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# Selling Coffee to Raise Awareness for Development Policy. The Emerging Fair Trade Market in Western Germany in the 1970s

*Ruben Quaas*\*

**Abstract:** »Kaffeeverkauf zur Hebung des Bewusstseins für Entwicklungspolitik: Die Entstehung des Marktes für Fairen Handel in Westdeutschland in den 1970er Jahren«. With respect to the social embeddedness of a market, economic sociological research has suggested that every market actor is confronted with general coordination problems due to uncertainty about the value of a product, its potential success in a competitive market, and because of the several social risks associated with market exchange. The market of Fair Trade in the Federal Republic of Germany, emerging in the 1970s, was confronted with these problems in a particular way. The actors had certain, partially contrasting, aims which they tried to achieve. These aims affected the value ascribed to the products which helped Fair Trade to carve a niche, but, at the same time, also caused certain difficulties which conventional trade would not have had to deal with. This will be shown by the example of the first Fair Trade coffee. All in all, it becomes evident that the development of Fair Trade becomes comprehensible only with the analysis of its social embeddedness.

**Keywords:** history of fair trade, coffee market, embeddedness of markets, coordination problems, symbolic value of goods, ethical consumption.

## Research on Fair Trade from a Historical Perspective

Although the first “fair-traded” products were not available in German supermarkets before the late 1980s, “Fair Trade” can clearly be seen today as a part of mass consumption.<sup>1</sup> In the FRG, as in many other countries, there is now nearly no product from overseas which is not also available in a “fair” version.

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<sup>1</sup> The term “Fair Trade” is used here because of its high degree of popularity, although the term originated in the late 1980s, whereas one spoke of “Third World Trade” or “Alternative Trade” before. Until 1989, the products were sold almost exclusively via “World Shops” and not via supermarkets in order to avoid the participation in conventional trade.

However, even though Fair Trade in Germany thus seems to be a phenomenon of the last two decades, its immediate history dates back to 1970, the year when the “Mission Third World Trade” (“Aktion Dritte Welt Handel”, which members abbreviated as A3WH) was founded by members of the youth associations of the Catholic and the Protestant Churches.<sup>2</sup> This was soon followed by the establishment of permanent structures and organizations which were, along with the work of voluntary supporters, responsible for the lasting success of Fair Trade in Germany. However, the actors naturally had certain goals connected with Fair Trade, which influenced and determined its development.

Exploring the social context of and multiple motivations for economic action is the main concern of economic sociological research. However, especially for questions on the evolution of a market, it seems useful to combine sociological and historical approaches. Thus, for this analysis, first the economic sociological concept of embeddedness and, in connection therewith, the coordination problems of a market will be introduced. This will be followed by the investigation of the emerging Fair Trade in the 1970s. Finally, the results will be summarized.

### General Coordination Problems in an Embedded Market

The idea of market embeddedness originates in Karl Polanyi’s book “The Great Transformation” (1957). This was then adopted and further developed by the so-called new economic sociology (cf. Beckert 2007b; Bevir and Trentmann 2007, Granovetter 1985). One central concern of the investigation of embeddedness of a market is to understand how and why markets can emerge and persist. In this regard, market sociological research has pointed out that, before a market can emerge, it would be necessary to solve three general coordination problems, which would definitely confront every market actor (cf. Beckert 2007, 45, 52ff.; Engels 2010). Before a transaction can take place, buyer and seller need to find each other, they have to ascribe value to the product to be traded and, subsequently, they must agree on the price of the product (the value problem). In order to accomplish this, both must be informed of the competition with similar products and sellers, and be aware of their own position within it (problem of competition). However, even if these conditions are fulfilled, neither buyer nor seller really know about the real intentions of their counterpart and the quality of the product remains doubtful (cooperation problem). Thus, market transactions may generally be considered to be very unlikely from an external perspective (Beckert 2007, 45). Nevertheless, they

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<sup>2</sup> Only few investigations considered the historical development of Fair Trade so far, among others cf. Jaffee 2007, 11ff.; Nicholls/Opal 2004, 16ff.; for Germany see Raschke 2009, 37ff., especially for the “Aktion Dritte Welt Handel” cf. Schmied 1977; Hecke 1996, and Hötzel 1986.

happen countless times everyday. Markets exist and work, which is – from the sociological point of view – only understandable because of their structural, institutional and cultural embeddedness. It is up to this embeddedness to reduce the uncertainties of market actors in such a way that they can expect to benefit from taking the risk of participating in market exchange (cf. Beckert 2007, 49; see also Beckert 2010, 611ff.).

In order to verify these theoretical assumptions, case studies are necessary. Hence, it seems useful to combine a historical analysis of the emerging Fair Trade market with this market sociological approach.<sup>3</sup> Why did Fair Trade emerge, which goals were combined with it? How did the actors solve the market coordination problems, and when and how did these occur? How did its social environment influence Fair Trade and vice versa? These questions will be pursued in the following article, using the example of the early years of Fair Trade in the Federal Republic of Germany (FRG) and especially the example of the first Fair Trade coffee, the “Indio Coffee”.

### Alternative Trade with Handicrafts. The Formation and the Early Goals of the “Aktion Dritte Welt Handel”

The formation of Fair Trade in the FRG is closely related to the social developments in the late 1960s, here especially the change in perception and rating of development aid (for this and the following cf. Lepp 2010, 8ff.; Raschke 2009, 41ff.). The participants in the second United Nations Conference on Trade and Development (UNCTAD) in New Delhi 1968 suggested that the aim of future development aid should rather be “Trade, not Aid”, instead of receiving economic support it would, thus, be necessary for poor countries to have a better chance of really participating in worldwide trade (UNCTAD Secretariat 2011, 14f.). In the same year, Erhard Eppler took office in the FRG as secretary for economic cooperation (“Bundesminister für wirtschaftliche Zusammenarbeit”). He ensured that public relations on development aid became part of the political agenda. The churches also shifted their attention more strongly towards development aid (cf. Hein 2006, 135-139). At both the second Vatican Council and the Protestant World Conference on Church and Society, young churches from Asia, Africa, and Latin America called attention to the problems of their countries. In the encyclical “Populorum Progressio” from Easter 1967, Pope Paul VI claimed that future development aid should no longer focus only on economic growth but rather take into consideration the overall development of humanity. And the Protestant Church in Germany called on its members and the regional churches to allocate parts of their funds to development aid. Gen-

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<sup>3</sup> For the awaited benefits of considering the cultural frameworks of economic actions in historical approaches cf. Berghoff and Vogel 2004; Engel 2009, 25ff.

erally, public relations regarding the economic and trade policies of the industrial countries were now seen as part of the sphere of activity of the churches (cf. Lepp 2010, 9).

Additionally, German society, especially younger people, became increasingly aware of the political problems associated with development. The news of the Vietnam War played an important role in this process, as they provoked a strong feeling of solidarity among many young people with countries of the “Third World” (cf. Nuscheler et al. 1995, 21; Olejniczak 1998; Balsen/Rössel 1986, 115-261; Moses 1998, 142f.; Juchler 1996, 17, 82).

It was up to the two large church youth associations in West Germany, the “German Catholic Youth Association” (“Bund der Katholischen Jugend Deutschland”, BDKJ) and the “Working Association of Protestant Youth of Germany” (“Arbeitsgemeinschaft der Evangelischen Jugend Deutschlands”, AEJ) to combine youth and church activities. Their members expressed a high interest in acting in the field of development policy (cf. Schmied 1977, 58-61; Raschke 2009, 41f.; Lepp 2010, 10; Hein 2006, 145). The youth associations reacted to this with the foundation of a mutual “Working Committee on Development Policy” (“Entwicklungspolitischer Arbeitskreis”, EPA). The aim of this committee was to organize campaigns and activities in order to support the “Third World”.

The “Peace March” which took place in summer 1970 was such an activity. Its participants appealed to sponsors to pay money for each kilometer hiked. The monies were donated to one of four projects of the campaign “Brotherly Sharing” (“Brüderlich teilen”) which was supported by the relief organizations of the churches and the “Welthungerhilfe”, a private relief organization founded in 1962. The march was a great success, all in all over 30,000 people participated in around seventy West German cities. The participants expressed their solidarity with the “Third World” and criticized the current form of development aid as coping exclusively with worldwide hunger. Contrary to this, the activists considered the worldwide trading system to be causing far more serious problems (cf. Raschke 2009, 46; Schmied 1977, 59). Hence, the political claims of the march were an opening of industrial national economies to products from “developing countries”, the reduction in customs barriers, and a halt in the production of goods which could also, and more cheaply, be produced in the “Third World”.<sup>4</sup>

Reviewing the situation a few years later, an early activist considered the spirit of the participants to be a “new view of the global responsibility of Christians” (Schmied 1977, 61; translated by author). Accordingly, a flyer from 1970 expressed the belief that

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<sup>4</sup> Cf. Misereor Archiv Aachen, FH 2, Harry Neyer an Teilnehmer der Hauptversammlung Mai 1971, 5. Mai 1971.

[...] the people in the Third World no longer wish to stand at our doors as beggars. [...] They wish to help themselves. However, all alone they will not be able to manage it. [...] They rely on our showing solidarity, especially on the help of Christians (translated by author).<sup>5</sup>

Hence, the EPA was asked to find activities to make use of this critical potential. A first concept paper by the EPA on this matter proposed the establishment of a "Mission Third World Trade"<sup>6</sup>. Ernst-Erwin Pioch, member of the ecumenical department of AEJ and author of this concept paper, listed comparable models in England and Holland as examples, but criticized the English model of "Oxfam" for focussing only on receiving donations without trying to change awareness. Since this, however, was seen as the most important prerequisite for a lasting change in structures, the Dutch model of "Wereldwinkels" ("World Shops"), which concentrated not only on the selling of products but also on information to consumers, was regarded as far more suitable.

The first meeting of the designated "Third World Trade Project Group" ("Aktionsgruppe Dritte-Welt-Handel") on July 20th, 1970 was attended by ten people, representatives of the youth associations AEJ and BDKJ, the two church relief organizations "Bread for the World" (the protestant "Brot für die Welt") and "Misereor" (catholic), and Paul Meijs of the Dutch "Stichting S.O.S.", the import organization of the "Wereldwinkels". Meijs emphasized his strong interest in a collaboration with German activists. This made the import of goods possible, hence, the activities of A3WH could officially be started on September 20th, 1970 (cf. Schmied 1977, 68).

A short overview of the initial activities already shows the importance of the social and cultural background for the establishment of A3WH, which was due to several factors. There seemed to be consensus on a broad basis, including political and church organizations, that a change of development policy would be necessary. This met with the perception of many, mostly young people who themselves wished to achieve a change in world trade structures by active participation. Thus, the youth associations of the Churches brought forward the establishment of A3WH. However, here it proved to be essential that the organizers of A3WH had access to existing network structures which supplied the financial and organizational backgrounds which were necessary for the establishment of a new organization.

The goals of the newly established A3WH were, according to the concept paper, threefold. It was stated that the organization should raise awareness for development policy in the industrial nations, open up a market for smaller cooperatives of producers which were suffering from sales difficulties, arouse

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<sup>5</sup> Misereor Archiv Aachen, FH 2, Erwin Mock, Rundschreiben an Aktionsgruppen, September 1970

<sup>6</sup> Misereor Archiv Aachen, FH 2, Ernst-Erwin Pioch, Problemskizze zur Gründung einer "Aktionsgemeinschaft Dritte Welt-Handel", 8. Juni 1970.

interest in the “developing countries” for the European market, and introduce them to the opportunities offered by this market.<sup>7</sup>

Harry Neyer, board member of A3WH and BDKJ, stated already in 1971 that it must be clear that A3WH would not itself be able to accomplish what it was trying to represent, but that its effects on raising awareness could mobilize forces which would prove to be much greater and more effective than the project itself.<sup>8</sup> Initially, Fair Trade was perceived not as an instrument to provide a better income for producers but rather as an example of how trade relationships between poor and rich countries could be set up. The activists thus aimed at a long-lasting change in existing structures, the focus was clearly on educational activities.<sup>9</sup>

Although it was continually stressed that educational actions and economic support were to be realized together and that none of these aims should be disregarded<sup>10</sup>, various later documents demonstrated that the educational aim was the main reason for the founding of A3WH. Education was emphasized mostly by the members of the youth associations for whom the selling of products was, above all, an “educational medium” (translated by author).<sup>11</sup>

This goal should also affect the performers, i.e. the members of campaign groups. These groups, which generally came from a church background, received products from the stores of A3WH and organized sales at home, which were usually planned on a short-term basis. The group members should inform themselves, before they then, equipped with the appropriate knowledge, could enter into a sales conversation with the consumer to generate a long-term change in his or her consciousness.<sup>12</sup>

Thus, while the youth associations felt indebted to their own members and, therefore, stressed the raising of awareness, it turned out that the relief organizations, Misereor and Bread for the World, followed their own, partially different agenda when supporting A3WH. Both relief organizations sent representatives to the committees of A3WH. In the early 1970s, Erwin Mock sat on the board for Misereor and Berthold Burkhardt for Bread for the World. As employees of their respective relief organizations, Mock and Burkhardt were responsible for public relations on development policy (“Bildungsbeauftragte für entwicklungspolitische Öffentlichkeitsarbeit”, cf. Schmied 1977, 215).

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<sup>7</sup> Cf. Misereor Archiv Aachen, FH 2, Ernst-Erwin Pioch, Problemskizze zur Gründung einer “Aktionsgemeinschaft Dritte Welt-Handel”, 8. Juni 1970.

<sup>8</sup> Cf. Misereor Archiv Aachen, FH 2, Harry Neyer an Teilnehmer der Hauptversammlung Mai 1971, 5. Mai 1971.

<sup>9</sup> Cf. Misereor Archiv Aachen, FH 2, Ernst-Erwin Pioch, Problemskizze zur Gründung einer “Aktionsgemeinschaft Dritte Welt-Handel”, 8. Juni 1970, cf. Raschke 2010, 25f.

<sup>10</sup> For example cf. Misereor Archiv Aachen, FH 7, Protokoll der Arbeitsgruppe Pädagogik zur Sitzung vom 29.1.1971, 5.2.1971.

<sup>11</sup> Cf. Misereor Archiv Aachen, FH 2, Ernst-Erwin Pioch an Aktionsgruppen, 5. Mai 1971.

<sup>12</sup> Cf. Ibid.

The contacts to the relief organizations proved to be determining, since these not only supported A3WH financially but also provided the necessary organizational structures and especially the contact to producers in the “Third World”. In the first years of A3WH almost only products were imported and sold from cooperatives which had already collaborated with one of the relief organizations before.

However, it was due to the role of the relief organizations as financial supporters and intermediaries for the producers that the strong focus placed by A3WH on educational goals soon came under criticism.

For example, Berthold Burkhardt emphasized in a letter from 1972 the strong interest of Bread for the World in working with those partners who had already been supported by the organization. He reported on a producer’s representative who indicated the necessity to support the native handicraft among the “Indios” to prevent the danger of its complete loss. Thus, Burkhardt asked if one should not pursue an expansion of sales, not least since even the producers would be very interested in selling their products in Europe in a more commercial way.<sup>13</sup> In a later letter from April 24th, 1973, he warned of the danger that information and awareness-raising might be “seen as salvation”, while the economic aspect be considered as a kind of “fall of mankind” (translated by author).<sup>14</sup>

Nevertheless, the board members of A3WH insisted on the priority of educational goals. Harry Neyer pointed out that the two youth associations would hardly be interested in becoming partners in an economic enterprise. For them the educational mission would have priority, but they would responsibly accept the burden of the economic aspect.<sup>15</sup>

Obviously, the fear that an economic orientation might endanger the educational basis of the concept and, as a result, the goal of a long-term change, continually prevailed.

The priority of the educational work was also reflected in the criteria which should determine the selection of possible producers. Their projects should be suitable to highlight the need for an improvement in the trading structures between “First” and “Third World”, and should also be easy to present to the general public (cf. Schmied 1977, 73).

Furthermore, the goals also affected the choice of products. Until the establishment of A3WH’s own import organization “GEPA” (“Gesellschaft zur Förderung der Partnerschaft mit der Dritten Welt”) in 1975<sup>16</sup>, the products to be sold were imported almost exclusively via Stichting S.O.S., which in the first years, however, concentrated on handicrafts, not least since these were ready to

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<sup>13</sup> Cf. Misereor Archiv Aachen, FH 2, Berthold Burkhardt an Wolfram Walbrach, Juni 1972.

<sup>14</sup> Cf. Misereor Archiv Aachen, FH 3, Berthold Burkhardt an Harry Neyer, 24. April 1973.

<sup>15</sup> Cf. Misereor Archiv Aachen, FH 2, Harry Neyer an Wilhelm Aselmann, 30.8.1972.

<sup>16</sup> For the foundation of the GEPA cf. Raschke 2009, 51ff.



be sold when they arrived and did not have to be further processed (cf. Schmied 1977, 79).

Despite these advantages, members of A3WH also saw that such a restriction to handicrafts would limit the range of interested buyers, which was why they agreed already in 1970 to bring forward the import of consumer goods in the long run.<sup>17</sup> A few months later, in January 1971, even A3WH's task group for educational aspects concluded that the countries of the "Third World" needed an industry of consumer and capital goods. However, it was recognized that handicrafts would often be the only chance to liberate marginal groups from their isolation and fatalism and encourage them to join together.<sup>18</sup>

Not least the selection of products thus caused difficulties which had to be solved before transnational transactions could be established. According to the standards of A3WH, the products should be authentic without strengthening unfair structures in worldwide trade, appeal to German consumers and be capable of supporting the educational mission of A3WH.

The problem of finding the right product also became evident in a review of the first three years of A3HW from 1973. Harry Neyer reported therein that a small carved monkey's head manufactured from a coconut shell became a best-seller as, with this article, "the supposed public taste [...] had exactly been met by the producers from overseas". However, it was clear that the limitation to such products would not carry expanding trade, as Neyer stated:

[T]he multiplication of nativeness cannot be endlessly continued. The enlargement of the market required necessary adaptations and rationalizations, which handicrafts resists. Anyway, the question had been raised several times as to whether the selling of handicrafts would actually be the appropriate medium for raising awareness, [and] for providing information on economic balance of power (translated by author).<sup>19</sup>

The latter point was also emphasized by the campaign groups, whose representatives had demanded to import 'political consumer goods' such as chocolate, cocoa, or tea early on, as these seemed to be much better suited to showing the discrimination and the dependence of developing countries on customs policy, tax legislation, and dependence on export conditions.<sup>20</sup>

Nevertheless, several problems occurred in the search for appropriate goods, which prevented sales for a long time. It was seen as most problematic that all suppliers of such goods seemed to have a capitalist structure. Hence, A3WH's management committee hoped for recommendations of suitable producers from

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<sup>17</sup> Cf. Misereor Archiv Aachen, FH 6, Protokoll der A3WH-Sitzung vom 3.9.1970, 26.9.1970.

<sup>18</sup> Cf. Misereor Archiv Aachen, FH 7, Protokoll der Sitzung der Arbeitsgruppe Pädagogik vom 29.1.1971, 5.2.1971.

<sup>19</sup> Misereor Archiv Aachen, FH 3, Harry Neyer: Vom Bastkorb zum Guatemala-Kaffee. Trends, Tendenzen und offene Fragen bei der Aktion Dritte Welt Handel, Version 1, 1973.

<sup>20</sup> Cf. Misereor Archiv Aachen, FH 3, Harry Neyer: Vom Bastkorb zum Guatemala-Kaffee. Trends, Tendenzen und offene Fragen bei der Aktion Dritte Welt Handel, Version 2, 1973.

the relief organizations and even thought about buying goods which were manufactured and traded conventionally. This proposal, however, was declined since such an import would not comply with the principles of the A3WH, and since, further, additional information regarding the production of the goods would have been lacking.<sup>21</sup>

The uncertainty of whether producers would comply with the standards of fair trade blocked the import of consumer goods for a long time, while the demand for such goods especially among the campaign groups increased.<sup>22</sup> It was not before 1973 that a solution to this problem seemed to come within reach.

### Supporting Producers and Educating Consumers: Symbolic Value of the Indio Coffee

In 1973, Erwin Mock travelled to Guatemala to visit the cooperative “Fedecocagua”. This cooperative had been supported earlier by Misereor. Mock thought that the cooperative might be a perfect partner for A3WH. Back in Germany, he reported on the cooperative and its circumstances in a project description.<sup>23</sup>

He wrote that 3,000 bulk producers produced 85 to 90 per cent of the total amount of Guatemalan coffee, the rest came from over 50,000 small farmers, who were socially and economically existing on the brink and living dispersed over the whole country (see also Johnson 2010, 44). It was the aim of the cooperative to combine all the small farmers, but its influence on progress would hardly be noticeable, since government and private agencies organized their support of cooperatives ‘paternalistically’ and did not promote the independence of the small farmer.

The “Asociación Nacional del Café” (ANACAFE) controlled nearly the whole of the Guatemalan coffee market. According to Mock, it acted mainly in the interest of bulk producers<sup>24</sup>. Critical of this policy, Alfredo Hernandez, a long-time employee of ANACAFE, left the association to establish Fedecocagua. This organization was founded on March 26, 1969, and started its operations with 19 associated coffee cooperatives (cf. Wagner 2001, 198f.).

By the time Erwin Mock visited Fedecocagua in 1973, the organization had affiliated 37 cooperatives with about 4,000 members, who with their family

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<sup>21</sup> Cf. Misereor Archiv Aachen, FH 2, Protokoll der Sitzung des Leitungskreises der Aktion Dritte Welt-Handel am 8.2.1972, 8.2.1972.

<sup>22</sup> Cf. Misereor Archiv Aachen, FH 2, Protokoll der Sitzung des Leitungskreises der Aktion Dritte Welt-Handel am 8.2.1972, 8.2.1972.

<sup>23</sup> For this and the following cf. Misereor Archiv Aachen, FH 11, Erwin Mock und Guido Keller: Ein Misereor-Projekt sucht Partner.

<sup>24</sup> Cf. also Johnson 2010, 39f., 42ff.

members represented a group of around 30,000 people. The production of exportable coffee was about 50,000 *quintales* (à 0.46kg), which meant that on average 500 kilograms of coffee were harvested per hectare. Compared to other coffee-producing countries this was low, which Mock explained by the lack of knowledge of adequate farming methods.

Fedecocagua aimed at consolidating the basis cooperatives and expanding the cooperative system to include all small farmers in Guatemala. Furthermore, it promoted sales and wanted to secure a constantly high coffee quality, raise the yield and level of production as well as improve living standards and self-confidence of the farmers. For these aims, Fedecocagua bought up the whole harvest of its members, processed it into exportable coffee and exported it. In addition, Fedecocagua also claimed to provide educational opportunities to their members, like professional training and political education.

Mock emphasized the population's strong interest in the project and attested a safe solidarity within the cooperative. From a collaboration with export partners like S.O.S. and A3WH, Fedecocagua could hope for a net profit which would cover the cooperative's additional expenses. Furthermore, Mock vouched for the reliability of the organization, since the staff would be "qualified and experienced", the project be "planned carefully", and the technical planning be "well considered" (translated by author).<sup>25</sup>

On the whole, the cooperative obviously provided ideal conditions to be a possible partner of A3WH. Thus, Paul Meijs soon agreed to buy and import the coffee via S.O.S, the deal was finalized and the coffee sales started in October 1973, both in the Netherlands and in Germany. The coffee import from Guatemala, therefore, is another example of a cross-border cooperation by which Fair Trade, also on the 'consumer side', was characterized already in the first years of its existence. The Dutch Stichting S.O.S. offered the structures which were necessary to buy and trade the goods, but it was the collaboration with German actors that provided a market with sufficient potential to be large enough for a project of this size.

After having arranged for the import of the good, the coffee had to be made attractive for consumers. To this end, all packages contained a short description of the cooperative and, furthermore, a calculation of prices in order to enhance transparency for buyers as well as sellers (cf. Schmied 1977, 218). An early advertisement for the coffee, which was to be sold under the brand "Indio Coffee" ("Indio-Kaffee"), emphasized the benefits for the small farmers. At the same time, it was made clear that the buyer did not have to pay any additional charge compared with the coffee traded normally. Regarding this, the product information concluded with the statement that "there must be something

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<sup>25</sup> Misereor Archiv Aachen, FH 11, Erwin Mock und Guido Keller: Ein Misereor-Projekt sucht Partner. FEDECOCAGUA. Eine Chance für indianische Kaffeebauern, 1973, cf. Schmied 1977, 215-217.

wrong”, implying that the state of worldwide trade needed correction, and the consumer was asked: “Wouldn’t you like to think about that with us?” (translated by author).<sup>26</sup> This shows that coffee sales were supposed to give an educational impulse. A project description which had been sent by the management committee of A3WH to campaign groups before the launch of Indio Coffee correspondingly announced a flyer which was to be attached to every packet of coffee. This flyer contained “the whole story of the Indio Coffee from Guatemala”. The hope was that whoever reads it, “perhaps having become involved in a sales conversation” with the salesperson in the shop, might become a “conscious coffee drinker” (translated by author).<sup>27</sup>

“Indio Coffee” soon turned out to be a bestseller and was also seen as a success in educational terms. Activists were happy about sales figures and found that the coffee trade was “a bridge to the raising of awareness for development policy” (translated by author).<sup>28</sup> Coffee seemed to be the right choice of product, which is underlined by the fact that the sales of handicraft articles meanwhile stagnated. Not only was demand quickly satisfied, but consumers also complained about the small range of goods and about their poor quality.<sup>29</sup>

A Mr. Pooth, director of the “GFP” (“Gesellschaft für Partnerschaft mit der Dritten Welt”), a preliminary import organization of the A3WH (which still belonged to ninety per cent to S.O.S., while ten per cent were held by Erwin Mock on behalf of the German participants), expressed it in a similar way. According to Pooth, the tests of selling coffee in autumn and winter 1973 had been promising. He expressed the hope that a “continuously saleable product” might finally have been found, which would offer the advantage of reaching not only the members of the campaign groups “but also and especially the consumer in a very potent manner.” (translated by author)<sup>30</sup>

With the great success of coffee sales and the increasing economic importance of A3WH, it was no longer possible to ignore the fact that the organization had outgrown its formative state and was increasingly be able to provide a real support for trading.<sup>31</sup> This had consequences for the aims of Fair Trade and the policy of A3WH. While the number of products sold increased, A3WH’s board members had to admit that the educational goals were a lot harder to

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<sup>26</sup> Misereor Archiv Aachen, FH 11, Werbung für Indio-Café, undatiert.

<sup>27</sup> Misereor Archiv Aachen, FH 3, Harry Neyer: Vom Bastkorb zum Guatemala-Kaffee. Trends, Tendenzen und offene Fragen bei der Aktion Dritte Welt Handel, Version 2, 1973.

<sup>28</sup> Misereor Archiv Aachen, FH 7, Protokoll des Auswertungsseminars in Bonn-Venusberg vom 1.2.-3.2.1974.

<sup>29</sup> Cf. Misereor Archiv Aachen, FH 7, Protokoll des Auswertungsseminars in Bonn-Venusberg vom 1.2.-3.2.1974.

<sup>30</sup> Misereor Archiv Aachen, FH 11, Pooth an die treuhänderischen Gesellschafter der GFP, 18.2.1974.

<sup>31</sup> Cf. Misereor Archiv Aachen, FH 3, Harry Neyer: Vom Bastkorb zum Guatemala-Kaffee. Trends, Tendenzen und offene Fragen bei der Aktion Dritte Welt Handel, Version 2, 1973.

achieve than the economic ones. George Arickal, officer for development co-operation of the BDKJ and board member of A3WH, reminded his colleagues in 1976 of the original aim of A3WH, which was to raise awareness for development policy with goods from the “Third World”. This meant that, according to him, the support of self-help groups in developing countries was only a secondary aim. However, as he concluded, it had turned out that education could no longer keep pace with the economic development of A3WH.<sup>32</sup>

In contrast, many groups seemed to have seen the value of selling coffee foremost in the economic support of the self-help movement (cf. Schmied 1977, 225f.), as an evaluation of sales activities by A3WH members among participating campaign groups, conducted in 1976, also indicates. Of a total of 275 groups only two of them declared that they fulfilled the most important task as seen by the organizers, that was to shed light on the unfair relations in worldwide trading, whereas the others focused on selling products. Hans-Jürgen Wirtz, who summed up this evaluation for A3WH, thus had the general impression that the organization “had not, or only in a very fragmentary way, fulfilled its own demands.” (translated by author)<sup>33</sup>

However, as trading partners benefited from increasing sales, the educational orientation that persisted among board members of A3WH was criticized more and more among the other participants of Fair Trade. Jan Hissel, director of the GEPA, which meanwhile has been founded in 1975, tried to stress the economic aspects. In a newsletter he wrote that meetings about A3WH always “began with the partners, whose cooperation is our concern”, but that these then always got lost in the discussion about the strategy and goals of A3WH. He emphasized that for these partners the marketing problems were a matter of existence, while for “us and our Third World Trade” they were “only of secondary importance.” (translated by author)<sup>34</sup>.

These internal differences were by then accompanied by broader criticism among the Fair Trade movement, which tempered the initial euphoria. A3WH was accused of ignoring necessary changes in the economic structures in Guatemala. Instead of promoting a land reform, it facilitated monocultures and even misled producers by making them believe in an artificial access to the market (cf. Raschke 2009, 64; Schmied 1977, 226-230).

Despite this harsh criticism, the managing committees of A3WH and GEPA defended the selling of Indio Coffee, although they also had to admit that several problems had arisen which had not been anticipated. According to Hissel, the greatest problem was that many members of the cooperative were not able to evaluate their own situation and that, furthermore, their solidarity would not

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<sup>32</sup> Cf. Misereor Archiv Aachen, FH 8, Arickal an den Vorstand der A3WH, 21.4.1976.

<sup>33</sup> Misereor Archiv Aachen, FH 14, H.J. Wirtz: Lernen durch Handeln?, 1977.

<sup>34</sup> Cf. Misereor Archiv Aachen, Veröffentlichungen Fairer Handel, Hissel, Jan: Geht es uns um die Partner? in: GFP-Informationsdienst Mitteilungen 1/Juli 1976, pp. 1-3, p. 1.

be strong enough to support each other in hard times. Likewise, Fedecocagua seemed to focus on the improvement of rural living conditions, while education programs, which were highlighted by A3WH as most important at the beginning of the cooperation, had not been launched before 1976.<sup>35</sup>

Further difficulties arose. From the outset, there was the problem that Fedecocagua could often not keep up with the stipulated quantity of coffee and the delivery dates (cf. Schmied 1977, 220), a problem that intensified in 1976.

In that year, the price for coffee on the international market increased considerably for many reasons. Sudden frost in the Brazilian coffee region Parana, a civil war in Angola, a severe earthquake in Guatemala (from which Fedecocagua also suffered) and devastating rainfalls in Colombia led to a worldwide gap in supplies.<sup>36</sup> At the same time, due to the recovery of the industrial nations' economies, there was an increase in demand. Consequently, the quotations on the coffee exchanges rose from about 70 US\$ per 50 kilogram to 130-135 US\$ (cf. also Baum/Offenhäuser 1994, 44ff.). As A3WH stored only small quantities of coffee and was unable to react flexibly, the increase in commodity price directly affected retail price. Hence, Indio Coffee became more expensive than 'commercial coffee', and A3WH was worried that consumers might switch to cheaper conventional coffee.

To add to the problems of fair traders, the rising commodity price enabled many small farmers to sell their coffee for a higher price on the conventional market via speculators who offered more money than before.<sup>37</sup> As a result, Fedecocagua received less coffee, but since it had never been bound by contract to A3WH it then first fulfilled its contracts with commercial partners.<sup>38</sup>

Even though small farmers at that moment did not rely on the higher price offered by S.O.S. and A3WH, the cooperation between the European fair trade organizations and Fedecocagua was maintained. Firstly, coffee had by then become an important source of income of A3WH. Secondly, the board members of the organization expected the situation on the world market to change at some point, so that farmers would then need a strong partner on their side

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<sup>35</sup> Cf. Misereor Archiv Aachen, Veröffentlichungen Fairer Handel, Hissel, Jan: Guatemala Kaffee Information. Indio Kaffee, Juli 1977, p. 11.

<sup>36</sup> For this and the following cf. Misereor Archiv Aachen, Veröffentlichungen Fairer Handel, Mock, Erwin: Misereor informiert über FEDECOCAGUA, in: Unsere Dritte Welt 6, März 1976; Misereor Archiv Aachen, Veröffentlichungen Fairer Handel, Hissel, Jan: Guatemala Kaffee Information. Indio Kaffee, Juli 1977, p. 7; cf. Johnson 2010, 40f.

<sup>37</sup> Misereor Archiv Aachen, Veröffentlichungen Fairer Handel, Der Weltmarkt des Kaffees, in: Unsere Dritte Welt 9, November 1976, p. 5.

<sup>38</sup> Vgl. Misereor Archiv Aachen, Organisationen Fairer Handel, A3WH Materialien, Dritte-Welt-Laden Berlin: Kaffee Information, p. 3; Misereor Archiv Aachen, Veröffentlichungen Fairer Handel, Hissel, Jan: Guatemala Kaffee Information. Indio Kaffee, Juli 1977, p. 10-11.

again.<sup>39</sup> Finally, it was assumed that Fedecocagua would also benefit from the higher coffee prices on the global market and that the additional income could be invested into the reconstruction of cooperative facilities after the earthquake.<sup>40</sup>

With all this, German actors were never certain about the real situation in Guatemala. This became highly problematic in 1981 when the Guatemalan military regiment disbanded 250 agricultural cooperatives because of alleged communistic activities. Since Fedecocagua was not affected, many members of German campaign groups concluded that it must have been forced into line and that, in the end, the import of Indio Coffee would perhaps support the military government.

Some parts of the movement demanded an immediate ban on imports (cf. Raschke 2009, 82f.). In contrast, Gerd Nickoleit of the GEPA called it cynical to try to bring about large changes but to neglect the small, short term measures as being not worthwhile.<sup>41</sup>

The behavior of coffee producers during the period of high coffee price and the political development in Guatemala meant that Indio Coffee was no longer seen as the right product by a majority of the Fair Trade movement. Many activists then demanded products that communicated a clearer political message than Indio Coffee. After the Sandinista Revolution in Nicaragua, left wing groups in particular, which by then were becoming more and more dominant in the Fair Trade movement, considered the Nicaraguan society as a model for the future. This made the fair-traded “Nica Coffee” (“Nica-Kaffee”) a perfect alternative to the product from Guatemala, as it provided an opportunity to express solidarity with the Nicaraguan government and to support it financially.

Nica Coffee soon became a best-seller and a symbol of German Fair Trade, leaving the Guatemalan coffee far behind. Nevertheless, the history of Fair Trade Coffee began in 1973 with Indio Coffee, which opened up the door to the new market.

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<sup>39</sup> Cf. Misereor Archiv Aachen, Veröffentlichungen Fairer Handel, Unsere Dritte Welt 9, November 1976, p. 6.

<sup>40</sup> Misereor Archiv Aachen, FH 8, Ursachen der Kaffeepreiserhöhung, 20.5.1976.

<sup>41</sup> Cf. Misereor Archiv Aachen, Veröffentlichungen Fairer Handel, Nickoleit, Gerd: Stellungnahme der GEPA zu Fedecocagua, in: Alternativ Handeln Nr. 9 (Mai 1982), pp. 47-48, p. 48.

## Value of Goods and Problems of a Global Cooperation: Solving the Coordination Problems of Fair Trade

This final part of the paper is going to reflect upon the formative years of Fair Trade in Germany in reference to the coordination problems of markets, which have been the starting point of this study.

The late 1960s and early 1970s brought about a broad-based critical reflection of development aid. This critique corresponded to the perception of many young Germans who were looking for a way to support the “Third World”. A3WH provided such an opportunity. It originated in activities of youth associations of the churches and was soon supported by the church relief organizations. Due to the embeddedness of early Fair Trade in the church context, German activists established the contact with the Dutch Stichting S.O.S., which soon became the first import organization for Fair Trade products in Germany.

Economic activities meant that actors had to consider market requirements. This in turn influenced the policy of Fair Trade and brought with it a re-orientation towards goals which in the eyes of many activists betrayed the initial aims of A3WH. This conflict of objectives brought youth associations in opposition to relief organizations. While the former considered it necessary to meet the interest of their members and, therefore, focused on educational goals, the latter in their role as financial supporters and contact partners of producers stressed the economic aspects and proposed an expansion of sales early on. This organizational dispute shows that the market not only was influenced by the social structures it was embedded in, but also that the emerging market affected the surroundings it originated from.

Hence, the solution of one of the coordination problems identified by economic sociology, e.g. the need to ascribe value to the goods (Beckert 2007, 53ff.; Engels 2010, 70), can only be explained in reference to the embeddedness of Fair Trade. The belief that a change in awareness could cause a change in world trade structures, and the conviction that this awareness could best be achieved with consumer goods was the reason for the attractiveness of coffee as a product to be fairly traded.<sup>42</sup> Apart from its compatibility with socio-political aims, the lasting success of coffee as a fair trade good owes also to its economic property as a consumer product.

Even though coffee was made out to be a good that suited both political and economic requirements of Fair Trade, its import could not be realized for a long time since the reliability of producers and the quality of the product were uncertain. It was open whether product and producer would really comply with the A3WH's policies and goals. This problem is closely interwoven with the

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<sup>42</sup> For the symbolic value ascribed to goods see also Stehr 2007, 18; Appadurai 1986.



ascription of value to a product and refers to another cooperation problem of markets, the cooperation problem (cf. Beckert 2007, 56f.).

The issue of uncertainty, which is a given in any markets, was particularly grave in the case of Fair Trade as neither a demand nor a supply for products with respective qualities had existed before. Therefore, producers who met the standards of Fair Trade had first to be found. Misereor alleviated the establishment of contacts between coffee suppliers in the “Third World” and Fair Trade activists in Germany, and Erwin Mock’s strong commitment to Fedecocagua reduced existing doubts about the reliability of supply to such an extent that the import of coffee could begin. This illustrates that personal relationships and trust played an important role in the small market which Fair Trade at that time still was.<sup>43</sup>

Once the import structure was set up, the coffee had to be positioned within the existing market. The price was set relative to the price of the conventionally traded coffee, which was why it could be stressed that the consumer could support producers without any disadvantages for himself. Indio Coffee occupied a market niche as it promised a moral benefit for the consumer by giving him a chance to support the producer in a special way.<sup>44</sup> This moral surplus was confirmed by A3WH’s origin in a church-related environment.

All things considered, it becomes obvious how important the embeddedness of Fair Trade was in order to solve the coordination problems of this particular market. At the same time, considering the particular economics of Fair Trade sheds new light on the political side of this phenomenon, as it makes apparent the dependencies of the movement on markets and, most importantly, accounts for the behavior of actors in the exporting countries.

Indio Coffee was the most successful product in the early years of Fair Trade, not least since it perfectly combined economic and educational goals. However, this changed from the middle of the 1970s. Even though Indio Coffee was economically still successful, A3WH members had to admit that educational goals could not keep pace with the actual trade. This was accompanied by problems emerging in the exchange with Fedecocagua. When suspicion arose that the coffee trade might eventually be supporting the Guatemalan military government, Indio Coffee lost its backing in Germany, which proves that value, once ascribed, remains instable (cf. Beckert 2007, 54). This development was enforced by the upcoming of Nica Coffee, a competitor in the Fair Trade niche, which soon turned out to be far more successful than Indio Coffee ever was.

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<sup>43</sup> For the importance of trust in economic action see also Beckert 2007, 50f.; Berghoff 2004; Granovetter 1985, 490ff.

<sup>44</sup> The connection of ethics and consumption attracts more and more attention, cf. among others Aspers 2006; Stehr 2007; Neve 2008.

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