

University of Hohenheim

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Do Coffee Farmers in Northern Thailand Benefit from Fairtrade?

submitted by

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Chapter 6

Summary and Conclusions

6.1 Background

In the study area, farmers have been forced to give up their traditional farming systems because of opium prohibition and forest protection. Coffee was one of the cash crops introduced into the areas to generate additional income, but due to unstable prices in the conventional market, it was abandoned by many farmers. To alleviate the problems with coffee prices, a coffee cooperative was set up. The cooperative sells coffee partly through the Fairtrade regime and therefore coffee is produced adhering to Fairtrade standards. However, a study of Fairtrade coffee in Thailand has never been done prior to this study. This study analyzed the adoption of Fairtrade and its impacts at the household level. The results can be used by policy planners to increase the efficiency of Fairtrade, and by farmers to make a decision on Fairtrade adoption.

6.2 Methodology

The analysis is based on primary and secondary data. The primary data was collected by surveys of 92 coffee farmers from 6 villages and a cooperative's CEO. Because the number of Fairtrade adopters was small and a complete list of adopters did not exist, the adopter was chosen using snow-ball sampling and a nearby conventional farmer was chosen at random. The primary data on farm households was used to create a probit model of the adoption, and a descriptive analysis to assess the impact of Fairtrade on the five assets of SL. The remaining survey data was used to explain the market structure in the area. The survey was carried out from March 2009 to April 2009, covering the 2008/2009 cropping season.

Secondary data played a marginal role and was collected from the Highland Coffee Research and Development Centre, Chiang Mai University.

6.3 Results

The results from a univariate comparison and probit modeling suggest that farmers who have household members engaged with government organizations since before 2003 were more likely to adopt Fairtrade. Moreover, an analysis of the answers to the open-ended questions reveals a difference in opinion between adopters and non-adopters. Adopters are more oriented towards money than non-adopters.

Overall, Fairtrade together with the ITDP and Starbucks have substantially improved human capital by giving knowledge on coffee to members. However, members are still passive suppliers of coffee to the ITDP. The concepts behind Fairtrade were not clearly perceived by the farmers.

Summary and Conclusions

It is important to note the leverage role played by ITDP in physical capital improvement especially in the Ob Luang area, though there is no difference between groups in improvement of housing conditions, and transportation method. The ITDP together with Starbucks takes on the task of helping rural communities acquire what they really need.

Fairtrade was successful in pursuing farmers to grow environmental friendly coffee. Chemical fertilizers were gradually substituted with organic fertilizers and coffee trees were grown in the forest without deforestation. However, the issue of waste water was still neglected.

Participation in Fairtrade is correlated with higher coffee income amongst formal members but it does not necessarily lead to a disparity in cherry prices between the groups, However, Fairtrade helps to increase cherry prices and coffee income over time even for non-members. Formal members having more coffee income also have better access to formal credit than informal and non-members.

While Fairtrade creates more opportunities for formal members to communicate with each other, on the other hand it also creates a busy lifestyle which diminishes solidarity in the community. However, there is a case in Ob Luang where social premium was invested properly so it could indirectly increase community's solidarity.

6.4 Conclusion and Recommendations

The adoption model reveals a problem in the power and information asymmetry. Farmers with more power also have better access to information, thus have a higher probability of engaging in Fairtrade. Most non-adopters are still left with information asymmetry. They have little idea of what a coffee cooperative called ITDP is doing and how they would benefit from entering the Fairtrade program. This argument by adopters with regards to this issue was that the non-adopters themselves chose not to receive the information by not going to the orientation sessions offered by the ITDP.

However, not every farmer with access to information participates in Fairtrade. Farmers refrain from participating in Fairtrade when social capital outweighs financial capital. Those farmers who have already developed a good relationship with their own customers prefer to persist with their social networks rather than focus solely on getting a good price. Moreover, some farmers who had already adopted Fairtrade were showing sign of abandonment. This usually was the case when the amount of money earned did not meet expectations and they found it difficult to perform the wet process.

Fairtrade is having some positive impacts on the lives and livelihoods of small producers, the capacity building, the increase in coffee prices and income, and environmental protection. However, important challenges still persist. Top-down standards may be placing an unnecessary burden on growers. For example, the forbidden use of child labor and the monopoly on the marketing channels available. Fairtrade and the cooperative's standards need to be make a compromise with farmers' situation.

Summary and Conclusions

Despite rapid growth of Fairtrade market, the market for Fairtrade coffee is still quite small (Sick, 2008). Even with Fairtrade partnership agreements, ITDP still must sell coffee to buyers in the conventional market. The low demand for Fairtrade market together with the abolition of coffee import tariff in 2010 might lead to price distortion. What Thai government and coffee import-export companies can do to help coffee farmers is still under debate.