INDONESIA

SUMATRA COFFEE HUSTLE

Poor coffee farmers are churning out a product consumers love – is there a payoff?

By **Chris Swanicke** Photography by **Roni Bintang**

Farmer families are chatting, sweeping and milling about simple one-room houses made of teak, mud and brick. While they rest, husbands, wives and children till the fields. Some of the world's most sought after coffee, North Sumatra's *arabica* and *robusto*, sits in its parchment in large bags all around the impoverished village of Sinamanlaba. Why aren't they cashing in?

Two months ago, not far from Sinamanlaba, a Fair Trade USA representative met with coffee farmers to discuss a pilot programme. With an initial goal of 200 farmers, Fair Trade hopes to eventually enlist 1,000 farmers from Simalungun regency in the certification initiative.

Coffee is life here, with fields of arabica and robusto lining either side of the crumbling road leading to Sinamanlaba.

Jamahot Malau, a coffee collector from the village, makes his living building a network of clients – small farm owners who choose to sell to him – and delivering shipments of coffee beans to the two major exporters in the city of Medan: Sari Makmur and Indo Capco.

There are a limited number of licensed exporters in Sumatra, meaning the prices coming down to Malau from exporters Sari Makmur or Indo Capco are as good as law. Malau must bid competitively to win business from farmers, with bids succeeding or failing on margins of up to $0.02 per kilogram.

With limited room for manoeuvre on price, Malau may use other techniques to gain business, such as gifting a farmer fertiliser for the season's harvest, or cash loans if the season has been slow. When it is time for the farmer to sell, Malau will be first in line.

Part of Fair Trade's goal is to organise cooperatives to strengthen the bargaining power of the collectors and farmers.

> A farmer remains in the weakest position in the system because he relies on collectors for funding and fertiliser

Miguel Zamora, Fair Trade's Sumatra coffee missionary, said the organisation has long wanted to make an impact in the region. "There is potential for great quality, but [coffee] is not separated, it's not properly picked," he said. "We knew that is something the exporter wants to help the farmer to do."

Fair Trade is one of the most prominent organisations in the broader fair trade movement. Their basic goal is to improve labour, environmental and living conditions for farmers in developing countries. To do this, they created a certification system. Farmers who opt in to the system and bear the costs that come along with it, receive the benefit of what amounts to a Fair Trade subsidy, or 'premium' – a bonus on each kilogram of beans they sell.

The intended effect of the extra money earned from the Fair Trade premium is to allow reinvestment in the local community. Fair Trade promotes the democratic organisation of farmers so that the extra resources are allocated fairly and investmented into schools, clinics, or increasing coffee production.

The organisation and the premium are funded through the higher prices retailers and consumers pay for their coffee to be labelled 'Fair Trade'.

Dr Sabam Malau (no relation to Jamahot) has many roles in the region's coffee industry, among them the exporter and founder of the North Sumatra Coffee Forum – a group of stakeholders including farmers, exporters, government and NGOs that aims to solve problems in the industry.

"The price for the coffee farmers is not fair," says Dr Malau, who is also a farmer. "[The farmers] work hard, they deserve to be rewarded."

There's a small field of arabica behind the collector Malau's home in Sinamanlaba. Dr Malau says it's not uncommon for people to work the soil and broker beans, but a farmer remains in the weakest position in the system

A helping hand: pulping coffee cherries in North Sumatra is one of the few steps in harvesting done with the aid of machinery

One by one: Indonesian farmers pick fields of coffee cherries by hand

because he relies on collectors for funding and fertiliser.

There's little knowledge of the broader coffee market amongst the collectors and farmers in North Sumatra: The farmers and buyers will supply what Medan exporters demand to make a meagre living.

In the past, the lack of existing farmer cooperatives in North Sumatra kept Fair Trade from getting involved. Its standard requires farmers to organise in democratic systems, but lately they have been easing the restriction to access more markets. "Our model has been too exclusive, we're trying to make it more inclusive," Zamora says. The non-profit is now pushing to work with independent farmers by allowing a trial period of up to six years to get organised.

Dr Malau remains sceptical about an outside certification system easing inequality in the industry. He says that, for example, exporters base coffee prices paid to farmers on the New York Coffee Exchange, while selling beans at much higher prices to specialty roasters in the United States. The exchange price is often much lower than the actual price specialty retailers will pay for top-shelf beans, so farmers don't see the benefit from producing the highest quality coffee.

Retailers paying an organisation like Fair Trade for the right to label their product 'fair' doesn't get to the core of the problem, Dr Malau contends, as there is no transparency for consumers to see how much the farmer has been paid to harvest the beans.

> With the added cost of adhering to Fair Trade standards, the study found the system may actually be detrimental

"What we can do if somebody wants to help make it fair," Dr Malau argues, "is facilitate an organisation in North Sumatra to do a fair trade system." He adds that retailers in the US bear some responsibility for ensuring exporters they work with aren't exploiting farmers.

Zamora says Fair Trade is trying to be more flexible to adapt to the specific needs of communities. "We want to understand – how do farmers feel about [Fair Trade]?" he explains, but for a long time there was a barrier because few Fair Trade workers speak Bahasa.

The organisation is looking to change that, translating its standards into Bahasa and training its workers in the language to facilitate better communication with farmers.

For the collector Malau, it may eventually mean the opportunity to better understand the market for his coffee. Part of Fair Trade's vision for the region is for farmers to know which retailers are buying their beans from the exporters, and for a renewed focus on quality to bring them higher profits.

Fair Trade has drawn critics, notably economists who insist its system is fundamentally broken. A 2010 study from the University of California, Berkeley, found that Fair Trade's complex pricing scheme was seeing little extra money find its way to farmers. With the added cost of adhering to Fair Trade standards, the study found the system may actually be detrimental to small farmers.

"Fair Trade is always trying to improve," Zamora contends, saying he hadn't read the study. "It's far from perfect." He said a key focus of the North Sumatra initiative is to organise and give them access to more information in order to make sound business decisions. "[Taken as a whole], they like having Fair Trade [as opposed] to not having Fair Trade," says Zamora.

Bag it: North Sumatran coffee farmers live in poverty despite producing some of the world's best beans

Speaking of the industry generally, Dr Malau sees a different problem: People in the coffee business treat coffee like a "thing". "Coffee is people... the fact is, [the farmers] are human beings," he says. "Their lives are dedicated to creating the coffee we consume," Dr Malau adds.

For Malau – the collector and farmer – a solution would mean a bigger slice of the coffee industry pie. ■