



# FAIRCHAIN: REVOLUTION OR FALSE PROMISE?

A DUTCH COFFEE COMPANY IS SEEKING TO TURN THE COFFEE VALUE CHAIN UPSIDE DOWN WITH BY ROASTING AND PACKING THEIR COFFEE AT ORIGIN.

**T**he second largest coffee roasting factory in Ethiopia is hidden in a quiet backstreet of hectic Addis Ababa.

In the reception area, Managing Director Ahadu Woubshet starts his day with an espresso. He used to work as a coffee trader and is one of the founders of the Ethiopian coffee exchange.

“We primarily traded green beans. I was wondering whether we could start roasting locally in order to get more value out of our own beans.”

In 2011 he met the Dutch social entrepreneur Guido van Staveren van Dijk during the World Economic Forum in Addis Ababa.

“He told me about his FairChain idea and I said I had exactly the same plan.”

The two men joined forces and Moyee Coffee was born.

#### FROM AID TO TRADE

Founder and Director of Moyee Coffee Van Staveren van Dijk tells about his ambition to produce the world’s first FairChain coffee.

“Fairtrade did a wonderful job for over 25 years to increase the awareness of consumers about unfair coffee chains. But the life of a coffee farmer has not improved at all. FairChain takes an additional big step.”

According to Van Staveren van Dijk, only 0.6 per cent of the coffee that is consumed in western countries is roasted in the countries of origin.

“If we could increase this to 5 per cent, we could boost local economic development with billions of dollars. We can then finally stop giving development aid.”



Green beans sell for less than one fifth and one third of the price of roasted beans.

#### RADICAL CHANGE

Popular phrases such as ‘radical change’ and ‘why give? Let’s buy!’ appear on neatly designed banners, in animated videos and on Moyee’s website. According to Moyee, the coffee sector must change radically, and Moyee will do the job.

“Consumers increasingly want to know where their coffee comes from and how it is being produced,” says Bart Drion, responsible for Moyee’s sales and branding. “We evidently try to follow this trend. In a few years [I believe] Douwe Egberts won’t exist anymore. I cannot imagine that people would like to keep drinking their products.”

How are they going to start this revolution? Van Staveren van Dijk says that they focus on three areas. Economic impact will be achieved by leaving more added value in the country of origin. A roasted bean is three to five times more valuable than a green bean.

Eventually Moyee hopes that 50 per cent of their coffee earnings will remain in Ethiopia. The company pays coffee farmers a 20 per cent premium on top of the market price, allowing them to improve their livelihoods. Besides that, Moyee supports the farmers to develop their business and to improve the quality of their beans. Finally, the company tries to minimise its ecological footprint. “Ambitious goals, but we can’t do everything at the same time,” Van Staveren van Dijk says. “For now, we prioritise the economic and social impact.”

#### SOURCE OF THE COFFEE

Coffee is crucial for the Ethiopian economy: 25 per cent of the population depends on the sector. “Therefore this is the ultimate location for our FairChain revolution,” says a laughing Vincent van Reenen, while he walks through the factory. He is the only Dutch employee in Addis Ababa and responsible for quality management. Moyee’s beans are harvested in the Kaffa region close to the town of Jimma. Partner farm Tega Tula, connected to a hundred smallholder farmers, lies in the green hills. Here the beans are being picked, washed and dried. In addition, Moyee buys green beans on the Ethiopian Commodity Exchange Market (ECX). This exchange connects all stakeholders from the coffee chain in order to reduce transaction costs and to improve the coordination between sellers and buyers. “Instead of loading them onto a ship to Europe, the bags full of beans are transported to our roastery.”

#### LOCAL PRODUCTION

The factory looks brand new and spotlessly clean. Employees wearing white coats and hygienic hairnets carry the bags of coffee inside as they arrive. On the left, the beans for the export, and on the right the ones for the local market.

“This is my biggest pride,” says Woubshet, pointing to the red gleaming Probat coffee roaster. The 500 kilogram-per-hour machine is one of the first ISO certified roasters in Africa.

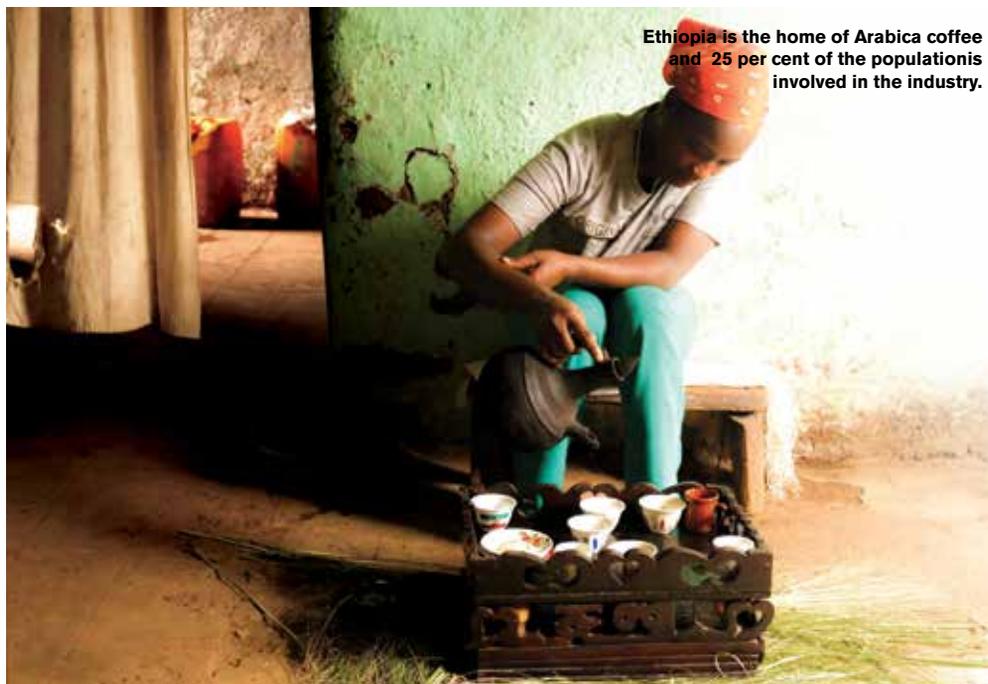
The Argentinean head roaster and coffee geek José Mollura, spent a lot of time training the local roasters. “I travelled up and down between Amsterdam and Addis to teach them from scratch how to roast and cup coffee.”

In the room next door, three women are busy packing coffee. The packing material comes from China, even though it is a FairChain aim to produce inputs locally. “There are no packaging supplies in Ethiopia, so unfortunately we are forced to import them,” says Woubshet.

He shows the different types of packaging for the local and international markets. Once every two weeks 2000 to 5000 kilograms of coffee is being exported, mainly to the Netherlands. A growing amount is sold locally, to supermarkets, hotels, embassies and banks. “This is only the beginning; our peak is yet to be reached.”

#### TRANSPARENCY INSTEAD OF CERTIFICATION

In the coffee sector there is a wide variety of labels that represent certain values to consumers, such as Max Havelaar, UTZ Certified and Rainforest Alliance. Moyee prefers not



Ethiopia is the home of Arabica coffee and 25 per cent of the population is involved in the industry.

to affiliate itself with any such labels.

“I don’t believe in certification but in transparency”, says Van Staveren van Dijk. “All these institutions who put stamps everywhere, it costs a whole lot of money, whereas you don’t know the exact impact. I am open about the way we allocate our resources and I like to invest them in such a way that we can actually make a difference, like in the capacity building of coffee farmers.”

Avoiding certification is not easy though, because many companies only purchase Fairtrade certified products.

“For commercial reasons we therefore started looking at certification,” says Van Reenen. “In the end we do need to make money.”

However, Moyee has not achieved Fairtrade certification yet and are still considering whether they want to pursue it. “Hopefully there will be a FairChain label eventually,” says Van Staveren van Dijk. “Still, certification is not suitable for companies like Moyee that are trying to change coffee supply chain dynamics.”

#### NOT TRACEABLE

A key obstacle to realising a fair coffee chain in Ethiopia is the ECX. Government regulation forces roasters in Ethiopia to buy their green coffee at the ECX, whereas green coffee exporters can buy their coffee from farmers and cooperative unions as well. At the exchange, all beans are sorted per region, and not per farm. “We want to pay the 20 per cent premium to our farmers, but this way we cannot trace which bean originates from which farmer,” says Van Staveren van Dijk. This system makes it impossible for Moyee to have direct relationships with its farmers and training sessions in order to improve quality are difficult to organize.

In Ethiopia Woubshet is doing his best to lobby the government for an amendment of the law that frustrates traceability. “The legislation here is not set for roasting locally. For us this is disastrous. However, I have been in touch with the right people within the ministries and I am confident that all will turnout for the best eventually.”

#### BIG PROMISES

The initiator of the Dutch Fairtrade label, Max Havelaar, is also aware of the fact that the premium promised by Moyee does not reach the coffee farmers. Max Havelaar criticises the FairChain’s approach and is clearly annoyed by Moyee’s loud and outspoken criticism of existing certifications.

“The ambition of Moyee is good, but they promise many things about a coffee revolution and state that they will do much better than the fairtrade movement. If you use big words, you should also

deliver,” Press Officer Jochum Veerman says.

“Moyee pretends that they have invented the wheel, but the idea that you can create an added value by producing the product in the country of origin is a well-known approach in the developing world.”

Veerman advises Moyee to independently verify and monitor that financial promises, like a premium, are really being paid to the organisations of coffee farmers.

The organisation also hopes that Moyee will pay more attention to environmental issues like the dramatic effect of climate change on coffee production and the lives of the coffee farmers.

Another challenge is that large coffee companies often question the freshness and shelf life of coffee when it is roasted in the country of origin, Ethiopia in this case.

#### REVOLUTION

Where does Moyee’s coffee revolution stand, three years after it started? In their Impact Report that was published in July of this year they have attempted to answer that question. The report states that economic impact is created by establishing a factory in Addis Ababa. Twenty Ethiopians were hired and Moyee started roasting coffee locally.

“We did it,” says Woubshet enthusiastically, “In this sector, this is definitely a big achievement.”

Moyee exported less than expected, but at the same time, they sold more on the local market.

Social impact was limited, mainly due to the constraints of the ECX. However, the new employees have been trained and through the collaboration with Tega Tula farm, indirect contacts with many smallholder farmers have been established.

The plans to also reduce ecological impact are still to be implemented. Despite the fact that the FairChain model needs to be fine-tuned, Moyee is already exploring opportunities to start activities in other countries. Colombia and Kenya seem especially promising, they say.

“Roasting locally in different places also triggers higher impact,” says Van Staveren van Dijk. With more organisations on board, the FairChain revolution could possibly spread faster. “We do like to fight for this cause together, but we will concentrate on our own work and brand. A radically different course is necessary rather than a slightly different direction.” **GCR**

