Fair trade coffee starbucks marketing essay

Environment, Air

Fair trade is a structured social movement that applies marketing approach whose goals and objectives is to help producers and farmers in developing countries get better trading deals for their produce and thus produce sustainably. The social movement campaigns for better pay, higher prices, better social and environment standards to the farmers in developing countries (Valkila & Nygren, 2010, p. 321; Weber, 2007, p. 112). The main target is mainly on exports that are delivered to developed countries from developing countries where minerals, farm produce are targeted. Farm produce such as; cotton, fresh fruit, cocoa, coffee, chocolate, sugar, wine, honey, bananas, tea, and flowers where producers benefit from free trade movements (Davis, 2008, p. 22).

Fair trade ensures responsible coffee production and trading in terms of product quality, economic accountability, social responsibility, and environmental leadership. Fair Trade Certified coffee has ensured that small scale farmers remain empowered while they are organized in cooperatives to invest in and develop their farms and society, look after the environment and equip themselves with business proficiency that will help them compete in a global setting (Valkila, & Nygren, 2010, p. 324; Davis, 2008, p. 23).

Thesis Statement

In view of the fact that Starbucks were seen as exploitative due to their unfair handling of small scale producers of coffee in third world countries e. g. Ethiopia; this paper tackles fair trade movement and mainly focuses on fair trade coffee practices with respect to Starbucks Company.

Fair trade

Governance systems related to global production and trade have come under intense criticism from broad coalition of social movements which have been branded as distorted and lack justice (McDonald, 2007, p. 794; Fridell, 2009, p. 87). The social movements have tried to mobilize societies to end exploitation by firms that buy the products from farmers and campaigned for poverty eradication procedures and social justice. The coffee industry has been most hit where farmer and workers in the farms continue to survive and work in terribly poor conditions and adverse poverty levels. The social movements through Fair Trade Systems have enabled the stakeholders especially the companies that trade in coffee to be accountable to the society that produces the coffee.

As cited in FINE 2001 by Weber, 2007 p. 109 “ Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to and securing the rights of, marginalized producers and workers- especially in the South.” This means that any company willing to trade globally must act responsibly and ensure sustainable development in the developing countries and see to it that the lives and conditions of living of the marginalized in the trading society are improved.

An example of coffee injustice is the Nicaraguan case where coffee is a major export accounting of 30% of the total export in income; on the other hand poverty levels among the workers and farmers remain very high (Valkila, & Nygren, 2010, p. 324; Weber, 2007, p. 110). The farmers are faced with low, undeserved, unstable prices coupled with inadequate infrastructure, rampant insecurity, poor housing, and sanitation, poor health services access, poor social structure, and poor educational provisions (Weber, 2007, p. 110; McDonald, 2007, p. 793; Reed, 2002, p. 226). Even those workers on large scale farms complain mainly on harassment and poor pay from their employers.

In the developed countries where the coffee is traded the persons enjoy huge profits from the coffee that has been bought at low prices in developing countries. Minimizing this disparity is the role of Fair Trade systems. They tend to instill discipline and justice in the global coffee market especially for small scale farmers that are in democratic cooperatives. The bargain for fair price for the producer and better living conditions and other social benefits are pushed for by the free trade organizations.

Free Trade coffee is certified by the Fair-trade Labeling Organizations international (FLO). Weber, 2007, p. 112 in his article “ Fair Trade Coffee Enthusiasts Should Confront Reality” indicates that free trade organizations linked to coffee have fairly achieved improved living standards for farmers but the system remain unsuccessful in delinking promotional material and the real situation on the ground, excessive supply and marginalization of the producers and groups that are economically disadvantaged.

Starbucks and CAFÉ

The success of Starbucks which is a global coffeehouse chain with its headquarters in Seattle Washington can be linked to the trade of coffee from developing countries. With over 12440 stores in 37 countries and 145, 000 baristas (employees) the company boasts of $7. 8 billion net revenue and a yearly profit of $564 million in 2006 (Davis, 2008, p. 21; Valkila, & Nygren, 2010, p. 325). It has remained at sustainable growth and can boast of serving 40 million customers globally. Since its inception in 1971 it has expanded year in year out with many joints being set up to serve high quality coffee (Davis, 2008, p. 21; Fridell, 2009, p. 86; Starbucks, 2004 para. 3).

Its success can be traced with the collapse of the International Coffee Agreement in 1989 where prices started declining and Starbucks maximized on the low prices with its growth at 5% annually since 1991 (Anonymous, 2003, p. 22; Davis, 2008, p. 23; Fridell, 2009, p. 87). Despite this tremendous growth of the company workers in the company and farmers in the producing countries continued their outcry of poor prices and poor living conditions (McDonald, 2007, p. 794; Fridell, 2009, p. 88).

The middlemen have also participated in fleecing the farmers who buy the coffee at reduced prices and resell at higher prices. Starbucks on its part never did anything at the time. Public outcry from the farmers in producing countries and workers was not enough to reverse the situation at the time. The establishment of the Coffee and Farmer Equity (CAFE) standards also seemed to be unfavorable to farmers in that only an approximate 30% met the Starbucks standards of the CAFÉ guidelines (Starbucks, 2004 para. 4; Reed, 2002, p. 224). This meant that the benefits trickled down to other sources other than those producing the coffee. In addition the standards were vague to implement and just acted as a blinding of the farmers.

The CAFÉ has sets of product quality, economic accountability, social responsibility, and environmental leadership for farmers to qualify. For the product quality they must meet the green preparation and cup quality (Starbucks, 2004 para. 6; Fridell, 2009, p. 89). For economic accountability they must demonstrate financial transparency, equity of financial rewards, and be financially viable. Social responsibility is graded in wages and benefits, freedom of association, working hours, child labor discrimination and forced labor avoidance, access to housing, education, health services, and work safe practices. The environmental guidelines include; protecting water and soil resources, biodiversity conservation, managing the environment and monitoring, waste management, effective energy use, and water conservation (Starbucks, 2004 para. 7; McDonald, 2007, p. 795).

Other companies such as; Nestle, Procter & Gamble, Kraft, and Sarah Lee also contributed to the misery of farmers by buying coffee way below the production costs (Davis, 2008, p. 21; Reed, 2002, p. 221). Farmers remained exploited without fair trade that will ensure the fair treatment from the companies dealing with coffee and other farm produce. Fair trade has given hopes to farmers and producers and societies in the producing regions of mutual benefits for their efforts to produce any cash crop (Reed, 2002, p. 224; Fridell, 2009, p. 85).

Starbucks and the CSR strategy

According to Fridell, 2009 p. 87 in the article " The Co-Operative and the Corporation: Competing Visions of the Future of Fair Trade" major coffee companies have over the past few years started dealing in fair trade coffee that is integrated with their programs of Cooperate Social Responsibilities (CSR). The standards given by the FLO to the south have also not been applied in the north and regulations such as (a guaranteed price and social premiums, advanced partial payments, licensing fees and long-term commitments have been at times evaded in the north.

Fair trade is mission driven while CSR is money driven; this explains the need for fair trade since it will help achieve society needs while still aiming at better trading terms. While CSR represents a shareholders move toward ethical business fair trade yearns for a stakeholder's approach that benefits all stakeholders. CSR are seen as personal driven objectives that pursue business goals which is referred to as self regulatory while free trade aims at a integrated approach that is highly domineering to improve the well being of the stakeholders.

During the start of the millennium only 1-2% of Starbucks coffee was from free trade, the company adjusted to a passive way of supporting free trade then but has currently changed. Starbucks has become successful in the coffee industry buying 1% of the world's green beans and approximate 10% specialty green market coffee beans. Its acceptance to free trade was necessitated by immense pressure by the US/ Guatemalan Labor Education Project (US/LEAP) for the companies to put into operation a code of conduct for the Southern coffee producers (Fridell, 2009, p. 81; Valkila, & Nygren, 2010, p. 326).

The company was still passive to accent to the agreement but after a sequence of protest globally they agreed. This commitment would not be compared to its huge sales that it was enjoying at this time and thus selling FLO certified products would ensure the benefits went back to peasant farmers. But Starbucks was reluctant to such moves and as Fridell, 2009, p. 82 quotes “ When it comes to support for fair trade, Starbucks’ commitment is limited to ” the minimum needed to keep public criticism at bay”. Starbucks management saw more importance in concentrating on its CSR rather than engaging in free trade; but the CSR was mainly done to improve its brand image as an alternative of benefiting society (McDonald, 2007, p. 797; Davis, 2008, p. 27).

They have developed an atmosphere of a trendy café where customers can hang around and read thus portraying a local community. This atmosphere has necessitated concentration to interior design, customer service, and public relations that make the customers feel at home at the expense of producers, workers and farmers (Fridell, 2009, p. 82; Valkila, & Nygren, 2010, p. 327). The most awful bit is that this image has been widely accepted world over.

Further it has invested in CSR that tend to neutralize negative publicity from neo-liberal reforms. The CSR build in on the self regulatory approaches that are effective in sustaining the brand image prominence in the market and building of the shareholders and stakeholders trust. The company aims to employ cheap labor such as prisoners who require low wages and fewer benefits and are dispensable at any time with minimal consequences while they hide in CSR (Fridell, 2009, p. 84; McDonald, 2007, p. 797). Comparing the wages of the Starbucks employees, services workers are paid very minimal wages while the management is among the highly paid in North America.

Starbucks has the lowest employee turnover rate in the fast food industry which is a strategy embedded in the CSR and the brand image (Fridell, 2009, p. 85). Despite better benefits such as; basic medical, dental, and vision coverage, short-term counseling and basic mental health and dependency treatment than other service industries Starbuck employees are remunerated with low wages thus many opt out in less than one year. Other benefits the employees enjoy include a free pound of coffee per week free beverages while working, and financial assistance that is based on payroll deductions for emergencies which are all gimmicks of boosting a corporate image that ensure profitability at the expense of the workers.

The 2000 case between Canadian Auto Workers, Local 3000 (CAW 3000) and Starbucks bring into the spotlight the commitment of the company to its employees since CAW 3000 tried to negotiated for a third phase of increased wages for workers while Starbucks still maintains it is an anti-union employer; the commitment to fair trade proves otherwise in view of the above fact (Davis, 2008, p. 25).

Starbucks in 2002 imported 1. 8 million pounds shade grown coffee that was certified by Conservation International (CI); 1. 7 million pounds certified coffee and 1. 1 million pounds of fair trade coffee this was a very small proportion i. e. 1 to 2% of fair trade (Fridell, 2009, p. 87; Davis, 2008, p. 24). Working with CI is a major cover up to fair trade since CI is mainly involved in conservation of trees in areas where they are extinct but they have no clear social role. Also CI cannot be ethically cleared since it works with other major environment destroyers globally such as; McDonald’s, Chiquita, Mobil Foundation and Exxon; therefore it can be not be trusted as a corporate identity of fair trade (Davis, 2008, p. 27). It is clear that Starbucks have relied on the CSR for a successful implementation of its profits strategies. This method may however be risky for the sustained growth of the business (Fridell, 2009, p. 91; Davis, 2008, p. 28).

Disadvantages and advantages

Despite fair trade call there are issues that revolve around it that must be ironed out. Firstly include identifying the culprits of the process. Fair trade organizations may be blaming organizations who only work on profits as exploiting the society but the companies may be profiting through legal means. They may then blame corporations of breaking free trade agreements while they have used stretched resources to survive (Topik, 2010, p. 146; Fridell, 2009, p. 89).

The participation of successful firms in transforming society may work but major issues such as a large gap divide may shift the advantage to the producer, therefore the producers expect more from firms which is unfair. Also a major concern on what signifies a living wage is a problem as firms make sales to improve the living income of the producers; in this case fair trade cannot guarantee anything to farmers (Weber, 2007, p. 109; Davis, 2008, p. 27).

Fair trade is pegged on cooperatives of producers and thus the individual producer may be left out; the cooperatives mediate the prices and thus the producers only get what is quoted by the contracts. The prices quoted must meet or surpass fair trade limits with a deduction of the expenses incurred by the organization. The organization eliminates intermediaries and thus costs of sorting, processing and exporting may surpass the expected prices before payments to farmers. These costs may be so high to make fair trade markets be unreasonable (Weber, 2007, p. 111; Fridell, 2009, p. 88). Hired laborers are also believed to receive minimal wages somehow, since the fair trade agreements don’t apply to those hired.

The fair trade has also adequacies of trying to control the markets by establishing minimum prices; this however doesn’t work since most fair trade certified produces trade only a fraction of their produce. This translates that farmers are never induced to grow more coffee in a bid to earn more from the dominant prices. This creates an imbalance between supply and demand and as Weber, 2007, p. 112 reports it has go on for more than 10 years. This was so grave that in 2002 FLO had to temporarily close out new members.

Excess certified coffee in the market does not lead to dumping but rather increases barriers to entry and consequently increased producer competition for the limited contracts. And this can lead to exclusion of marginalized farmers that are purportedly supported by fair trade (Weber, 2007, p. 112; Davis, 2008, p. 26).

With increased quality standards in the market FLO resulted to charging more to producer organizations this increases expenses and creates barriers to the market; this locks out young organizations that have no funds. Also they need extra funds to pay for inspections and other expenses thus the fair trade objective is not achieved since marginalized farmers are locked out (Weber, 2007, p. 113; Davis, 2008, p. 27).

The main aims and objectives of fair trade are to bring change to the lives of the producers and workers that suffer in the farms, but the bad implementation has made the farmers be left out of the benefits (Fridell, 2009, p. 89). With good implementation fair trade can be expressed in its benefits to the society where there will be no exploitation of the farmers. There will be better living conditions, improved well being, and better working conditions for the workers (Valkila, & Nygren, 2010, p. 326; Weber, 2007, p. 114). The benefits that come with fair trade are yet to bear fruit especially when markets are not regulated properly and farmers become marginalized.

Conclusion

Starbucks being the leading coffee server in the world has a mandate to transform the lives of peasant farmers who live from hand to mouth by sharing the huge profits they make annually. They can contribute to the welfare of the producers and workers through providing better prices, adequate infrastructure, security, better housing and sanitation, better health services access and better educational provisions in the producing areas to ensure sustained growth.

In conclusion Fair trade certified coffee has brought about reforms to the society in certain areas but in other areas it still remains an elusive dream due to the management of the organizations that govern coffee. Standards of transparency and accountability should be established at all levels so that the coffee produced by farmers can contribute to their social well being rather than making huge profits in developing countries leaving the producers fleeced.