

# **Poverty Alleviation through Participation in Fair Trade Coffee Networks: The Case of Unión Majomut, Chiapas, Mexico<sup>1</sup>**

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## 1) Unión Majomut: Context of Fair Trade Participation

Unión Majomut has been operating in the international commercialization of green coffee since 1983. Since the beginning the organization has collected, processed and commercialized the coffee of its members. The cooperative started with members from 18 communities in four municipalities of the Altos de Chiapas (Chiapas Highlands) region, and currently there is a membership of 1,500 families in five municipalities (see Figure 1). In the first years of operation the members delivered their parchment coffee on a consignment basis without receiving payment on delivery. At the end of the harvest cycle when all the coffee had been sold the total revenue from sales was distributed proportionally based on the quantity of coffee delivered.

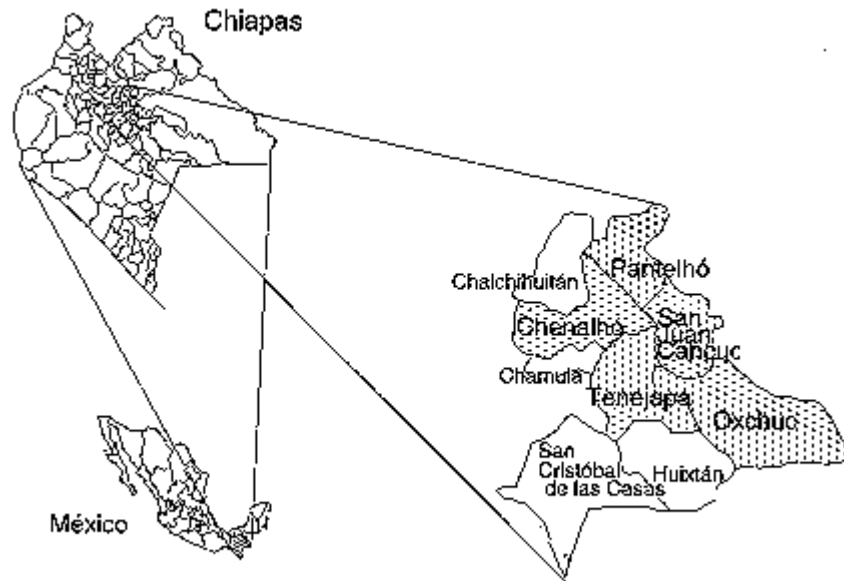
In 1989 Unión Majomut went through a profound institutional crisis. With the dramatic fall in international prices some buyers that had purchased coffee from the cooperative went bankrupt and were not able to pay for the coffee already purchased.

At this time the Unión was forced to use all of contingency fund that had been formed for a crisis such as this, a total of 80 million *pesos*. The fund was distributed among all of the coop members and was not enough. There were members who received no payments at all despite the fact that they had delivered coffee to the cooperative. All of the communities in all of the municipalities withdrew from the cooperative and demanded that the council president be incarcerated, thinking that he had caused the crisis through fraud and corruption.

Between 1989 and 1991 the Unión for all practical purposes had to completely start over. Some of the problems included:

- a) The membership of the cooperative was greatly reduced.
- b) The members who remained had very little confidence in the organization. This resulted in disinterest in the organizational structures such as community assemblies and delegates.
- c) The traditional clients in the international market no longer existed.
- d) The remaining members decided that payments at the regional price should be received upon delivery of coffee. Initially there was no fund for harvest costs or financing available through banks.
- e) Due to the low prices, the costs of inputs (fertilizer, insecticide, fungicide and herbicide) were more expensive than the earnings from the sale of the coffee.
- f) The infrastructure of the cooperative, machinery and vehicles, was in poor operating condition.

**Map 1: Zone of Influence of La Unión Majomut**



Current distribution of the membership of La Unión Majomut:

<b>Municipality</b>	<b>No. of Producers</b>	<b>Percentage</b>
Chenalhó	1371	91.3
Pantelhó	25	1.8
Tenejapa	36	2.4
San Juan Cancuc	58	3.8
Oxchuc	12	0.7
<b>Total</b>	<b>1502</b>	<b>100</b>

On the other hand, the organization began to improve services in the following ways during this time of crisis:

- Beginning in 1990 the cooperative began to have relations with other groups of small producers that had formed part of the Coordinadora Nacional de Organizaciones Cafetaleras (National Directorate of Coffee Growing Organizations, CNOC). Discussions were begun about the problems facing the coffee sector and the search for alternatives.
- The internal mechanisms of discussion and democratic decision-making were strengthened to prevent the types of problems that had plagued the organization in the past that had developed from the vertical decision making process of the Administrative Council.

- The processes of commercial consulting, technical assistance and accounting were reinforced under two guiding principles: the formation of an autonomous technical team and the search for assistance from other like-minded organizations.

The organizations with which La Unión had the most interaction at this time were La Unión de Ejidos de la Selva and La Unión de Comunidades Indígenas de la Región del Istmo (the Union of Indigenous Communités of the Isthmus, UCIRI). Both of these organizations were working in the Fair Trade market through Max Havelaar-Holland and had begun to participate in the organic market as well.

In 1990 and 1991 La Union Majomut worked with other coffee producer organizations at a regional level to form the Regional Coffee Development Program, sponsored by government agencies including the Department of Agriculture and the INI (Instituto Nacional Indigenista, the National Indigenous Institute). During the planning process visits were made to other organizations both within the region and in different states to have an interchange of experiences and to see the successes that others had achieved. Thorough this experience La Union began to see the possibility of becoming part of the Max Havelaar system and of forming organic production work groups. In the visits that the representatives of La Union had made they had seen how other organizations had achieved higher prices and a better and more environmentally friendly production.

In 1991 La Union became part of the “Promotora Comercial de Cafés Suaves Mexicanos” (Mexican Commercial Promoter of Smooth Coffees), a company formed by CNOC in 1990 to assist in the commercialization of the coffee of its members. Through the Promotora, La Union became part of Max Havelaar along with ten other organizations that were part of CNOC. Formal registration was achieved in August 1993 and the first harvest in the Fair Trade system was for 1993-1994.<sup>3</sup>

The decision to enter the Max Havelaar system was made to resolve two principle problems: low prices and the absence of financing for coffee harvest costs. With respect to low prices, only small advances were made in the first year because La Union only sold one lot of 250 sacks of Fair Trade green coffee that year, when the total coffee harvest for the cooperative was 7000 *quintales* (one *quintal* is 100 pounds) of green coffee. The rest of the coffee was sold in the conventional market, both as parchment coffee for the regional and national markets and green coffee for export.

As for the problem of pre-financing, Max Havelaar could not resolve this problem because the coffee buyers were not willing to offer credit to a new organization they did not know, as was the case with La Union. Harvest pre-financing was obtained through the Rural Credit Bank at very high interest levels (30% annually) and also through a small program of the Regional Funds of INI (with an 18% annual interest rate). In the international market the coffee buyers had access to loans with 9% interest.

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<sup>3</sup> Registration is achieved through a work agreement reached between Max Havelaar and La Union, where the details of the buy-sell system are arranged. The scheme includes a minimum price, pre-financing for harvest costs up to 60% of the minimum price, and a \$0.5/pound premium for social development projects.

But once inside the Fair Trade system, La Union began to get a clearer picture of what was needed to improve the functioning of the organization in the areas of social development and organic production, which were important parts of the annual evaluation of the system. With respect to social development, there was the possibility of projects (financed with the five cent social premium) that would allow the organized participation of women in the cooperative and that would help improve the living conditions of the member families. Training in organic production was also made a priority.

Table 1 shows the volumes and percentages of coffee collected and sold by La Unión Majomut in the Fair Trade market for the first ten years.

**Table 1: Coffee Sold in the Conventional and Fair Trade Markets  
La Unión Majomut, 1992-2002 (69 kilogram sacks)**

Harvest	Conventional Market <sup>1</sup>		Fair Trade Market <sup>2</sup>		Total
	Sacks	%	Sacks	%	
1992-93	4122	100	0	0	4000
1993-94	4269	94	250	6	4519
1994-95	5020	91	500	9	5520
1995-96	4509	89	500	11	5009
1996-97	4012	80	1000	20	5012
1997-98	502	40	750	60	1252
1998-99	2523	71	1000	29	3523
1999-2000	2508	50	2500	50	5008
2000-2001	514	10	4500	90	5014
2001-2002	0	0	6500	100	6500
<b>Average</b>	<b>2543.55</b>	<b>62.50</b>	<b>1590.91</b>	<b>37.50</b>	<b>4123.36</b>

Source: records of La Unión Majomut

Notes: 1) Both national and export sales

2) Includes both organic and non-organic coffee

With respect to organic and conventional coffee in the 2001/2002 season, Majomut commercialized:

Organic coffee: 5985 *quintales* (58.8%)

Conventional coffee: 4125 *quintales* (41.2%)

Total: 10,020 *quintales*

## 2) Fair Trade Networks

The most important role in allowing La Unión to enter the Max Havelaar Fair Trade system was played by the member organizations of CNOC that provided the information and registration forms to La Unión. From these organizational relationships arose the process through which La Unión obtained formal inscription in the Fair Trade register of Max Havelaar-Holland.

The Unión de Ejidos de La Selva provided the opportunity for La Unión Majomut to sell to a Fair Trade buyer. This happened when, in the 1993-94 harvest, they ceded a contract with a Dutch importer to La Unión so it could begin the process of exporting in the Fair Trade market.

In more recent years other small producer groups have helped La Unión in the process of market consolidation, by providing contacts with importers that were looking for coffee from Mexican organizations. In this way commercial contacts were made with companies in the United States, England, Germany and Denmark.

How a buyer relates with a new coffee supplier, and in this case with Majomut, depends on the buyer. We know one buyer who asks us to send him a sample, he cups the sample, and if he likes it the buyer investigates the record of the supplier through contacts with other buyers. If good references are given, the buyer will contact Majomut to sign a contract, and the quantities are increased in subsequent years if the cooperative completes the terms of the contract and maintains the quality standards of the coffee.

La Unión Majomut has never received credit for the production of coffee, but only for the harvest and commercialization processes. With respect to that availability of credit, the cooperative has had the following options:

- a) Between 1990 and 1992 the Banco de Crédito Rural (Rural Credit Bank) provided loans at very high interest rates, more than 30% annually, but at that time it was the only alternative for financing the harvest before any sales had been made.
- b) Between 1991 and 1993 the Fondo Regional de Solidaridad (Regional Solidarity Fund), part of the INI, provided small loans (between 30 and 50,000 dollars) with low interest rates (1.5% monthly) that only covered the beginning of the harvest.
- c) Between 1994 and 2000 credit was given by the Fondo Nacional de Apoyo a Empresas Sociales (National Social Business Support Fund, FONAES). This was a program of no-interest loans for social organizations that had commercialization projects. The loans varied between 15 and 60,000 dollars.
- d) Majomut has deposited its own resources in a fund formed by a number of member organizations of Coopcafé (CNOC-Chiapas). This fund, called Fideicomiso F-700, provides credit at the beginning of each harvest cycle, and at

the end of the season receives deposits from the member organizations. From this fund the cooperative has received loans of between 15 and 150,000 dollars.

- e) Beginning in the 1995-96 harvest, a number of Fair Trade buyers have provided pre-financing of 60% of the minimum price. These loans have had interest rates between 8.5% and 11%.
- f) La Unión Majomut forms part of the Unión de Crédito de los Productores de Café del Estado de Oaxaca (The Oaxacan State Coffee Growers Credit Union, UCEPCO), and has received credit from this organization in the 1998-99 and 1999-00 harvests. The interest rates were within the range of commercial rates for Mexico at that time (12-13% annual), but Majomut has stopped using this source of credit due to the availability of better options.
- g) Beginning in the 2000-01 harvest credit has been given by the Fondo Acción (Action Fund) of Banamex, a Mexican bank, and the Inter-American Development Bank. This source has offered loans with interest rates of around 10% annually as well as some grants given to pay for technical assistance programs.

Credit financing is the same for all members of Majomut, whether the coffee is sold in the Fair Trade or conventional market. However, credit is managed differently between organic and non-organic producers. Each year the credit for the total expected coffee yield is divided proportionately between organic and non-organic coffee. There is no difference between coffee that goes to the Fair Trade market and that which goes to the normal market.

The quantity of organic coffee produced within Majomut has been increasing every year due to the organic production support program which trains and develops organic producers. Organic coffee has had a clear price advantage over conventional coffee in the past few years and each year the Fair Trade buyers are seeking more and more organic coffee. Because every year more of the Fair Trade coffee is organic, the market identifies Fair Trade with organic.

The most important change in the Fair Trade system was when all of the European Fair Trade seals and registers were unified as FLO. This began a unified system of follow-up for the member organizations, divided into geographic areas. This means that since 1996-97 the Mexican organizations have been supervised by representatives of TransFair-Germany, a group with which Majomut had not previously had contact and which also was not familiar with Mexico or its cooperatives. But with time the process has been improving.

### **3) Organization of the Cooperative with Respect to Fair Trade Participation**



There are two types of “leadership” at work within Majomut<sup>4</sup>:

- 1) The members of the board of directors, who interact directly with the delegates and members in the communities as well as with the other producer organizations.
  
- 2) The members of the technical team, who have a more managerial role in the organization. They are responsible for the commercialization process, the elaboration of harvest plans and formulation of credit financing projects. They also assist in maintaining the relationship with the Fair Trade system. Since 1992 the members of the technical team of Majomut have served as consultants to the Administrative Council. Currently the team is made up of four agricultural engineers, three agricultural technicians, one accountant, one accounting assistant, one information technology specialist, one anthropologist, and 50 community promoters. It is an important mechanism that has allowed the execution of technical and development projects as well as having offered consulting services in accounting, administration, commercialization and planning.

Rather than a sense of competitiveness between the two levels of leadership, there is a relationship that allows them to do complementary work. There are periodic meetings between the board members and the technical team that permit them to work in agreement, smoothing over differences and making the cooperative operate more efficiently.

The community promoters play an important role in this process. The promoters are coop members from each community who are organic producers. The 50 promoters are each elected by their work group (the groups have an average of 23 members), with the minimum requirements of basic literacy, recognition as an exceptional organic producer, and communication skills. They receive a monthly salary of 300 pesos, equivalent to 8 days of work, which is taken from the Fair Trade social premium. This compensation is for the days that the promoter has to spend visiting other producers' farms and working in training sessions. On these days the promoter has to pay laborers to work on his own farm.

The members of the technical team only make decisions with regard to the internal control of the organic program and in the implementation of projects. The rest of their work is to assist the board and the delegates in making the organization operate more efficiently. The Monitoring Council is in charge of the coffee collecting and processing processes as well as the warehouse and processing facilities and their staff. The Administrative Council is in charge of the projects and the marketing of the coffee. This council coordinates the work of the technical team as well as the staff and activities of the cooperative offices in San Cristóbal de Las Casas.

The structure of the cooperative is shown in the Organization Chart on the next page.

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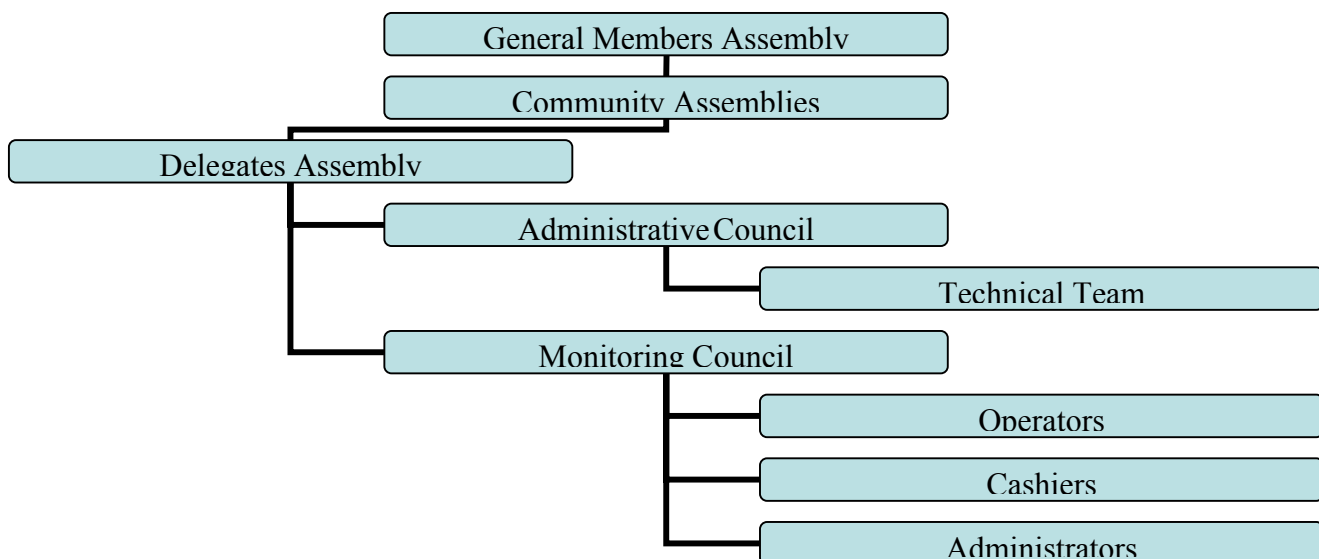
<sup>4</sup> We will describe the leadership classification as proposed by the project planners even though in Majomut the term “leadership” refers to two formal decision-making structures that are part of the current organizational diagram.

All decisions related to Fair Trade are made by the board of directors. The Administrative Council decides which contracts to take and at what prices these contracts are fixed; however these decisions are always made with the input of the members of the technical team who work in the commercialization of the coffee. The decisions about the prices that are paid to the members are made in the delegates' assembly and are based on proposals from the Administrative Council. The destiny of the social premium is also decided in the delegates' assembly.

The pre-financing is divided proportionately between the quantities of organic and non-organic coffee that will be collected each year, independent of whether the coffee will be sold in the Fair Trade market or not. The objective is to provide sufficient resources to harvest the organic and non-organic coffee without considering the final destination of the product in the national or international market.

A normalized procedure is followed to socialize information about the Fair Trade system: in the delegates' meeting the board of directors reports news about coffee contracts and shipments. In these meetings information is shared about final account balances which make known the final earnings and price premiums. After each meeting the delegates transmit the information in their respective communities, where all of the results are discussed, proposals are made and agreements are arrived at.

### **La Unión Majomut Organization Chart**



The cooperative receives the minimum guaranteed Fair Trade price of \$1.21 per pound of coffee FOB at the port of departure. An additional 5 cents is received as a social premium that the cooperative uses for development projects, the organization of women’s groups and the formation of organic promoters. For organic coffee an additional 15 cent premium is added, and this premium is given directly to the producers.

Before the beginning of each harvest cycle a calculation is made of how much coffee the cooperative expects to receive and how much of this will be destined to the Fair Trade market. Once these calculations are made the expected costs of the cooperative (administrative, processing and marketing expenses) are determined and subtracted from the current market price; in this way the price which the producers will receive is calculated.

For the 2000-01 harvest Majomut paid its members \$12 per kilogram for non-organic parchment coffee and \$18 per kilogram for organic parchment coffee. The average price paid that year by the regional buyers was \$6 per kilogram for parchment coffee; the members of Majomut received 100% to 200% more for their coffee than the regional average.

When Fair Trade sales were initiated a very small portion of the harvest was sold in the Fair Trade system, and it was decided to distribute the premium proportionally among all of the members based on the quantity that each one had delivered to the cooperative. As Fair Trade sales increased, the premium was reserved for use in development projects and

in infrastructure improvements in the cooperative. In the 1999-2000 harvest part of the premium was used to purchase an electronic coffee grader, and in the 2001-2002 harvest the premium was used to remodel the offices in San Cristóbal de Las Casas.

There is still the opportunity for the entrance of new members to the cooperative. In the last six years the membership has grown from 1053 to 1500, an increase of almost 50%. The majority of this growth came in 1998, when the municipality of Chenalhó was having political problems and a number of organizations there decided to join the cooperative. Between 1998 and 2002 the cooperative grew from 1150 to 1502 members. In 1999 the geographical area of the cooperative expanded to include the municipalities of Tenejapa, Oxchuc and Pantelhó. This growth in other municipalities is seen as an opportunity to demonstrate that through the cooperative an alternative is possible that will help to resolve community problems. The admission requirements for new members have been adapted so as to assure that potential members have a commitment to community development and are not simply seeking a way to get better prices for their coffee. The cooperative does not want to be seen as simply another coffee buyer, but as a mechanism to organize and search for positive alternatives for its members. Candidates for new membership have to meet the following requirements:

- Be organized in a community group (individual members are not accepted, but only through a group or the admittance of an entire community).
- Pay 300 pesos (equal to \$32) per new member, to be used for administrative costs.
- Participate for one year in the transition to organic production and pass the first organic inspection. This is to verify that the new members are truly interested in improving their production practices. New members are admitted when the delegates' assembly approves their admittance, but they can not deliver their coffee until the next harvest.

The process for the admittance of new groups is as follows. A request that explains the reasons for wanting to join the cooperative is presented to the delegates' assembly; they must show interest in participating in projects like organic production and not just in better prices. They must be community groups that are in indigenous municipalities. It is important that they be reasonably close to the coffee processing facilities so that the transportation of coffee is feasible and profitable. Finally the board of directors visits the community group to confirm that all members are willing to enter the cooperative, and then the directors present their final recommendation before the delegates and a decision is made.

#### **4) Certification and Quality Control Systems**

To remain in the FLO Fair Trade register of small coffee producer organizations the cooperative is required to go through an annual follow-up and monitoring visit. In this visit an inspector accredited by FLO reviews all of the sales records of the coop and the commodity chain from producer to buyer. This is to guarantee to the consumers that the

product that is certified as Fair Trade has come from a small producer who is a member of a cooperative that is following the guidelines of FLO.

The inspector also confirms that the price premium and social premium have been used to assist in the process of social development. It is also the responsibility of the inspector to review the financial reports that the cooperative provides to its members and make sure that all the relevant financial information is available to the members.

Over the years a number of recommendations made by the FLO inspectors have allowed Majomut to improve its performance in completing the Fair Trade requirements. These have included:

- In the financial reports the resources received from the social premium have been kept separate so that development projects can be funded in a transparent manner.
- The financial reports have been improved and simplified so as to make them more understandable to the members.
- More emphasis has been given to development projects for women.

The cooperative participates commercially in two different markets: the Fair Trade market and the organic market. First it entered the Fair Trade market, in 1993-4, but two years later it first sold organic coffee, in 1995-96.

The certification processes for both markets are complementary. In the Fair Trade certification the transition to organic and environmentally friendly production is encouraged, and the organic certification process also takes into account issues of social justice.

The section about social justice in the organic production standards of IFOAM<sup>5</sup> includes the following guidelines:

- Organic production should be based on the use of family labor. If paid outside labor is used the labor conditions of the ILO should be respected.
- The workers should be provided with humane and dignified working conditions: housing, food, health and education.
- There should be no discrimination based on sex, age or religion. Equal work should receive equal pay.
- The workers should be paid a wage that allows for a profit to be made.
- Child labor should not be used.

Majomut has participated in the discussion that has taken place in Mexico about the standards for sustainable coffee that would allow one single certification unifying the standards for organic, Fair Trade, and shade-grown coffee. The cooperative is part of the Civil Council for Sustainable Coffee in Mexico, an effort to encourage the coffee

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<sup>5</sup> The International Federation of Organic Agricultural Movements is the international oversight organization for the production and certification of organic products.

industry at a national level to operate using the guidelines of the FLO system, adapted to the conditions of Mexico.

What is being sought is a way to unify the standards, policies and processes of inspection and certification to facilitate the production of sustainable coffee. The unification of the certifications would simplify the promotion of sustainable coffee as well as the identification of consumers of the product. For the producers the benefit would be one inspection for all three certification, instead of the three separate inspections that are necessary now. This would greatly reduce the cost of inspections as well as the amount of time that the organization must dedicate to outside inspections. The cooperative is accustomed to working with all three certifications independently, and this may be an obstacle to unification.

The Fair Trade system has also influenced the quality of exported coffee, because due to the price difference the producers have been able to find ways to export high grown and strictly high grown coffees. Before entering the Fair Trade market, Majomut only sold “prime washed” (*prima lavado*) and “extra prime washed” (*extra prima lavado*) quality coffees.

To comply with the quality demands of the market, the cooperative processed its coffee in the electronic grader of La Unión de la Selva, another cooperative in Comitán, for three years. In 2000 the cooperative was able to purchase its own electronic coffee grader which is installed at the Majomut processing facilities in Polhó. In this way Majomut can guarantee the quality of its coffee that is sold to Fair Trade importers.

Through marketing relationships with Twin Trading, the principle English Fair Trade coffee importer, Majomut has for the last four years received a Bulletin of coffee market information from London. This biweekly publication, sent to all of the organizations that Twin Trading buys from by fax or email, has provided the cooperative with up to the date information about the international coffee markets for the past four years.

Twin Trading has also provided constant training the commercialization process (writing and negotiating contracts, risk management and covers), financial management, market diversification and strategic planning. A representative of Twin visits the cooperative once a month to analyze the situation, identify problems, and establish a program of consulting and follow-up.

Once a year one of the principal Dutch Fair Trade importers comes to Mexico to give a workshop about the current coffee market situation and to discuss the possibilities of training in the management of contracts, both in the Fair Trade and normal markets.

## **5) Producer Opinions about Fair Trade**

Within Majomut there is a variety of perceptions about what Fair Trade is. Basically there are three levels of understanding:

- a) At the level of the members of the cooperative in the communities there is not a complete understanding about how the Fair Trade system works. The Fair Trade buyers are identified equally with the organic buyers as buyers who “give us a better price for our coffee”, but in general they do not understand clearly how the Fair Trade system works. They have hosted the inspectors from FLO, but they are not clearly differentiated from the organic inspectors, both of whom annually visit the facilities and communities that are part of the cooperative. In the interviews some of the producers stated that the reason Majomut can pay higher prices for coffee is that the members have worked hard to improve the quality of the coffee and because of this high quality the cooperative is able to demand a higher price in the market.
- b) The second level of understanding comes from the community delegates. The delegates have listened to the board members talk about the Fair Trade system relatively regularly. But they do not have a clear idea of what the “Fair Trade system” is; rather they identify Fair Trade with the buyers who have come to visit the cooperative. They also talk more about the Max Havelaar system, which came before the formation of FLO.
- c) The third level is made up of the board members and technical team, where there is a fairly precise understanding of the Fair Trade system, how the register works and who the different actors are in the system: importers, producers, inspectors and distributors. They clearly understand the minimum guaranteed price, the social and organic premiums, and the system of pre-financing.

For the majority of the producer members Fair Trade is strongly identified with the cooperative. To be a member of the cooperative is to participate in Fair Trade. It is through Majomut that their coffee is exported, and it is also the cooperative that sells roasted and ground coffee in the national market. The Fair Trade network is also associated with membership in CNOC or Coopcafé, the state level coffee coordinating body, because almost exactly the same cooperatives participate in all of these organizations.

The face of the conventional market for the community members of Majomut is the regional intermediary, or *coyote*. These are the local representatives of the conventional coffee market. The members in general do not realize that the cooperative has to sell a portion of the coffee to the normal, conventional commercial market each year, and instead think that all of the coffee can be sold in the Fair Trade or organic markets.

## **6) Benefits of Fair Trade for Producers, Their Families, Organizations and Communities**

A) The Fair Trade market offers many benefits to Majomut that allow the cooperative to offer real international marketing alternatives for its members. Some of the principal advantages are:

1. The price stability which allows the cooperative to accurately calculate the price to be paid to the members without risking losses.

2. The higher prices that the members receive, in comparison to the current regional prices, allows the cooperative to be a true commercial opportunity for small farmers. The higher prices also permit the cooperative to operate stably over a long period of time, which in turn builds confidence in the cooperative among the members. With this relationship of confidence the members support the cooperative as a mechanism to promote other alternatives not directly related to coffee. Production of coffee accounts for 80% of the monetary income for the families of Majomut; however the families also produce basic grains for consumption in a system of diversified production.

3. The improved prices that Majomut and its members have had access to through the Fair Trade market has allowed them to use a part of the revenue from the last three harvest cycles to finance projects of infrastructure and training in the cooperative. Some examples of these projects follow:

- The purchase and installation of an electronic coffee grader at a cost of approximately 90,000 dollars (an international aid agency donated half of the cost).
- The construction of an organic coffee warehouse with the capacity to store 5,000 *quintales* of coffee in the community of Polhó, at a cost of close to 50,000 dollars.
- The construction of a peasant training center in the community of Polhó at a cost of approximately 60,000 dollars (75% of the costs paid by an international aid agency). This center will provide lodging, food, technical, training, advising and an opportunity for the sharing of experiences for the 50 peasant promoters of the organic production program and the 40 female promoters in the organic vegetable and chicken programs. The center will also be available to offer the same types of services to other local organizations.
- The purchase of new furniture for the administrative offices in San Cristóbal de Las Casas, Chiapas, at a cost of approximately 150,000 dollars. This purchase was made entirely with a contribution from each member of two pesos for every kilogram of parchment coffee that was marketed through the cooperative.

4. The availability of credit for the harvest and marketing of the coffee. It is a clear advantage to have this credit offered directly from the importers because this guarantees that even if it becomes impossible to get credit in Mexico (due to economic or political reasons) there will still be funds available from other countries. During the last two harvest seasons the credit offered by the importers in the Fair Trade market accounted for 30% of the credit financing handled by the cooperative.

5. The resources obtained through the price premiums paid in the Fair Trade market have permitted the cooperative to maintain their own technical team that assists in organic production as well as in other projects within the organization. The cooperative uses part of its earnings to strengthen its Technical Assistance Fund and a part of the social premium (\$0.5 dollars per pound of coffee sold in the Fair Trade market) is used to pay



for the technical assistance costs and for the training of peasant promoters. The technical team, which now consists of four agronomists, three technicians, two accountants, one anthropologist, one information technology specialist, 50 organic promoters and 40 promoters for other production areas, is one of the strengths of the organization. The cooperative does not depend on outside technical assistance or on the presence of government funds for its day to day functioning. The technical team works in the areas of production, processing (including roasting and grinding) and commercialization of coffee.

6. Participation in the Fair Trade market allows the cooperative to expand its portfolio of clients because the personnel of FLO have an ongoing program of commercial promotion and distribution among the member organizations. At least once a year an updated list of producing organizations is circulated among all of the importers and buyers, and at the same time an updated list of importers is distributed among the producing organizations that are inscribed in the Fair Trade register. This information allows the cooperative to send coffee samples to possible new clients when it has not been able to find buyers for all of its coffee.

7. Some members of the Fair Trade system are promoting a program that will increase the abilities of the producing cooperatives with respect to marketing and quality production. We have already discussed the work that Twin Trading of England and another company from Holland are doing. Another important element is the constant feedback that the Fair Trade coffee importers give to their suppliers about the quality of each lot of coffee received. It is common practice that the cooperative receives the report from the cupping that each buyer does with each lot received. Because the cooperative has this up-to-date information about the quality of the coffee it is producing and exporting, it is then able to determine if its coffee is inferior or superior in quality to the quality levels that are stipulated in the respective contract.

8. With respect to the strengthening and support for non-coffee related activities, previous sections have already mentioned the community development projects. In previous years there have been housing projects, the establishment of community stores, the installation of corn mills and tortilla making machines to ease the work of the women, and loans for the purchase of pack animals, among other projects. However in the last few years the projects have been focused on food security through women's groups in the cooperative and on the formulation of public policy with respect to coffee production. This last emphasis has involved a number of peasant organizations including CNOC, ANEC (Asociación Nacional de Empresas Comercializadoras, the National Association of Commercializing Businesses), AMUCSS (Asociación Mexicana de Uniones de Crédito del Sector Social, the Mexican Association of Social Sector Credit Unions), and UNORCA (Unión Nacional de Organizaciones Autónomas, the National Union of Autonomous Organizations) and has focused on social development and the recognition of the importance of the participation of peasants in the design and execution of development policy in the rural areas of Mexico.

B) Below are the benefits that the members of the cooperative have achieved through participation in the Fair Trade market:

1. The members have been able to get higher prices for their coffee than the prevailing regional prices. As has been noted above, for the last two harvest seasons the difference in price has been up to 200% higher than the regional prices. The average production for coop members is 15 *quintales* a year. If this coffee is organic, the total value is 15,500 pesos, or \$1,700. If this same coffee had been sold to a regional intermediary instead of through the coop, it would have a value of only 5000 pesos, or \$550.<sup>6</sup>

2. Higher prices over a few years have not been the only benefits received by the members due to participation in the Fair Trade market. The producers now know that they have a stable source of high prices that will be available in the long term, and this allows them to have confidence in the income they will receive in any given year and to plan the activities and expenses for that year. If they were not members of an organization that has access to the Fair Trade markets, they would have to wait until their coffee is sold to know how much money they will have for that year.

3. Participation in Majomut (and indirectly due to participation in the Fair Trade market) gives the producers access to a permanent training program aiming at improving production through organic techniques. Each year the producers receive a minimum of six training courses, including the sharing of experiences and the latest in technical advances. The central themes of these training courses are:

- Pruning and coffee tree management
- Seed selection and coffee plantation renewal
- Shade diversification and management
- Soil fertility and the preparation and application of organic fertilizers
- Soil conservation
- Pest management including biological control of *broca*

In addition the producers each year receive training about quality control, the wet washing process and post-harvest storage (which each family does separately). This is to maintain a standard of quality for the coffee that is delivered to the cooperative each year. Technical assistance is given in the following areas:

- Proper harvesting techniques so that only mature cherries are picked.
- Pulping and calibration of the pulping machine to ensure that the beans are not damaged and that no pulp residue contaminates the beans.
- Fermentation times and containers to ensure a uniform fermentation of the bean and proper washing so that no residues that would produce odor and taste problems remain.

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<sup>6</sup> The average farm size is 4 hectares per family dedicated to the following uses: 1.2 hectares coffee, 2 hectares basic grains (corn and beans), .5 hectares vegetable garden and the remaining land for houses. Coffee is the principal commercial product, but the household economy also has other sources of income.

- Washing of the bean and management of waste water, so that no residue remains in the hull and that the waters used in washes are deposited underground so that water sources are not contaminated.
- Coffee drying to arrive at the correct moisture level that permits proper de-hulling and leads to a high quality and well colored bean.
- Coffee storage that is raised from the ground and far from potential contamination sources like gasoline or detergents that would negatively affect the aromatic qualities of the bean.

4. An increase in self-esteem is noted among the members of Majomut, manifested in an increased desire and interest in continuing as farmers who provide the food for their families and also produce coffee commercially. The members of the cooperative have seen many of their neighbors forced to emigrate either temporally or permanently in search of work due to the dramatic decrease in international coffee prices; the members of Majomut have access to services and sufficient incomes through the coop to be able to remain on their farms and not leave their communities looking for work. A number of producers have also expressed the pride they feel in belonging to an organization that, in spite of the current price problems, has been able to continue improving its infrastructure and providing assistance through development projects.

5. Among the non-coffee related activities that Majomut supports are:

- improvements in organic corn production and the production of basic grains based on the idea of polyculture. The coop members have received information about the problems caused by the use of herbicides and fertilizers in monoculture, that in addition to having high costs also use up the natural fertility of the soil. The disadvantages of slash and burn agriculture have also been learned by the members. Leaving crop residue in the fields provides many positive benefits to the fertility of the fields, and for this reason the cooperative has promoted the elimination of burning as a technique for field preparation. The farmers have also received training in the importance of conserving local varieties through seed saving and the problems with using hybrid corn seed.
- The producers who have taken part in the organic program have been working to improve diversity in their shade trees, gaining additional benefits through additional sources of food, firewood, lumber and medicinal plants as well as the increased incomes that come from the sale of surplus. According to a study done in 1996, the increased diversity in an organic coffee farm can add up to 20% to the monetary income that is received from the sale of the coffee. And this is in addition to the food crops produced for consumption.
- A peasant micro-bank has been formed with 114 current members, and more coop members are in the process of training that will allow them to join the bank as well.

C) Below follow some of the economic and social benefits that the families of cooperative members have derived from the Fair Trade market, in addition to those mentioned above:

- Increase in household income between 100% and 200%.
- Increase in the availability of food due to participation in the organic production program and production of other foods for consumption. This program includes 400 women who are working in community organic vegetable and chicken production for consumption and the sale of surplus.
- Housing projects that have offered financial assistance for the construction of 148 houses with a fund started by Habitat for Humanity and continued each year with the revenue generated through repayment of loans given to the families. This project has benefited approximately 10% of the families in the cooperative. The houses are made of cement, built according to designs approved by the families, and constructed by the families. Also in 1995 a program improved the living conditions of 600 families through donations of metal roofing sheets and other building supplies.
- A micro-bank that permits the families to save some of the money earned from the coffee harvest and available for use in future times of scarcity.
- Family members are able to stay in the communities and not emigrant temporarily or permanently to search for work. The organic production that the cooperative has promoted (in part due to the influence of the Fair Trade system) increases the need for manual labor in coffee production, which means increased employment for the family members. According to a study done in 1995, almost twice the work-days are needed for organic production as opposed to traditional production (208 compared with 112 work-days per year).

D) Indications of improvements in the living conditions of the communities are provided below:

- The important role played by the organic production program in creating increased employment opportunities for the community members has already been mentioned above. In 2001 Majomut had 1,894 hectares being managed within the organic program. This represents approximately 180,000 additional work-days each year, which are covered by the community members.
- Soil conservation techniques are used in the 1,894 hectares of the organic program. According to previous studies, this represents a reduction in soil losses due to erosion of nearly 3,800 tons per year. This soil is maintained in the coffee fields that are located in the upper areas of the watersheds, thus reducing the sedimentation of the hydroelectric reservoirs that are located in the low-lying parts of the watersheds of Chiapas. Soil conservation also improves the processes by which rain-water is absorbed and helps to conserve the springs that the communities rely on for their water supplies.
- A farm managed for diversity can contain up to 64 different species in three levels of vegetation, and this contributes greatly to the conservation of the biodiversity, both flora and fauna, that is present in the mountain habitats.
- Increased capacity for community development planning and economic organization have led to the construction and improvement of roads in the

following communities: Poconichím (3.5 km), Bachén (2.5 km), Naranjatic Alto (3 km), Los Chorros (6 km) and Yibljoj (2 km).

- Membership in the cooperative provides access to savings and credit services that would not otherwise be available to the producers.
- In the past the cooperative has assisted in the installation of three community supply stores which helped make available common household goods like salt, basic grains, as well as tools like machetes and hoes, which were not available locally before.
- Through the permanent training program that the community promoters have access to local abilities, such as identifying technical production problems, are enhanced. The ability to design and manage projects and the establishment of local mechanisms to solve community problems are also promoted.

## **7) Problems and Solutions**

The primary problem with the Fair Trade network that the cooperative has identified is its inability to purchase all of the coffee produced by the coop members. Only a part of the coffee delivered to the cooperative can be sold in the Fair Trade market, and this may lead to the producers not receiving prices that would permit dignified living conditions.

The organization has tried to solve this problem by developing a promotion campaign with the Fair Trade registered coffee buyers. Samples of coffee for cupping are sent to different buyers in an attempt to find new clients. The cooperative also participates in various forums and campaigns that promote the concept of Fair Trade and to expand the presence of the cooperative as a possible supplier. For five years the coop has participated in the annual conference of the Specialty Coffee Association of America (SCAA), including as a presenter in a conference to promote the Fair Trade certification process in the United States. Also a part of the social premium from one German buyer is used to promote the concept of Fair Trade in Germany in an attempt to increase sales in that country.

Another frequent problem that Majomut has encountered during its time in the Fair Trade system is that the inspectors and monitors sent by FLO every year lack the necessary knowledge and skills to evaluate the financial records, projects and activities of the cooperative. At times foreigners have been sent who do not even understand the legal structure of the cooperative or the traditional decision-making mechanisms of different communities.

In a related theme, Majomut along with other Mexican organizations has promoted the idea of unifying the certification processes for organic, Fair Trade and sustainable (using diversified shade systems) coffee to achieve three goals:

- a) To lower the inspection costs because doing all three inspections in one visit will reduce the transportation costs and the time necessary for the inspections.

b) To define clear inspection procedures. The organic certification process already has written regulations established, something that the Fair Trade system has yet to achieve.

c) To work towards a single certification under the rubric “sustainable coffee” that includes the criteria of organic, Fair Trade and shade-grown coffees. This would make it easier for consumers to identify the product in the market and to understand what the certification means.

Majomut is also involved in the process of searching for a Fair Trade alternative for Mexico. The cooperative is working with a broad group of organizations in the formation of Fair Trade Mexico, a proposed association of producers, businesses and consumers that would establish a common set of criteria and conditions for Fair Trade in the Mexican national market.

During 1999 Majomut was faced with the problem of false rumors that were spread inside the Fair Trade system. An anonymous email was circulated around FLO which stated that Majomut was involved in paramilitary activities and should be expelled from the Fair Trade system. Fortunately some of the council members of FLO were able to dispel this rumor because they were familiar with the work of Majomut during that year. The cooperative had worked to aid people displaced by the armed conflict in the region, denounced the government for creating conflict and divisions in the communities, and participated in forums and other activities with groups like the diocese of San Cristóbal, the Fray Bartolomé de Las Casas Human Rights Center and the Vicar’s Office for Peace and Justice. These groups were all working together to search for a solution to the conflicts in the municipality of Chenalhó during 1997 that had culminated in the massacre of Acteal.

Majomut has faced difficulty in getting the Registration Committee of FLO to accept new organizations that Majomut has worked with and nominated for registration. This is a problem because when a coffee buyer or a member of the Registration Committee proposes new organizations for the register they are accepted without consultation with the other registered organizations. For example, the Unión de Productores de Café de la Sierra (Union of Coffee Producers of La Sierra, UPROCAS) has been waiting for years for an answer to their request for Fair Trade certification. On the other hand, a few years ago the Unión de Ejidos Otilio Montaña was accepted for registration despite the fact that it is an organization that is not independent and relies on the support of the Mexican government, and that it belongs to an organization (SOCAMA) that has openly supported the formation of paramilitary groups in northern Chiapas through a group called Paz y Justicia. This second case, which resulted in a campaign to damage the reputation of Fair Trade in Mexico, could have been avoided if FLO had simply consulted with the Mexican organizations that for many years had known about the true nature and activities of this organization.

The members of Majomut have identified the following weaknesses in the Fair Trade system:

- There is a lack of clarity within the structure of FLO that causes uncertainty as to how decisions are made, who participates in the different levels of the organization, and who should be consulted to help solve different problems. This leads to a lack of communication between FLO and the producing organizations and the presence of doubts and unanswered questions because it is not known who to address the questions to.
- There are not sufficient guidelines and procedures for the admission of new producer groups in the Fair Trade system.
- FLO does not have a clear policy for the promotion of the concept of Fair Trade in the principal markets of the world, which has led to a reduction in the consumption of Fair Trade products overall and the stagnation in the consumption of coffee.
- There is no strategy for the future direction of Fair Trade. For example, there is no clear decision on what position to take with respect to the large multinational coffee companies like Nestlé and Starbucks, which want to enter the Fair Trade market. It is not clear what the objectives of these large companies are, if they are truly interested in helping the small farmers in the long term or only want to improve their public image by buying small quantities of Fair Trade coffee and publicizing their participation as if it were their standard commercial policy.

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