

Fair trade coffee case study

Business



Mexican coffee farmers have had an enormous amount of trouble selling their coffee beans at a price that would generate sustainable profit. Nice Rosen and Frans van der Hoff had a vision to implement a fair trade business that would increase not only profits of the farmers but their overall lifestyles. NICE and Frans both face the problem of dilutions because fairly traded coffee was distributed only through the so-called Third World Shops that didn't generate enough demand to create a stable supply chain.

The possible alternatives to this problem would be for them to create their own brand of coffee, advertise the rise of fair trade coffee and its great quality, or create a hallmark with Solidarity.

The first alternative would be for the Mexican farmers to create their own brand. The first advantage is the company could start sending its product in their own package to ensure quality, and send it to just the homeland of Holland. This would cause the revenue to climb dramatically.

The company could determine a price that was competitive with the other brands that were currently sold and let the quality of their coffee speak for itself. The second advantage is once the Mexican coffee gained a following in Holland, the company could extend the distribution to the other countries in their region that consume the highest per capita of coffee world wide: Finland, Sweden, Norway and Denmark.

The third advantage is the advertisement of the new company could be aided by the Solidarity' foothold in the churches.

If churches endorsed the coffee from Mexico, its parishioners' may follow the trend and start purchasing Mexico coffee. Once the coffee had a strong consumer base, it could be sold in supermarkets where the mainstream consumer could purchase it. While the vision of Mexican farmers to have their own separate company to sell their product seems like an easy solution, it is far from that. The first disadvantage is Solidarity would have to set up a whole new company to accomplish this.

Solidarity would have to risk a great deal of money that it does not have, and since the farmers currently do not have enough capital to fund the start up of a new company, this solution is extremely difficult.

The second disadvantage is while Solidarity is a Dutch Inter-church foreign aid company, the start of a Latin American coffee company is outside of its normal business. It is unfamiliar territory for the company. The third disadvantage is they have little knowledge of the previous transporters who are now disgruntled that they are losing their monopoly over the coffee farmers.

The financial hit that the coyotes could bring upon the new company could cause the whole Solidarity organization to go under. The second alternative would be to organize an organic advertising campaign on the rise of fair trade coffee and the CIRRI. The first advantage is it would inform people of the new idea of fair trade coffee and the quality of the product creating more demand.

They need to notify the world of fair trade coffee and its benefits. The second advantage is it would increase market share and possibly help get fair traded coffee into supermarkets and bigger retail stores.

All fairly traded coffee sold through the Third World shops accounted for only a small market share. In order for this coffee to attract more mainstream consumers it needs to be sold in supermarkets. A third advantage is it could raise consumer awareness of what fairly traded coffee's goals are. Many consumers don't know about the negative effects on producers of international trade, which might cause them to exercise their purchasing power, positively more towards fair trade coffee instead of regular coffee.

The first disadvantage is it would cost a large chunk of money to organize an advertising campaign.

The CIRRI is a new company, but has many financial issues with the Mexican banks involving paying off debt. The second disadvantage is they would have to take time to develop an advertising campaign. They would have to reach out to Solidarity to come up with the resources and people to organize it. The third disadvantage is even with an organic advertising campaign, it would be a massive struggle to turn consumers' attention to fairly traded coffee from regular coffee.

Regular coffee dominates the market and many people feel loyal to their brand of coffee they drink. The advertising campaign could turn into a waste of time and money by not turning many consumers' attention to fair traded coffee.

The third alternative would be for the Mexican coffee workers to create a hallmark within the Solidarity Company. The first advantage of this alternative is Solidarity could provide and give access to more resources that the farmers can't reach by themselves. The second advantage is it would cost less than starting up their own company.

Since it would be just a subdivision of the Solidarity Company, it would cost less than starting up and funding a whole new company. The third advantage of this alternative is it would be quicker to start than a whole new company.

Time is a key factor for the farmers especially with the Mexican banks putting pressure on them to repay debts, so they need to generate revenue as fast as they can. The first disadvantage of this is it still would cost a good amount of money even though it is less than starting up a whole new company.

The farmers are on a very tight financial budget with not a lot of money to spend. The second disadvantage is the farmer's ultimate goal is to operate by themselves without support from other companies. By creating a hallmark with Solidarity, they could be looking at taking a step back from their future goal than taking a step forward. The third disadvantage is starting up a hallmark has a good amount of risk.

The farmers still owe money to the banks, the coyotes' are trying to monopolize and stop them from operating on their own, and the third world share of coffee sales is just . %, which is not nearly a strong enough consumer base to become successful. The best solution for the Mexican farmers is to create a hallmark within the Solidarity Company. This would
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allow them to create a branch that could specify in the exportation of coffee without having to hire an entire new staff to run a new company. The hallmark could continue to oversee the rental of trucks and possibly help the coffee farmers establish relationships with the boats from the Netherlands.

Because the business plan would only entail helping with the certification of fairly traded coffee, the company could focus on that narrow goal and achieve it.

It is less expensive to simply create a sub-division in the Solidarity Company than to create a new company out of nothing. The decreased startup cost would allot more money to be used in the exporting process and to achieve the higher quality that Mexican coffee wants to be known for. The possible long-term benefits are much of the same to starting a new company. In itself, the coffee can gain a strong following in

Solidarity's homeland Holland, and eventually expand into all of the Netherlands. It is quicker to start than a whole new company.

Time is essential for the farmers that owe large debts to the Mexican banks and the hostile coyotes that want to return to power in the monopoly of coffee sales. The sooner the CIRRI and coffee farmers can operate under their own revenue, the easier it will be for them to expand. The disadvantages are overlooked by the advantages of only medium risk and the large possibility of reward in the long run makes this the best business option.