities, suppliers and distributors. In addition, there is a secondary group of stakeholders such as NGOs or activists, government, regulators, the media, the general public, future generations, academics, trade associations and competitors (Friedman and Miles, 2006). The FTCBM has four core stakeholder groups that are integral to its movement: SSPs, SSPCs, FTCCs and RCMs. In contrast, the conventional coffee industry focuses mainly on the well-being of one stakeholder group - their shareholders. This study will focus on the SSPs as the primary stakeholder group, insofar as the FTCBM's mission is to improve the livelihood and well-being of SSPs.

2.4 Triple Bottom Line

A fundamental observation about the legal foundation of business is that a corporation is owned by its shareholders. A corporation is formed under the laws of the land in which it is incorporated and must always operate within those laws. Subject to compliance with the law, a corporation is responsible to its shareholders. The needs of shareholders in a formal sense are imposed on executive managers through the decisions of the board of directors. The assumption of economic theory is that the purpose of the organization is to maximize profit. The introduction of the TBL replaces the single financial bottom line objective. The TBL framework removes the primacy of shareholders and, thereby, the primacy of profit. Businesses now must strive to meet the needs of all three bottom lines (Robins, 2006).

The phrase “the triple bottom line” was first coined in 1994 by John Elkington, the founder of a British firm called SustainAbility. Elkington’s argument was that companies should be preparing three different bottom lines. The TBL considers not just the economic value a corporation creates, but also how it impacts on society and the environment (Elkington, 2003). This TBL framework emphasized the three Ps: People, Profits, and Planet, and is intended for business to minimize any harm that results from their activities and to insure creation of positive economic, social, and environmental value (Elkington, 1998). First, is the traditional measure of corporate profit, the economic bottom line of the profit and loss. The second is the bottom line of a company’s people account (Human Capital), a measure in some shape or form of how socially responsible an organization has been throughout its operations. The third is the bottom line of the company’s planet account (Natural Capital), a measure of how environmentally responsible it has been. Only a company that produces a TBL is taking into account the full cost involved in doing business (Elkington, 2003).

The TBL concept operates only if financial, social and environmental requirements are integrated with each other and all are considered equally. This integrated approach forms the basis for the TBL. Embedding the TBL philosophy in its mission, the FTCBM takes the position that if an organization cannot bear the costs of protecting the environment or safeguarding the health of affected communities, it should be questioned whether that organization should proceed because it is clearly not sustainable in the long-term (Zammitt, 2002). A TBL report should attempt to indicate how the organization has succeeded in working with stakeholders to generate profitability, deliver value to customers, manage and develop resources, respect people and benefit the community.

The challenge that confronts organizations is to take the TBL reporting seriously, not merely as another compliance exercise but as an opportunity to rethink the role of business in society and the interrelatedness of all its activities. At the heart of such a process of rejuvenation is a living document, which is neither simply the source, nor the residue of moral thinking, but both (Painter- Morland, 2006). The TBL is based on stakeholder theory in that an organization should measure its performance in relation to all stakeholders not just those stakeholders with whom it has direct transactional as well as indirect relationships such as NGOs, local community, and governments.

The TBL is an unsettling concept for many organizations because it implies that firm's responsibilities are much wider than simply those related to their economic aspects (Hubbard, 2009). TBL reporting aims to extend decision making and disclosure so that business decisions explicitly take into consideration the impacts on society and the environment, as well as on profit. TBL reporting requires taking into consideration the needs of all its stakeholders, adding corporate disclosures which traditionally have not been made (Robins, 2006). While governments have typically assumed responsibility for the improvement of the living conditions of the populations, society's needs have exceeded the capability of governments to fulfill them. In this context, the spotlight is increasingly turning to focus on the role of business in society and progressive organizations are seeking to differentiate themselves through engagement in the TBL (Wexler, 2009).

Norman and MacDonald (2004) identified the Global Reporting Initiative (GRI) and AccountAbility as the two NGOs at the forefront of promoting the TBL concept. Many well-known corporations such as AT & T, Clorox, Dell, Ford Motor, Microsoft and Nike, are

currently utilizing TBL terminology in their corporate reporting to their stakeholders. In addition, large accounting firms are assisting their clientele in developing their TBL reporting. The investment industry has developed a niche market for their clientele regarding socially responsible investing utilizing the TBL reporting as criteria in their investment analysis. Socially responsible investors are requesting that their investments meet their principles. Currently, there are several mutual funds that specifically have investment guidelines that must meet socially responsible benchmarks to be considered in their investment pool. Annual CSR and sustainability reports are a requirement to be issued for any company to be considered in this socially responsible investment arena.

The TBL's three foundational components, economic, social and the environment resonate throughout the FTCBM and is part of its strategic framework. Reporting on financial, social and environmental activities to stakeholders continues to move forward the transparency and accountability of the FTCBM.

Sustainability, Business Ethics, Corporate Social Responsibility, Socially Responsible Business, or Corporate Citizenship are terms that have been developed by the global business community to describe doing the right thing (Norman and MacDonald, 2004). Each of these means something slightly different, or has a different spin, but they're all aimed roughly at the same idea, namely the idea that businesses can, and should, behave better. The TBL has become one of the most recognized terms being used by businesses reporting their "to do the right thing" results. Elkington stressed the need for a more comprehensive approach involving the coordination of efforts related to governmental policy, including tax policy, technology policy,

economic development policy, labor policy, security policy and corporate reporting policy (Elkington, 1994). A persistent focus over the past fifteen years has been the impact of the FTCBM utilizing the TBL.

2.4. a. Triple Bottom Line Metrics:

FTCBM organizations are measured by more than their financial bottom line and work towards being as transparent as possible. The TBL is an underlying embedded concept of the FTCBM movement, which added to its brand marketing of products that have been produced and traded in an economically, socially and environmentally fair way. Table 6 displays how the Triple Bottom Line is utilized with the metrics of the FTCBM.

Table 6 - Metrics of the Triple Bottom Line for Fair Trade Coffee Business Model

Dimension	Metrics
Economic	Poverty Reduction
	Increase Small Scale Producer Income
	Informal Economy Reduction
	Pre-harvesting financing
Social	Increase Healthcare services
	Education and Training
	Labor regulations and Human Rights
	Child Mortality
	Local Infrastructure
Environment	Land and Soil Conservation
	Clean Water in Households
	Utilization of Coffee Waste
	Reduced Chemical consumption

Source: Fairtrade Label International (FLO) <http://www.fairtrade>.

These metrics are also used by ABC Co-op as part of their evaluation process when reviewing whether they should continue a working relationship with a SSPC or create a new working relationship with a SSPC. The process of creating a new working relationship starts with a RCM

of ABC Co-op recommending a SSPC to their committee that reviews all new potential SSPC relationships. The review process considers the TBL metrics along with the demand for more coffee from that region, political aspects and importing issues. The committee will spend time on the ground at the SSPC predominately interviewing, and observing the workings of the SSPC during the evaluation period. Transparency is important to the FTCBM, so the committee has the opportunity to assemble robust information when reviewing a new potential SSPC relationship. If the committee recommends the SSPC, the full membership will vote to accept or reject a working relationship with the SSPC at that time. If a SSPC is not initially accepted, it could be at a later date, especially if the demand for coffee from that region changes. ABC Co-op has incorporated the TBL which is embedded in the FTCBM mission in their core business principles.

Each of the metrics in Table 6 can be evaluated by three methods: observation, data analysis and detailed interviews with FTCBM stakeholders. The evaluation method of this study is a detailed data analysis on the results of the survey instrument responses. TBL metrics can demonstrate the organization's efforts in working towards their mission of reducing global poverty and increasing the livelihood of the SSPs'.

RESEARCH QUESTION:

How does the Fair Trade Coffee Business Model affect the small scale producers?

3. RESEARCH DESIGN and METHODOLOGY

3.1 Research Design

Initially, a preliminary literature review was performed along with several discussions with the founder of ABC Co-op about the FTCBM. This groundwork was motivation to further the literature in determining how the FTCBM affects the livelihoods of the small scale producers in developing countries through the lens of the TBL.

The research has been organized in close collaboration with the leadership at ABC Co-op. Starting with a meeting in January 2011, there were joint discussions of a research project and the opportunity for ABC Co-op to have independent research conducted to evaluate the effectiveness of the FTCBM and its effect on the livelihood and well-being of its SSPs. ABC Co-op agreed to participate with the consideration that the study findings would be beneficial to their organization and the FTC community as a whole.

ABC Co-op's founder became the primary contact and agreed to voluntary participation from its SSPCs. The founder made the initial introduction to the potential participant pool with a brief email letter explaining the objective of the study. The study's population was ABC Co-op's SSPCs totaling 31 from 10 emerging markets. All SSPCs were recruited to participate in the study; specifically the representative leader of each SSPC was invited to participate in a survey. The invited participants occupy an official management role in their respective SSPC. Each SSPC is a collection of SSPs that is self-reporting on the survey; as participants, they were responding on behalf of their membership which could have some bias. The survey (see Appendix 1) was initially developed in English, and as some participants were Spanish speaking,

the survey was also translated into Spanish and then translated back to English in order to ensure accuracy. The survey results were combined for the English and Spanish responses.

The survey consisted of questions pertaining to: 1) demographics; 2) FTCBM; 3) factors that drive FTC; 4) TBL; 5) stakeholder management; and 6) the economy. The demographic section of the survey was to gather background information on the participant and their SSPC membership. The questions regarding the FTCBM were to record the SSPC's implementation of the different components of the FTCBM; for example, the utilization of the FTC premiums and to what extent has the SSP's livelihood and well-being have been impacted, and optimally, improved. The participants also responded to questions regarding the factors that drive FTC including family education, democratic decision making, along with training programs. Participants were subsequently asked to rank order the economic, social and environmental benefits received from participating in the FTCBM, and their impact on the SSPC's members. Finally, participants were asked to categorize stakeholder groups either as primary, secondary or neither. Closing questions asked the extent to which the recent global economic downturn affected the SSPCs' members' income and well-being.

The survey contained 34 questions including rating scale questions, descriptive questions, and follow-up questions that were open-ended to gather more detailed data. The survey was developed to be completed by each participant in a 20-30 minute timeframe. At the beginning of the survey, consent was obtained from each respondent to voluntarily participate. If a respondent chose not to take the survey, they were forwarded directly to the end where it was recorded that their decision was not to participate. The survey allowed a participant who started the survey to

stop at any point, and the option to go back to the survey at a later time and complete the remaining questions. Their prior responses were recorded so that they could start at the next unanswered question. The intention of the survey was to collect data to analyze how the FTCBM affects the livelihoods and well-being of the SSPs in developing countries through the lens of the TBL.

3.2 Data Collection and Analysis

The primary source of data was collected from a survey instrument administered to the participants. A common use of survey research is the evaluation of businesses programs with the goal of identifying potential explanations for their successes or failures. Following the introduction letter, an invitation to participate with a link to the survey was emailed to all potential participants during late February and early March 2012. Follow-up requests were sent to all participants that had not completed the survey after one week, then two weeks later and finally three weeks after the initial invitation. Qualtrics.com (<http://www.qualtrics.com>) served as the technology platform. The researcher was able to observe when potential participants had opened the survey but did not complete the survey. It was felt that the slow response rate was due to the length of the survey and the pending busy season. Phase two of the protocol was developed and a modified survey with 8 questions (Appendix 2) was e-mailed to the participants that had not responded in mid-March 2012. Phase two was open to participants for two weeks and proved to be effective in increasing the overall response rate. The data collection stage was then closed and the analysis was performed on the survey results to provide new insights into the FTCBM's mission of reducing global poverty and its effect on the livelihood and well-being of the SSPs in developing countries. All responses were analyzed in aggregate, and then segmented

by geographic regions (Latin America and African/Asian regions) and then at country level. The size of the respondent pool had a significant effect on the type of analyses performed.

4. RESULTS and FINDINGS

Overall the findings suggest that FTCBM has had a positive effect on the livelihood and well-being of the SSPs. ABC Co-op's story began in 1997, when the founder was motivated by his encounter with a Guatemalan coffee co-op on a Habitat for Humanity delegation trip. Inspired with the idea of creating a "First-of-its-Kind Fair Trade Coffee Roaster Co-op," he established a coffee roasting company that would import FTC beans from Central America.

An in-depth interview was performed with the founder of ABC Co-op. Facilitating strong relationships between the SSPs and ABC Co-op members is the founder's top priority. This is accomplished by working with SSPs and RCMs to arrange mutual visits, helping put together capacity building activities, facilitate the flow of FTCBM information in areas of research and knowledge and technological innovation.

The founder's personal commitment is at a very passionate level, he emphasized that the social and environmental aspects of the FTCBM were the driving factors, if not for the FTCBM; he would not have entered the coffee business. The founder has observed during his long-term relationship with the SSPs that "the three most common and important reasons a SSP starts participating in the FTCBM are for better prices, improving their overall lives and farm training. The FTCBM provides stability to the SSPs livelihoods."

4.1 SURVEY ANALYSIS

4.1. a. Demographics

An in-depth survey was distributed to all thirty-one SSPCs that participate with ABC Co-op in the FTCBM. They are located in twelve countries and resulted in an overall response rate of 68%. There was a 100% response rate from seven out of the twelve countries included in this survey. Two of the SSPCs opted out of the survey and eight did not respond at all. Table 7 provides a summary of the responses by country.

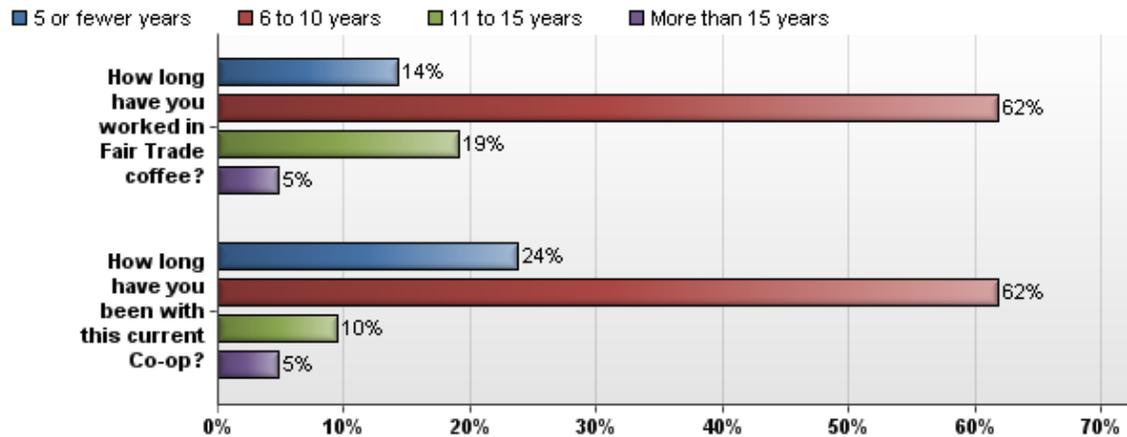
Table 7 – Survey Response Summary

<u>Country</u>	<u>Number of SSPCs</u>	<u>Number of Respondents</u>	<u>Response Rate w/in Country</u>	<u>Overall Response Rate</u>
AMERICAS:				
Bolivia	4	0	0%	0%
Columbia	1	0	0%	0%
Dominican Republic	1	1	100%	3%
El Salvador	2	1	50%	3%
Guatemala	4	4	100%	13%
Honduras	1	1	100%	3%
Mexico	4	3	75%	10%
Nicaragua	5	2	40%	7%
Peru	2	2	100%	7%
AFRICA:				
Ethiopia	2	2	100%	7%
Uganda	1	1	100%	3%
ASIA:				
Sumatra	<u>4</u>	<u>4</u>	<u>100%</u>	<u>13%</u>
Total:	31	21		68%

Long Term Relationship

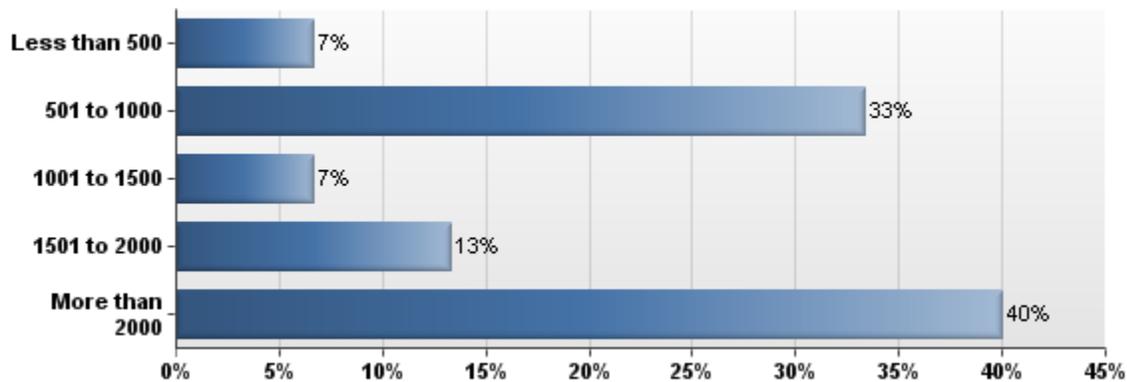
The survey findings are consistent with the ABC Co-op founder's assertion that the two primary stakeholders are the SSPs and RCMs. He emphasized that they are of equal importance; it is a true partnership effort. The respondents stated that 87% of their members have been in their SSPC for six to ten years. The ABC Co-op Founder highlighted that the FTCBM emphasis is upon long term working relationships throughout the supply chain which these demographics support. Eighty-six percent of the respondents have worked in the FTCBM for more than five years; sixty-two percent have been in FTCBM for six to ten years; nineteen percent of the respondents' have had a much longer relationship of eleven to fifteen years; five percent have worked within the FTCBM for more than fifteen years. Moreover, the respondents have had long term relationships with seventy-seven percent reporting they have been with their respective SSPC for more than five years. Additionally, eighty-seven percent of the respondents stated that their members have been in their SSPC for six to ten years. Table 8 illustrates the SSPs length of relationship status within the FTCBM.

Table 8 - Length of Time in FTCB M and Current SSPC



In response to the question regarding size of SSPC, forty percent of SSPCs had more than 2000 members; thirty-three percent had 501-1000 members (see Table 9).

Table 9 - Number of Members in SSPC

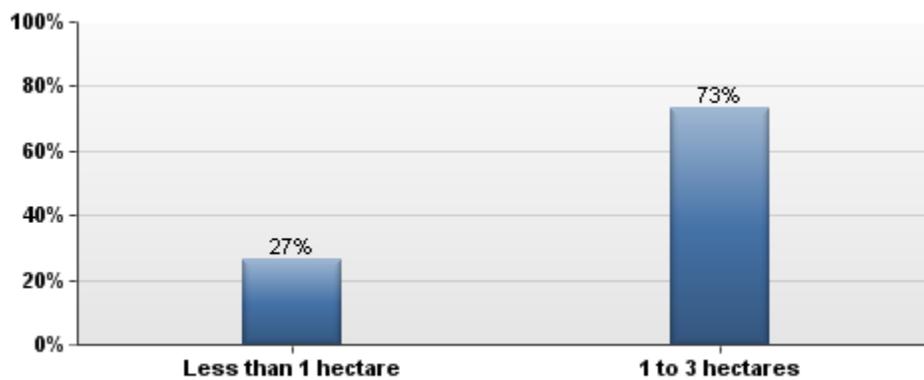


Coffee Farms

Seventy-three percent of the respondents reported that the average coffee farm size ranged from one to three hectares whereas twenty-seven percent of the respondents indicated an average

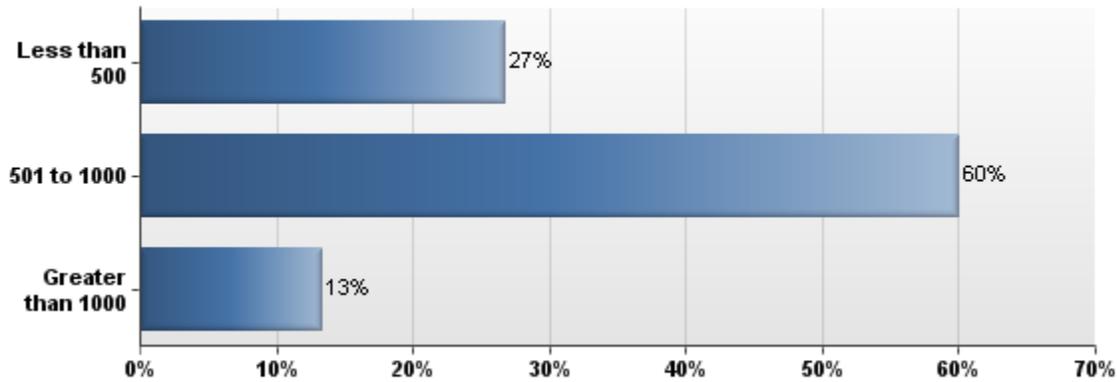
coffee farm size of less than one hectare (2.471 acres) (see Table 11). The ABC Co-op Founder stated “farms that are one to three hectare are the most effective for the FTCBM”. The ABC Co-op founder communicated that the impact of the size of coffee farm affects the capacity (amount of beans to produce), since less than one hectare is not sufficient capacity to elevate the SSP out of poverty. According to the founder, even if all the FTCBM techniques are working effectively, the SSP would remain in a state of poverty. For several years this has been a concern with the FTCBM.

Table 10 - Size of Coffee Farms



The average annual coffee production of 501 to 1000 kilos by SSPC members was noted by 60% of the respondents as depicted on Table 11. The results of the survey revealed that coffee farms the size of one to three hectares produced at least 501-1000 kilos; coffee farms less than one hectare produced less than 500 kilos.

Table 11 – Coffee Production by Kilo



SSPs Participation

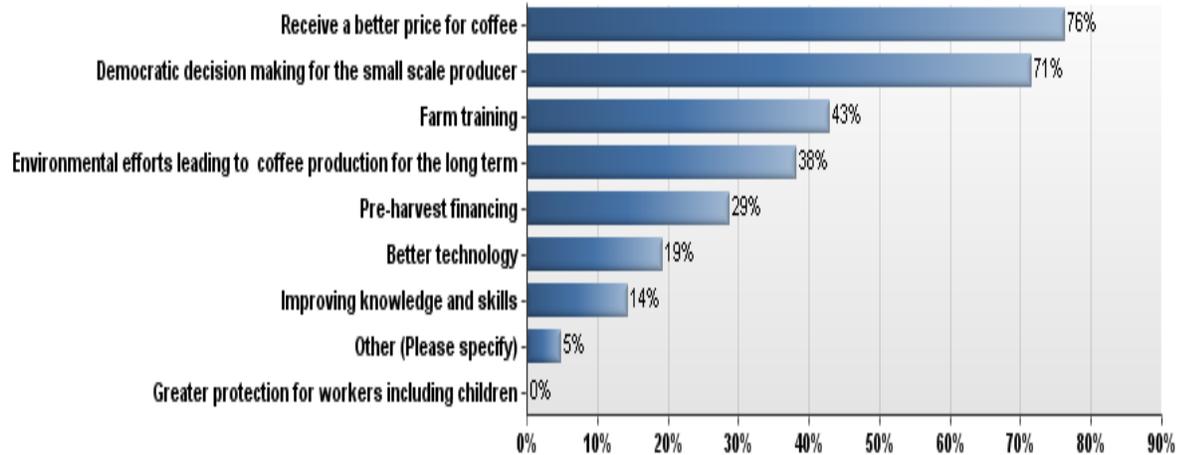
The respondents were asked what motivating factors influenced their decision to become a participant in the FTCBM. The number one motivation why SSPs participate in the FTCBM is to receive a better price for their coffee as indicated by 76% of the respondents. Seventy-one percent of the participants ranked democratic decision making for SSPs as the number two motivation. Farm training was positioned third by 43% of the respondents. Environmental efforts leading to coffee production for the long term was placed fourth by 38% of the respondents. The results of the survey were consistent with the ABC Co-op founder's insight regarding two aspects: that better pricing is the most important reason and farm training is a vital motivation for an SSP to want to participate in the FTCBM. This is reflected in Table 13.

The ABC Co-op Founder remarked that the FTCBM has made the coyotes more competitive in their prices so that they will continue to have an effect on the SSPs participating in the FTCBM. In addition, the ABC Co-op founder stressed that financial literacy is a valuable tool in

developing the SSPs. It is interesting to note that the findings of this question have important implications regarding pre-harvest financing. The limited response rate of 29% could indicate that the SSPs are not familiar or lack financial literacy to understand how these programs work. This study's findings are consistent with Murray, et al., (2006), who noted that the SSPC leadership neglects to inform their SSPs regarding the available pre-harvest financing programs that are a long-term benefit of membership in the SSPC.

A leading principle of the FTCBM is having the SSPs participate in a democratic decision making organization. The ABC Co-op founder discussed that the infrastructure of the democratic decision making processes utilized by the FTCBM have had reaching effects throughout the developing countries. He emphasized that this demonstrates the empowerment of the SPPs by giving them collaborative leadership skills along with an infrastructure organizational skills, thus enabling them to use these skills in their communities and other business activities.

Table 12 - Why SSPs Initially Participate in the FTCBM



4.1. b. Coffee Production

Quality Control

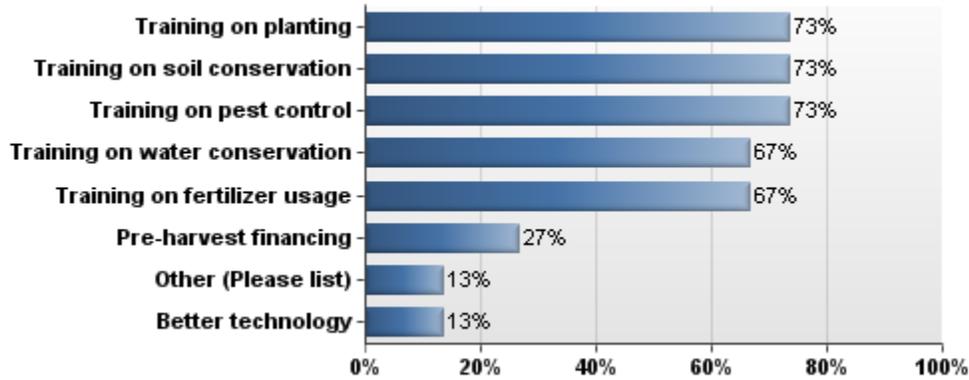
One of the main objectives of the FTCBM is for the SSPs to have access to farm related training programs. Farm training is the third most important reason SSPs participate in the FTCBM from the survey results. When asked in the survey what programs have improved the coffee yield per hectare, seventy-three percent responded training on planting, soil conservation and pest control. Sixty-seven percent of the respondents said training on water conservation and fertilizer usage most improved their coffee yield per hectare. See Table 13 below.

One of the key motivational factors for SSPs to become a member of the FTCBM is the farm training provided by the SSPCs including quality control techniques and practices. The SSPCs responses are consistent with the perceptions of the ABC Co-op founder who stated that “quality control training and implementation are key factors when educating SSPs about the coffee they

produce.” The larger SSPCs have full time quality control technicians on staff that visits their memberships coffee farms and train the SSPs in addition to training seminars at SSPCs offices. The smaller SSPCs that do not have the financial resources utilize training consultants on an as need basis to perform the training services for their SSPCs. RCMs will occasionally provide supplemental training during on-site visits. Quality control training emphasizes fertilizer, planting, water conservation and land usages. The old phrase, don’t give a hungry person a fish to eat, teach them how to fish - is often heard throughout the FTCBM. Quality control training to increase production and the quality of the FTC bean has been an over-riding effort between the SSPCs and the RCMs.

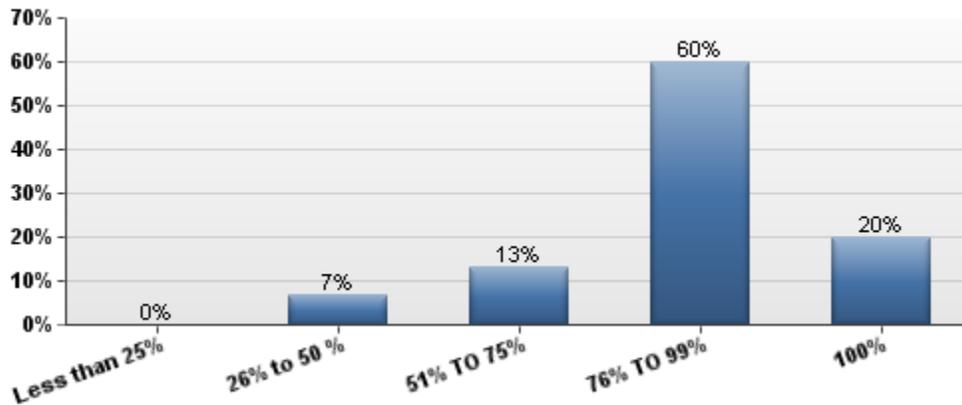
Sixty percent of the SSPs responding indicated that there had been a moderate increase in the hectare yield since becoming a member of the respondent’s SSPC (see Table 15). A significant increase in yield per hectare was noted by twenty-seven percent of the respondents. This can be interpreted as encouraging by the SSP’s, however; the results should be utilized to re-evaluate the training programs to strive towards increasing the yield per hectare. According to the ABC Co-op Founder, FTC produces a better quality of coffee due to additional quality control of the beans. The founder highlighted that some critics say an aid portion (the FTC premium) is the reason for the higher prices paid to the SSP. The founder stressed that this is only because the critics of the FTCBM do not understand the workings of the FTCBM quality controls of the beans.

Table 13 - Quality Control Training Programs



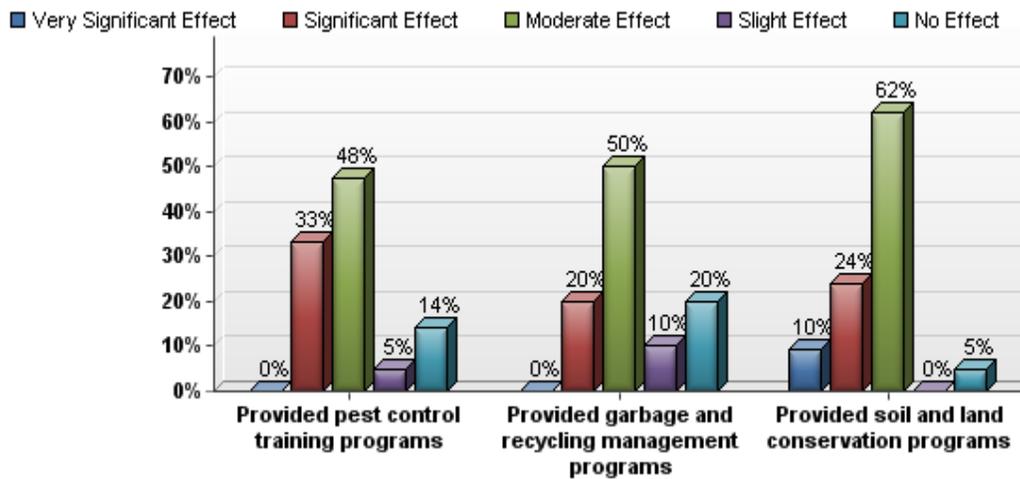
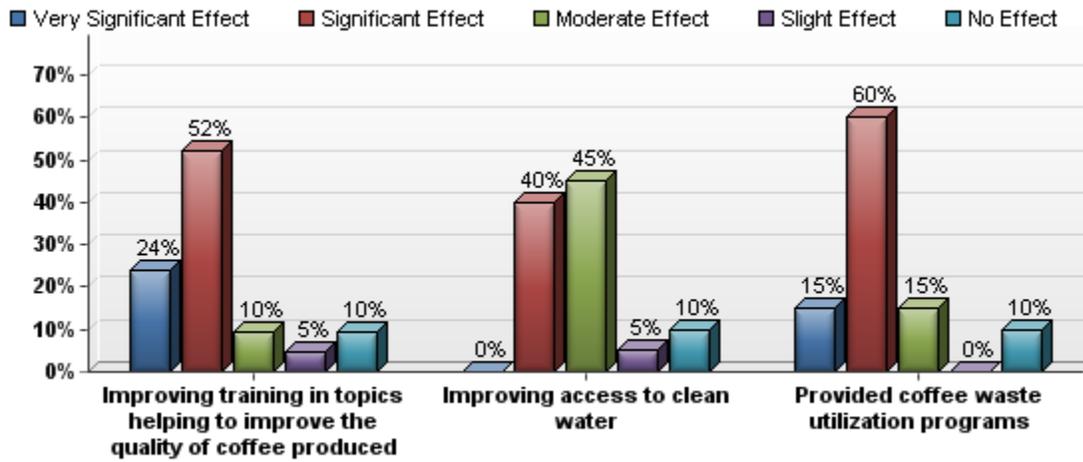
A focal point of the FTCBM and its quality control efforts are to produce the highest amount of qualified FTC among its SSPs. The results indicated that sixty percent of the SSPs disclosed that 76-99% of the coffee produced by their members qualifies as FTC; twenty percent of the respondents stated 100% of the coffee produced by their members qualifies as FTC (See Table 14). FTCBM does not guarantee that producers will be able to sell all of their coffee produced as FTC certified thus impacting the benefits to the SSPs, their families and communities. It is imperative that the SSP continues to grow quality coffee at a high level to be certified as FTC, the potential consequence would be risking their membership in the SSPC. This is one of the main reasons the FTCBM focuses on FT quality control training.

Table 14 – Coffee Production That Qualifies as FTC



There were clear indicators that the FTC premiums paid for coffee contributed to expand training to improve the quality of coffee produced and to improving access to clean water and coffee waste utilization programs as described in Table 15. All three programs have had positive effects on the SSPs; however, these programs are not being fully achieved as illustrated merely by a moderate response rate by the participants. It is interesting to note that the results for programs providing pest control training, garbage and recycling management, along with soil and land conservation from the FTC premiums paid, all indicated positive results. Though there are positive outcomes regarding the above noted programs, in order to progress a continued effort to strengthen their overall effectiveness within the FTCCBM is essential.

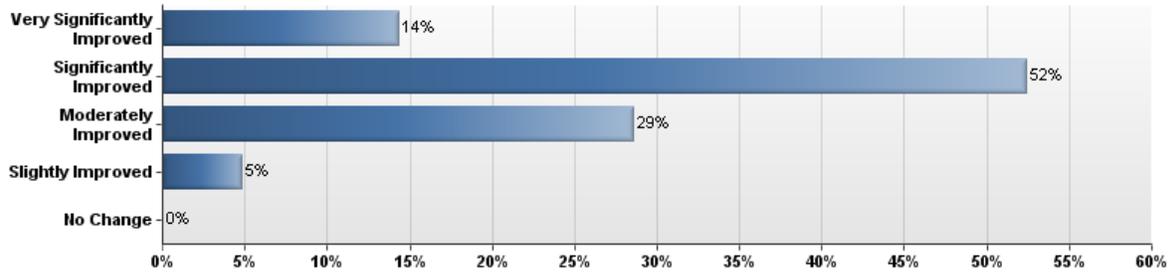
Table 15 – Farm Training Programs



4.1. c. SSPs Livelihoods

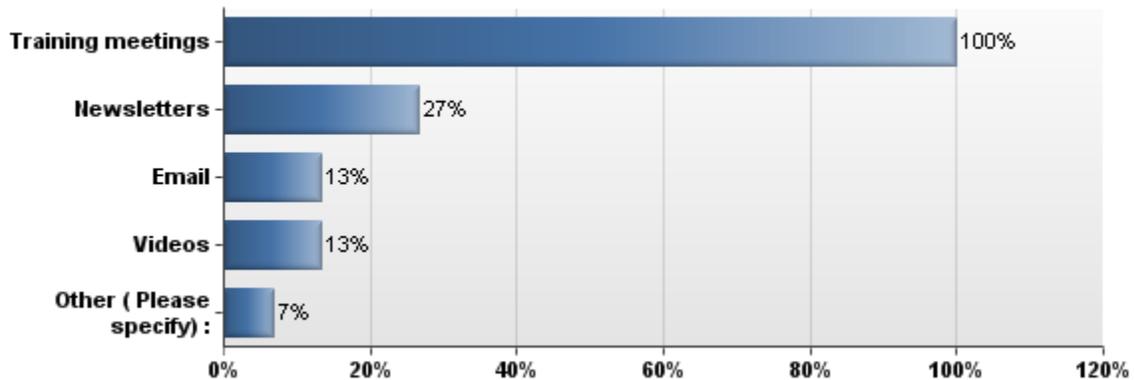
After becoming members of an SSPC, the findings suggest that the SSPs have fourteen percent very significantly improved and fifty-two percent significantly improved their livelihood and well-being as depicted in Table 16. The next several sections will show the results of the FTC education programs, the SSP family educational programs, and health education programs of the FTCBM that work towards improving the livelihood and well-being of the SSP's.

Table 16 – Improving the Livelihood When Becoming a SSPC Member



A central element of the principles of the FTCBM is to educate and train the SSP's in FTC. The survey findings indicate that the SSP's are educated about FTC in training meetings (100%) and to a much lesser extent by newsletters, emails and videos. The ABC Co-op Founder stressed that "training has improved the quality of life for the SSPs through community projects tied into democratic organizations and the use of leadership skills." The results of the survey are comparable with the founder's comments regarding the effectiveness of the FTC education programs as portrayed in Table 17.

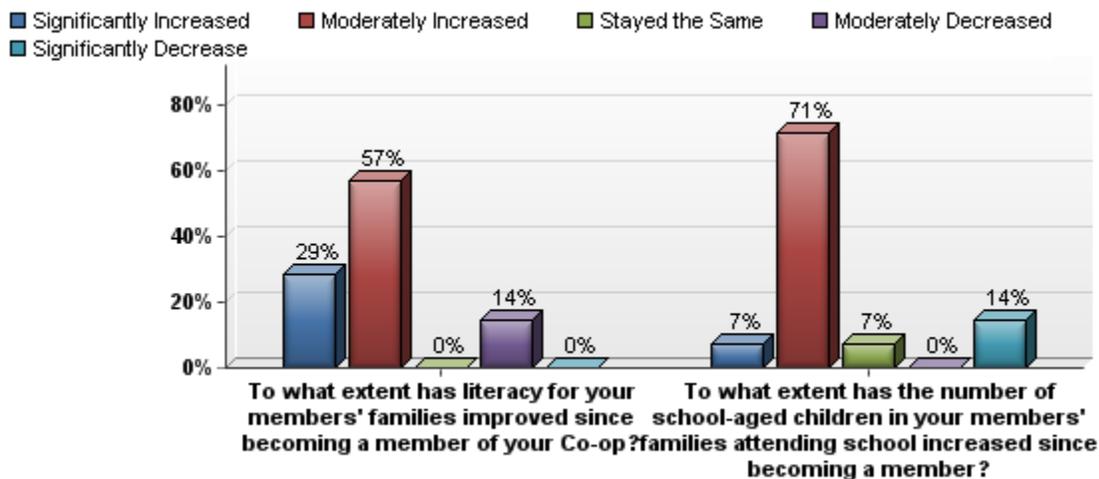
Table 17 - FTC Educational Programs



Focusing on educational programs for the SSP family is a vital constituent of the FTCBM principles. The programs at the center of attention are to reduce illiteracy and to increase the

number of SSPs' school-aged family members attending school. The findings in Table 18 indicate there has been a positive effect on literacy and school attendance for school-aged SSP family members; however, there could be improvement to further increase the SSPs members' family education. The FTC premiums in the future could be applied, depending on the SSPs members' needs, toward building, additions to, or repair of educational facilities, providing tutors, full time teachers, or learning tools such as books and computers.

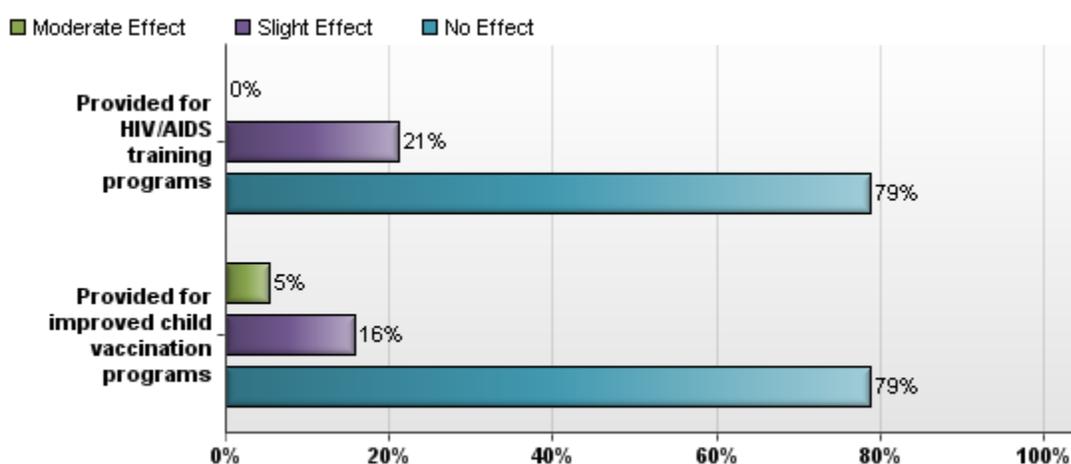
Table 18 - SSP Family Educational Benefits



The following findings show that the FTC premiums paid for coffee have been used minimally for HIV/AIDS training programs and improving programs for child vaccination. See Table 19 below. These results are quite disturbing as both of these preventive health programs are so critical to the improvement of the livelihood and well-being of the SSP's. The ABC Co-op Founder shared that the FTCBM works with many local community organizations to develop construction of clinics, hospitals, and schools; at times, the extent of funds available allows for efforts only towards additions to these locations. There appears to be a disconnect between the survey findings that there is a minimal impact by preventative health care programs and the

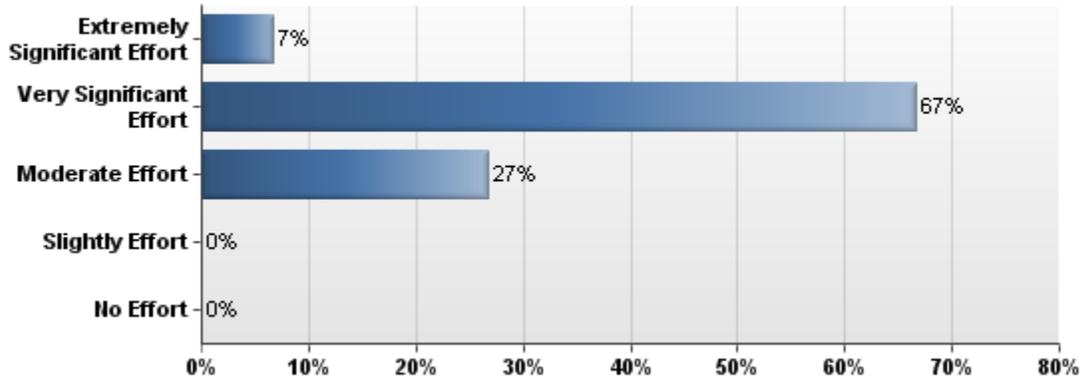
founder’s comments that the FTCBM have developed health care facilities. Further research is warranted into the causes of why preventative health care programs are not having a greater effect on the SSPs quality of life. Emphasis has been placed on medical facility infrastructure and substantially less on preventative programs. A potential action could be to have the SSPs offer a children’s vaccination day periodically or HIV/AIDS training at monthly meetings.

Table 19 - Health Care Education Programs



All respondents claimed an effort was made by their SSPC to improve their members’ quality of life. A very significant effort by the SSPCs to improve their members’ quality of life was reported by sixty-seven percent of the respondents as demonstrated on Table 20. The ABC Co-op Founder noted that “we work together with the SSPs as they are much more than suppliers of product. We work to help them to a better life but, they must work at their end also”. Gathering on a routine basis, the founder visits the coffee farms to discuss issues and concerns with the SSPs. There are annual and semi-annual conferences whereby the SSPs and RCMs have an opportunity to communicate their successes and challenges.

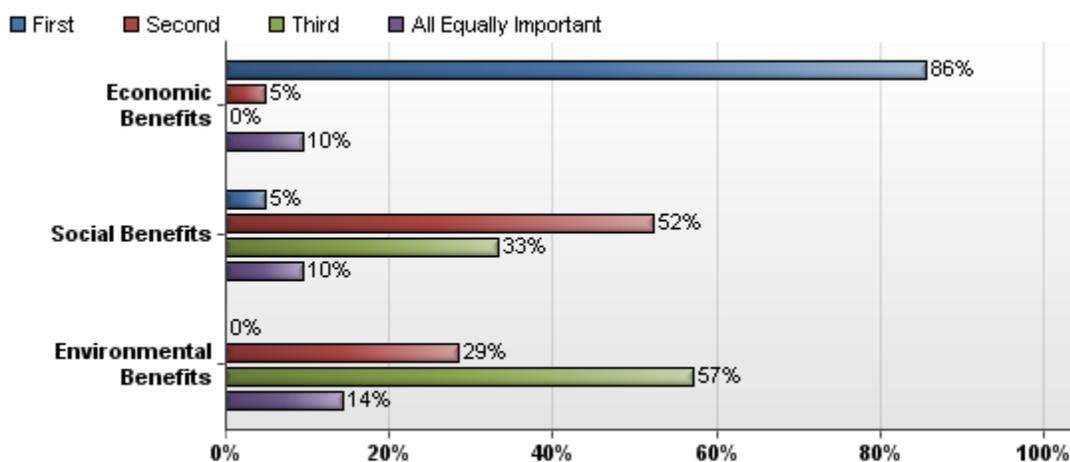
Table 20- SSPCs Effort To Improve SSPs Quality of Life



4.1. d. The Triple Bottom Line Framework

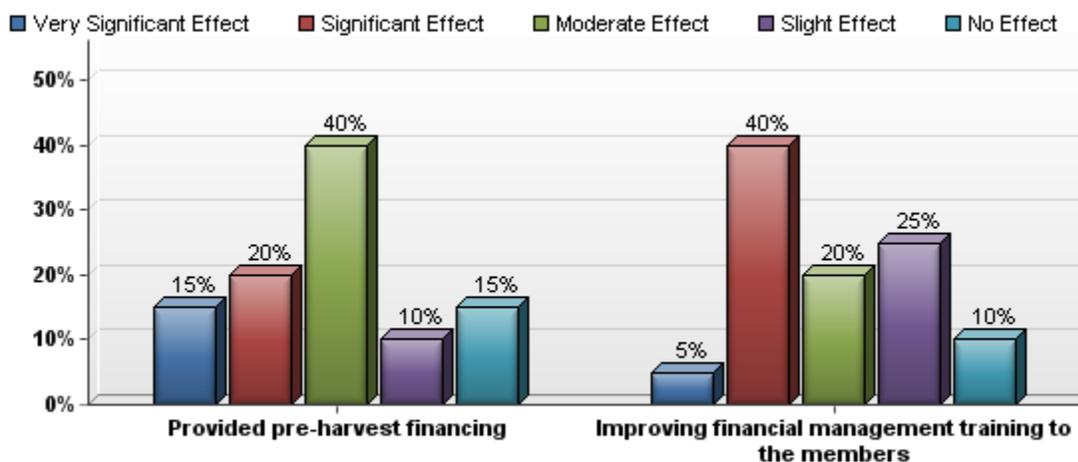
As noted above, the triple bottom line framework is embedded in the FTCBM mission. The results of the FTCBM are evaluated in economic, social and environmental aspects. The SSPs participating reported that the most important reason for participating in FTCBM was the economic benefits at 86%; the second highest response was that all three (economic-social-environmental) were equally important at 9%; placing third was social benefits at 5%; lastly, there were no responses for environmental benefits as the most important. Respondents' rankings are in Table 21. This TBL framework results are consistent with the economic benefits of receiving a better price for the coffee produced, pre-harvest financing and financial literacy training. The Founder of ABC Co-op commented that the triple bottom line begins with the economics of the FTCBM. Foremost, economic viability must be present in order for the equally important social and environmental aspects of the FTCBM to be effectual. The survey findings paralleled with the founder's comments regarding the TBL framework.

Table 21 - TBL Framework Ranking of Importance



Two of the economic programs of the FTCBM are shown below in Table 22. The results of the survey show the FTC premiums paid for coffee have only mixed results in providing pre-harvest financing programs as well as training on financial management. This can be interpreted that main principles of the FTCBM have not been consistently effective in these programs. It may be that pre-harvest financing is not visible at the SSPC level or a lack of understanding of the program concepts by the SSPs.

Table 22 – Financial Training Programs



FTCBM Success

All surveyed respondents (100%) stated that the FTCBM has been successful. The respondents' highlighted the principles of FTCBM that have influenced their experiences specifying the improvement of income and better SSP prices, quality control and technical assistance of coffee production, direct long-term business relationships along with empowerment of the SSP. The availability of pre-harvest financing and improvements to democratic decision making infrastructure were designated as well. The overall findings show positive results that the FTCBM has had success, although there are aspects of the FTCBM that could be more effective in the SSPs livelihood and well-being. Parallel analyses were conducted at the country level.

4.2. DISCUSSION BY COUNTRY

4.2. a. LATIN AMERICA

Dominican Republic

In the Dominican Republic, the most important reasons SSPs become members of the FTCBM are to receive a better price for coffee, participation in a democratic decision making organization and farm training. A Dominican Republic respondent stated that being part of a FTCBM organization “allows for improvements to family, environment and community.”

The survey results for the FTCBM programs that have improved the coffee yield per hectare are training for soil preservation, with organic fertilization and biological pest control methods along with better technology. Training meetings and workshops for socialization and delivery of support materials were cited by a Dominican Republic respondent as ways the SSPC educates its members. A respondent from the Dominican Republic stated that “with the fair trade initiative, the small producer has an ally that guarantees a price, as well as a social premium that which

they can support the education of their sons and daughters, plans of community health and infrastructure, as well as establish a long-term relationship with their buyers.”

The findings noted that the coffee production in the Dominican Republic was the country that had the lowest certified FTC produced at 26-50%. As a result of the November 2011 earthquake that devastated the Dominican Republic along with the recent global economic downturn, the coffee industry is in a rebuilding phase which has impacted the quality of coffee produced and the SSPs income.

El Salvador

The two motivating factors for becoming part of the FTCBM are democratic decision making and better pricing for their coffee produced. Coffee production training programs regarding planting and water conservation are extremely important as the yield per hectare has increased since becoming part of the FTCBM per the survey results. The survey results indicate that 76-99% of the coffee production qualifies for certified FTC.

Guatemala

Democratic decision making and better prices are the two main motivations why SSPs join the FTCBM in Guatemala per the respondents. The findings denote a very significant effect on improved training on the quality of coffee produced and better technology. A Guatemalan respondent commented that “Texture and pruning management training in old coffee farms” was part of the SSPCs training to improve the quality of coffee produced. Training that provides coffee waste utilization and programs improving access to clean water had significant effects in Guatemala per the survey results. The respondents cited that pre-harvest financing programs aided in improving productivity and the SSP’s income.

Honduras

The motivating factors that SSPs in Honduras have become members of the FTCBM are the environmental efforts towards coffee production for the long term, along with better technology and farm training. In 1998, following Hurricane Mitch, the infrastructure of Honduras along with its coffee industry was eradicated. This created an opportunity for FTCBM to assist in re-inventing the Honduran coffee industry. The FTCBM has been successful in Honduras according to a respondent, noting that the FTCBM has increased producer prices along with learning to use all of the left over coffee pulp for composting. A Honduran respondent claimed that “after the hurricane of 1998 we have restarted the coffee industry.” FTCBM seized the opportunity to assist in the rebuilding of the Honduran coffee trade.

The contributions of the FT premium paid for coffee by the Honduran SSPs were utilized in a very significant effect on providing coffee waste utilization program. It also had a significant effect upon improving training regarding 1) the quality of coffee produced; 2) pest control; 3) chemical consumption; 4) garbage recycling; and 5) electricity projects.

Mexico

Respondents from Mexico stated that their motivations for participating in the FTCBM are first, democratic decision making, secondly, environmental efforts leading to coffee production for the long term and, last, to receive a better price for the coffee produced. The FT premiums paid for the coffee produced by the SSPs had a very significant effect on the land and soil conservation programs, additionally; it had a significant effect contributing to pest control training programs. A Mexican respondent commented on the success of the FTCBM in that it allows for the acquisition of better transportation systems and the opportunity to build necessary warehouses.

The findings indicate a significant decrease in the number of school-aged children in the SSPCs families since becoming members of the SSPC. This can be interpreted that the SSPs families may be resorting to have their school-aged children assist them on their coffee farms out of necessity which could be perceived as part of the proliferation of child labor in Mexico. It is possible that the reduced birth rate over the past decade is beginning to show its impact as there has been a steady decline from year 2000 to 2011 of approximately 20% (CIA World Fact Book, <http://www.indexmundi.com>).

Nicaragua

Democratic decision making, better prices for the coffee produced, farm training and environmental efforts leading to coffee production for the long-term are the motivating factors why SSPs participate in the FTCBM in Nicaragua. A Nicaraguan respondent stated that the FTCBM is successful due to technology assistance and quality control of the beans produced. Another respondent noted that the improvement in producer prices has improved work in the community.

Peru

In Peru, the motivation for the SPPs to participate in the FTCBM is farm training, receiving a better price for the coffee produced, and better technology. A Peruvian respondent stated that FTCBM empowers organizations and that a huge difference in our lives is that now our children can actually go to school, our coffee is being recognized in the market for the quality we produce, and our members can be proud again to be farmers. Another Peruvian respondent remarked that the FTCBM has been successful in education efforts and gender equality giving a better life to the producer families, working with all women over the age of thirty in their community to get medical examinations to detect diseases. The Founder of ABC Co-op

discussed that a SSPC in Peru has a growing women's loan fund with women SSPs participating, borrowing small sums from the fund for infrastructure improvement, small business ventures or emergency needs. He added there is even a Women's Development Committee that works to benefit the female membership.

No responses to the survey were obtained from Bolivia or Columbia.

4.2.b. AFRICA and ASIA

Ethiopia

Although Ethiopia is one of the poorest countries in the world, it is known as the birthplace of coffee, with over fifteen million Ethiopian households dependent on coffee for income. More than ninety-five percent of the Ethiopian coffee produced is by SSPs (Mayne et al., 2002). In 2002, a generational opportunity for Ethiopian SSPs came when the government changed its rules and allowed SSPCs to sell their coffee directly to importers such as ABC Co-op.

Unanimously, the Ethiopian respondents' motivations for SSPs participating in the FTCBM are democratic decision making along with receiving a better price for their coffee. It was agreed by all respondents that within the last year a very significant effort has been made on improving the quality of the SSPs lives. In addition, all respondents noted that the contributions of FT premiums paid for the coffee produced by the SSPs had a significant effect on improving training in the quality of coffee produced. An Ethiopian respondent remarked that the FTCBM has improved the lives of many poor SSP families in regards to increased price, better health, and education.

Uganda

The motivations for the Ugandan SSPs participating in the FTCBM are equally weighted between receiving a better price for coffee, being associated with a democratic decision making organization and farm training. The survey findings indicate that SSPs members are educated in coffee production through training meetings on fertilizer usage, planting and water conservation which lead to improve the coffee yield per hectare. The FT premiums paid for coffee that has contributed in a significant effect in improving training on the quality of coffee produced. The SSPs have placed a significant effort on improving the SSPs quality of life in the last year per the survey results. A Ugandan respondent stated that FTCBM has been successful by having a higher price paid for the coffee produced.

Sumatra

Sumatra is renowned as the largest producer of Arabica coffee in Southeast Asia. The motivating factors that SSPs participate in the FTCBM is that they receive a better price for the coffee, pre-harvest financing and being a member of a democratic decision making organization. Since becoming members of the FTCBM the coffee yield per hectare has increased significantly per the survey results. The FT premium paid for coffee had a very significant effect in providing pre-harvesting financing per the survey findings. A Sumatran respondent noted that before the FTBCM there was no financing available for SSPs. The FT premiums paid for coffee had a significant effect in improving financial management training to its members, coffee waste utilization programs and developing training to advance the quality of coffee produced. The next section compares the distinctive results of the Latin American and African/Asian regions.

4.3 Regional Comparison - Latin America and Africa/Asia

When comparing the Latin American region with the African/Asia region, the findings showed comparable diversity in SSPC membership size and the average length of time as members of their SSPCs. The sizes of coffee farms are different as Latin America has a noteworthy portion of less than one hectare farms; African/Asian respondents do not have any farms less than one hectare.

The findings were consistent between the two regions in that the number one motivation for a SSP to participate in the FTCBM is that they receive a better price for their coffee produced; democratic decision making was the second motivating factor. However, the third most important factor was different whereas in the Latin American region the environmental efforts leading to long term coffee production was third and farm training as third in the African/Asian region. Unanimously, the African/Asian region categorized the economic benefits as the most important aspect of the TBL framework for participating in the FTCBM. In the Latin American region the Dominican Republic and Mexico deviated in ranking economic benefits as the leading aspect of the TBL framework for participating in the FTCBM. Due to the devastation of the November 2011 earthquake, social benefits such as hospitals, schools and infrastructure continue to be re-built, thus the survey findings reflected that social benefits were placed first in the Dominican Republic. In Mexico, there was divergence amongst the respondents; the most common responses equally ranked economic, social and environmental benefits as the most important aspect of the TBL framework for participating in the FTCBM.

The FTCBM has developed several programs to improve the coffee yield per hectare. In both regions respondents sixty-seven percent stated water conservation programs are used to improve

the coffee yield per hectare. The African/Asian region put a much stronger emphasis on training regarding fertilizers, pest control and planting to improve the coffee yield per hectare. It can be inferred that the FTCBM programs to improve the coffee yield per hectare are more applied in the African/Asian region. The FT premium paid for coffee contributed in a consistent positive manner throughout both regions regarding training programs: 1) to improve the quality of the coffee produced; 2) pest control; 3) garbage and recycling management programs; and 4) coffee waste utilization. Overall, both regions were severely weak in their training programs regarding preventative health; the African/Asian region noted a slight effect versus a more widely reported no effect from their Latin American counterparts.

One hundred percent of the respondents from the African/Asian region stated that at least seventy-six percent of their coffee qualifies as FTC; whereas, only sixty-six percent of the Latin American region respondents assert that at least 76% of the coffee produced qualifies as FTC. This is an indication that the quality control programs are successful to a much greater extent in the African/Asian region.

In this comparison there were mixed results regarding the survey responses for the FT premium paid for coffee contributing to training programs for pre-harvest financing, financial management training and clean water programs. According to the survey findings, FT premiums paid for coffee to provide pre-harvest financing was not utilized by all respondents in the Latin American region; whereas, all respondents in the African/Asian region signified that this program was employed. The financial management training programs in the African/Asian region has a more significant effect than in the Latin American region per the survey responses. The survey

participants from the African/Asian region had a more positive response concerning clean water training programs than the Latin American region.

The findings indicate overall that the number of school-aged children in the SSPCs families increased since becoming members of the SSPC. However, according to respondents in the Latin American region, there were mixed results with some respondents even indicating a significant decrease in the number of school-aged children attending school from the SSPCs families. This can be interpreted possibly due to an increase in coffee production since becoming participants in the FTCBM that the SSPCs families are utilizing their school-aged children to assist on their coffee farms.

The results of the comparison of the Latin American and African/Asian region proved to show positive effects of the FTCBM on the livelihood and well-being of the SSPs in both regions. From the comparison, it suggests that the African/Asian region has demonstrated more effective application of the principles of the FTCBM.

5. CONCLUSION

This study was designed to research how the FTCBM affects the livelihood and well-being of the SSPs. The study's conclusion finds that the FTCBM has a positive effect on the livelihood and well-being of the SSPs, although there are still challenges that lie ahead to continue efforts to reduce global poverty.

An overarching finding in this study confirmed that the motivations for the SSPs to participate in the FTCBM are receiving a better price for coffee produced by the SSP, democratic decision making and farm training. A seminal finding of this study suggests that the FTCBM has proven

to be a sound contributor as a sustainable income-generating alternative market strategy and combines socio-economic stability to the SSPs. The FTCBM has contributed to: 1) a better price to the SSP for coffee grown; 2) the quality of the coffee produced; 3) long-term business relationships; and 4) democratic decision making. The question of the effect of the livelihood and well-being of the SSPs is rather complex and cannot be confined to questions of the price paid for their coffee produced. The stability that a guaranteed price, long-term contracts and the availability of credit bring to the SSPs enables them to focus their efforts on producing quality coffee and their family.

The FTCBM provides the SSP a better price for the coffee produced than the conventional coffee exporters. However, the average volume of coffee sold by the SSPs is low, and many SSPs are not able to certify their entire production at FTC certified prices. The amount of coffee produced on a SSP coffee farm could be below the capacity required to move the SSP out of the depths of poverty. There are challenges ahead to the FTCBM to become more effective for the SSPs. FTCBM was developed to support the SSPs, however, mainstreaming, the inclusion of large plantation producers has the potential to undermine the original mission. These two diverse sized coffee producers need to find a co-existence where they can both be successful in regard to their interests in FTC.

Theoretically, economic stability is seen as a good place for a SSP. This stability could give SSPs some time to search for alternative or complementary income sources to coffee production. This analysis suggests that the FTCBM is a commendable but limited solution to global poverty. To claim that the FTCBM lifts all SSPs out of poverty is an overstatement. The ABC Co-op

founder stated that “the FTCBM is working as there are positive results to reduce global poverty, but this is only one of many tools along with FT tea, cocoa and crafts.”

The FTCBM encourages long-term business relationships throughout the supply chain which the survey results clearly indicate. The results specify that seventy-seven percent of the respondents have been with their respective SSPC for more than five years and eighty-seven percent of their membership has been with their SSPC for six to ten years. See Table 9. Since 1997, the ABC Co-op founder’s top priority has been developing long-term effective relationships with the SSPs and RCMs.

One of the crucial principles of the FTCBM is that it provides a democratic decision making organization for SSPs to be a member. This empowerment of the SSP by giving them leadership and infrastructure of organizational skills enables them to use these skills in their villages and communities and other business activities. According to the ABC Co-op founder, the strengths of the FTCBM are the resounding acceptance of the democratic decision making system. He believes that the infrastructure of the democratic decision making processes utilized by the FTCBM have had far reaching effects throughout the developing countries. The founder asserted that the key is increased leadership and infrastructure for long term success. From humble beginnings as an SSP to the ranks of SSPC executive, many individuals have developed their leadership skills through organizational leadership programs provided by the FTCBM.

One of the advantages of the FTCBM is that SSPs are part of a democratically organized SSPC, which determines how the funds from the FT premiums paid for the coffee will be spent within the community. The SSPCs work on public projects in the community improves the social segment of the SSPs lives. If the FT premium was kept for personal use the SSP and their

family may be able to use the additional price paid for their coffee for a more current family need but the FTCBM embeds the long-term framework aspects of the SSP livelihood. A note of caution as this application of the funds could cause controversy if the FTCBM principles are not properly communicated to the SSP when initially becoming a member of the SSPC.

The ABC Co-op Founder expressed that after over a decade of efforts in the FTCBM, there are still key challenges including continued efforts to reduce global poverty, empowerment of the SSP, coffee waste utilization and clean water projects. Although it is frustrating at times, he believes that the FTCBM is working in a positive direction. He thought that more good should have happened in the past decade, as there are not as many visual results on the ground as he had hoped. Although he understands that it takes time to build an alternative system of trade, he believes that improvements are slower than anticipated because of the global reach of the FTCBM and limitations in developing countries. FTCBM is involved with diverse stakeholders from varying cultures and educational backgrounds throughout the globe. SSPs generally identify with their local SSPC and community; few see themselves as part of the global FTCBM.

What lies ahead for the FTCBM? The FTCBM is a promising global initiative to improve the livelihood and well-being of the SSP's in developing countries, but the system may require some re-designing. The study's finding saw that preventative health care program have not been as effective as anticipated. In addition, the training programs to provide pre-harvest financing could be utilized much more effectively. Disseminating FTCBM research studies such as this one to the RCMs and SSPCs could create a wakeup call to evaluate or redesign critical portions of the FTCBM.

5.1 Expected Contribution

5.1.a. Research

A significant outcome of this study is to create a Center for FTC in conjunction with ABC Co-op at a local university's School of Business to perform on-going FTC research. The center's initial focus will be concentrated on establishing a quarterly international FTC newsletter. This center will be located in southwest Georgia and coordinate its research with other universities who have a similar interest in FTC research.

5.1.b. Practice

This study's results will assist ABC Co-op by continuing to evaluate the effectiveness of the FTCCBM on the SSPs livelihood and well-being. ABC Co-op's objective is to identify current practices within the FTCCBM with the potential benefit of strengthening their effectiveness.

5.2 Limitations

As with any study, there are limitations. In this study there was only one FTCC who supplied their SSPCs to participate. The methodology of performing in-depth interviews directly with the participants rather than a survey could have resulted in richer data and a deeper understanding of the domain. The participants were not answering the survey questions from a personal perspective but were asked to respond on the collective benefit of the FTCCBM to its membership. Some participants are also members of the SSPC and a SSP, or a former SSP, so they would have first-hand knowledge from the SSP perspective as well as the SSPC to respond to the questions. It was not possible to perform in-depth interviews with the participants due to their growing and harvesting season responsibilities.

5.3 Future Research

Opportunities exist to extend this study to achieve a deeper understanding of the FTCBM and its effect on the SSP's livelihood and well-being. Performing in-depth field studies in conjunction with surveys to obtain a larger data set would provide a more comprehensive understanding of the FTCBM and its effect on the SSP's livelihood and well-being. Additionally, a systematic evaluation of the FTCBM supply chain would serve to isolate bottlenecks and identify opportunities for improvement. The results in this study found that training programs to have a positive impact. More research is warranted to ascertain which types of training might be most effective at improving the livelihood and well-being of the SSPs, including but not limited to quality control processes to improve coffee quality, financial literacy of the SSPs, and means to enhance production capacity. Finally, there are governmental, educational and medical organizations in locations where the FTCBM is being practiced that have adopted the organizational methods of the FTCBM (ABC Co-op Founder Interview April 2, 2012). This extension of the FTCBM and its organizational methods into these other areas suggests that the FTCBM's impact may go well beyond fair-trade coffee. Deeper analysis, particularly field studies, would provide greater understanding into how the model can be used in other ways to effect greater change for the local communities, and ultimately achieve its highest goal, the reduction of global poverty.

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APPENDIX

Appendix 1

The following is a copy of the phase one online survey that participants responded to.

Respondents were invited to participate in this survey through e-mails. A web link was provided for individuals to directly access the survey, which was conducted through Qualtrics.com.

Fair Trade Coffee Survey

If you agree to participate in this research, please click the yes button below.

- Yes, I agree to participate in the survey (1)
- No, I do not want to participate in the survey (2)

The following three questions are about yourself. Please go to the next question.

Q1 Please select your responses to these questions from the following choices :

5 or fewer years (1) 6 to 10 years (2) 11 to 15 years (3) More than 15 years (4)

How long have you worked in the coffee industry?

(1)

How long have you worked in Fair Trade coffee?

(2)

How long have you been with this current Co-op?

(3)

Q2 What is your current title at the Co-op?

- CEO (1)
- CFO (2)
- Administrator (3)
- Executive Director (4)
- Other (5) _____

Q3 What position did you hold before your current position at the Co-op?

- Small scale producer (1)
- Same position at another coffee Co-op (2)
- Same position in another non- coffee food Co-op (3)
- Different position in the same Co-op (4)
- Other (5) _____

The following set of questions are about your Co-op. Please go to the next question.

Q4 How many members are in your Co-op?

- Less than 500 (1)
- 501 to 1000 (2)
- 1001 to 1500 (3)
- 1501 to 2000 (4)
- More than 2000 (5)

Q5 How long on average have your members been with your Co-op?

- 5 or fewer years (1)
- 6 to 10 years (2)
- 11 to 15 years (3)
- More than 15 years (4)

Q6 What is the average size of a coffee farm of your Co-op ?

- Less than 1 hectare (1)
- 1 to 3 hectares (2)
- Greater than 3 hectares (3)

Q7 What is the average annual coffee production on a Co-op members coffee farm? (In kilos)

- Less than 500 (1)
- 501 to 1000 (2)
- Greater than 1000 (3)

Q8 From the list below please check the three (3) most important reasons small scale producers become members of your Co-op.

- Environmental efforts leading to coffee production for the long term (1)
- Democratic decision making for the small scale producer (2)
- Improving knowledge and skills (3)
- Better technology (4)
- Greater protection for workers including children (5)
- Receive a better price for coffee (6)
- Farm training (7)
- Pre-harvest financing (8)
- Other (Please specify) (9) _____

Q9 How does the Co-op educate your members about Fair Trade Coffee? Please check all that apply.

- Training meetings (1)
- Email (2)
- Newsletters (3)
- Videos (4)
- Phone calls (5)
- Other (Please specify) : (6) _____
- Does not currently have any education programs on Fair Trade Coffee (7)

Q10 About what percentage of coffee produced by your members qualifies as certified Fair Trade Coffee? Please check best answer.

- Less than 25% (1)
- 26% to 50 % (2)
- 51% TO 75% (3)
- 76% TO 99% (4)
- 100% (5)

Q11 How important to your members, are the coffee production training programs to improving their coffee production?

- Extremely important (1)
- Very Important (2)
- Moderately Important (3)
- Slightly Important (4)
- Not at all Important (5)

Q12 To what extent has your members' coffee yield per hectare increased since being a part of your Co-op?

- Significant Increase (1) _____
- Moderate Increase (2) _____
- No Change (3) _____
- Slight Decrease (4) _____
- Significant Decrease (5) _____

Q13 What programs have improved the coffee yield per hectare? Please check all that apply.

- Training on fertilizer usage (1)
- Training on pest control (2)
- Training on planting (3)
- Training on soil conservation (4)
- Training on water conservation (5)
- Better technology (6)
- Pre-harvest financing (7)

Q14 Within the last year, how much effort has the Co-op placed on improving the members quality of life?

- Extremely Significant Effort (1)
- Very Significant Effort (2)
- Moderate Effort (3)
- Slightly Effort (4)
- No Effort (5)

Q15 What methods have the Co-op used to improve your members' quality of life? Please check all that apply.

- Training meetings (1)
- Email (2)
- Newsletters (3)
- Videos (4)
- Other (Please specify): (5) _____
- None in the last year (6)

Q16 Which, if any, of the following rights are promised to Co-op members? Check all that apply.

- Right to vote (1)
- Right to voice their comments (2)
- Right to share in the profits (3)
- None of the above (4)
- Other (5) _____

Q17 If available, what percentage of revenue does the Co-op contribute annually to monetary investments in the community?

- We contribute the following percentage. (Please enter percentage in the box below) (1)

- We do not calculate (2)

Q18 To what extent have the Fair Trade premiums paid for coffee contributed in the following ways:

Very Significant Effect (1) Significant Effect (2) Moderate Effect (3) Slight Effect (4)
 No Effect (5)

Provided pre-harvest financing

(1)

Provided for improvements to the Co-ops' office

(2)

Improving financial management training to the members

(3)

Improving training in topics helping to improve the quality of coffee produced

(4)

Provided for local road and bridge projects

(5)

Provided for building and improving local schools

(6)

Provided for new or improved health care facilities

(7)

Improving for health care services to your members

(8)

Provided for HIV/AIDS training programs

(9)

Provided for improved child vaccination programs

(10)

Provided scholarships for member children

(11)

Provided for new or upgraded electricity projects

(12)

Improving access to clean water

(13)

Provided pest control training programs

(14)

Provided training in chemical consumption programs

(15)

Provided garbage and recycling management programs

(16)

Provided coffee waste utilization programs

(17)

Provided soil and land conservation programs

(18)

Q19 The next two questions relate to the education of the members' families.

Significantly Increased (1) Moderately Increased (2) Stayed the Same (3)
Moderately Decreased (4) Significantly Decrease (5)

To what extent has literacy for your members' families improved since becoming a member of your Co-op?

(1)

To what extent has the number of school-aged children in your members' families attending school increased since becoming a member?

(2)

Q20 What percentage of members' school-aged children that attend school?

The next question is about your Co-op's Fair Trade Coffee business. Please go to the next question.

Q21 To what extent do each of the following affect your Co-op's Fair Trade Coffee business?

Very Significantly (1) Significantly (2) Moderately (3) Somewhat (4) Not at all (5)

Your members' efforts to improve their own livelihood

(1)

The type of coffee being demanded by the exporters

(2)

The volume of coffee demanded

(3)

The next set of questions are about the Fair Trade Coffee Business Model. Please go to the next question.

Q22 To what extent has belonging to the Co-op improved the livelihood and well-being of the Co-op members?

- Very Significantly Improved (1) _____
- Significantly Improved (2) _____
- Moderately Improved (3) _____
- Slightly Improved (4) _____
- No Change (5) _____

Q23 Do you feel the Fair Trade Coffee business model has been successful?

- yes (1) _____
- No (2) _____

Q24 Please explain in your own words why you feel the Fair Trade Coffee business model has been successful?

Q25 Please explain in your own words why you feel the Fair Trade Coffee business model has not been successful?

Q26 Please rank from the most important to least important of how participating in Fair Trade Coffee has improved your Co-op members' livelihood. Please rank importance as follows: 1= most Important ; 2= second; 3= third; 4= all are equal

	First (1)	Second (2)	Third (3)	All Equally Important (4)
Economic Benefits (1)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Social Benefits (2)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental Benefits (3)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The following questions are about stakeholder groups of your Co-op. Please go to the next question.

Q27 Which of the following stakeholder groups (key partners) does the Co-op consider primary vs. secondary stakeholders? Please select Primary, Secondary or Neither for each group listed below.

	Primary (1)	Secondary (2)	Neither (3)
Small scale producers (farmers) (1)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exporters –Coffee roasters in the North (2)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consumers in the North (3)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local government (4)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
National government (5)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade associations (6)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmentalists (7)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local school system (8)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employees of the Co-op (9)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee certifying organizations (10)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local medical care facilities (11)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local charities (12)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify): (13)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q28 Which are the two most important primary stakeholder groups (key partners) to your Co-op?

- 1.
- 2.

Q29 Does the co-op hold regular meetings with any stakeholder group (key partner) to discuss their participation in the Fair Trade Coffee Business Model?

- Yes (1)
- No (2)

Q30 Please specify which stakeholder group(s) the Co-op holds regular meetings with to discuss their participation in the Fair Trade Coffee Business Model

- 1.
- 2.
- 3.

Q31 To what extent is contributing to the well-being of all your stakeholders the highest priority of your Co-op?

- Extremely Significant (1)
- Very Significant (2)
- Moderately Significant (3)
- Slightly Significant (4)
- Not at all Significant (5)

The last set of questions are about economic issues. Please go to the next question.

Q32 First, to what extent has the recent global economic downturn affected your members' income.

- Very Significant Effect (1) _____
- Significant Effect (2) _____
- Moderate Effect (3) _____
- Small Effect (4) _____
- No Effect (5) _____

Q33 Since 2008 has your Co-ops Fair Trade coffee sales had a :

- Significant Increase (1)
- Moderate Increase (2)
- Slight Increase (3)
- Stayed the same (4)
- Decreased (5)

Q34 That completes this survey. Thank you very much for your participation. Would like to receive a copy of the results of this study? Note: This page will be separated from the responses and will not be linked to your survey responses in any way.

- Yes (1)
- No (2)

Appendix 2

The following is a copy of the phase two modified online survey that participants responded to. Respondents were invited to participate in this survey through e-mails. A web link was provided for individuals to directly access the survey, which was conducted through Qualtrics.com.

Fair Trade Coffee Survey -Modified Version

Q1 Please select your responses to these questions from the following choices:

5 or fewer years, 6 to 10 years, 11 to 15 years or More than 15 years

5 or fewer years 6 to 10 years 11 to 15 years More than 15 years

How long have you worked in the coffee industry?

How long have you worked in Fair Trade coffee?

How long have you been with this current Co-op?

Q2 From the list below please check the three (3) most important reasons small scale producers become members of your Co-op.

- Environmental efforts leading to coffee production for the long term
- Democratic decision making for the small scale producer
- Improving knowledge and skills
- Better technology
- Greater protection for workers including children
- Receive a better price for coffee
- Farm training
- Pre-harvest financing
- Other (Please specify) _____

Q3 To what extent have the Fair Trade premiums paid for coffee contributed in the following ways:

Very Significant Effect Significant Effect Moderate Effect Slight Effect No Effect

Provided pre-harvest financing

-

Provided for improvements to the Co-ops' office

-

Improving financial management training to the members

-

Improving training in topics helping to improve the quality of coffee produced

-

Provided for local road and bridge projects

Provided for building and improving local schools

Provided for new or improved health care facilities

Improving for health care services to your members

Provided for HIV/AIDS training programs

Provided for improved child vaccination programs

Provided scholarships for member children

Provided for new or upgraded electricity projects

Improving access to clean water

Provided pest control training programs

Provided training in chemical consumption programs

Provided garbage and recycling management programs

-

Provided coffee waste utilization programs

-

Provided soil and land conservation programs

-

Q4 To what extent has belonging to the Co-op improved the livelihood and well-being of the Co-op members?

- Very Significantly Improved _____
- Significantly Improved _____
- Moderately Improved _____
- Slightly Improved _____
- No Change _____

Q5 Do you feel the Fair Trade Coffee business model has been successful?

- yes _____
- No _____

Answer If Do you feel the Fair Trade Coffee business model has been... yes Is Selected

Q6 Please explain in your own words why you feel the Fair Trade Coffee business model has been successful?

Answer If Do you feel the Fair Trade Coffee business model has been... No Is Selected

Q6a Please explain in your own words why you feel the Fair Trade Coffee business model has not been successful?

Q7 Please rank from the most important to least important of how participating in Fair Trade Coffee has improved your Co-op members' livelihood. Please rank importance as follows:

1= Most Important; 2= second; 3= third; 4= all are equal

	First	Second	Third	All Equally Important
Economic Benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Social Benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental Benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

That completes this survey. Thank you very much for your participation. Would like to receive a copy of the results of this study? Note: This page will be separated from the responses and will not be linked to your survey responses in any way.

- Yes
- No

Vitae

Dr. Krupka was born in Liberty, New York graduating from Liberty High school in 1975. He received a Bachelor of Science in Accounting with Honors, Rochester Institute of Technology, 1979; Masters of Science in Accounting, Binghamton University, 1980; and Executive Doctorate in Business Administration, Georgia State University, J. Mack Robinson School of Business, 2012.

Dr. Krupka is an Assistant Professor of Accounting at Georgia Southwestern State University, School of Business Administration in Americus, Georgia since 2010. Prior to that position he held academic positions at: College of Coastal Georgia, Department of Business and Public Affairs as an Assistant Professor of Accounting from 2009-2010; Coastal Carolina University, Wall College of Business as a Teaching Associate, 2007-2009; and Rutgers University, School of Management as an Adjunct Professor, Rutgers University, School of Management from 1993-1998. His professional career outside of academia includes maintaining a successful CPA and financial services practice along with being a Registered Principal actively counseling clients in the areas of retirement, estate and college planning always with tax efficiency at the forefront.

Dr. Krupka has attained numerous professional designations including: Certified Public Accountant, Securities License Series – 24 (Registered Principal), Personal Financial Specialist (PFS), Certified Fund Specialist (CFS), Board Certified in Mutual Funds (BCM), and Certified College Planning Specialist (CCPS).

His service includes: Georgia Southwestern State University, 2011-2012 Chair of the Accounting Department Committee, 2010-2012: School of Business Representative on the Institutional Effectiveness Committee, 2011-2012 Member, Undergraduate Curriculum Committee, 2010-2011: Member, Institutional Review Board (IRB) Committee. College of Coastal Georgia, 2010:

Faculty Senator (Elected) and 2009-2010: Member, Committee on Faculty Welfare and Development. American Accounting Association, 2011-2012: Teaching and Learning Event Team Reviewer of CPE and ELS, 2012 Washington DC Annual Meeting and Teaching Resources Committee. 2011-present: Accounting Today Executive Research Council. Coastal Carolina University 2007-2009: Coordinator, IRS Volunteer Income Tax Assistance (VITA) Program. New Jersey CPA Society 1999-2009: Task Force Member and Personal Financial Planning Committee. South County Day Care Center, 1994-2005: Board of Directors, and 1999-2005: President.