

**Poverty Alleviation Through Participation in Fair Trade Coffee
Networks: The Case of the Tzotzilotic Tzobolotic Coffee Coop
Chiapas, Mexico**

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1. Historical context of entering Fair Trade

The Sociedad Cooperativa Tzotzilotic Tzobolotic (*Tzotziles unidos para producir*) is a coffee cooperative that provides a variety of services to 800 members. These services include harvest collection, a coffee mill, credit services, technical training, and negotiating contracts (to sell coffee on the national and international markets) with better prices than those offered by local middlemen. It was officially registered in 1992 by families from fifteen communities of the municipality of El Bosque in the Highlands of Chiapas, Mexico.

The Highlands of Chiapas are displaced faults oriented NW to SE and folds with sedimentary formations of limestone and sandstone. With altitudes ranging from 1400 to 3000 meters above sea level, the Highland's climate is humid temperate with a summer rainy season and a dry winter with possibilities of frost from December to March. The region is characterized by thin, rocky soils and the main vegetation is mixed forest. All these characteristics create a good environment for coffee cultivation under shade.

The Tzotzil Mayan communities of the El Bosque municipality have been organized for generations. The members of the Tzotzilotic Tzobolotic coffee coop obtained their ejidal and private lands, like all the peasants in the area, through land struggles via the 'earlier generation,' strong, statewide peasant and farm worker organization, Union de Uniones¹. During the 1980s, peasants all over Mexico used confrontational tactics to obtain land as the first stage in the appropriation of the production process. In this period Union de Uniones created a statewide credit union to build farmer control over the agricultural production and distribution process. Nevertheless, the transition from landless people to coop members was very difficult. After decades of struggling for land, they had to learn to do office and paper work for credits, banks, payments, accessing markets, etc. Nevertheless, the Pajal Yakaltic credit union that they created was very successful for a while, and received large loans from the state banking system. Many producers gained experience managing funds and learned how to export; but in 1991 the Pajal credit union split up.

¹ The Union de Uniones was an organization supported by activists from the left-wing group *Linea Proletaria* that in early 70's tried to organize a coalition between farm workers and factory workers.

What happened is that at the end of the 1980s, the dismantling of the Mexican National Institute of Coffee (INMECAFE) and the sudden drop in coffee prices provoked by the collapse of the International Coffee Agreement, dealt severe blows to Pajal, which already owed huge sums for loan payments. In the global coffee crisis, many coffee buyers declared bankruptcy and forfeited on payments to Pajal, and Pajal could not pay for the coffee already turned in by their members. This created enormous discontent with the leadership of Pajal, who at the same time had not presented transparent accounts, and they were accused of mismanagement of funds. As a result, many communities left Pajal and some of them formed new cooperatives. One of them is the Tzotzilotic Tzobolotic coffee cooperative.

In 1994, after the Zapatista Uprising, many members left Tzotzilotic Tzobolotic to become Zapatista bases. Most of these former Tzotzilotic members, and other Zapatista bases, formed the coffee coop MutVitz in 1997, which also has its headquarters in El Bosque. Currently, in most of the communities in El Bosque there are members of both coffee coops. The massacre of Acteal in 1999 and the tensions in the region with paramilitary groups gave members of Tzotzilotic and MutVitz a chance to develop a respectful relationship. The fact that none of them belong to the ruling party, and that many times they are part of the same families, also contributes to minimizing confrontations.

Seeking to consolidate this relatively recently formed organization, the Tzotzilotic coop has joined several networks of coffee producers. They are members of the statewide coffee producer network *Fundación Consolidación y Crecimiento* and co-founders of the *Coordinadora Nacional de Organizaciones Cafetaleras* (CNOC),² and in the last years helped found COOPCAFE, the CNOC chapter in Chiapas.

They learned about Fair Trade at the founding meeting of CNOC in 1992. The Max Havelaar representative for Mexico was present in that meeting and explained the system to the CNOC members. Tzotzilotic registered with both organizations at the same time. Their idea was to search for benefits to strengthen their organization, and they expected to obtain contracts and export with better prices. They obtained the Max

² CNOC is the national Mexican network of small coffee producer organizations. It is the result of years of struggle against INMECAFE for better prices and fairer practices. After INMECAFE disappeared, CNOC became the strongest peasant organization in Mexico, at the beginning of the 90's. They were able to obtain most of INMECAFE infrastructure with preferential payment conditions. The small organizations, who are members of CNOC, became bigger and stronger with the storage facilities, coffee mills, transport units, etc received from this deal.

Havelaar registry in 1992 and currently hold five labels from the Fairtrade Labelling Organizations International (FLO International): Maxhavelaar, Fairtrade, Transfair, Keurmerk and Rattvisemarkt.

The main information about Fair Trade, based on which Tzotzilotic built its high expectations, came from the original agreement with FLO. Tzotzilotic representatives constantly refer to that agreement in which it is stated that FLO would provide advice and accompaniment to the members of Fair Trade. Though Tzotzilotic invested a lot of effort in trying to obtain a contract under Fair Trade conditions, they were only successful for the first time last year, with the help of the Majomut coffee coop.

In the past the Tzotzilotic coffee coop has sold mainly conventional coffee to the national market, and exported through the CNOC “Promotora Comercial” enterprise, to Hamburg Coffee in 1997. They also exported to the U.S, to Times Commodities Corp and Paragon Coffee Trading Company from 1998 to 2000. However their last and biggest shipment to Paragon became a tremendous setback for the coop, because Paragon refused payment for two of the five containers received, arguing they did not arrive in good shape. The coop did not have the means to fight this case in the US, and the coop ended up paying their members \$9.50 pesos per kilo (one dollar per kg), when the local middlemen were paying \$14.00 pesos (\$1.47 dollar per kg). To make things worst, during 2000 the rains where so heavy that the majority of the crop was lost. The members harvested very little coffee, the prices were very low and the coop decided not to collect coffee from its members.

Many producers were disillusioned with this situation and left the organization. The new administration, elected in February 2001, proposed to the general assembly to convert their production to organic, and to sell to the Fair Trade market. The new leaders were able to quickly obtain Majomut’s help in selling a container of 250 sacks in the Fair Trade market.

Fig 1. Exports from the Tzotzilotic Tzobolotic Coffee Coop 1998-2002

Harvest Year	Total coffee collected (kg) (Acopio)	Green coffee exported (69 kg sacks)	Price US dollars	Percent exported	Percentage of exports sold to Fair Trade
1998-1999	53,983	500	115.37	64%	0%
1999-2000	139,189	1,000	82.62	61%	0%
		250	40.00		
2001-2002	26,532	250	126.00	65%	100%

Source: Accounting documents Tzotzilotic Tzobolotic coop.

2. Fair Trade networks

The Tzotzilotic technical advisor and former administrator, Alfonso Carreon Meneses, and the CNOC representatives, were important mediums for Tzotzilotic to get in touch with Fair Trade. However, the coffee coop Majomut was the key agent that helped Tzotzilotic Tzobolotic to actually enter the Fair Trade market last year.

Among the main actors that shape the participation of the Tzotzilotic in Fair Trade is the Coordinadora Nacional de Organizaciones Cafetaleras branch in Chiapas, COOPCAFE. Recently, COOPCAFE decided to divide their member organizations into four groups, with one of the bigger and more experienced coops and several smaller and less experienced coops in each group. This scheme was developed to help the smaller ones, and Tzotzilotic is part of the group where the Union de Ejidos Majomut is the experienced 'mentor' group. This structure allowed the presidents of both coops to talk and agree to help each other. The rest of the leadership of both coops are also important actors as well as the advisors.

The former advisor of the Tzotzilotic helped the organization to grow and export. Since its foundation, Alfonso Carreon provided advice, support and work for the coop with generosity. However the problems they had with the last sale, combined with low income, led him to look for other work and he left the coop this year. The new leadership carried out the export with Majomut and they decided to learn to do the entire business

themselves. They, together with other two small coffee coops, are looking to hire an agronomist to help in the transition to organic and provide some advice in the management of the commercial part.

Representatives of FLO and other advisors are also important actors for Tzotilotic especially in the last year when FLO suspended their registry and later gave it back (see details in section 7, “Problems with Fair Trade”). From this episode, the most important players, that made it possible for Tzotzilotic to sell with Fair Trade conditions, were the *Unión de Ejidos y Comunidades de Cafecultores Beneficio Majomut*; Jos Algra, a Fair Trade consultant in Mexico City, whose recommendations were key in the process of regaining the Fair Trade registry; and the FLO, who granted the provisional registry and helped arrange for the sale together with Majomut. Tzotzilotic is expecting to sell again this year with Majomut.

Organic production and Fair Trade are very linked in the experience of this coop. While they were producing conventional coffee, they did not sell anything under Fair Trade conditions. It was precisely in the combination of switching to organic and the perception of better quality that is how most of the producers understand the better prices received (see section 6).

Recently the coop decided to initiate conversion to organic production in order to keep pace with the majority of other organized producers in the highlands. Organic has been the main way to get a better price in this period of very low prices. Most of the coffee exported from the region is now organic and therefore, to export together with other small coops, one must be organic as well. The coop is already in the second year of transition to organic with 208 producers in transition.

Fig. 2 Number of producers and hectares in transition to organic production in Tzotzilotic

COMMUNITY OR GROUP	PRODUCERS IN TRANSITION	HECTARES IN TRANSITION
San Miguel	45	228
NuevoMilenio 2	24	34.88
Altagracia	14	18.04
San Pedro Nix	16	23.01
Nuevo Milenio1	14	10.61
El Carrizal	5	5.72
Los Angeles	35	42.94
San Andrés Obregón	14	20.31
Carmen Guayabal	6	9.21
El Vergel	5	16
Sabinotic	2	4.87
El Bosque Los Pinos	11	19.28
Trinidad	1	2.50
Tercer Grupo Com.	4	3.5
San Antonio	12	16.12
Total	208	454.99

At the same time, private banks are giving loans only to organic producers. Low prices have brought a crisis to rural areas, and have made the banks more reluctant to take on growers of conventional coffee. Financing is a key difference between the conventional and the organic markets. Borrowers are permitted a limited amount of money if they are conventional, but they are able to obtain enough money to cover all of their expenses if they are organic. The banks know that coffee sold to the organic and Fair Trade markets get higher prices.

There are three stages that organic norms require to convert to the organic process. Each stage lasts a year (U1, U2, U3),³ and the coffee can be certified in each stage of transition. Tzotzilotic has already obtained their U1 certification, the first of the three stages. Their transition has been officially certified and they hoped to be able to sell their U1 coffee as a separate lot. However, buyers do not recognize the transitional stages in terms of price, which means that Tzotzilotic still has to sell as conventional until they meet the norm for 3 years. Nevertheless, they obtained a loan from Fondo Accion

³ The U comes from a German word that means 'transition.'

Banamex (with funds from FIRA⁴), to collect the coffee from their members. The loan was for US \$16,000, and provided a 'Technical Collaboration' of US \$2,000 when the Tzotzilotic paid back the loan in August⁵. The technical collaboration is to be used for workshops for the five peasant promoters on the process of certification, to purchase materials, and to create a database for the individual technical registry of each member.

The other important financial institution for Tzotzilotic has been the *Fondo Nacional de Empresas Solidaridad* (FONAES), a federal institution that provides credit without interest to small producer organizations. Tzotzilotic has received credit from FONAES to collect coffee the last few years.

The coop must have cash to collect harvest from their members, to process the coffee and to sell it on the international market. To request a loan, Tzotzilotic must prepare a credit project where they estimate what their production will be and how much money they will need to collect the harvest of their members. Delegates from each group make a list of how many kilos their members will deliver in which month. Based on that information they prepare the documents for financial assistance, make up a coffee collection program, and decide when they will open the storage shed. The technicians calculate the harvest from the estimates each member provides, and it is presented to the bank. Usually, they say, Fondo Accion Banamex approves the amount requested, while FONAES only provides around 20% of the requested amount. Tzotzilotic hopes to be able to sell more with Fair Trade, and once they build confidence with the buyers, they expect to benefit from the pre-financing system of Fair Trade with its low interest rates.

3. Organizational Structure related to Fair Trade

The coop elects their representatives by consensus in a general assembly. The naming of the authorities is a voluntary democratic process although there are no

⁴ Credit with funds from FIRA is obtained from the Banco de Mexico. A public announcement is made by the bank inviting what are known as "structures" or "intermediate financial organizations" to register, these are the institutions or NGO's that work on credit, this is called the credit administration program, and its initials are PROCREA. NGO's, private businesses and consultants are among those that apply to become PROCREA agents. The PROCREA agents decide who to give credit to and approach organizations like coffee cooperatives directly when they are looking for clients. Tzotzilotic works with the PROCREA agent Fondo Accion Banamex, that grants credits and provide small amounts of money for technical support.

⁵ An interesting point here is the fact that Banamex will give a larger amount of Technical Collaboration if the loan is bigger. Tzotzilotic representatives commented that if they could receive \$160,000 they would be receiving a technical collaboration of US \$27,000. The larger collaboration would pay for technicians, certification bills, etc.

competitors candidates. Their democratic structure consists of a *directiva* (president, secretary and treasurer), the *comité de vigilancia* and two delegates or representatives from each of the fifteen member groups. Tzotzilotic now has 840 members, 300 of whom are women, (about 50 with coffee groves, and 250 working in other productive projects – vegetables, pork, chicken, etc.). They have a general annual assembly in December where all the important decisions are made.

The current *directiva* was elected in February 2001. The former leaders were militants of the Labor Party (PT) and they dedicated much of their time seeking a seat in the municipal elections. This was viewed by some members as hopeful for the municipality⁶, but as a waste of time by those members more interested in the economic performance of the cooperative. The new leaders are more interested in building and strengthening the cooperative in this time of economic crisis, provoked by another period of historic low coffee prices, and by a buyer that did not pay for two containers shipped in 2000.

The coop accepts new individual members. The requirements to become part of the Tzotzilotic Tzobolotic coffee coop are:

- Fill out an application
- Be 18 years or older
- Be willing to cooperate
- Pay a mebership fee or quota
- Follow the organization's guidelines
- Participate in commissions⁷

However Tzotzilotic is reluctant to accept new members who are attracted only because of better prices. They want members who will participate and make the organization stronger; otherwise they might just leave the coop once the price incentive drops down again. The assembly of delegates decides if they accept new members or not. To avoid opportunism, each potential member must be nominated, and each case is discussed. Usually they grant a provisional acceptance for one year, and monitor if they participate in assemblies and in the cooperative commissions. This year 35 producers joined the organization and another group of producers who had left the organization wanted to return to the coop. When new members are accepted their acceptance is formalized in an extraordinary assembly, and the assembly minutes are taken to a public notary to be legalized.

⁶ PT is very strong in this region and their candidates almost won last election against the PRI candidates.

⁷ Requirements listed in the Tzotzilotic official form for new member registration.

Information about Fair Trade is passed to the membership in general assemblies, and delegates meetings. Though information about Fair Trade was explained to the general assembly at the time of the original registration, for years they stopped talking about it, because there were no sales on the Fair Trade market. However, with the cancellation of their Fair Trade registration (explained in section 7), they have once again spread information about Fair Trade to all their members in assemblies and handed out printed information. Remarkably, after being taken off the Fair Trade registry, they retook up the topic, managed to regain access to the Fair Trade market via the Union the Ejidos Majomut, and now more and more members are talking about Fair Trade, since they finally sold their first 250 sack shipment.

The Tzotzilotic administration maintains communication by fax or e-mail with FLO, through which they receive information about important agreements in the FLO system, and they send information requested by FLO. For example, FLO requested the opinion of coffee cooperatives about the candidates for representatives at FLO, and Tzotzilotic answered with opinions reached by consensus among all their members. They reported that the communication with FLO works well.

Another important source of information is the meetings of COOPCAFE in Tuxtla, where information is shared about Fair Trade. Another way they get information is through the meetings that are taking place to strengthen the Mexican Fair Trade initiative (see section 7). In the last meeting, the president, Manuel Perez Peres, was present in Ixtepec, and gave a report back to the general assembly. He has been visiting all the member groups and spreading the information around.

The technical advisor and the president of the organization felt that there is so much information to give out in an assembly that it is too much and the delegates do not retain 100% of the information, and thus cannot pass it on to their members in each town. Their current strategy is to call for special meetings to talk about specific topics, rather than give out all the information in one meeting. This process is aided by distributing printed information in Spanish. They distributed a folder with all the information about Fair Trade and the details of their first sale to the delegates. They see this printed information as something more formal, and think that delegates will remember the information better because it was distributed in print form.

There is a formal leadership within the cooperative, in the combination of a technical advisor (until 2001 Alfonso Carreon), who formerly acted as a communication liaison, and a board of directors (*directiva*), who are the real leaders from membership. Although, the two technicians and the five peasant promoters are also very important elements, they depend on the board of directors for decisions. The staff includes a part time accountant and they have an office in San Cristobal de las Casas. The technical advisor received a small salary paid from COOPCAFE funds, though he mostly has donated his time, although this year he resigned from the coop. The technicians are supported by funds from governmental programs, but the last seven months the funds have not arrived. They have continued working with the transition to organic process. The campesino promoters and the delegates do not receive any salary at all.

When it comes to making decisions related to the Fair Trade market, the technical advisor used to talk to the board of directors and they would decide what action would be taken. If they could not resolve the issue, then a community assembly was called, and the people were consulted until a solution was reached. Currently, the *directiva* is having meetings with the delegates more often to consult and take decisions about Fair Trade, and is visiting each community as well. The cooperative assembly also decides which portion of the price premium will be devoted to community projects. This year, the general assembly decided to use the social premium on fixing the coffee mill and furnishing an office next to the mill. This office will allow more members to participate in coop office work due to its location near to their homes.

If the coop obtains a loan, all members who harvest and deliver coffee to the cooperative receive an advance payment for their coffee, in the form of an internal loan. The amount is decided by the assembly, and each producer receives part of the available credit. However some producers need cash right away, or, don't want to pay back a loan (with interest), and prefer to receive a full payment when they deliver their coffee. They receive a discounted price ("precio rematado") which is higher than the advance, but lower than the final price for the coffee is sold.

When the coffee is collected from the members, a detailed registry of the transaction is taken including: producer name, community, municipality, which storage shed received it, type of coffee (organic, U1 or U2, or conventional), gross weight, net weight, net payment etc. This year the coop decided to pay \$5 pesos (US 52 cents) as an advance per kilo, and \$7.50 pesos (US 80 cents) per kilo as *precio rematado*. If the producer has an outstanding debt with the cooperative, it is deducted from their payment.

The coop buys the coffee in parchment from their members, and transforms it to green coffee before selling it. *Rendimiento*, the weight of the coffee delivered by the farmer minus defective beans, is used to calculate the amount of coffee they can commit to buyers. Normally 46 kgs of green coffee are obtained from 57.5 kgs of coffee in parchment, but all coffee sacks received by the coop are sampled, and their *rendimiento* is calculated. The person in charge of receiving coffee is key in this operation.

Conventional coffee prices are based on the New York Exchange (NYE) prices. Arabic Coffee price is based on the New York Contract “C,” and is paid per pound on a Free of Bearer (FOB) origin basis, per net weight shipped. This means the producer/exporter is paid for the coffee when they put it on the ship. They have to bear the costs of transport to the port, the customs broker, and a security firm that takes care of the trailer convoy to the port. The exports are mainly shipped through the port of Veracruz and more small coops are exporting together to share the costs of transportation. Robusta coffee price is based on the “LCE” of London price per metric ton, FOB for net weight shipped.

Fair Trade guarantees a minimum price of \$126 FOB per 100 pounds for conventional coffee, and US \$141 for organic coffee. When NYE coffee prices are higher than this minimum, Fair Trade pays 5 cents more per pound than NYE prices. This year the impact of Fair Trade prices in the highlands of Chiapas has been huge. Middlemen paid 5 to 6 pesos (US 52 to 63 cents) per kilo, while Tzotzilotic members received 11 pesos (US \$1.22) per kilo. This 100% difference in price has generated a lot of enthusiasm for Fair Trade among Tzotzilotic members. The very first sale is making a difference, in terms of regaining faith in their organization, wanting to strengthen it, and new members wanting to join.

Fig. 3 Fair Trade Minimum Prices per pound FOB

Coffee Type	Regular		Certified Organic	
	Central America Mexico, Africa, Asia	South America the Caribbean	Central America Mexico, Africa, Asia	South America, the Caribbean
Arabic washed	126	124	141	139
Arabic not washed	120	120	135	135
Robusta washed	110	110	125	125
Robusta not washed	106	106	121	121

Source: FLO price list from the agreement with Tzotzilotic

At the end of each cycle, an informational meeting is held where representatives explain the results of the harvest. They also provide a financial report. They present the results of the whole operation, and the complete documentation is presented so delegates can check the numbers and prices (contracts, deposit slips, bank statements, receipts of all the costs, etc.). The coop has an open books policy toward its members. In the last meeting the use of the social premium was decided by consensus. Figure 5 is based on the information distributed at this meeting.

Fig. 4 Breakdown of Tzotzilotic first Fair Trade sale.

Number of 100 lb. sacks of green coffee	Price per sack US \$	Total Income	
250	126	31,500	
Expenses	Cost per sack US dollars	Cost	Total
Processing cost (mill)	4.44		1,110
Transportation cost (includes sack, insurance, truck, custom and security agents)	8		2,000
Advertisement	1.5		375
Salaries	3.5		875
Loan Interests			3,010
Operational expenses			<u>5,496</u>
		Total Costs	<u>12,866</u>
Balance			18,634

Source: Tzotzilotic financial reports and accounting documents 2002

From this table we can observe that transportation costs (8 dollars) are double the cost of in-house processing (4 dollars). The cost of financing is very high (around 12 dollars per sack), and Tzotzilotic expects to lower this cost when they receive pre-financing from Fair Trade buyers in the future. The fixed operational costs (rent, telephone, supplies, salaries, certification, etc.) of the coop are significant for this small sale. They will become less onerous when they get more sales.

4. Fair Trade certification system and quality

Tzotzilotic Tzobolotic holds two kinds of certification, Fair Trade, since 1992, and organic since 2000.

The Fair Trade certification is based on annual monitoring process. Each year the monitor requests the financial papers of the coop and talks with the representatives about their organizational capacity.

In the last few years the monitor, Martin Barragan, apparently requested information in a very 'demanding' manner, and a number of cooperatives signed a written complaint to FLO about his treatment. All the coops who signed the complaint received the next visit from a different monitor. However, Tzotzilotic did not sign the letter, and in 2000 Barragan visited them again. This last visit was a big problem for Tzotzilotic, as the report he passed on led to the cancellation of their FLO registry (see details in section 7).

The transition to organic production began in 1999. Organic certification of coffee cooperatives requires an internal control process that is carried out by the organization itself. The coop started a process of specialization and formed a technical team of seven campesino promoters and two technicians. The technical team received workshops on internal controls, and on how to prepare the technical information form (*ficha tecnica*) for each member. The technicians monitor the advances in the transition to organic through the *ficha tecnica* and the promoters help producers to learn organic techniques. In 2001 Certimex, the Mexican company of organic certifiers with international recognition, inspected the cooperative's organic production and they granted the U1 certificate. The commitment of the members to internal control, and the skills of the technical team, resulted in getting the certification. This month the second inspection is approaching, where Tzotzilotic will obtain U2 certification.

To keep their certification they have to keep up with the recommendations of the external inspection. Last year's external inspection recommended designing a database with each member technical data, or *ficha tecnica*, and they are building it this year. The *ficha tecnica* is an instrument of evaluation for the external inspector, but it is also an

instrument of internal control. The *ficha* includes general information on all the members: size of parcel, number of coffee plants, organic coffee code number, altitude, shade diversity, health of the plants, number of terraces, size of harvest, etc.

Every year Naturland, the German organization that grants organic certification, has to check that the inspectors (from Certimex) are assuring that the production meets organic norms and is ecologically sound. Certimex has been a great help to the coop because they organize workshops for coffee coop technicians, providing them with food, lodging and transportation. In these workshops technicians learn what Naturland is looking for in the certification process, and the forms they will need to fill out. The coop hasn't had any problems with their organic certification, and has found Certimex to be very professional.

The requirements for certification on these two markets are actually complementary. The network of coffee organizations is pushing certifying organizations to do both certifications at the same time, to avoid repetition and save costs. Tzotzilotic reports that there has been a marked improvement in the quality of their coffee since they entered the organic and Fair Trade markets.

5. Producers views of Fair Trade

As part of this study, coop officials and members were interviewed. In this section representative comments are given to illustrate internal viewpoints about Fair Trade. Although Tzotzilotic has only been selling to the Fair Trade market for a year, the level of understanding of Fair Trade by members has been boosted by higher prices and by the social premium.

The majority of the members of the coop couldn't explain exactly what Fair Trade was, but most of them understood it in three different ways:

1. Better price for poor producers, for small producers

“Fair Trade pays more because it goes directly to the farmer, to the poor people.”

“Fair Trade is a market where we can sell our coffee with a just price for our families. When we export to other markets they cut the price.”

“Fair Trade buys from those who have 5 ha or less, because those with more than 5 ha have a higher standard of living and are not so needy.”

In other words, members believe that Fair Trade pays better prices to poorer, smaller farmers, based on principles of social justice.

2. Better price because they are organized

“Fair Trade is to be able to sell organized as a coop and receive a better price. It is to be able to sell to buyers that know us.”

“Fair Trade is to sell directly and avoid middlemen. In this way producers keep the profits in the hands of the producers and not in the middlemen. It is a way to look for options for the producers.”

“The Fair Trade market provides us with a social premium for our organization.”

In other words, they believe that part of the higher price comes from eliminating middlemen, and from participating in the market as an organization, rather than as individuals.

3. Better price for higher quality that is obtained by organic techniques of production.

“The Fair Trade people want quality: if your coffee isn’t of quality it will be turned back at the border.”

“Fair Trade is selling our coffee with better price and now that we are converting to organic, our situation will be better.”

In other words, Fair Trade prices require higher quality, and they believe that “organic” is a quality factor.

Producers identified the big difference from the conventional market as the price differential. However, organic and Fair Trade were not as easily differentiated, and they are not aware of the shade coffee market yet.

The opinions of the former technical advisor, which he formed after years of unsuccessful efforts trying to export Fair Trade coffee, resulted in general mistrust of the Fair Trade market. He spoke with importers, sent offers and coffee samples, but no Fair Trade buyer offered them a contract. He concluded that there was a bias in the Fair Trade market:

“We have realized that the Fair Trade market has its preferences, be it religious like UCIRI or ISMAM, or political like the Zapatistas and this is why the importers buy from them. For example, in the case of MutVitz, they haven’t been established as long as we have, but they have been selling under Fair Trade conditions, which means that there are certain preferences within the market. There is also the possibility that some organizations have a contact or commercial representative who can go to Europe to negotiate contracts. But our economic possibilities don’t allow us to pay someone who speaks English to go and do the business for us”.

His opinion points to an important aspect of Fair Trade, the need for speaking English, and for having international relations. Without them he could not help Tzotzilotic to export under Fair Trade conditions and bring benefits for the organization during the first ten years of holding Fair Trade registration. However the new leaders of Tzotzilotic are much more hopeful this year, since their members received the benefit of higher price last year.

6. Fair Trade benefits for producers, households, organizations, and communities.

Having only one year in the Fair Trade market, the benefits for the communities are not visible yet. However, the coop has now felt the first benefit of Fair Trade, with the new enthusiasm of the members after the first sale.

Favorable and stable prices are a key incentive reported by all those interviewed. All leaders and delegates mentioned the minimum guaranteed price of \$126 dollars for conventional coffee, and emphasized the \$141 dollars for Fair Trade organic (per 100 pounds of coffee). Producers reported better prices, but not all mentioned the minimum prices.

They have not yet as benefited from technical, marketing or organizational assistance, except that provided by Majomut. We might say that Majomut’s willingness to help Tzotzilotic is an indirect benefit of Majomut’s strength, gained by their 100% sales to Fair Trade markets the last two years. But it is also the result of relations built among leaders of indigenous producer organizations.

The producers who received 11 pesos are now very interested in continuing their transition to organic, and to continue selling with Fair Trade. They reported being able to buy more of their basic needs (salt, oil, clothes and shoes).

Many answered that if coffee is viable, less people would have to migrate. They did not relate this specifically to Fair Trade, but to better prices that would make coffee more profitable.

The coop expects to have access to new coffee market channels once they are better known in the Fair Trade market. They expressed that they are building their reputation and they are very grateful to Majomut for having introduced them to the market. The leaders and delegates also talked about better quality and organic production in conjunction with Fair Trade.

The idea of diversification into activities other than coffee cannot be reported here as a benefit of Fair Trade, because the coop has spent years experimenting with other options: production of chicken and pork, backyard vegetable gardens, and honey. This year they obtained support from a federal program to produce lichey fruit for export.

In conclusion, the first sale has strengthened the organization because it happened in a period of organizational weakness, and has helped the new leadership to revitalize their constituency.

7. Problems with Fair Trade and solutions.

The representatives of Tzotzilotic expected to obtain contracts with Fair Trade, but were disappointed by their lack of sales for many years. Instead, a mayor problem appeared in 2001, when their Fair Trade registry was canceled in the middle of organizing their first sale with Majomut.

On October 19, 2001 Tzotzilotic received an e-mail stating that they had been sent a fax, to their old phone number, regarding the decision of the FLO Registry Committee. The letter stated (in Spanish) that:

“...the content of the report of our local consultant concerned the committee because there were various difficulties in meeting the FLO criteria. The main points of concern are:

1. Lack of export capacity: you only exported once to the US, with quality problems that have not been resolved, and the failure to collect coffee from the members by the cooperative in the last year.
2. The cooperative's administration fails to meet standards, there is a lack of required information on members, and financial documents were not delivered.
3. A precarious financial situation on the part of the cooperative.

The Registry Committee holds the opinion that at this point in time there is neither a sufficient base nor organizational capacity to justify your continued enrolment in the registry. The committee has decided to take your name off the registry. This means that your organization will cease to form part of the Registry, and will lose the right to offer coffee to the FLO market.”⁸

This message shows a disturbing willingness of FLO to take certification away from a coop that lacks export capacity, instead of helping them to develop it. Tzotzilotic representatives complained that they did not receive support or training, and stressed the following phrase in the FLO agreement: “During this period we tried to get to know the group better and make every possible effort to be with them in the development process in order that they grow stronger...”⁹ which they felt was untrue.

Upon receiving this letter Tzotzilotic responded by e-mail in order to clarify each point. They briefly explained that:

“We have exported to the conventional market because the importers who participated in FLO haven't bought from us; they just say that ‘all of our stocks are complete for the moment.’ The cooperative did not collect coffee (2000-2001) because of bad weather that resulted in a lack of production, and we decided as a cooperative not to collect. The reports and annual work plans were delivered in all of the monitoring sessions with Martin Barragan, and we did comply with the financial reports this year, as we did for the past 3 years; our financial situation is precarious, but we are not an exception in this situation, it is a general situation due to the coffee price crisis in the Mexican countryside.”

⁸ Letter dated October 9, 2001 directed to Manuel Perez Perez, president of Tzotzilotic Tzobolotic coop, Number 109DNMex, signed by Marjoleine Mots, Registry Committee Coordinator.

⁹ FLO agreement with Tzotzilotic, 1992, second annex, page 2.

From the coops' point of view, the problems with Fair Trade started with the monitor Martin Barragan, who had an uptight "auditor attitude." Several Chiapas coffee organizations sent a letter complaining about Barragan. FLO named a different monitor for the complaining organizations, but left him with the organizations that hadn't signed the letter. Since Tzotzilotic was not a signatory of the complaint, they continued with Barragan, and it was the report of this monitor that led to the cancellation of their registry.

Tzotzilotic representatives decided on a plan of action to regain their registry. This entailed a meeting with Union Majomut, and with a consultant from Mexico City, Jos Algra, who gave them recommendations on how to develop a business plan. Their next communication to FLO included a work plan based on the identification of the strengths and weaknesses of the cooperative, the objectives for the following three coffee seasons with defined strategic lines, and a plan of activities by cycle. They also developed a budget for the first cycle, and their expected results. The strategies listed in these documents were:

1. To improve the efficiency of the administrative system, to offer quality service to the business partners, clients and providers.
2. To increase the consumption of roasted coffee on a national level.
3. To diversify productive activities.
4. To raise the quality of the coffee produced.
5. The operation and function of marketing for an export agreement.

Tzotzilotic requested letters of support from COOPCAFE members, and three were sent to FLO supporting their petition for reinstatement. After reviewing the cooperative's new strategies, the FLO Committee decided to grant them a provisional enrollment for two years. FLO will visit them within the following year, in order to evaluate the work and determine whether it meets FLO criteria or not.

The board of directors decided not to let all the members know about the cancellation of their registry until the results of their request to regain it were received. With the provisional permit they were able to sell through a Majomut contract. The leadership informed their members about the importance of holding the Fair Trade registry, in order to be able to sell through Majomut. Members were skeptical of Fair Trade, because for ten years 'we got no benefit and then it was cancelled.' But

Tzotzilotic members now are aware of the registry, and the benefit of selling through Fair Trade, and they will be on top of their representatives asking how it is going.

Overall, the opinions about weaknesses and/or problems with Fair Trade can be summarized as follows:

1. The weakness of the annual monitoring that led to the cancellation of registration in FLO.
2. A lack of response by FLO to information requests made by the general assembly or delegates. For example, Tzotzilotic representatives would like to have information about the importers who belong to the Fair Trade network. They believe the commercial practices of those importers are identical to those in the conventional market of supply and demand, and do not represent more 'fair' practices. They distrust the buyer side of the network, because one of their former buyers, Paragon, considered a real 'bad' middleman, is now listed on the Fair Trade importer list. The failure of payment by Paragon to Tzotzilotic resulted in the weakening of the organization.
3. A weakness in terms of volunteer workers, specifically a lack of continuity in supporting the member organizations.
4. Lack of follow-through of written intentions in the agreement.
5. Prejudices of other Fair Trade actors. For example, buyers all seem to have the same opinion about coffee grower organizations: that the organizations aren't efficient, that they have a lot of problems, that they have lost a lot of money, and that they misuse the finance advances. This is untrue and unfair.
6. The presence of large producers in the Fair Trade market: the criteria for FLO enrollment is not felt to be exclusive enough for small producers. They feel a real threat to allow large producers to be Fair Trade certified. In fact, large producers respect small producers because their organizations have a more diversified market
7. The fact that FLO would like to lower the minimum guaranteed price.

8. The buyers have their preferences, and do not easily buy from new coops.
9. The prices on the conventional market are so low that more and more groups want to participate in the Fair Trade market; this is the reason that the coop believes that they didn't sell anything from 1992 to 2000.
10. The expulsion of coops with low export capacity contradicts the goals of Fair Trade. Tzotzilotic sees it as a great weakness not to have a consensus among Mexican producers, considering the important decisions that are going to be made, like lowering the guaranteed minimum price.

An important attempt by Mexican small producers to have more influence on FLO is taking place now. The small producer members of FLO are trying to coordinate themselves, in order to obtain block representation for Mexico in general discussions with FLO about the coffee market. Unlike Central America, Mexico doesn't have representation based on consensus, yet. This situation has led to an effort that began in August 2001, to bring Mexican producer's organizations together, (the majority of which are in the Southeast), with the final idea of coordinating representatives to present their position jointly before the FLO. This would include all products that are registered with FLO (coffee, honey, orange juice, bananas, and cocoa).

There have been five meetings of the Coordinadora Mexicana of Organizations who are enrolled in FLO (*Bloque Mexico*). The last meeting was in Oaxaca, in UCIRI's offices. At this meeting, coffee coops analyzed the topics to present at the FLO annual global forum, such as: the naming of the delegates to the FLO, internal coordination in Mexico, the advances of the Mexican Fair Trade seal, and other agreements. There were workshops about Fair Trade Criteria, Certification, and Financing. Proposals included the call for a FLO general assembly instead of a small forum, a request for better representation that would lead to the producers participating in the general structure of decision making in FLO, and the firm rejection of any attempt to lower the minimum guaranteed price of coffee.

They also considered structural proposals such as sanctions that would allow the exclusion of participation (as producers or as buyers) by large businesses that directly affect the interests of the small producers and the credibility of the Fair Trade market

seal. On the topic of internal coordination, they want to have regional information meetings and fair market workshops in order to expand the participation of the producers in decision-making.

An important point is that a Fair Trade market initiative has emerged in Mexico, and it is trying to create a Fair Trade seal for the internal market, to encourage domestic consumption on a national level.

In the last meeting of the *Foro Global del Comercio Justo* in Germany, a new structure of the FLO was approved. From 2002 on, a new certification unit, that includes all products (not just coffee), is to be created, the monitoring will be called 'inspection,' and a registry committee was created. The producers will keep receiving information about the results of the visits, the recommendations and the decisions made. The Board of Directors structure of FLO was also changed to include four producer representatives (two Latin Americans, an African and an Asian), two buyers and six seal representatives. In the meeting it was mentioned that the market has not grown in terms of new products and new countries entering. Tzotzilotic wonders why FLO does not have a common strategy for the promotion of Fair Trade as a concept.

The majority of the Mexican delegates proposed that the FLO executive director support three initiatives: the accreditation of the Mexican Fair Trade label by FLO, the participation of FLO in training Mexican inspectors on certification, and the proposal of having the FLO inspection done together with organic inspection to avoid double certification. The director showed interest, but the final decision about these proposals is still pending.

Finally, Tzotzilotic suggested several ideas to strengthen Fair Trade:

- The redefinition of the FLO concept in a participatory way by all the actors, with a written record of the meeting, because as of now every player has their own definition.
- The creation of a database of buyer/importer profiles, and a revision of the norms and requirements for registration of importers. They also suggested that buyers be monitored.

- The creation and implementation a FLO code of ethics, with sanctions and rules for buyers and sellers.
- The definition of large and small producers by size of land holding.

Overall, this study took place at the dawn of a new era for Tzotzilotic. The new leadership is committed to regaining the confidence of their members, and is looking for support from other organizations with years of experience in exporting. With their former advisor gone, the leadership is determined to learn the entire business themselves, with the help of other organizations. Though there have clearly been problems with Fair Trade, it also appears to hold the key to the very survival and future prosperity of the organization.
