

Evaluation of the current and potential poverty alleviation benefits of participation in the Fair Trade market: The case of Unión La Selva, Chiapas, Mexico

Union of Societies of La Selva, Federation of Social Solidarity Societies.

Alma Amalia González Cabañas,
August 2002, San Cristóbal de las Casas, Chiapas, Mexico

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La Selva is an organization that participated in the Fair Trade market from 1994 until 2000, when it was expelled from the network of FLO International (Fair Trade Labeling Organizations International). Due to this expulsion the following case study seeks to present a retrospective approach about the goals and benefits of Fair Trade for the organization, given the crisis that it confronts because of the loss of its certification. The vision of the future profiles the actions that the organization can take to once again achieve its Fair Trade certification, which will permit the organization to offer more benefits to its members.

1. Historical context of participation in Fair Trade

-Organizational and ideological antecedents

The history of La Selva as an organization is intimately intertwined with the social movements of agrarian reform and the demand for services (schools, health care, potable water, road construction, etc.). At the same time, the formation of La Selva gave the organization the ability to explore better options for the sale of its principal commercial product, coffee.

The participation of La Selva in the Fair Trade coffee market has been one of the functions of the organization, although its origin and reason for existence are not limited to the production and commercialization of coffee. Producers, managers, technicians and consultants all agree that La Selva permits them to discuss and look for solutions to “everyday” problems.

Another factor that favored the formation of La Selva as an organization is its religious identity. Many of the communities where founding members live supported the work of consciousness-raising in the Catholic Church. The feeling of fraternity shared in the community reflection groups focusing on the “word of God” served as the basis for formation of relationships of trust (*confianza*) among the producers. The priests emphasized to the producers the importance of not relying on middle men (*coyotes*) to commercialize their products. They also promoted community projects in health care, basic supplies stores, literacy and, of course, the formation of catechists.

The philosophy of the theology of the earth (*teología de la tierra*) served to generate in the conscious of the producers a commitment to conserve “mother earth” for future generations. For this reason techniques of soil conservation like the construction of terraces and the preparation of organic fertilizers were adopted by the members of La Selva.

The Church promoted the idea of liberation in terms of self-sufficiency. It was explained to the indigenous people that to become free from the large plantation owners they would have to have their own production, and from this desire came the promotion of coffee production. If the people had coffee plants they would have something to sell, and along with that the money necessary to not depend on others. This would make possible independence from the *coyotes* and local lenders.

Simultaneously with the work of evangelization of the Catholic Church, there was the participation of lay advisors who had a high sense of commitment to the indigenous communities. The principal advisor and promoter of La Selva was and is José E. Juárez Varela, an agricultural engineer who graduated from the National Agricultural School of Chapingo¹. He arrived in the Lacondon forest region in the 1970s and since then has acted as consultant to the coffee producers of La Selva. José Juárez has identified the major weakness of the indigenous people as rooted in their dependence on conventional marketing channels. His actions have always been focused on resolving this problem.

¹ Currently the organization’s principal advisor.

-Origin of the Organization

La Selva owes its name to the Lacandon jungle², where the majority of its members live. This region has gone through a process of settlement and colonization by indigenous people from other parts of the state of Chiapas. Unfortunately the government policy that promoted this internal migration was characterized by its lack of attention given to providing basic services for the population. It is from this fact that La Selva and other organizations based in the Lacandon have formed around the demand for services and security in land tenancy.

The origins of La Selva can be traced to 1976 in the town of Cañada de Margaritas in the region Selva, which has a population made up mostly of the people from the Tojolabal ethnic group. The principal motivation for its formation was the transportation of people and goods from their communities to the municipal center of Las Margaritas. In 1978 it was formed under the name “*Unión de Ejidos Tierra y Libertad*”, the first formal legal antecedent to the current organization La Selva. In 1980 “*Tierra y Libertad*” combined with other organizations from the area, to form the “*Unión de Uniones Ejidales y Grupos Campesinos Solidarios de Chiapas*”. However large geographical area encompassed by this group exceeded its organizational capacity, and this caused its disintegration and the subsequent birth in 1983 of a new organization, the “*Asociación Rural de Interés Colectivo, Unión de Uniones Ejidales y Sociedades Campesinas de Producción Rural*” (*ARIC Unión de Uniones*).

The *ARIC Unión de Uniones* was made up of groups of ejidos by region, one of which included the *ejidos* of Nuevo Monte Cristo, Nuevo Mormón, Cruz del Rosario and Flor del Río de la Cañada de Margaritas, forming the “*Unión de Ejidos de La Selva*”, who combined their interests in exporting coffee.

The “*Unión de Uniones*”, as a tertiary organization, did not meet the needs of the “*Unión de Ejidos de La Selva*” with respect to the exportation of coffee. Consequently La Selva began an independent process of commercialization of coffee but continued united with *ARIC* working in the agrarian struggle.

In 1988 *ARIC* first exported coffee to the United States, but suffered a strong setback due to a failure of payments from the exporter. Despite this failure, the four founding *ejidos* of La Selva decided to continue their efforts at exporting coffee. In the harvest of 1988/1989 their efforts were consolidated through the Fair Trade initiative of Max Havelaar.

The insertion of *La Selva* in the Fair Trade system of Max Havelaar was made possible through the relationships between organizations with religious interests and those interested in the commercialization of coffee. The key contact was with the “*Unión de Comuidades Indígenas de la Región de Istmo*” (*UCIRI*) of Oaxaca, a pioneering

² From Vos, Jan 2002. “A land to plant dreams: the recent history of the Lacandon Jungle, 1950-2002.” Centro de Investigaciones y Estudios Superiores en Antropología Social. México. ISBN 968-6535-8.

organization in Fair Trade coffee which included many communities of Catholic base communities. UCIRI was and continues to be a center for training and information for new organizations that are interested in entering the Fair Trade market.

How was the first exportation of Fair Trade coffee made possible? The coffee buyers demanded quantities from UCIRI that far exceeded the production capacity of the organization. So as not to lose the opportunity to export, UCIRI gathered coffee from other organizations. Arturo Jiménez, founding member of La Selva, comments that in 1988 the organization exported 500 sacks of parchment coffee through UCIRI, 350 sacks from La Selva and 150 sacks from the region of Simojovel³.

A current unresolved problem is that many Fair Trade organizations do not have sufficient production capacity. Some organizations are in a continuous cycle of not being able to export. Other, more audacious, organizations form alliances with groups of small producers who also have high quality coffee, therefore able to achieve the demanded volumes. This option is advantageous for the small groups, but puts at risk the interest of solidarity that is formed through commerce without intermediaries.

In 1989 La Selva joined with the *Coordinadora Nacional de Organizaciones Cafeteleras* (CNOC), an organization made up of 126 member organizations, 80% of whose members are indigenous. This coordinating union has facilitated, with the government, the harmonization of public policies in the sector, as well as the exportation of coffee to the US through the *Promotora Comercial de Cafés Suaves Mexicanos S.A. de C.V.*, under the brand of Aztec Harvests (roasted and ground coffee).

In 1990 La Selva joined with six other organizations: *Unión de Ejidos Juan Sabines*, *Sociedad Cooperativa Tiemenlola nich k'lum*, *Unión de Ejidos de Tenejapa*, *Sociedad de Producción Rural (S.P.R.) El Triunfo*, *S.P.R. El Brasilito*, and *S.P.R. Montebello*⁴. Together they received financing from PRONASOL (National Solidarity Program) and the National Indigenous Institute to buy a processing facility in Comitán de Domínguez. The four (sic) organizations formed the *Unión de Productores de Café de la Frontera Sur* (UNCAFESUR) S.C. for the administrative management of the facility. The processing facility presented the opportunity to consolidate their position as exporters as well as the appropriation of the productive process.

La Selva was consolidated even further in 1990 with its first direct Fair Trade exports to Holland through Max Havelaar. At this time European advisors played an important role, particularly in making possible La Selva's participation first in the Dutch Fair Trade market and later in other European markets as well.

In 1994 the armed *zapatista* uprising began, destabilizing La Selva. Some of the members of La Selva abandoned their roles as farmers to take up arms, and others had to

³ Simojovel de Allende, municipality of northern Chiapas, has a strong tradition of Catholic evangelization though the "theology of the earth". Currently the producers of this region make up the Indigenous Communities of the Region of Simojovel de Allende S.S.S.

⁴ La Selva News, 2000, No. 1, p. 3.

face the difficult situation of being caught between two armies. La Selva maintained a position of respect for the *zapatistas*, while continuing to defend its role as a productive organization. About one half of the members left the organization at this time due to political differences.

After the armed uprising, La Selva consolidated its position as one of the most successful social enterprises in Chiapas in the business of exporting coffee. Its relationship with the Fair Trade system of Max Havelaar oriented its activities towards strengthening the organization of women, including wives and daughters of the members. In 1994 the *Asociación Civil Mujeres de Unión de La Selva* (MUSA)⁵ was formed, having received support from government agencies and NGOs for the infrastructure development as well as projects in sewing, baking, and the grinding of coffee and corn meal.

Since 1999 La Selva has been known as the *Unión de Sociedades de La Selva, Federación de Sociedades de Solidaridad Social*⁶, a legal entity that assures that the members are well represented. Although the legal form of the organization is fairly recent, it is backed up by the long history of La Selva, which has given much to its founding communities, Nuevo Monte Cristo, Nuevo Mormón, and Cruz del Rosario⁷.

In July of 2001 the recent and large inflow of new members began with the request from 328 members of the *Sociedad Cooperativa Flor de Chiapas*⁸ for reinstatement to La Selva. These producers came from eight community groups: San Vicente, La Gloria, Acapulco, Madero, Ranchería San Antonio Los Montes, Ranchería Morelía, Ranchería Guadalupe and Cuahutémoc, in the municipalities of Margaritas and Trinitaria.

Currently La Selva has 942 members spread among 45 community groups in eight municipalities of Chiapas⁹: Margaritas (Tojolabals), Oxchuc (Tzeltals), Independencia, Trinitaria, Ocosingo, Chicomuselo, Siltepec and Bella Vista (indigenous Spanish speaking groups and *mestizos*).

-Administrative Crisis and the loss of Fair Trade accreditation

In 2000 La Selva faced a crisis of disintegration and confrontation stemming from failures to fulfill contracts. The current board of directors as well as advisors and members of the organization recognize that the main failure has been and continues to be the lack of a secure administrative system. It is very difficult to reconstruct the events that led to the exclusion of La Selva from the Fair Trade markets.

La Selva was a victim of its own administrative deficiencies. At the end of the 1998/1999 harvest it was discovered that a purchase contract with its oldest buyers in

⁵ La Selva News, 2000, No. O, p. 4.

⁶ Idem, p. 1.

⁷ The *ejido* Flor del Río left the organization in the 1980s.

⁸ These communities left the organization in 1994 due to their active involvement in the *zapatista* uprising.

⁹For geographical locations of the community groups, refer to the map appendices that form part of the project ACID FREE COFFEE.

Holland had not been completed. La Selva had received a 60% advance payment but the coffee had never been delivered. José Juárez, the general manager, suggested that the most urgent action was to find a way out of the problem instead of searching for those responsible for the failed contract. For this reason an interview was arranged between the Dutch buyer and Don Arturo¹⁰. A representative of FLO, Mariolé¹¹, was present at the interview so as to obtain a balanced perspective from both sides. It was decided that the buyer would serve as counter signer to the Dutch bank which had provided the advance, and that FLO would send an auditor who would work with La Selva to plan a payment plan for the repayment of the debt.

The auditor arrived in September/October of 1999 and remained working with La Selva for approximately six months¹². After one week a plan of repayment was proposed¹³, and the auditor continued working in arranging administrative responsibilities. The current board of directors continues to express feelings of resentment towards the FLO auditor because a written report of his work was never submitted; also the honesty of José Juárez, manager and consultant for La Selva and in whom the board of directors have always had complete confidence, was questioned¹⁴.

The situation became even more complicated when a group of advisors and employees of La Selva, supported by the decisions of the FLO auditor, offered their professional services to the board of directors not in an individual manner but communally. Feelings arrived at their most tense moment in October 1999 with the division of the professional advisors and the departure of 42 members¹⁵. From this division was formed *Comercializadora Más Café, S.C.*¹⁶, accredited as Fair Trade through FLO. Currently this broker is one of the most important in Chiapas, selling the coffee of the old members of UNCAFESUR (Tiemnonla nich k'lum, Juan Sabines and former members of La Selva).

Don Arturo describes the moment when the two groups separated:

The separation occurred precisely when the FLO representative told us that the committee of professionals was going to be given responsibility for the board of directors. There were a number of us there who decided not to do what they were asking us. The FLO advisor told us that if we

¹⁰ Don Arturo was the most articulate and well equipped person to relate the events about the contract failure. Interview conducted in Cruz del Rosario, municipality of Las Margaritas, June 5 2000.

¹¹ Complete name unknown.

¹² I repeatedly asked who paid the fees of the auditor, but never received a straight forward answer.

¹³ In addition to the debts in Holland the organization also held debts with Mexican banks.

¹⁴ Something that stands out from the explanations given by the producers is that the intercrossing of formal work relations and personal relationships impeded their ability to be objective.

¹⁵ Members from the following founding communities left: from San Isidro 20 left and 20 stayed, in El Edén 6 left and 20 stayed, while in Cruz del Roario 16 left and 32 stayed.

¹⁶ Included in the appendix is a summary of export permits for 2001-2002, negotiated through the offices of COESCAFE in Tuxtla Gutiérrez. Other lots were exported from Chiapas, mostly through private businesses, but their permits were negotiated in Mexico City and the data has yet to be analyzed. A general view of the importance of Más Café is obtained from the number of operations that they undertook.

did not follow his suggestions we would be expelled from Fair Trade. This he told us himself, and it is too bad that we do not have it recorded because we have no other proof that he himself told us. I have seen in *telenovelas* (TV soap operas) that it is true that whoever shows the strongest evidence, such as a recording, wins. Then the other has nothing to say. What a shame that we don't have a recording.

The separation between the advisors and producers of La Selva also affected the relationships among the producers. The National Indigenous Institute had to intervene to determine who had rights to the processing facility and warehouse. Given that La Selva contributed 90% of the coffee processed and stored at their facilities and other organizations only 10%, La Selva would be given ownership of the both the processing facility and warehouse.

Trying to reconstruct all of the events which led to the loss of Fair Trade certification for La Selva is a painful task that perhaps does not contribute to the assignment of responsibility for the administrative errors that were committed.

The understanding of what happened varies greatly among producers. However, it can be said that the current members of La Selva feel as if they were victims of the former advisors and of the FLO auditor. On the other hand, they have complete confidence in their manager, José Juárez, who for the producers is the only person who has always remained loyal to them. In contrast many of the currently employed professionals at La Selva have very different perceptions about the loss of Fair Trade certification. They feel that the members are lacking objective criticism and do not recognize the complete control that their manager holds over them.

In conclusion we can say that La Selva has suffered serious deficiencies in its administrative system, and that in addition the personal relationships between the advisors have become involved in the professional work of the organization.

2. Fair Trade Networks

The Catholic Church did much consciousness-raising work with the producers of La Selva promoting the importance of organizing themselves and of seeking alternatives marketing strategies. External lay advisors who reinforced the strategies of an organized fight for agrarian demands also played an important role in the organization of the producers who joined La Selva.

Before successfully pursuing alternative marketing strategies for their coffee, the producers of La Selva completed small community projects with the assistance of Catholic missionaries. These projects allowed the establishment of rules and agreements among the producers. The internal migration that the members of the founding communities of La Selva had made into the Lacandon jungle had caused them to lose some of the traditions and tacit agreements about community relationships. The community supply stores in particular were excellent training for the execution of longer term projects, and the management of these stores allowed trust to be built up among community members in the planning and administration of community resources. These

experiences served as training for the collective marketing of their coffee, demonstrating that it was important to have confidence in the producers who held administrative roles.

-Organizational Structure

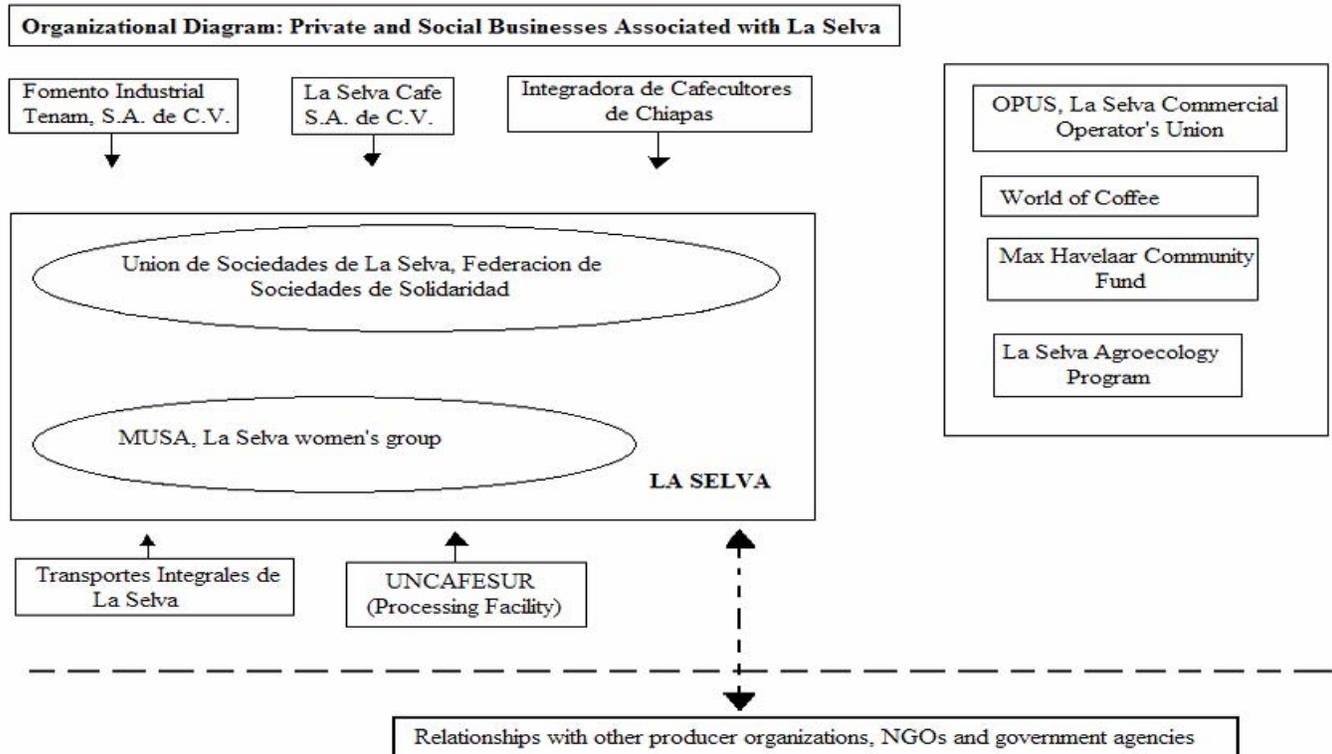
The business development of La Selva has resulted in a group of private companies that are responsible for the processes of industrialization, commercialization and transportation. These companies function with administrative councils that are independent from the La Selva producers. The principal advantage for the producers is that these companies are designed solely for the purchase of coffee from the members. Also, Tenam and La Selva Café provide a price premium above the price of conventional coffee as well as a percentage of earnings that go to projects that promote the development of sustaining activities of the organization. One such project which was administered by La Selva Café is the Max Havelaar Community Fund, a project that is no longer in operation.

The most recently created business is the *Integradora de Cafecultores de Chiapas*, in which La Selva is one of 28 organizations that bring together 25,000 small producers and five private businesses. The purpose of the *Integradora* is to market processed coffee under its own brand that carries the seal of Chiapas. This project is strongly supported financially and politically by the current state government. The producers receive reports about the operations of these businesses in the General Assembly, but the administration and decision making processes are outside of their control.

The coffee producers organization is currently defined as the *Unión de Sociedades de La Selva, Federación de Sociedades de Solidaridad*. The women's group is known as MUSA (the functions of both groups will be discussed later). The relationship between the men's and women's groups is said to be independent, but it can be seen that the men have a strong influence in defining the projects that the women undertake in MUSA.

The producer organization has a board of directors, representatives and employees. Its projects and work are directly related to the production of coffee in the field, and the gathering and processing of coffee up to the parchment stage. The board of directors of La Selva manages the *Transportes Integrales de La Selva* (transportation company) and UNCAFESUR (processing plant). Principal administrative areas of the producer organization are credit for and commercialization of coffee. Also managed are projects of community provisions and a corn meal mill.

Organizational Diagram: Social and private businesses associated with La Selva



Relationship with other Producer Organizations

La Selva maintains relationships with other producer organizations with the aim of pursuing common interests. The organizations that operate on a national level, especially CNOCA, have served as a means to dialogue with state about public policy. With regional secondary and tertiary organizations, such as UNORCA and UCIRI, more pressing, though also varied, problems are tackled, such as the agrarian struggle and marketing and production problems (especially with respect to organic coffee and Fair Trade).

La Selva forms part of the Latin American Association of Small Coffee Producers, better known as *Frente Solidario*¹⁷, formed in 1991 with the goal of finding better marketing options for small coffee producers. Through an association with TransFair-Germany¹⁸ the *Frente Solidario* has been able to participate in the high level policy and decision making processes of FLO-International. Some of the criteria that have been most energetically defended include:

¹⁷ An organization supported by Max Havelaar-Holland, the Friedrich Eber Foundation of Germany and the Ecumenical Cooperative Development Society (OIKOCREDIT) of Holland. It includes 17 cooperatives in Mexico, Guatemala, Honduras, El Salvador, Costa Rica, Nicaragua, Colombia, the Dominican Republic, Bolivia and Venezuela.

¹⁸ TransFair is a member of FLO International

- bilateral minimum environmental standards for coffee.
- the continued maintenance of a clear concept of the social premium (\$0.05/pound).
- an increase in the minimum base price (\$4.50)
- the correct conversion between kilograms and pounds: 100 pounds of coffee equals 45.36 kilograms and not 46 kilograms (a difference of \$1.75/100 pounds).
- premium payments for quality and origin¹⁹.

Through the contacts established with *Frente Solidario* La Selva has been able to establish new commercial projects with organizations from other countries, for example a project undertaken in association with producers from Guatemala to implement a commercial strategy in that country similar to that implemented by La Selva.

After the lose of FLO Fair Trade certification, the relationship established with the *Frente Solidario* has enabled La Selva to negotiate with TransFair the possibility of a chain of La Selva cafeterias in Germany. This is the realization of the long desired attempt to market coffee directly to the consumer.

Another area in which La Selva is active is the relationships with other coffee organizations in Chiapas. Experiences in organic production, processing and the administrative skills of exporting have been the basis for links with smaller organizations, a recent example (2001) being the work with producers from the municipality of Tapalapa in the northern part of the state.

Relationships with other coffee organizations are determined by the presence of common interests as well as personal relationships among the advisors. This the case with the *Red de Agricultores Sustentables Autogestivo, Sociedad Civil (RASA)*, in Atoyac de Álvarez, Guerrero, with whom La Selva has worked to develop together a coffee brand called “Acid Free Coffee”.

-Relationships with Government Agencies

It is a fact that the State is withdrawing its provision of regulatory functions in the coffee sector; however the ability of various social groups to develop projects and exert pressure has allowed for the access to certain amounts of financing. This financing has unfortunately not been planned well, and this lack of planning has led to severe problems in the repayment of credit.

Following are the most important sources of credit and government aid that have contributed to the local capacities of La Selva to participate in the Fair Trade market:

Institution or Program	Activities
PRONASAL (National Solidarity Program) and INI (National Indigenous Institute)	Acquisition of processing plant

¹⁹ See <http://www.frentesolidario.org>

FIRA (Agriculture Trust of the Bank of Mexico)	-Rehabilitation of coffee fields -Payment of fees for technical personnel of the organization
COPIDER, COESCAFE (State Coffee Council)	Credit for coffee collection and cultural practices
FONAES (National Fund for Businesses in Solidarity)	-Infrastructure and coffee processing equipment -Infrastructure and equipment for La Selva women's group -Brand design and development
BANRURAL (Rural Credit Bank)	Coffee Promotion Program
SEDESOL (Secretary of Social Development) and FIRCO (Shared Risk Trust-Bank of Mexico)	Temporary Employment Program
IHN (Natural History Institute) of the State Government	Cañadas Program, lacking in strong vision for investment and with severe problems in its execution in the conflict zone (areas of EZLN influence).
ZORUMA (Marginal Rural Zones)	In 2000 La Selva was a regional operating unit of the ZORUMA project. The producers provided 50% of costs but were not free to choose crops or plans of action; minimum results have been seen from this program.
PROCAMPO	Direct assistance in basic grains (corn and beans) production.
ALIANZA PARA EL CAMPO (Rural Alliance)	Promotion of industrialization and increased quality in coffee
INEA	Cover costs of community promoter who works with the women of MUSA to promote adult education (begun in 2001).

Along with the programs that directly affect agricultural production and in particular coffee, government agencies have begun other federal programs of social assistance (PROGRESA and OPORTUNIDADES). Through these programs the producers receive cash in various ways, always aware that this approach will not solve their problems.

The government sector did not directly finance La Selva in strengthening their investment in Fair Trade. However, government credit was used to strengthen coffee collecting, individual producers' infrastructure and equipment (drying patios, pulping machines, etc.) and the negotiation of export contracts.

-The NGOs

In contrast to the government sector, the non-governmental organizations (NGOs) that have financed projects with La Selva included Fair Trade and organic production as clear objectives of their efforts.

La Selva understood that Fair Trade is just one possible marketing option and did not focus all its effort in one place, but also worked to strengthen its system of organic production. Various NGOs contributed to this effort:

- Inter-American Foundation (AIF), (1992-1995): original financing of organic production activities.
- MacArthur Foundation and AIF (1992): financed a coffee quality control system through the purchase of electronic coffee grader, establishment of cupping laboratory and personnel training.
- Grupo Tercer Món-Mataró* from Cataluña, Spain: paid salaries of project coordinators for women's organization in La Selva. This NGO became interested in working with La Selva through the organization's connection with FLO-International.
- The municipality of Mataró, Cataluña, Spain.

La Selva maintains working relationships with the following national NGOs:

- IDESMAC: women's workshops through MUSA.
- CONSERVA, A.C.: recording of oral history of La Selva
- El Jugla and Vínculo*, A.C.: construction of cultural space in one of the La Selva cafeterias in Mexico City.
- Civil Sustainable Coffee Council: an umbrella organization of 15 farmer groups and academic institutions.

-Determination of Prices for the Producers

The administrative accounting services of La Selva have been the responsibility of professionals, both before and after the loss of Fair Trade certification. Both the manager and the board of directors have expressed that direct assistance to the producers is the first priority of La Selva. The distribution of funds is independent of the markets in which the coffee is sold: 80% for the producer, 15% for expenses and 5% for investments. The only exception is in conventional coffee, when the producer receives 90% of the sale price, due to the extremely low prices received for conventional coffee.

Currently both coffee collection and commercialization are considered to estimate the payment to producers. In coffee collection the coffee delivered by each producer is registered based on the following criteria: physical characteristics of the grain, growing altitude, type of coffee (conventional or organic), and variety (some varieties, like maragogype, receive price premiums).

There are also price difference based on the age and the altitude of the coffee farms. Deductions are taken for lower quality due to excessive humidity and blemishes. Therefore, the producers do not sell all of their coffee for one set price. Sometimes it is difficult for the producers to understand completely the complicated system that is used

to estimate the prices, and for this reason the administration handles the bulk of these determinations.

Following are the prices received during the 2001/2002 harvest:

Type of Coffee	2001/2002 Harvest Price Mexican Pesos/kilogram
Coffee sold at Market Price	9
La Selva Cafeterias	18
Coffee Tenam (branded), for export market	14-16

Coffee that did not meet the minimum quality standards of La Selva was sold to local intermediaries as cherries for an average price of 1.5 pesos/kilo.

-Financing

La Selva has three sources of funds: 1) funds received from members as processing fees for coffee commercialization and as fees from other organizations that use the processing facilities of La Selva; 2) bank credit and 3) savings. It is estimated that for the period during which La Selva was in the Fair Trade market, 30% of earnings came from coffee sales and 70% from external sources. Of the external sources, 80% came from bank credit, 15% from various government aid programs, and 5% from private foundations.

The loss of Fair Trade certification was linked with the closure of accounts with the national banks that had been providing credit for coffee collection and technical services (FIRA and Banrural).

During the period that La Selva had Fair Trade certification it is estimated that 80% of their total coffee sales were Fair Trade. Production in La Selva is aimed towards the organic market and the highest possible quality demands of the buyers, both in and outside of the Fair Trade system. La Selva has always marketed coffee in the transition to organic, although transition coffee has been differentiated from certified for pricing purposes.

3. Organization of the Cooperative in Relationship to Participation in Fair Trade.

La Selva is made up of coffee farmers, and it is the men who direct the cooperative, participate in the general assemblies and make the decisions. Female family members of the coffee farmers (wives, daughters, sisters and mothers) are organized in a group with a separate legal identity, MUSA²⁰ (Mujeres de La Selva, Asociación Civil). The women consider themselves an independent organization but always making up part of La Selva.

-La Selva, an organization of coffee producers.

²⁰ La Selva News, No. O, February 2000, p.4.

Since 2000 La Selva has legally been known as *Unión de Sociedades de La Selva, Federación de Sociedades de Solidaridad Social*. This legal entity has allowed for the resolution of disputes between the descendants of *ejido* members and their neighbors, also members of La Selva, who have no rights in the *Unión de Ejidos*.

The formal leadership of the cooperative is held by a board of directors, which is made up of a president, secretary, treasurer and marketing representative. Each board is in office for three years, each member having the opportunity for reelection.

There is also a full time staff that works in various functions in the business. But the ultimate authority for decisions in each department rests with the board of directors. This control was instituted as a result of the experiences that the cooperative had during the loss of Fair Trade certification. Unfortunately, putting all final decisions in the hands of the board does not guaranty success because sometimes the board members do not have sufficient experience to make the necessary decisions. One example is in agronomic matters, where sometimes the agricultural engineers have to spend a lot of time explaining technical matters to the board.

Collective decisions are made in the general assemblies, which are held every six months in June and December. Each community is represented by two members of the community group, which are organized as Social Solidarity Societies (S.S.S.). In the case of the *Sociedad Cooperativa Flor de Chiapas*, which has members from eight communities, only two total representatives are allowed. The Assembly recommends that each community group form itself as a S.S.S., to assure equal representation. While this structure contributes to the socialization of information among all the member communities, it also creates inequality of representation because the number of members that each community represents varies greatly.

Another level of decision making is represented by the Delegate Assemblies and Community Assemblies. The former meets every two months with the purpose of scheduling activities within the communities. The latter have no fixed schedule, but are the forum where all members can communicate with their Delegates. Social activities as well as credit financing and other La Selva projects are discussed in the Community Assemblies.

The General Assembly is presided over by the board of directors, which has a representative from each administrative area of La Selva along with one representative from MUSA (women's group). Two representatives, know as community delegates, from each of the 45 member communities attend as well. The number of delegates is not proportional to the number of members in each group. It is the responsibility of the delegates to defend the interests and present the point of view of their fellow members from the community they represent.

Technically any member of the cooperative can be elected to the board of directors, but all board members so far have come from the founding communities. The leadership of the founding communities is granted by the newer member communities and

communities seeking reentry because they have more experience and a better understanding of the history of the cooperative.

The board members are elected during the General Assemblies, with the participation of the community delegates. This means that delegates from the founding communities must be prepared to serve as board members.

Within the founding communities the delegates are elected based on their prestige as producers, the quality of work on their farms, as well as for the ability to express themselves and for demonstrated leadership in the community.

It is assumed that any member can be a candidate for any position; however there are not that many members who are interested in leadership positions. When someone is nominated, there is a felt responsibility to accept the nomination because it is one must offer some service to the organization. If it is true that a leadership position offers prestige and recognition within the communities, these benefits do not compensate for the sacrifices that are required.

The fulfillment of the responsibilities of a position on the board of directors requires that the board members must leave their families for extended period of times, a sacrifice which is compensated with a monthly salary paid by the cooperative. The offices, collection and processing facilities, and warehouses of the cooperative are located in Comitán de Domínguez, a city which is also the administrative and political center for most of the member communities. Due to this, almost all of the activities of the board of directors take place in this city or in the state capital, which is almost 200 kilometers (three hours by car) away. There is very limited access to transportation between Comitán and the member communities, and that which does exist consists mostly of old school buses in bad condition that must run on unpaved roads that in the rainy season significantly increase the necessary travel time. For these reasons the board members must stay in Comitán throughout the work week. Currently the board members receive a monthly salary of 2000 pesos, which is not sufficient to cover costs when personal living expenses and farm maintenance expenses (payment of workers, production of basic grains, management of coffee fields as well as pastures and cattle for those who have them) are considered.²¹

In the assemblies the religious mysticism of the Creator and Mother Earth is affirmed. There continues to be a majority of Catholic members, but there are also Presbyterian members as well. These differences however do not prevent the sessions being opened with a pray of thanks for the benefits received from coffee. The fear of God is felt in the prayers, as well as the request that “all [members] continue moving forward.”²²

The decision that La Selva was to participate in the Fair Trade market has been made within a unique pattern of formal leadership. Leadership is not assumed voluntarily, but

²¹ Appendix 4. Calculation of economic indicators for small farmers, Antonio Hernández Velasco, member of the board of directors of La Selva, elaborated February 2002.

²² Interview with Germán García.

at the nomination of the community delegates; it cannot be said that there is competition for the leadership positions because of the strong social and economic costs that they represent.

-Women's Representation in the Organization

Representatives of the La Selva women's group also take part in the General Assemblies. Instead of representation based on community groups, MUSA draws its membership broadly from all the female family members (wives, daughters, sisters and mothers) of the producers; however very few of the women participate. Some of the most well established projects of MUSA include general community provision stores, mills for grinding cornmeal and sewing and baking workshops. More recent projects are education based, including literacy campaigns and human rights workshops.

While they have no formal leadership role in the cooperative, some women from the long-standing member communities are invested in the leadership of the women's group. Also the women have a sense of belonging to the larger organization because they participate in the productive process of coffee growing; they don't feel that MUSA is separate group from the larger organizations. They feel a strong responsibility to support their husbands.

Cafeterias La Selva began as an idea to commercialize coffee, produced by the men, but also to give the women an opportunity to participate in the marketing process through the preparation of cookies that are sold with the cups of coffee.

Because the women have less of a role in the decision making process it has been decided to not sell cookies in all of the cafeterias. The administrative staff and board of directors have claimed that the cookies do not have competitive prices, but the women's leaders feel that the men "just don't want to do it". The coordinator of MUSA, Gemma Navan²³, says that this position represents a lack of recognition of the women and a fear on the part of the men of losing their positions of power in the coffee marketing process.

Navan has much influence over the women in MUSA, although she has gained their confidence by respecting the decisions of the women. Although from the very beginning she felt the need for an adult literacy campaign, she never forced her opinions on the others, and now the literacy program implemented by promoters of the INEA (Adult Education Institute, part of the Secretary of Public Education) is very successful because of the demands from the women of MUSA.

-Advisors and Professional Employees

²³ Coordinator of MUSA, which has been based in Las Margaritas for five years, Navan is Spanish and a volunteer with a Spanish NGO.

The professionals who give their services to La Selva²⁴ feel that the members of the board do not make decisions because they are insecure about their ability to fully understand the problems that confront them. Although they know how to read and write, they have only primary educations and show deficiencies in reading comprehension and expressing themselves in written form. The current president of the board is the first person to hold this position with a secondary education; nonetheless he requires the help of the professional staff to be prepared in his interactions with external organizations.

The coordinators of the technical production and women's areas do not feel as if they are kept informed about the advances and problems that the cooperative faces in other areas. They feel that the formal and actual leadership rests on one person, José Juárez, the general manager.

The Founding Members

There can be said to be two different classes of founding members in La Selva: the producers and the advisors, both of which are heavily invested in the decision making prospects of all the cooperative's activities.

The first leader of the cooperative, Don Arturo, still has a large influence in decision making; although he currently has no formal leadership role he exerts his influence through his children. His oldest son²⁵ is the coordinator of marketing activities and one of his daughters has a formal role in MUSA. A positive aspect of his leadership is that his children and grandchildren have been able to achieve high levels of education; on the other hand, this pattern of leadership results in the concentration of power in some families while lessening the opportunities for other families.

-Relationships of *Compadrazgo*

A social relationship that is of great importance to the small farmers is *compadrazgo*, which is strongly tied with the liturgical acts of the Catholic Church²⁶. To be *compadres* is to offer mutual aid. The issue here is that Don Arturo, the founding leader, had established *compadrazgo* with Mariolé²⁷, the Fair Trade representative, and the subsequent loss of certification was incomprehensible to many of the cooperative members because of this relationship. The inspectors and representatives of certification agencies should remain impartial, able to offer objective observations and recommendations with respect to the rules and policies that they are confirming as being followed. To take on a relationship of *compadrazgo* without understanding the strong significance that would carry for the cooperative members was a drastic error that should not be repeated.

²⁴ Interviews with Germán García Alfaro, agricultural engineer in the field of technical production, and Gemma Navan, coordinator of MUSA.

²⁵ He works fulltime for La Selva and also is completing his studies in Public Accounting.

²⁶ The parents of baby ask someone to be the *padrino/a* (godfather/godmother) of the child, taking part in some of the sacraments of the Church. To make this request indicates respect and trust; to be *compadre* means that mutual aid will be given not just with respect to the child but in all manner of situations.

²⁷ Complete name unknown.

-Socialization of Fair Trade Knowledge

The channels for the socialization of knowledge in La Selva have not changed as a result of the loss of Fair Trade certification. Formal decisions are still made in the General Assemblies with the participation of the community delegates.

Coffee price distribution has not changed due to the loss of Fair Trade certification. Prices paid to producers are still favorable, remaining at around 80% of the direct price per kilogram. Although detailed written information about price fluctuations, volumes sold and volumes in the warehouse is shared at the Assemblies, the limited education of the producers often does not allow them to fully understand the details. Decisions are therefore made by consensus among the community delegates after the general manager and board of directors explain the reports and present their opinions about recommended courses of action.

Pre-financing, used for family expenses such as illnesses and the costs of baptisms and weddings, was available to cooperative members during the period of time that coffee was sold as Fair Trade. Producers delivered their coffee, and after it was sold payments were made based on the balance that was due after subtracting pre-financing loans.

Currently the cooperative is unable to offer pre-financing due to the existing bank loans and lack of access to the Fair Trade market, and advances are not made to the producers. This means that once again the cooperative members are falling into the hands of the small local *coyotes*. Economic necessities have led the members back to the previous system of selling their coffee.

Despite difficult obstacles to overcome, La Selva has managed to remain in both the export and national markets. The members do their best not to sell all of their coffee to the *coyotes* because they know that a better price is still available through the cooperative.

The absence of funds to provide pre-financing has led to a critical situation in La Selva. In the current (2001/2002) harvest the producers have not received payments as of June 2002 although the delivery of coffee was between November 2001 and February 2002. The producers still trust their leaders, and know that although they have to wait they will be compensated with higher prices (see point 7, Solutions, below for a discussion of the current marketing strategies of La Selva).

-New Members

The incorporation of new members through already existing community groups is handled on a case by case basis. First the interested producer expresses his/her interest verbally to the delegate from their community, and then the matter is discussed at an appropriate community meeting.

New members commit themselves to organic production, and must participate in all scheduled training courses and community group meetings. During the transition to organic the producer may sell his product with the cooperative, but it is marketed as conventional coffee.

Petitions for membership from new community groups are considered at the General Assembly meetings, with approval requiring the support of the majority of delegates. In the past groups have entered through outside agreements with the board of directors and at the regional level. Most recently the *Sociedad Cooperativa Flor de Chiapas*²⁸ entered as a new group in 2001.

With the beginning of the armed uprising in 1994, La Selva maintained its position as a production organization without political affiliations. Due to this decision, a number of producers who chose to join the *Ejército de Liberación Nacional Zapatista* (EZLN) gave up their membership in the cooperative.

-Distribution of the Price Premium

La Selva does not apply a different standard for the Fair Trade premium as compared with the normal policy of price distribution. The organization has always operated with an understanding of equality among all of its members. Since not all the coffee is sold at the same price, an average price is calculated from all contracts and from this average is derived the actual price that the producers receive.

Because La Selva produces organic coffee, there is a price difference between coffee in transition and coffee from organically certified farms. The higher price always goes to organically certified farms, and this difference serves as a stimulus for the conversion of farms to organic production.

The price premium is distributed as follows for organic coffee: 80% goes to the producer, 15% to operating expenses and 5% in investments. For conventional coffee the producer gets 90% of the premium, in order to assist more to those who need it most.

4. Certification and Quality Control Systems

-Fair Trade Certification: Questions and New Advances

Two principal causes for the loss of Fair Trade certification that La Selva suffered can be identified:

- Problems in the socialization and flow of information among the members.
- An inefficient administrative system that led to an unfulfilled contract.

La Selva has begun the process for reinstatement in the register of FLO-International, requesting from them inspections for the purpose of re-certification. José Juárez has

²⁸ Longtime EZLN sympathizers, this group is currently in the process of transition to organic production.

expressed confidence in the new leadership of FLO but at the same time has decided not to give false hope to the producers about the possibility of gaining this niche market once again.

The current president of La Selva contends that the dissemination of information to the producers has greatly improved. There are now bimonthly meetings with the community delegates and the General Assembly, in which the manager, the board of directors and area coordinators all participate.

Since the current board was elected three years ago, activity reports have presented at the General Assembly meetings. The area coordinators prepare these reports, since they are responsible for getting the information to the membership. Unfortunately they have not always written the reports in a simple manner that all members can understand, and this is considered a serious problem by the board, although it is also considered a step forward to have written reports that document the cooperative's activities.

After each General Assembly meeting the board plans a schedule of community visits. In these community assemblies one board member is present, and along with the community delegate they explain what took place at the General Assembly meeting. René, the current president, explains:

Now we always carry a record of the proceedings of the assembly, which includes everything that was agreed upon, to all the meetings,. Before there were no records that showed the agreements; now the records are sent to all the delegates. For example in June it will include all of the year's activities and each delegate will get this report to take to his community and share with all the members. It is about 50 pages long.

The reports are yearly and are presented at the June General Assembly. Each community delegate has a copy. This was something that was missing before, we didn't do it. Now the delegates get a copy and there are meetings in every community to make sure that whoever has been named as a delegate is sharing the report, or if he misunderstood and told the other members incorrectly. Now we, the board members, go to talk to everyone. Sometimes there are doubts that have to be cleared up. Since nobody but the delegates go to the assembly, it is important that we go to the communities and talk with the members. It is a difficult job, to explain so everyone can understand that everybody needs to know everything that happens in the cooperative.

The amount of information that the members receive has also been supplemented through a magazine produced by La Selva. This project is financed and edited by volunteers from the *Grup Tercer Món-Mataro* from Cataluña, Spain. René explains:

Now for two years, in 2001 and this year, the cooperative has put out a magazine. Each member gets a copy of this so that they can know what's going on, if the union is working well as a business. It also explains the institutional relationships we have with other organizations and other information.

The editors try to get the members to assist in the production of the magazine, but due to illiteracy and limited schooling not many have participated. It is an opportunity for free expression, but of limited practical use because the ability to take advantage of it is not there. René explains again:

We also have asked the delegates to participate, so that at least somebody who knows how to write sends us their opinion about how the cooperative is going or what they would like from the cooperative. All of this we have asked, but it is difficult and nobody has done it. Some members have sent in a page from their notebook with their thoughts, and we have included it in the reports.

The mechanisms for dissemination of information have been improved, but the deficiencies in internal management have not been resolved. It is not an easy process because it requires agreement among all the coop members.

The board president has identified situations that create divisions among the producers and that make it difficult to homogenize the administrative rules:

- There are great differences in area cultivated and quantity of coffee delivered to the coop.
- There are members who do not deliver any coffee to the coop.

In theory all members are equal, but in practice the rights of a member increases in proportion to the quantity of coffee that he produces. The area of cultivation is something that is external to the activities of the coop, and is based on regional economic differences and different family culture patterns.

In Margaritas the average farm size is 2-5 hectares, and in La Sierra, in Chicomuselo, the average is 10-15 hectares with production between 100 and 150 sacks. Currently all members are treated equally, but the common agreement is that those who produce more coffee have more power. Not everyone thinks this is right. (Unknown quote)

“Rights” and “power” are understood to mean increased access to projects implemented by La Selva and pre-financing.

The fact that some producers do not deliver their coffee to the cooperative has two basic roots: 1) Economic necessity causes the producer to sell coffee to the *coyote*. 2) Outstanding debts with the cooperative causes the producer to fear being forced to repay without being able to renegotiate.

Current policy does not include penalties for those members who do not sell their coffee through the coop. Because of the lack of pre-financing funds, the coop cannot guaranty immediate payment for delivered coffee. From this situation arises a contradiction, because it is the coop members who always sell their coffee through the coop that sustain La Selva through its times of crisis. The contradiction is that in the good times all members want to sell their coffee through the coop, and those that had not fulfilled their responsibilities benefit from those who had through their efforts maintained the organization.

As René explains, examples do exist of attempts to penalize those who don't deliver their coffee through the coop:

It has been discussed, but nothing decided, to take away the membership of those who do not sell their coffee through the coop because they do not support the organization. There are many members who offer no support at all. For example, one community, El Edén, hasn't delivered any

coffee for two years now because they are in debt to the coop. In 1999 they received a loan, but they haven't paid it back and aren't delivering any coffee because they think we will not pay them and instead take their coffee in payment for the debt. In the last General Assembly we decided to make a visit to El Edén, and if in this visit we can't arrive at an agreement we will decide if they will be allowed to continue as part of the cooperative.

Failure to pay debts is one of the most problematic legacies of the paternalistic form of government. On the other hand, since the 1990s, in Chiapas there have been many government programs with international financing designed to combat poverty. The membership of La Selva has been the target population of many of these problems. An analysis of household economies²⁹ shows that government subsidies are the principal source of income for the families. Activities aimed at increasing productive capacity are not a priority for the families because their basic needs have been met through government aid.

FLO has recommended that La Selva establish a fund to provide prepayments or micro credit for the members to meet urgent needs; approval of this fund will be voted on in the next assembly meeting. If the measure is approved, an equal percentage of all sales will be set aside for the establishment of the fund, irrespective the class of coffee: Fair Trade, conventional or other alternative market. In this way "everybody will benefit from the earnings of everybody".

Finally, it can be affirmed that the government policies in the marginal rural areas are divergent and counterproductive from the actions and values that Fair Trade tries to promote.

-Quality

Before entering into the Fair Trade market, La Selva's history of agrarian struggle provided the organization with the social solidarity to commercialize its coffee collectively. At the same time it was a "theology of the earth" which gave the awareness of the necessity of respecting the environment.

Fair Trade certification opened contacts between La Selva and coffee buyers with access to consumers with high standards. The high quality of the coffee produced by La Selva can be attributed to the strict standards required by organic production and the altitude requirements for high grown coffee (900 meters above sea level).

It was through connections made in the Fair Trade markets that La Selva was able to access donations and other financial assistance to begin the process towards organic certification.

²⁹ Appendix 3. Household economy analysis of one La Selva member family, February 2002.

Also through experiences selling Fair Trade coffee the cooperative learned that it is the quality of the coffee that will allow them to establish long term relationships with consumers. And it was from this realization that the decision to seek organic certification arose; currently La Selva is certified by Naturland. 58% percent of the members have organic certification, encompassing 56% of the cultivated area.

As part of the organic production system La Selva has established a system of internal controls through which the organic production techniques are monitored. The inspectors, who verify in the field if the producers are following the organic standards, can be members of the cooperative or from outside of it. To prevent conflicts of interest they are paid a salary and, if coop members, are not permitted to inspect in their own communities.

Not only does the internal inspection system serve to verify organic production but it also has helped cultivate a culture of respect for written agreements, keeping in mind that the majority of the coop members are either illiterate or if literate still do not have a high level of reading comprehension.

While the switch to organic production has led to the successes of the system of internal control, the organic management techniques are highly dependant on the price of coffee: with high prices the recommended practices are easily followed, while with low prices they are abandoned. This does not threaten the loss of organic certification, but it does lead to lower yields and increased incidence of pests and diseases, among other problems.

It was through the technical capacity that La Selva developed while participating in the Fair Trade market that led to the identification of a problem with the pricing system: producers were paid the same price for all of their coffee, irrespective of quality.

For the 2001/2002 harvest, the organic production agronomists introduced a system that correlated the number of agricultural techniques practiced by a particular producer with the quality of the coffee. In this way those who put more work into their coffee get paid more for their coffee, independently of the size of their farm.

It has not been possible to achieve the goal of increased crop diversification; coffee continues to be the principal commercial crop for the cooperative. However there have been some advances in diversification of shade crops: plantains, citrus trees and *achiote* (*Bixa orellana* spp., a plant used as a dye), crops that are sold through local *coyotes* or that are used for family consumption, can be found in many farms.

La Selva has implemented a number of crop diversification projects, most financed with assistance from the national government. The government projects have been characterized by lack of participation on the part of the producers, including no participation in the elaboration of the proposals or budgets. Some examples:

- Family garden projects, planned without considering that most families have chickens and pigs that cannot be kept out of the gardens.

-Donations of pure-bred or improved small animals (birds and pigs), without considering that they require much more investment because of susceptibility to diseases.

La Selva now meets the requirements for organic production; however it is still far from having completely achieved a technological transformation. The most substantial advance has been in sanitation throughout the production process: presently the coffee produced is completely clean, without contamination, a high quality product through all phases of processing. The system of internal control assures quality from the field to the sacks that make up the export shipment.

There is still much to be done with respect to technological conversion. The general manager and the organic production agronomists feel that the history that the producers have in the Fair Trade market has led to a sense of conformity: in Fair Trade a price premium is received without requiring additional labor, and this has made it unnecessary for the farmers to adopt new production techniques.

Germán García comments that many producers feel that they are predestined to be poor, and for this reason many have not adopted the new organic techniques such as production of compost, manual weed control, regulation of shade and replanting of coffee plants:

The producers have the idea that they have been told “stay poor so that you will be paid a higher price for your coffee”.

But there are other farmers who found in the higher price for organic coffee an incentive to adopt organic practices:

I remember in 1996 or '97 the price for Fair Trade coffee was 50 *centavos*, and for organic coffee up to two *pesos* more was paid.

About the synergies between Fair Trade certification and the transition to organic production, José Juárez comments:

There has not been a transition of production techniques but only a certification process. There is still much lacking [to be able to say that we have organic production]. There are cultural questions and questions of money.

5. Producer Opinions about Fair Trade

It is the members who have been part of the cooperative for a long time who know the most about Fair Trade. Both men and women identify the price premium as the principal advantage of Fair Trade. The availability of pre-financing is generally not recognized by the lay members as an advantage, but for those who have held leadership positions it is perhaps the most important benefit offered by Fair Trade. Presently the absence of financial assistance for the harvest has limited the quantities of coffee harvested as well as the ability to resolve the immediate problems of the producers.

Some members remember that during the period when La Selva participated in Fair Trade, Max Havelaar-Holland had helped to form a fund for social spending. The way in which this fund functioned can not be analyzed in any concrete way, but founding members and the present board explain that this fund was used to support government projects that had social benefits.

La Selva has not been able to establish a fund that would help solve the cash flow problems of its members, such as pre-harvest loans or immediate payment for coffee deliveries.

The board of La Selva feels that much has changed in the Fair Trade movement since the formation of FLO. Don Arturo, the first leader of the cooperative, feels that when La Selva sold its coffee through Max Havelaar-Holland there was more of a positive interaction between the producers and the consumers. Between 1990 and 1994 he toured throughout Europe, visiting the churches and talking directly with the consumers there:

Things were much more equal before FLO, because we would go to Europe and the women from the churches in Europe would come to visit our houses here in Mexico. When they would come and visit they could see first hand all of our needs, and now they don't even bother to ask what we did with the price premium that they paid us. Instead they just ask "what more can we do?"

Don Arturo is also critical of Max Havelaar because they felt that two years was enough for an organization to benefit from being part of the Fair Trade market, that in this time a cooperative could learn the intricacies of marketing their own coffee and be able to compete in the conventional market. The truth is that in two years they just barely began to understand the export process and had limited abilities to compete against the private exporters. Nonetheless, "in this time we were able to talk with the people from Max Havelaar, things were discussed and we could have a dialogue".

According to Don Arturo everything changed when the Fair Trade movement reorganized under the umbrella of FLO-International:

Everything became more complicated because there are so many different positions. We were not convinced that we should leave everything in the hands of an outside exporter. We wanted to continue doing our own exporting and not leave it in the hands of others as if we were still dependent on a *patron*.

José Juárez, the general manager of La Selva, feels that the formation of FLO-International represents the institutionalization of the Fair Trade movement. It is hoped that this movement causes the small farmers to make a series of changes that will allow them step by step to become more like the consumers that buy their products. This desire is not seen negatively because the consumers, who want to positively impact the lives of the producers, are the best example and reflection of how to live. This idea can be called *neocolonialismo "buena onda"* (positive or affirmative neocolonialism).

For the board of directors it remains clear that simply being certified Fair Trade is not enough; one has to actively compete. René, the current president, says:

Once back inside the Fair Trade system it is important to look for clients. Those who bought from us before now have contracts with other cooperatives, including exporters from here in Chiapas like Majomut, San Fernando, ISMAM, and those from Palenque. If we become Fair Trade certified again our job as board of directors will be to look for clients. If we are certified and don't have clients, well then that's the same as not being certified.

Both the board and the lay members are of the opinion that their participation in the Fair Trade movement changed greatly when FLO-International was formed. They feel that the policies and rules of FLO are much stricter, and that they do not correspond to the realities of the cooperative. Now there are fewer opportunities for dialogue than before when the Fair Trade contacts were made with smaller groups from each country.

Fair Trade is a niche market that has certain advantages, but that does not mean that there is no competition in the market. While there is some communication among the different cooperatives, in the end each one is seeking to solve its own problems. Don Arturo uses the metaphor of a father who feeds his own children first, and only if there is extra shares with those around him. In this way, the organizations that have offered training and information to others have only done this with that which is left over. One example is the cooperatives that commercialize the coffee of other non-member producers because they can't reach the quotas that have been given them by the Fair Trade buyers. While La Selva understands that this practice is prohibited by Fair Trade policies, it also recognizes that it does happen.

The members of La Selva also recognize that the buyers in the Fair Trade market are looking for high quality coffee. After a few years of selling with the certification of Max Havelaar-Holland, they realized they should work to improve their quality, and decided to work towards organic certification. They understand that the organic certification, unlike Fair Trade certification, is granted on the basis of agricultural practices on the farm, and that it is not concerned with more just relations between consumers and producers.

It is interesting to emphasize again a tendency that Germán García Alfaro, agricultural engineer in organic production, has identified: the producers have understood that “to be in the Fair Trade market it is necessary to be poor, as if being poor will help them to make more money”.³⁰ This only serves to reinforce the idea that poverty is part of their identity, and this often inhibits their ability to change.

Experiences since losing Fair Trade certification have led the members of La Selva to believe that they can find their own Fair Trade niche outside of the system of FLO-International. The current marketing strategy of La Selva is direct sales and the search for other niches in alternative markets (see discussion in section 7).

6. The Social and Economic Benefits of Fair Trade for Farmers, their Families, Organizations and Communities

³⁰ Interview in Comitán de Domínguez.

The indented quotes below present the opinions of producers, leaders, advisors and professional staff.

-Organizational Benefits

For Don Arturo, José Juárez and the current board members the most valuable benefit of participation in the Fair Trade market is that it made it easier to learn about the export process. They identify the Fair Trade system as “a learning subsidy for commercialization”. Only through the trust and confidence gained in the Fair Trade market could the problems like lack of experience, human capital and finances be tackled.

The price premium and pre-financing gave us the capital necessary to provide immediate payment to the producers when they delivered their coffee. The price premium would not have been enough for us, because without pre-financing we wouldn't have been able to pay the producers. But with both we did not have to sell our coffee through the coyotes like normal.

The atmosphere of confidence that exists within the Fair Trade relationships allowed us to learn in a low-pressure situation. We got to know the buyers and talk with them directly, and they came to trust us as well.

Not only were negotiating skills improved with respect to the price premium and pre-financing, but also for pricing in general, quality, volumes and the timely finalization of contracts. Don Arturo comments that once the coop began directly exporting their coffee they were able to receive credit through Mexican lenders:

Before joining the Fair Trade market nobody trusted us enough to give us credit or finance our projects. But once they saw that we were exporting our own coffee, the Mexican banks began to offer us credit, when they saw that we knew what we were doing.

With the strengthening of business capabilities La Selva was able to more easily access government assistance. Improving their image as an export business, they were able to get credit from the government development banks for coffee gathering facilities and equipment for quality improvement (wet processing, drying patios and pulping machines).

The business was able to consolidate its operations through the acquisition of the processing facility. After this step financing was received for other infrastructure improvements, up to the point of having their own branded coffees. Financing assisted in the acquisition of roasters, packaging machinery and in the different certification processes and marketing campaigns.

We are convinced that Fair Trade allowed many other groups to find out about our existence as a cooperative. Others began to find out that La Selva exported coffee, and we were able to get help with projects that weren't just related to coffee production: housing, potable water and road improvements.

The administrative skills of La Selva as an organization improved, and the cooperative began to work on more and more diverse projects. While coffee marketing is one

beneficial service that the coop offers to its members, the ultimate goal of the activities of La Selva is to solve the problems that exist in the member communities.

In Fair Trade La Selva found the conditions to dedicate itself to the production of coffee. Through this dedication it has been able to defend political positions and respect the positions of others.

-Producer Benefits

For the producers Fair Trade represents access to higher prices and an exit from the relationship of dependency with the *coyotes*. Before the small producers were trapped in a cycle of debt that year after year required them to continue selling their coffee to the *coyotes*. This interaction does not just mean lower prices but also a loss of dignity: many *coyotes* are dishonest, and cheat on the weight of products bought, the evaluation of bean quality (color, humidity, odor, impurities, etc.). The producers must accept the prices that are offered by the *coyotes*; there is no negotiating. If a farmer does not like the price, there are no other options and he can not sell his coffee.

Participation in the Fair Trade market helps improve the self-esteem of the producers. Their organization in the cooperative leads to a feeling of self-ownership. While this self-esteem offers many benefits, it is worth while to question its effect on community relationships such as the possibility of processes of exclusion.

Fair Trade participation has also indirectly contributed to the diversification of productive activities. This can be traced to increased interaction with other organizations, both inside and outside of the Fair Trade system.

In 2000 and 2001 the possibility of new export markets for the production of ginger were explored. The farmers covered the costs of production (seeds and labor) while the cooperative paid for transportation and packing costs. Unfortunately it was not a success due to failings both in the production and marketing aspects. The invested capital was not recovered. False expectations were generated and this has led to disinterest in new diversification efforts.

-Producer Family Benefits

The families of the producers have benefited from the increased prices paid in the Fair Trade market. The timely payment for delivered coffee has helped to pay for immediate costs such as medicine and celebrations. However it can not be said that the price premium has led to a substantial improvement in the standard of living of the member families.

Not only are there direct benefits of Fair Trade (higher price, up-front payment, pre-financing) but there are also indirect benefits that have influenced standards of living. Perhaps the price premium has not saved the families from poverty but they have been able to access government social programs. La Selva's experience in commercialization

has provided increased power in their ability to negotiate with the government. Benefits from the government include projects in housing, potable water and improved health care. These indirect benefits have improved standards of living. René, the cooperative president, comments that “before many members had houses with straw and grass roofs; now with the benefits achieved from selling coffee many have cement-block houses with tin roofs.”

7. The Fair Trade Network: Problems and Solutions

La Selva has much to contribute in a discussion of problems and solutions. With the loss of Fair Trade certification all of the knowledge and experience that had been gained and the relationships that had been formed were drawn upon to survive.

Perhaps the most surprising thing about La Selva is that it still exists. Internal administrative problems led to the broken contract and the loss of Fair Trade certification. Only the social cohesion that the organization had achieved allowed them to continue marketing their coffee together after the loss of the benefits of pre-financing.

The current marketing strategy that the cooperative has formulated is perhaps the best explanation of this cohesion. It is important to realize that there are other, more subjective elements that are at work in the organization. Although the religious mysticism that gave rise to the cooperative is not explicitly evident in the producer interviews, this mysticism is evident in the conduct of the members. Many producers refer to “good” and “evil” when talking about the divisions that they suffered in 2000: “those of us who are still members understand that our companions who decided to leave have strayed from the right path.”³¹

José Juárez says:

We know that even if La Selva decided to stop selling coffee, the organization would go on. We know this because in the assemblies we discuss the sale of coffee and management of the farms, but also the people are concerned about more wide reaching problems about our relationship with the rest of the world. For example: how the government projects are run, the problems in the *Registro Civil* (office for births, marriages, and deaths), land tenancy questions, and religious festivals.

The first La Selva cafeteria was opened in San Critóbal de Las Casas in 1994, when the cooperative was still participating in the Fair Trade market. This was the beginning of a large project, the formation of a chain of cafeterias under the name of La Selva that sells the coffee of its members. The objectives of this project are:

- to sell a product directly to the consumers: brewed coffee.
- to establish a chain of cafeterias in the major cities of Mexico (Mexico City, Guadalajara and Monterrey) to offer a high quality gourmet product to consumers all over the country that also has a symbolic value that is associated with solidarity with the small farmers of La Selva.

³¹ DonGenaro

- to have enough cafeterias to be able to sell all the coffee produced by La Selva.
- to establish a system of franchises to reduce investment by La Selva.
- to expand the chain of cafeterias to Europe and the United States.
- to negotiate the openings of La Selva cafeterias in Germany through the *Frente Solidario*.³²

Currently there are 18 La Selva cafeterias. A pioneering idea in Mexico whose success is undeniable, other organizations have entered the national market, trying to take advantage of the consumers' desire for coffee.

The franchise system is managed by an independent company, and an analysis of the benefits for the cooperative that the franchises offer has not been made. At this moment the cafeterias do not provide enough business to be able to use all of La Selva's production of coffee. The exit from the Fair Trade market has accelerated the search for alternative markets. The leadership of La Selva has long recognized the importance of always searching for new markets and not being content with one outlet for sales. Currently the following marketing strategies are being implemented:

1. Commercial relationships of equality with and direct sales to small roasters in Europe (Barcelona and Rotterdam) and in the United States (Atlanta). Although the quantities of coffee sold are small, this option is interesting because the prices are negotiated independently of the New York stock market price. José Juárez comments:

An equitable relationship means selling volumes to buyers where your volume is a significant part of their total. For example, if you sell 1000 sacks to an exporter who handles 150,000 sacks per year you have no influence, but if you sell your 1000 sacks to someone who only handles 2500 sacks a year then you are very important to them. So there is a stable personal relationship, trust, sharing of knowledge, an atmosphere of shared learning. You go to visit his house and he comes to visit yours. You learn from each other. On the other hand when working with a larger buyer the small seller doesn't matter at all.

2. La Selva sells coffee through *Integradora de Cafecultores de Chiapas*³³, a business that has access to the North American market. This is not a project to sell organic coffee but rather coffee branded under the name of Chiapas, taking advantage of the symbolic values that are associated with it.

3. La Selva is attempting to find a niche in the market for their own brands, which make use of symbolic values that other organizations do not have access to: "Our history, our ethnic identity, our way of life and dress, and the conservation of our natural environment."

These brands are marketed through *Fomento Industrial Tenam*, a business independent from the cooperative. Just like the franchised cafeterias, Tenam uses coffee exclusively from La Selva. In addition to processed coffee Tenam has begun the production of coffee cream and liquor, which also will be made only with coffee from La Selva.

³² La Selva News, No. 12, April 2002, pp. 8-11.

³³ La Selva News, No. 9, October 2001, p. 3.

4. A project with a group of Guatemalan coffee growers (through *Frente Solidario*) is being planned, in which La Selva will share its experiences in creating the cafeterias.

5. Another large project is Acid Free Coffee, that with the help of the Mexican government is launching a branded coffee in the United States that is acid free. An industrial process that does not change the characteristics of the bean is being used. This project is not designed to use organic coffee but rather to obtain higher prices for conventional coffee or coffee from farms in transition.

6. La Selva recognizes that structural change goes beyond looking for new markets. It is achieved through educational and technological projects as well.

The coffee from one particular harvest is sold at different prices, depending on the market. There are also differences in altitude, quality (organic or in transition) and amount of time in the cooperative. Prices are not designed to benefit any particular group but are rather to distribute equally the benefits among all the members. The result is that different members receive different prices for their coffee. La Selva has always followed this policy.

The members, women, and board members have not lost their desire to re-enter the Fair Trade market. The issue is discussed in every general assembly meeting³⁴ and representatives from FLO³⁵ have visited in preparation for re-certification.

La Selva as an organization has identified what it considers to be the most important problems of Fair Trade:

- There was a substantial change in interactions with the Fair Trade representatives after FLO-International was formed.

- The enforcement of standard policies within FLO does not take into account the specific situation and circumstances of each organization.

- Only organizations that demonstrate organizational and administrative abilities should be allowed to participate in Fair Trade. The true problems of the farmers are their lack of organization, education, abilities and infrastructure. José Juárez comments:

The current structure of the Fair Trade system lends itself to the formation of elites and political bosses (*caciques*) among the producers. The Fair Trade rules just aren't preventing this. For me Fair Trade should promote not only the participation of well-established cooperatives but also of the less fortunate and less privileged.

- Although positive experiences are shared between groups in the Fair Trade movement, it is undeniable that there is competition among them as well.

³⁴ La Selva News, No. 7, July 2001, pp. 4-5.

³⁵ La Selva News, No. 5, December 2000, p. 2.

- The entrance of large multinational companies into the Fair Trade market will not help the organizations of small producers. These large companies only buy the best quality coffee and do not provide pre-financing like they should.
- The emphasis on marketing strategies to promote Fair Trade leads to a depersonalization of the relationships between consumers and producers.

The principal benefit of Fair Trade, according to the members of La Selva, is that it strengthens organizations and permits learning about how the market functions in a less competitive atmosphere.

Suggestions:

- Promote direct exchange between consumers and producers.
- Make Fair Trade more flexible so that more organizations can benefit. Do away with the standard policies that don't always fit each situation.
- Expand demand for Fair Trade by lowering prices. The high prices continue to restrict the number of potential customers.
- Establish rules that limit the amount of time that any particular organization can participate in Fair Trade in a way that will benefit less organized groups.
- Create horizontal structures for decision making about overall policies.
- Prevent the formation of a producer elite by designing projects that included the most marginalized.
- Work to increase the solidarity between consumers and producers so that the small farmers will not think "they buy from us because we are poor". This mentality has become common in many groups, reducing abilities to administer and plan projects.
- FLO-International should use its influence to lobby governments for increased participation in the formation of structural policies that favor small farmers.

Appendices

1. Unión de Ejidos de La Selva chart, 1995. Internal document of the *Colegio de la Frontera Sur*.
2. Community maps.
3. COESCAFE export records, 2001-2002 harvest, Tuxtla Gutiérrez.
4. Interview with Antonio Hernández Velasco, non-organic farmer, from *Ejido Nuevo Momón*, Las Margaritas, one of the founding *ejidos* of La Selva. February 2, 2002. Private document, from feasibility study for Acid Free Coffee project.
5. La Selva News issues 0-5 and 7-12.
6. *El món*, December 2001. Article about MUSA in Spanish magazine.