

**Evaluation of the Actual and Potential Benefits for the Alleviation of Poverty Through the Participation in Fair Trade Coffee Networks: Guatemalan Case Study  
Performed by Sarah Lyon**

**Background Information:**

Like many parts of the world, Guatemala and its coffee growers have been heavily impacted by the current coffee crisis and resulting low prices. During 2000 and 2001, coffee prices dropped to a 30-year low, or when adjusted for inflation a 100-year low. In Central America this resulted in widespread unemployment (a –21% decrease throughout the region in employed seasonal workers and a –54% decrease in permanent workers). The decline in coffee export revenues has also negatively impacted Central American governments (a regional average decline of –44% between 2000 and 2002 in coffee export revenues; Guatemala experienced a –38% decline in the same period).<sup>i</sup> Many Guatemalan producers believe that financial support from the United States and international lenders, such as the World Bank, is responsible for the growth of robusta production in Vietnam and Brazil (and the subsequent decline in C-market prices). One cooperative manager, expressed his anger at perceived U.S. support of Vietnam’s coffee production, stating “they aren’t paying us fair prices even though our coffee is American.”

Within Guatemala, some larger finqueros harbor resentment for the successes of small producers in the Fair Trade market. A recent editorial in Guatemala’s weekly English newspaper claimed “international aid, Fair Trade prices etc. should be for all affected growers in the coffee industry, not just the ‘little people.’”<sup>ii</sup> Unfortunately, small producers do not often have the resources that larger land owners possess to aid in the diversification of agricultural products or the move towards mechanized harvests and lower costs of production in order to withstand the crisis. As the manager of one cooperative of small producers told me “with the coffee crisis maybe what is certain is that part of the large producers will disappear. They are changing their crops

but we do not have the infrastructure or money to diversify, we do not have the training to plant rubber.”

Against the background of this crisis the participation of select groups of organized small producers throughout Guatemala in Fair Trade networks can be viewed as nothing other than a great success. Small farmer participation in Fair Trade networks not only provides small farmers with a secure income, it also fortifies rural economies across the country by providing jobs to displaced large coffee plantation workers (as large producers cut costs by eliminating labor) and through the multiplier effect of solvent small farmers supporting local businesses. At the same time, ethnographic research among participants in Fair Trade networks points to existing problems within the current model. However, due to increased market share and public recognition in the United States and parallel levels of increased interest among small producers who face declining prices, the current crisis provides an excellent opportunity to address existing weaknesses and strengthen the market for years to come.

The current case study is primarily based upon research conducted by the author over a period of eight months<sup>iii</sup> among members and management of La Voz que Clama en el Desierto R.L., a small coffee producer cooperative located in San Juan La Laguna on the shores of Lake Atitlan in the Western Highlands of Guatemala. Supplementary data was gathered during interviews and participant observation conducted by the author among the members and management of various cooperatives with a Fair Trade market throughout Guatemala’s Western Highlands, development agency employees working to strengthen the small producer market and Fair Trade networks, organic coffee certifiers, importers, exporters, roasters and employees of Anacafe, the Guatemalan National Coffee Association.

**(I) History of Fair Trade Participation:**

**(A-C) How did the organization enter into Fair Trade networks? What were the reasons or motives for entering into Fair Trade networks and what agents helped with the cooperative's insertion into Fair Trade networks?**

La Voz que Clama en el Desierto is a cooperative of 116 small producers predominantly residing in San Juan La Laguna with members also hailing from San Pedro, Santa Clara, San Marcos and the aldeas of San Juan. The vast majority of the members are indigenous members of the Tz'utujil Maya language group. The bulk of the members are bilingual Tz'utujil—Spanish speakers, however perhaps 1/5 of the cooperative members are monolingual Tz'utujil speakers. The cooperative was founded in the late 1970's by approximately 20 men and women who received micro-credit loans from CARITAS, a Catholic charity with offices in Santiago Atitlan, a nearby Tz'utujil community. Members initially joined the cooperative because, in the words of one founder, “we wanted economic support and were told that if we organized in a group we would receive financing.” The cooperative began with a small store in San Juan and moved on to a corn grinder, eventually focusing on coffee production in the mid 1980's.

Although coffee was first planted in the region in the 1960's it did not become a widespread agricultural product until the price increase of the mid 1970's. At the same time, much of the prosperity in the Tz'utujil communities circling the lakeshore is due to the cash influx provided by coffee cultivation, as an Anacafe employee told me “the history of the development of the people here is in the coffee.” Today in San Juan virtually every single landowner cultivates some coffee and cooperative members have devoted the vast majority of their land plots to coffee cultivation, withholding on average only 2 cuerdas<sup>iv</sup> for milpa, or corn and bean production.

In the mid 1980's cooperative members began to depulp their coffee by hand and sell it to a coffee exporter, Region Solares, based out of Santo Tomas La Union on the southern coast. Due to their successes in the coffee market and the failure of their small store and corn grinder as

a result of poor book keeping, the cooperative began to focus exclusively on coffee production. In 1989 La Voz and 13 other cooperatives founded a second level group of small coffee producers named The Group of the 14: this group exported their Fair Trade certified coffee primarily to Holland. Through the increased and stable prices La Voz received from Max Havelaar through The Group of the 14, La Voz was able to successfully transition to organic production in 1991, becoming Guatemala's first certified organic coffee cooperative (in 1998 the cooperative began to accept *only* organic coffee from members). Through their participation in the group, La Voz made contacts with Karen Cerrebrós, a San Diego based coffee importer and beginning in 1991 Elan Organic Coffee began to buy increasing amounts of La Voz's coffee. La Voz continued exporting their coffee through Grupo de los 14 until 1995 when the cooperative decided to export their coffee on their own exclusively to Elan Organic Coffees. Shortly thereafter, the group collapsed due to rumors of corrupt management and a high c-market price which led to member cooperatives selling coffee to local coyotes and the group's resulting inability to fulfill its contracts. The majority of knowledgeable members and La Voz's management partially attribute their success in the marketplace to their initial participation in the Fair Trade market through The Group of the 14.

La Voz's success in the Fair Trade and organic markets has been aided significantly by two factors: first their high quality "forest" coffee, the form of small holder production in scattered plots of land in different micro-climates approaching the rim of the caldera that forms Lake Atitlan lends great complexity in the cup. The second contributing factor is due to La Voz's prime location. Lake Atitlan is the second largest tourist destination in Guatemala, it is easily accessible and has quality accommodations and restaurants. This location combined with the

photogenic indigenous traje and culture has attracted many roasters and importers to La Voz throughout the years to visit and lend advice.

(D) What were the original expectations and how have they changed?

La Voz's initial reasons for participation in The Group of the 14 and the Fair Trade market can be easily summed up as price incentives. In the beginning the members of the cooperative and the management were grateful for the higher prices, relatively stable market and increased recognition that their participation garnered. However, as the years have passed, cooperative members have become accustomed to the high prices and their stable market position and increasingly want higher prices. Although the Fair Trade market assures producers a stable minimum price of \$1.26 (or \$1.41 for the organic Fair Trade coffee produced by La Voz) less administrative, processing, and export costs, the coffee market is volatile and members remember the high prices they received in 1998 and 1999 before the current crisis. Although members were paid approximately \$16.77/qq (for coffee in cherry) for the 2001-2002 harvest (or approximately \$.91/qq for green coffee or 65% of the market price) they fondly remember the higher prices they received several years ago and almost unanimously agree that approximately \$25.80/qq (in cherry) is the minimum price needed to cover production costs and provide for minimum profit gains. One member told me "last year I paid in my coffee and after they had taken out the fertilizer costs I only had \$25.81 left (in profit for the year). Now with this price there is hardly no advantage." The manager of La Voz, Benjamin Cholotio Cholotio, agrees that members' expectations have changed and that they would like to receive higher prices. However he tells me that even though "we want to improve the prices, it isn't possible. It isn't fair to ask for more (from the importer) when the prices are so low right now."

(E) What have been the percentage of annual sales to the Fair Trade market since the cooperative received their registry?

Since their initial participation in the Grupo de los 14 in 1989 La Voz has sold all of their coffee to the Fair Trade market. Beginning in 1991 a percentage of this coffee was double certified Fair Trade and organic and since 1998 all of their coffee has been double certified. They have a long-term exclusive contract and close working relationship with their importer Elan Organic Coffees.

**(II) Fair Trade Networks:**

**(A) Who are the most important actors that define the cooperative's participation in Fair Trade networks?**

A variety of different individuals and development agencies influence and support La Voz's participation in the Fair Trade marketplace. Perhaps the most important actor is Elan Organic Coffees. Elan has worked closely with La Voz since the beginning of their relationship in 1991. Karen Cerebros personally visits the cooperative annually and Francisco Osuna visits several times a year on behalf of Elan in order to offer production support and encourage quality control in both the coffee plots and the wet mill. Elan Organic Coffees has paid for the manager of La Voz to travel to three Specialty Coffee Association of America conferences (New Orleans 1997, San Francisco 2000, and Anaheim 2002) in order to publicize the cooperative's coffee and learn more about the specialty coffee market in the United States. At this year's conference in Anaheim, Elan organized a panel of small producers in which La Voz's manager presented a paper about the cooperative.

The previous manager, Andres Navichoc, who was also a founding member of the cooperative, attended the S.C.A.A. conferences in Houston and Boston at the expense of the 12-year old U.S.A.I.D. and Anacafe Small Coffee Farmer Improvement Program. La Voz has received substantial financial support from this program in the form of large loans, publicity, and training. The first loan of \$16,130 (all conversions cacluated at today's exchange rate) was received in 1991 for the construction of the cooperative's ecological wet mill. A second loan was received

in 1993 (\$18,065) to help with harvest expenses and to increase the cooperative's capital. A similar third loan of approximately \$51,615 was received in 1996. In 1998 the cooperative was classified by the AID/Anacafe Small Coffee Farmer Improvement Program as a "second level cooperative" capable of managing credit funds to be dispersed among members. In 1998 they received a 7 year loan of close to \$200,000 at 18% interest. La Voz's close relationship with Anacafe and AID has brought the cooperative much publicity over the years: for example, recently employees of the House International Relations Committee visited in order to learn about Fair Trade and in 1999 John McCain visited while campaigning for the Republican Party Presidential nominee. This strong relationship with AID/Anacafe makes La Voz attractive to other lenders as well: this year the cooperative received a short term loan of \$40,000 from the Cambridge, MA based Eco-Logic in order to improve the machinery in their wet mill and to help cover harvest costs. In 1992 the cooperative also received a donation of more than \$30,000 from PADEL, the Canadian Embassy, in order to increase their revolving credit fund. In addition, in December of 2001 Green Mountain Coffee Roasters (the second largest specialty coffee roaster in the United States located in Waterbury, VT) donated \$17,000 to the cooperative for the construction of additional drying patios to improve coffee quality and eliminate a perceived "wine-y" characteristic caused by over-fermentation and inadequate drying space.

The high interest rate of 18% on the long-term Anacafe/AID loan of \$200,000 has proven very difficult for the cooperative to manage. For this reason, La Voz applied for a long term credit from the Guatemalan government (to be administered by the Banco de Desarrollo Rural S.A.) to pay off this Anacafe loan with another loan of \$206,450 with an interest rate of only 10%. Other cooperatives with Fair Trade markets have followed a similar strategy, finding other institutions to lend them money at low interest rates in order to pay off their Anacafe loan. Al-

though La Voz would prefer to pay off this loan with Anacafe, the manager agrees that they receive a lot of support from Anacafe, especially from the employees of the Small Coffee Farmer Improvement Program. The extensive financing La Voz has received from donors has undoubtedly been critical to the cooperative's success. At the same time, large loans with high interest rates can become albatrosses when coffee prices fall. The President of La Voz's junta has told me that the cooperative doesn't need any more loans, "if they give us more credit it is not going to benefit us it will only put us more in debt." He states that "people are always saying more financing but I think the real thing is better prices. If you give a better price to the producer, he's going to think about how he can improve his production and his plots, whereas if you give him credit he's simply going to invest that money in other things."

The cooperative also has a strong, long-term relationship with their exporter, Excagua. This relationship is maintained through frequent visits of Excagua's president, Otto Block, and company employees who visit at least monthly during the harvest period. Both cooperative members and Otto Block agree that the relationship was cemented in 1997 when trucks carrying La Voz's coffee were robbed on their way to Excagua's dry mill. The cooperative itself had not insured the coffee and believed this coffee was lost for good. They were pleasantly surprised when Excagua reimbursed them for 80% of the coffee's value through their own insurance claim. The general assembly voted to use this recovered money to buy land in order to enlarge the size of the cooperative's wet mill.

La Voz receives little if any support from the national registry of cooperatives. Likewise they have had minimum contact with FLO International. The cooperative was initially certified Fair Trade in 1989 through The Group of the 14 and was not inspected at that time. In 1999 the cooperative applied to FLO for an independent registry and were given a 2 year provisional reg-

istry. In July of 2002 they were inspected by a FLO employee and their registry was renewed for one year. Management believes they will now be visited every year to be re-certified.

(C) The cooperative's credit system in relation to Fair Trade networks:

Perhaps one of the cooperative's greatest strengths is its system of internal credit. In the past, La Voz has lent money to associates at an interest rate of 25%. Although these loans are officially designated for improvements on members' coffee plots and the purchase of organic fertilizer, there is an unspoken acknowledgement that associates use this money to pay for their children's education and family expenses as well. This is common among cooperatives participating in Fair Trade networks, as the accountant of another local Fair Trade cooperative told me "we know everybody here in town so it's not a big deal if they use the credit for coffee or education". There is an official limit of approximately \$1300 on associate credit but due to high interest rates and some members' inability to pay, some individuals owe more. Theoretically, associates will pay off their credit accounts for the year with the coffee they turn in to the cooperative during the harvest, leaving guarantees in the form of titles to land and houses.

La Voz has developed an extensive revolving credit fund due to the financial support they have received from various lending institutions and donations and their own stability and high prices in the Fair Trade market. Micro credit funds administered by cooperatives can be powerful sources of local development, however loans must be managed carefully by both the cooperatives and the members borrowing the money. As a cooperative matures in age, the rate of unpaid loans often rises substantially. Due to falling coffee prices, during the 2001-02 harvest cooperative members' indebtedness rose to a high level and the rate of unpaid loans lowered the cooperative's profits. In addition, the cooperative became financially handicapped, struggling to pay the bank the 25% rate on debts that members were unable to pay. High rates of debt in a cooperative may also result in a cooperative's difficulty in fulfilling coffee contracts because mem-

bers do not turn their coffee into the wet mill. High rates of debt can also be debilitating to the morale and sense of unity among cooperative members as solvent members begin to feel that they are being taken advantage of and indebted members begin to feel that the cooperative's management is not responsive to their needs. Finally, cooperative members that are deeply in debt to a cooperative may actually begin to have a vested interest in the cooperative's failure because it would potentially erase their own debts.<sup>vi</sup> Unpaid loans are hardly unique to La Voz, it is well known that mismanaged credit funds often lead to the destruction of otherwise successful coffee cooperatives throughout the region. As the manager of one coffee cooperative with a new Fair Trade market told me, he was reluctant to begin an extensive credit program because so often this is the "base of death" of an organization. In the Fall of 2002, La Voz received a low interest rate loan from the Guatemalan government which has enabled the cooperative to lower the interest rates it charges members and provide them with significantly more time to pay back their debts. The lowered interest rates has resulted in increased member participation and a larger harvest perhaps because members feel the cooperative is responsive to their needs (e.g. lower interest rates).

As a result of today's coffee crisis, for the most part Guatemalan banks outright refuse to lend money to coffee producers, both large and small. In general, it is also difficult for rural indigenous people with little education to solicit loans directly from banks and large lending institutions because they do not have the proper guarantees, do not have an existing credit history, do not understand the extensive paperwork that is required, are ashamed of their inadequate Spanish skills, or simply do not relate to Spanish speaking professionals (especially those in suits). Therefore, not surprisingly, the cooperative's credit program is one of the most cited advantages to cooperative membership. One member stated that with loans "the cooperative helps associates al-

though only a little, but it's not like in the banks where they don't give us anything." The credit program enables members to make improvements on their coffee plots, such as planting the diversity of shade trees now required for S.M.B.C. Shade Grown Coffee certification. It is often used to help pay for school expenses: as one member stated "I am very grateful to the cooperative that through it I was given a credit to pay for my children's education." Credit can also be used to help out in times of emergency, such as illness. However, such uses can be dangerous because the member's health may never improve or he may also have to sell his land to pay medical bills as well. As one member who has suffered from adult-onset diabetes explained to me, "I have no way of paying back this loan and no way to survive this illness. For me the question has become am I going to pay off this loan or am I going to pay for my children's education."

Many members with unpaid loans express great dissatisfaction with the cooperative's management. According to the statutes of the cooperative, the manager is responsible for determining lines of credit to cooperative members. He states that "only people with unpaid loans come to the office and ask for more credit and when we can't give it to them they get upset and tell the junta lies about the management. The people who pay off their credit aren't upset, you didn't hear them crying out in the assembly did you?" On the other hand, members with unpaid loans often feel ashamed or feel that the management doesn't understand their personal circumstances. As one founder told me "because I am an associate I have the right to ask for a credit, there is no reason why I should be afraid," however she is afraid to go to management and explain her needs because she is so heavily in debt.

The problem of debt is aggravated by the fact that the cooperative extended large loans to members in the late 1990's when coffee prices were high. They accepted as guarantees the titles

to land worth, at the time, approximately \$1,000 a cuerda. Currently a cuerda of land sells for \$250 due to the steep decline in local coffee prices. Cooperative members who are heavily in debt to the cooperative will often turn in their coffee only to see all of their profits gobbled up by loan payments. For this reason, some sell their coffee in the streets, refusing to turn their coffee into the cooperative. A related problem is that some cooperative members have loans in several different local lending agencies and therefore must sell their coffee in the streets to raise cash in order to make payments in other institutions. The manager says “the problem is that all of our associates are here with Habitat, there with CEMADEC, and over there with Banrural and have credit here, here, and here and they don’t turn in their harvests with us because they need cash to pay their debts in other places.”

In an attempt to make an example, last year the cooperative repossessed the land from one cooperative founder who was heavily in debt to the cooperative. Although his brother, also a cooperative founder, bought the land, the whole experience was very demoralizing for both the punished associate and cooperative members in general. The President of the junta directiva has asked me, “what can we do with these people? We sanction them, we fine them but they don’t bring in their coffee and because they are in debt we can’t kick them out. What do we do?” Many members who are heavily in debt feel trapped, one told me “for us it upsets us to not be able to pay our debts. What has put us more in debt is the interest on the borrowed money and for this the quantity of our debt has risen more. Like in our case, even though we have a few centavos, we still have children studying and for this they are still asking for money for their expenses and this has been the reason why we cannot cancel our debts in the cooperative.” Several members suggested that if they were able to pay off their loans in smaller increments and not have all of their coffee earmarked for debt repayment they might be more apt to turn their coffee

into the cooperative. As stated above, the cooperative's credit system was changed to accommodate these needs in the Fall of 2002. One member states "what most affects us in the cooperative are the high interest rates. I think there should be a possibility to pay for a longer period of time with smaller payments. It's not that I don't want to pay it's just that the harvests are so low."

Many of the fifteen Guatemalan cooperatives and second level organizations of cooperatives in the Fair Trade market (especially the younger ones) receive substantial financial support from one or two specific development agencies that also directly manage credit funds. Such organizations enjoy the luxury of a more philosophical perspective in relation to members' debts because they are backed by large international development agencies. As the manager of one agency funded and organized Fair Trade cooperative told me "we have to ask ourselves if the credit fund is an instrument of development for members or a credit program. If it is the latter then we have to evaluate it financially and you see we have serious problems but if we view it as a tool of developing and strengthening the association then we can argue it has been quite successful. It is better to look at credit funds as a form of development because who else is going to lend money to these people? Clearly not the banks."

(D-E) How does the cooperative sell their coffee to the Fair Trade, conventional and organic markets and have there been important changes in the relations of Fair Trade networks?

La Voz has enjoyed a long-term Fair Trade market and all of their coffee for since 1989 has been sold at Fair Trade prices. During their transition to organic production they sold a portion of their coffee with an organic premium until they converted to their current status of full organic production. With the signing of their long-term contract with Elan Organic Coffees all of their coffee is sold to one buyer as certified Fair Trade and organic. However, virtually every member of La Voz has substantial holdings of chemical coffee that they sell in the streets to raise immediate cash during the harvest and to pay their harvest workers. Cooperative members are

reluctant to transition all of their coffee to certified organic because it is very expensive and a diversity of holdings makes sense from a small holder's perspective.

Clearly every cooperative has different strategies. One cooperative on Lake Atitlan sells a portion of their coffee at Fair Trade prices and a portion to a local Catholic Priest who commercializes the coffee at substantially higher prices. Other newer cooperatives accept only the coffee needed to fulfill Fair Trade contracts and associates sell their remaining coffee in the streets. Although La Voz has not experienced any important changes in their market structure, other cooperatives have recently had trouble finding adequate Fair Trade markets for their coffee due to the increased volume of Fair Trade certified coffee on the market and the current crisis. For example, the manager of one cooperative with a solid Fair Trade market claims that the coffee crisis has negatively impacted his ability to find new buyers for his coffee and that for the first time in a decade he was forced to sell one container of his 2001-2002 harvest at c-market prices because he could not find a Fair Trade buyer.<sup>vii</sup>

### **(III) The Form of the Organization in Relation to Participation in Fair Trade Networks**

#### **(A) What is the formal and informal leadership system within the cooperative?**

La Voz's structure is typical of many Guatemalan cooperatives. The 116 member General Assembly is the base of the organization and is theoretically represented by a junta directiva made up of 16 individuals elected to fill two year positions. Within the junta directiva there is a Administrative Council of four members (President, Vice-President, Treasurer and Secretary) in charge of the general functioning of the cooperative. There is a four member Oversight Committee which is charged with maintaining the rules of the cooperative and monitoring the quality of the coffee turned into the wet mill. There is a Credit Committee responsible for managing members' loans with the manager and finally there is an Education Committee which is responsible for educating new members and was initially established because members intended to create a

scholarship program for their children. The day to day operations of the cooperative are managed by the Manager and an accountant and there is a full-time Agricultural Promoter (also a cooperative member) who monitors the organic production requirements and helps associates maintain their coffee plots. Finally, during the harvest, the cooperative employs three men to work full-time in the wet mill. The junta directiva meets every 8 days throughout the year and more frequently during the harvest. They attend numerous emergency meetings and are also expected to attend all visitors to the cooperative. They receive \$8 monthly as a reimbursement for their time. During the harvest, cooperative members are divided into 16 groups with each group under the care of one member of the junta directiva. Every 16 days one group of members works at the wet mill from sundown to sunup processing the coffee (although the majority pay a worker to fulfill their obligations—members who do not show up for work and do not send a replacement are fined 6\$). In years past the General Assembly of the cooperative met nearly monthly however, meetings have diminished in number to the current pattern of at least one General Assembly a year with other reunions as necessary. On the whole, members seem content to leave the management of the cooperative in the hands of the junta directiva and the management: as one associate told me “those that know more about the situation of the cooperative only are the employees and the junta directiva.”

Due to the time requirements and other factors members do not engage in intense competition for positions in the junta directiva. Furthermore, members who are not solvent do not have the right to participate in the junta directiva. Many older members of the cooperative feel that they have fulfilled their responsibilities and shouldn't have to continue participating in the junta directiva. San Juan has an active traditional religious hierarchy with four local cofradias and Catholic Action in which many cooperative members also participate. Many members of the

cooperative are not able to participate in the junta directiva because they are fulfilling cargos in a cofradia or a civil position, such as Mayor. Asked why more people don't want to participate in the junta directiva one member stated "that not everybody has this love of the group." Others do not read or write and have minimum levels of Spanish fluency which also inhibits their participation. One member even suggested that low turn out at the annual General Assembly resulted from members' fears that they would be named for a position in the junta directiva that they didn't want to accept. Finally, ironically some of the members best prepared for service in the junta directiva, those who are well educated and have had diverse experiences outside of their community are not disposed to fulfill their cargos because they are "professional" (as opposed to farmers) and cannot miss work to attend the near constant meetings. At the same time, because there is a tradition of civil and religious service in the town, junta directiva posts are always filled out of a sense of duty on behalf of active members. As one member stated "you have to give service to the group to strengthen it. There is no movement in the group, it has no life, if you don't give service."

Like many cooperatives, while there is much discussion about the official role of the manager as an employee and not an "owner" of the cooperative. Benjamin states that "I don't have a voice nor a vote, nothing more than an opinion. Where we are now, I inform them (the junta directiva) and they are the owners of the cooperative." However, similar to many cooperatives, the manager's strong position of power within the cooperative has been undeniably strengthened by contacts with importers and exporters who prefer to deal exclusively with one person over the years and not a junta directiva that changes every two years and suffers from little experience and market savvy. A representative of Excagua, La Voz's long term exporter, told me that "Benjamin has grown a lot as a person" and that his business skills are partially respon-

sible for the cooperative's success. As one exporter who works with Fair Trade cooperatives told me "it is going to take a long time for these people to learn" how to be professional in the marketplace and it helps if they have a manager who is in charge year after year and understands how to answer bids for example. Some associates are unhappy about the manager's power: one told me "it would be better if the President had a little more power to make contacts in the capital because he really has a love of the cooperative and the associates."

(D-E) How does the cooperative determine the price of its coffee? Have there been changes in the distribution of the *sobreprecio*?

The cooperative has used a standard formula for determining payment to associates for at least the past 10 years. The cooperative received \$143/qq for their green coffee from their importer Elan Organic Coffees (\$126 + \$15 organic premium + \$2 premium given by Elan). From this \$143 the cooperative subtracts the dry mill costs (which they rent from Excagua), transportation to port costs and taxes. Then direct cooperative costs are subtracted, these include wet mill expenses, certification costs, transportation to dry mill costs, administrative expenses, and interests paid on loans. This year, the cooperative arrived at a base price paid to associates of \$15/qq in cherry with a *sobreprecio* of approximately 2\$. Each year the cooperative votes on how they will disperse the *sobreprecio*: in years past the associates have almost always voted to use this money to capitalize the cooperative's credit fund. However, this year the General Assembly voted by a margin of approximately 2 to 1 to receive their *sobreprecio* individually for a final price paid to the associates of \$17/qq cherry. Each member is paid according to the amount of coffee that he or she turned into the mill.

(F) What are the requirements for new associates? What training do they receive?

Theoretically the cooperative's doors are open to all potential members who possess good quality organic coffee. However, like the majority of cooperatives in Guatemala, La Voz functions to a certain extent as a social club, or a group of intricately connected family and friends.

There are no established rules regarding who will and who will not be accepted for membership, however, several non-member coffee producers in San Juan claim to have applied and been turned down due to personality conflicts. When pressed on membership requirements one cooperative member stated that “we do not accept bad people, only honorable people.” When asked how the junta decides who is honorable he replied “we know the people who live in town.” On the other hand, there is not a long list of waiting members due to the strict production requirements of organic coffee and the \$40 entrance fee charged to new associates. New associates are approved by the junta directiva and must transition 25% of their coffee to certified organic coffee. Theoretically they receive a 6 day training course on organic production from the Agricultural Promoter, however, this year the six new members claimed to the Agricultural Promoter that they already knew enough about organic production and so the course was cancelled. Other established Fair Trade cooperatives have placed a moratorium on new members claiming that “we need to finance those that we have now” and also that members that enter during a crisis period only because of the relatively high prices offered by the cooperative will not possess long term fidelity towards the organization: “if they come in with the price they will leave again.”

#### **(IV) Systems of Certification and Quality**

##### **(A) What has the organization done to acquire and maintain their Fair Trade certification?**

La Voz received their Fair Trade registry in 1989 through the Max Havelaar market and The Group of the 14. When they left The Group of the 14 they were allegedly told by the management of the second order organization that they would lose their Fair Trade certification if they left the Group and that they couldn't reapply. For this reason they were apparently not technically certified Fair Trade for several years until they applied for an independent registry in 1999. Because there is a clear lack of understanding about the requirements of Fair Trade certi-

fication and the certification process itself, the cooperative has not made any changes to date to comply with the demands of the certifying body, F.L.O. However, La Voz was recently visited by a F.L.O. representative in July of 2002 and this visit strengthened the management's and the junta directiva's understanding of Fair Trade. The cooperative was given several suggestions for improvement and are now contemplating changes they will make, especially in relation to helping to strengthen the participation of women and the cooperative's role in the community.

(B) What is the relation between Fair Trade and other alternative markets in which the cooperative participates?

La Voz, and Fair Trade cooperatives in Guatemala more generally, first achieve their Fair Trade certification and then use these increased profits and market connections to achieve organic and shade certification and direct sales. Throughout the country at the level of management and associates both there is a substantially higher understanding of the requirements of organic certification than those of Fair Trade certification. This could be because organic certification depends more directly upon the actions of associates (and their labor) and less on the cooperative's organizational structure (such as the Fair Trade model). The cooperative itself has to take greater responsibility for their organic certification, filling out seemingly endless paperwork on each member's coffee plots, constantly monitoring production in the coffee plots, and taking the responsibility to reapply for certification each year.

It is undeniably true that organic and shade grown certifications are much more costly in terms of required improvements to coffee plots and the actual cost of certification itself. For example, La Voz spent more than \$3,000 in certification costs during the 2001-2002 harvest. For this reason there is some support among producers for a triple seal, or a new seal that would incorporate Fair Trade, organic and shade grown requirements. From their point of view such a seal would lower their certification costs (by combining shade grown and organic certifications)

and would also keep them from wasting time during certification visits (if a certifier comes to a cooperative for several days or a whole week that is a large amount of time that the manager loses in the office and associates lose from their work in their). At the same time, many producers view the Fair Trade market as exactly that, another market niche, and not a *movement* of small producers. They are most concerned with providing their buyers with what they think they want. Many feel little sense of identity with the Fair Trade movement and therefore are happy to support the triple seal if their buyers have told them it is a good idea.

(C) What is the relationship between participation in Fair Trade networks and quality of coffee?

There is a complex relationship between participation in Fair Trade networks and the quality of producers' coffee. In general, Fair Trade participation leads to substantial improvements in coffee quality as cooperatives develop long-term direct relationships with buyers and have incentive to improve their coffee in years to come. Furthermore, the higher prices received in the Fair Trade market often help cooperative members to make much needed improvements in their fields. However, as we will see, long-term relationships can create a sense of security among cooperative members and they often lose the rhythm of quality maintenance.

At La Voz, questions of quality control are theoretically covered during the 6 day training course that new associates receive, however, as we've seen above, this course isn't always given. The cooperative does not officially accept green or overripe cherries in the wet mill nor leaves and sticks. Members or their employees turning in such bad quality coffee will be fined minimum amounts (perhaps 5# will be subtracted from their 100# quintal). However, in my experience quality control is sometimes overlooked at the wet mill due to lack of time and personal commitments to family and friends. One of the strengths of the cooperative is the strong relationships and shared community identity that bind the members of the group to one another, however, these very factors make it difficult to punish one another for poor quality coffee. The

question of quality control is in fact a clear instance in which the demands of global markets directly challenge the customary forms of economic and community relationships in rural communities. In general however, members seem to understand what constitutes good quality coffee in cherry (evenly ripened without leaves, sticks and dirt) and turn in overripe and green coffee to the coyotes in the street. For example, one day I helped stripped the coffee off of the coffee trees a member was cutting down (in the process of making *podas* to encourage new, more productive growth in the trees). After several minutes of watching me meticulously pick each individual cherry the member and his two sons started laughing at me and told me “you don’t need to be so careful, this coffee doesn’t go to the cooperative, it goes to the coyote and he’ll eat anything.”

Many cooperatives participating in the Fair Trade market achieve long-term contracts with importers and even roasters. Such relationships are key ingredients to improved coffee quality. For example, La Voz received a donation from Green Mountain Coffee Roasters to improve their wet mill this year. However, improved coffee quality is not necessarily dependent on donations from roasters but often simply on information regarding the market demands and the faults their own coffee possesses. The majority of the growers in Guatemala (excluding large plantation owners) have rarely tasted their own export-quality coffee. They do not know what “specialty” coffee should taste like and rarely can explain the production and mill factors that contribute to quality in the cup. During the 2001-2002 harvest Green Mountain sent down representatives on three different visits. In my experience, the roasters tactfully explain the problems with the coffee, for example one stated “we love the flavor but sometimes it has had a fruity flavor. Some people like a fruity flavor but others don’t so we don’t want to have it...you have to be more careful about the quality.”

As a result of participation in the Fair Trade market La Voz has also established a relationship with a committed exporter who understands the demands of the United States specialty coffee market. Otto Block, the President of Excagua, at one point offered to “cup every bag if need be” and to provide feedback to La Voz during the harvest about the quality of their coffee. During the harvest Excagua sends a representative to La Voz at least once a month to catch problems in the mill, such as a stone in a washing channel behind which coffee cherries are trapped and over fermenting. At times, coffee buyers can make unrealistic demands on cooperative members in the name of quality. For example, one importer concerned about quality control asked the members of a cooperative to keep diaries of the work they did in their coffee plots each day, perhaps not realizing that the majority of the associates were barely literate: for many to write a page of notes on their daily activities would take nearly as long as the activities themselves.

Through his contacts with the exporter, importer and roasters, Benjamin understands that La Voz is “succeeding in the market because of the quality of our coffee” and understands the importance of maintaining that quality. He recently stated that to a group of visiting coffee farmers “if we lose our quality then Elan is going to lose its reputation at the national level.” At the request of the importer, La Voz has formed the associates into groups which will theoretically work together on each other’s coffee plots in order to make needed improvements. While to date the majority of the groups have not worked together, the accountability to a peer group has resulted in many members’ completing their necessary improvements.

This problem of declining coffee quality is hardly unique to La Voz. One coffee importer told me he sees cooperatives with secure Fair Trade markets losing sight of quality control across Latin America: “maybe they have too much confidence after working so many years and they’ve

lost the rhythm of constant maintenance.” This same importer describes coffee quality as a “custom, a routine that you have to maintain everyday and it is the responsibility of the cooperative to fulfill their commitments and to provide quality coffee.” Other individuals think that declining coffee quality within established cooperatives is partially the fault of coffee buyers who do not make consistent demands for quality. For example, one Anacafe agricultural promoter told me “this year the growers will cut a few corners in their mill and the buyers don’t say anything and next year they are even lazier in the mill and the quality of their coffee gets worse and worse.” Many producers throughout Guatemala claim that there were never demands for quality until the current coffee crisis. Most likely this is not true but simply reflects producers’ resentment over the fact that today’s market is a buyers’ market in which they can make perceived unrealistic demands on quality while prices are simultaneously declining.

The managers and leaders of newer cooperatives often express frustration over the difficulty of explaining their demands for quality to members in a way that they can understand. One manager stated that “you have to think in the logic of the market. It’s clear what the market wants, it’s clear that organic coffee has the best market defined by its quality. Putting the concept of quality in their heads is hard.” Another cooperative manager told me that “it is hard to convince people that the only way to survive in this market is to sell your very best product because the intermediaries (or coyotes) pay for trash.” Finally, another problem I have encountered at numerous cooperatives in the Western Highlands is managers and members who have an overrated opinion of their coffee quality: because they produce high altitude coffee they often believe they can afford to ignore technical factors of production and quality control in the mill. For example, the manager of one cooperative told me “the coffee we have is one of the best in the world in its characteristics due to its altitude. Our coffee is specialty coffee and organic and with our coffee

alone we should find higher prices.” Interestingly, this manager has never met a coffee importer or roaster and has never tasted specialty grade coffee.

**(V) Points of View Regarding Fair Trade Among Producers:**

**(A) What is the level of understanding among producers regarding Fair Trade?**

Overall members of La Voz exhibit a complete lack of understanding of the Fair Trade market. The vast majority of interviewed members stared at me blankly when asked if they knew what Fair Trade was. Some came up with creative responses that exhibited a minimum level of comprehension such as “Fair Trade is the good price that they pay us for our coffee.” Unfortunately this lack of understanding regarding Fair Trade permeates the junta directiva as well. For example, I had a recent conversation with one member of the Junta Directiva who came to tell me that an inspector from the F.L.O. office had come to visit the cooperative. I asked whether she had come to certify the cooperative and he told me “no she is just here to see how everything is going with us.” This lack of understanding among cooperative members can be partially explained by lack of contact with F.L.O. itself. For example, in order to show the cooperative’s best side during the recent certification visit, the management and the junta directiva understandably arranged a meeting of the F.L.O. inspector and the “twenty most active members of the cooperative.” Such an arrangement not only hinders the inspector’s ability to clearly understand the problems a cooperative may face but also limits the knowledge and participation of the remaining cooperative members within the Fair Trade network.

Again, this problem is hardly unique to La Voz. Many of the newer cooperatives are more concerned with establishing loyalty to the cooperative and explaining the cooperative’s role in commercialization to their members than in explaining the intricacies of the Fair Trade market. This may be especially true for second order organizations (which are often certified Fair Trade and given permission by F.L.O. to in turn monitor the conditions of their member coopera-

tives and determine eligibility themselves) which are much more concerned with explaining their role in commercialization to producers during their limited face-to-face contacts. Finally, many newer cooperatives with Fair Trade certification have such high operating costs and organization requirements that they return only a small percentage of the Fair Trade price to their members (sometimes as low as \$63/qq for green coffee, 50% of the Fair Trade price of \$1.26) and therefore have little to explain in terms of Fair Trade requirements and benefits.

Finally, the lack of understanding of Fair Trade among producers may be fostered in part by the development agencies helping cooperatives. One employee organizing coffee cooperatives told me that she decided not to explain Fair Trade to the producers she worked with and focused instead on the organic market. This decision was based on her perception that the “Fair Trade market is a charity based market and not necessarily motivating for producers.” Other external actors in coffee production may also negatively impact producers’ understanding of Fair Trade. For example, one Anacafe agricultural promoter told me that he had “done a lot of research on Fair Trade because it sounded like a great idea” but then he “realized the benefits don’t reach the small producer but stay with others higher up along the chain.”

Often cooperative managers, especially those that have traveled to the S.C.A.A. conferences and participated in the Trans Fair booth, have a clear understanding of the Fair Trade market but seemingly do not share this information with cooperative members. For example, La Voz’s manager recently attended an International Fair Trade Day celebration in San Diego after the 2002 S.C.A.A. meeting in Anaheim. While there he spoke with activist college students and “explained to them that they support the small coffee farmer every time they drink a cup of coffee. Every cup represents Fair Trade movement.” Other managers of cooperatives readily employ the rhetoric of Fair Trade, discussing the rights of small producers and the importance of

shortening the commodity chain, without explicitly acknowledging any connection to Fair Trade. Cooperative members themselves understand the underprivileged position of small producers in the marketplace and theoretically how that could be alleviated, they simply do not understand the role that Fair Trade networks play or could play in that movement. As one cooperative member explained to me “the small man can never receive a benefit. The commercial houses (or coffee importers) want to solve the problem of the small producers but they can’t because the government doesn’t permit it.” Similarly, another cooperative member explained to me that “Anacafe is an association dominated by larger plantation owners. Yes we are a part of Anacafe as small growers but we never reach the level of the junta directiva. They receive privileges. They want business development and that isn’t what’s important to us. The small producers always receive the least.” Finally, although he had a shaky notion of what Fair Trade was exactly, the manager of a newly initiated cooperative told me “the intermediate is the one who benefits, not us, the ones who are fighting for the coffee.”

(B) What differences do producers see among the networks of the Fair Trade, conventional, organic and shade coffee markets?

In Guatemala there exists a generally accepted opinion that cooperatives will have a much stronger future with organic certification and that the Fair Trade market is, in the words of one cooperative manager, “a lie, what the market wants is quality and for that they will pay more.” The manager of another cooperative told me that “our main priority is the strengthening of our organic coffee. There are more opportunities in the market with organic coffee and with organic coffee you can enter the Fair Trade market as well. Right now there is almost an unsatisfiable demand for organic coffee.” This opinion is strengthened by rumors that F.L.O. will now revoke the Fair Trade certification of cooperatives that do not maintain or never achieve their organic certification. Persistent rumors also exist that F.L.O. International has decided to do

away with them minimum \$1.26/pound price paid to certified producers, another potentially damaging form of misinformation.

**(VI) Benefits of Fair Trade for Producers, Their Families, Their Organizations and Their Communities**

Clearly the most important benefit of participation in Fair Trade networks is the higher prices that producers receive. As we have seen, these higher prices enable cooperative members to send their children to school and to improve the quality of their coffee. Higher coffee prices also enable many cooperative members to increase their land holdings by buying the land of their less fortunate neighbors. Because much of the land in San Juan is owned by members of the neighboring community, San Pedro, many cooperative members have recently purchased land in less prosperous surrounding communities, such as San Marcos. Receiving the higher Fair Trade price also may encourage cooperative members to demand more from buyers in general and to attach a higher value to their coffee and their own labor. One importer told me “the thing is...that every time we demand something like a new certification the producer comes and asks, well, how much more are you going to pay me?” Although, this is obviously a negative trend in the opinion of the importer, it provides some evidence that educated producers demand increased negotiating power in the market.

In a rural indigenous community that is undergoing rapid changes due to out migration, increased education, and the penetration of capitalist forms of economic relations, membership in the cooperative provides a sense of group identity: one member stated “what I think of the cooperative is that it’s good because we are united in a group.” This sentiment is echoed by many cooperative members who often cite a deep love for the cooperative, despite the problems it may have had over the years. In meetings cooperative members respectfully refer to one another as *companeras*, or friends/companions, stating “*somos cooperativistas o somos nadas*” (“we are

cooperativists or we are nothing”). Another member told me that “the cooperative is like a family, I respect and understand my cooperative and I have confidence in her.”

Other benefits for members of the cooperative include access to credit as discussed at length above. Members also receive extensive help and training from the cooperative’s agricultural promoter. Many cooperative members have applied production techniques they have learned through the cooperative on their conventional coffee plots and are able to earn higher prices independently for their chemical coffee as a result of its high quality.

Unfortunately, the cooperative has not offered much support for non-coffee activities. Some cooperative members would like the cooperative to diversify and find markets for other products. These are not potentially unrealistic goals. Many Fair Trade coffee cooperatives have branched out into cardamom production for example and there is a booming Fair Trade textile market. Many female members of the cooperative view coffee production as male work and would very much like the leaders of the cooperative to help them look for an alternative market for their weaving. As one female founder of the cooperative told me “what I see now is that there is an advantage because the cooperative now has its large site (or office and mill) and also now exports the coffee of the associates. But this is for the work of the men, now, what I want is that the cooperative looks for a way to export our weavings, the work of the women.” On the other hand, in the past, the cooperative has supported a women’s weaving group, providing a loan to the group and helping them to find their market. The feedback the cooperative received from the FLO inspector may also lead to future involvement in women’s projects or a strengthening of the role of women within the cooperative itself. In my experience, newer cooperatives are often more open to female members’ participation and cognizant of their needs. For instance, one relatively young cooperative has a women’s program in which the wives of associ-

ates provide a lunch service to local groups and development agencies that are holding events and meetings. One development agency is helping an artisan group comprised almost entirely of women in San Juan to transition their coffee to organic production in order to enter into the Fair Trade coffee market. Unfortunately, in indigenous communities the participation of women in coffee cooperatives is often hindered by their comparatively lower levels of education and Spanish skills and cultural norms which relegate agricultural production to the realm of men's work (for more discussion of this point please see section 7c)

The families of producers also clearly benefit from members' involvement in the Fair Trade market. Most markedly, cooperative members are able to send their children to school in higher numbers and a number of associates have children studying at the University level. This is an important point when you understand that the vast majority of cooperative members have less than a 4<sup>th</sup> grade education and at best basic Spanish fluency and literacy. In San Juan, the height of the coffee harvest, which extends into January and February, overlaps with the school year which begins in mid-January. Because members are paid a higher price, the majority are able to pay workers to harvest their coffee, freeing their children to attend school.

Not surprisingly, cooperatives participating in Fair Trade markets have high levels of organizational structure. Many cooperatives choose to reinvest the *sobreprecio* into the organization itself which strengthens it for years to come. A guaranteed Fair Trade market price can enable a cooperative to make long term plans in terms of expensive improvements to mills and office space. In addition, cooperatives that participate in Fair Trade networks have a demonstrated increased ability to secure loans from lending institutions on the basis of their perceived secure market future. They also have access to other resources provided by development agencies, such as a recent seminar on micro-credit fund management organized by CRECER, a Guatemalan

based development organization devoted to the promotion of Fair Trade networks. Through participation in The Group of the 14, the former agricultural promoter of La Voz attended a course on organic production one week every month over the course of four years between 1993 and 1997; to this day Andres relies heavily on the knowledge gained through this course and the training manuals he received.

The success of La Voz has had a substantial impact on the local community of San Juan. Approximately half of the cooperative members employ at least one laborer nearly full time and year round to care for their coffee and make the necessary improvements in their fields. More than three-quarters of cooperative members employ at least one laborer during the harvest. Community members with small landholdings depend on the income they earn working during the harvest to generate cash for expenses throughout the year. Through their stable market price, La Voz members contribute greatly to the community's viability by supporting local businesses and providing jobs. In fact, this year, several members of La Voz with larger landholdings traveled to less prosperous communities around the lake to hire laborers and at least 2 traveled as far as the southern coast to hire laborers that had traditionally been employed by large plantations who have eliminated thousands of jobs in order to lower production costs. La Voz also helped the town's government develop a trash collection program by pointing out the health and environmental hazards of trash scattered throughout the streets and fields. The cooperative participates in Church and community events frequently and in the past has supported a local Christian school with supplies and furniture.

As the first cooperative to successfully transition to organic coffee production in Guatemala and one of the first to capture a strong long-term Fair Trade market, La Voz is an inspiration to cooperatives in the early stages of organizing or organic conversion. The cooperative re-

ceives frequent visits from various groups seeking to learn from La Voz's experiences. Many managers of new cooperatives cite La Voz's success with organic production as an incentive for their own work. In addition, many cooperative members believe that they are influencing community members to return to the organic production methods of their ancestors (chemical fertilizers were not introduced to San Juan until the 1960's). One member told me "we are rescuing the culture and rescuing the system of production that was used before but with more technical knowledge." Another cooperative member stated "our town sees what we are doing and they will change their land and production to organic eventually." Cooperative members are proud of the fact that they do not contribute to the contamination of the Lake because they now have an ecological mill and have reduced pesticide run-off through partial conversion to organic production. The cooperative would like to build their own dry mill as well to reduce their external costs; such a dry mill would potentially employ a number of local Juaneros in its maintenance and operation.

**(VII) Problems and Solutions Within Fair Trade Networks:**

**(A-B) What Problems Has the Organization Faced Within Fair Trade and How Have They Solved These Problems?**

Perhaps one of the more persistent problems members of the cooperative face within the Fair Trade market is the long wait for liquidation of the coffee harvest. The lake side coffee harvest begins in December and stretches through the beginning of March. Members who turn their coffee into the mill usually have to wait until July or even August for payment. This is common among all cooperatives selling to the Fair Trade market. For those members who need immediate cash to pay for harvest expenses (such as labor and transportation costs) or to cover other family needs, there is a large temptation to sell part or all of your harvest in the streets to one of the three or four coyotes buying coffee on San Juan streets everyday throughout the harvest. This is problematic for two reasons: first, it lowers the members' income because the coyotes

pay significantly lower prices than the cooperative and, second, it potentially prevents the cooperative from fulfilling their contracts, damaging their reputation and perhaps making it more difficult for the cooperative to find buyers in the future.

Cooperatives solve this dilemma in different ways. Those cooperatives that are heavily backed by wealthy development agencies will often pay members the “street price” for their coffee as they turn it in during the harvest (in the form of a loan) and then, during liquidation will give cooperatives a “bonus” payment. This approach potentially would help to strengthen members’ identification with the Fair Trade networks because they are handed their *sobreprecio* at a distinct time, as a bonus for their hard work within the organization. Unfortunately, this is not a viable option for the majority of cooperatives. La Voz received a \$40,000 loan from Eco-Logic this year to pay each member \$2.50/qq green coffee turned into the mill. Members were given receipts for their coffee at the mill daily and they then brought these receipts to the cooperative office every Saturday to receive the money needed to pay their employees. Eco-Logic offers short term, relatively low interest rate, small loans to cooperatives across Guatemala and Mexico for exactly this purpose. However, they will only provide loans to well-established cooperatives with a strong Fair Trade and organic market, leaving younger and less secure cooperatives with few options. This approach is potentially an excellent solution, however, \$2.50 was not enough of an incentive for many cooperative members. The manager however is unwilling to increase the amount of money paid to members during the harvest because of the fear that this would be money directed away from the repayment of loans with the cooperative.

A common complaint among cooperative members, and one directly related to the long wait for liquidation, is the fact that although members turn in their coffee in January in order to pay off their debts with the cooperative, the interest on these debts continues to accrue until the

liquidation in July or August. Cooperative members are often unaware at how fast the past 25% interest rate will raise their debts. One member was dismayed after she worked hard with her mozos, harvesting every last coffee cherry and turning it all into the mill. She had worked out the math with her son-in-law and thought she had covered her \$360 debt with the coffee she turned in. She went to the cooperative office to make sure and was told she still owed close to \$90 in interest. She was so angry that she told me that as soon as she could pay off her debts she was going to leave the cooperative. Unfortunately, this is a common problem among Fair Trade cooperatives and not one that can be easily solved. Producers' debts cannot be paid off at the moment they turn in their coffee because until the liquidation, the cooperative does not know the exact price they will pay that year for each quintal. Perhaps one possible solution would be to offer more extensive training to cooperative members (and management) on how a micro-credit fund works, explaining interest rates and presenting a clearer picture of the cooperative's financial management.

Although Fair Trade networks theoretically work to shorten the commodity chain by creating direct market relationships, in reality, the current Fair Trade commodity chain often looks very similar to the chains constituting traditional coffee markets. The majority of cooperatives still sell their coffee to exporters who then sell the coffee to importers and eventually it ends up in the warehouses of coffee roasters. The downside of cooperatives' using exporters to bring their coffee to the marketplace is the fact that often the cooperatives do not receive their money on time, or ever. To date, La Voz has not had serious trouble of this kind. Benjamin recently told members of a visiting cooperative that asked him about payment schedules with different exporters that La Voz has not had to recently confront these problems: "well it's not like before in the Grupo de los 14. We're paid direct from the market. We make direct contacts with the buyers

and we receive the money from them.” Unfortunately, not all cooperatives in the Fair Trade market are quite so lucky: one Guatemalan exporter, who has worked closely with cooperatives throughout the country for a number of years, was hit badly by the coffee crisis and was therefore unable to pay the cooperatives the money they were due in a timely fashion. One group of cooperatives was still waiting for payment on their 2000-2001 harvest at the close of this year’s harvest in March. Eventually, they were forced to approach the Catholic Church for legal help and received their money.

A growing number of cooperative managers’ have applied and received their export licenses from Anacafe. One cooperative manager told me that his license has been very important to the success of the cooperative and “we have to take very good care of it,” meaning they cannot jeopardize the opportunities it provides. With an export license, importers can deposit money directly into the accounts of the cooperatives themselves, however, many managers do not have the market skills and knowledge necessary to efficiently complete these transactions. Furthermore, the majority of small cooperatives do not have dry mills or the trucks necessary to transport their green coffee to the port and would therefore continue to rent these services from an exporter. Finally, exporters can play important roles in the marketplace as cooperative representatives: they possess the necessary *savoir-faire* and market knowledge to make contacts and identify potential buyers. Without such representation, many small cooperatives are at a loss as to how to professionally represent themselves and their coffee: the Director of a local Guatemalan certifying agency told me that one cooperative asked him to bring samples of their coffee to Europe on a business trip he was making. He graciously agreed and was handed coffee in *pergamino* (in other words, half processed coffee) in used black plastic bags from local vegetable markets.

(C-D) What are the weaknesses in Fair Trade? How could Fair Trade be strengthened?

There are three striking weaknesses within the Fair Trade networks operating in Guatemala. First, questions of corruption and lack of transparency within cooperatives and along the commodity chain; second, the difficulty experienced by younger cooperatives in their attempts to enter the Fair Trade market and locate necessary financial support; and third, the general lack of information and communication characterizing Fair Trade networks. While these weaknesses need to be addressed in a timely manner, none of them represent insurmountable problems.

As we have seen, cooperatives need to maintain a delicate balance between a professional, well informed manager and junta directiva and the needs and desires of an active general assembly. However, not surprisingly this is a seemingly unattainable goal for many cooperatives and often as the junta directiva and manager grow stronger and the general assembly less informed, rumors of corruption begin to tarnish reputations in the marketplace and negatively impact upon the internal functioning of cooperatives themselves. This is hardly a new phenomenon: one importer who has worked closely with cooperatives throughout Latin America for over a decade told me she has virtually never maintained a long-term relationship with a cooperative without questions of corruption and mismanagement arising at some point. Other roasters and importers are wary of dealing with cooperatives because of these frequent problems: one employee of a large specialty coffee roaster in the United States told me he didn't understand why I was studying La Voz because they were atypical due to their success rates, lack of corruption and cooperation among one another: "in general, I hate buying from cooperatives, I refuse to do it."

A significant proportion of cooperatives in Guatemala with a secure Fair Trade market are located within indigenous communities that are idealized by coffee buyers and consumers as egalitarian and open societies. However, in the minds of outsiders, this "good" portrait of the in-

indigenous social structure is often matched by a “bad” portrait, purified from the first portrait, stressing the obstinate refusal of indigenous communities to bide by the rules of bureaucratic organization, i.e. such societies are clouded, or made less transparent, by customary relations, ignorance, even chronic laziness. Often exporters, importers, certifiers, and development agency employees who suspect cooperative managers and junta directivas of corruption and theft, explain their fears away, choosing to believe instead that the management is merely incompetent, undereducated, or stubborn. For this reason, corrupt managers and junta directivas often continue to mismanage cooperatives to their own financial advantage, destroying them in the process. As the local Ancafe agricultural promoter told me “for years we could say that the ladinos robbed the indigenous people but now they don’t need ladinos, they are robbing themselves”

Often members of cooperatives with corrupt managers feel powerless to control their own situation. Fears of administrative failure often lead to members’ refusal to fulfill their responsibilities in the coffee plots, neglecting maintenance and needed improvements. Corruption among cooperatives is to only be expected in a country such as Guatemala that is only recently recovering from a 30-year long Civil War that destroyed the fabric of rural communities throughout the Western Highlands. The governments of many Latin American countries, including Guatemala, are plagued themselves by questions of corruption. The President of La Voz, addressing this problem of corruption among cooperatives, told me “we speak bad of Portillo (Guatemala’s President) but we’re doing the same things he does. If the president is cheating us, if the ministers are cheating us, if the department is cheating us, the mayor is cheating us and then even the cooperatives are corrupt where is the poor man left. This isn’t fair, it’s a big sin.”

Questions of corruption can potentially be addressed through a variety of measures. Often if members of the junta directiva are illiterate or do not speak Spanish well, they are hesitant to

speak out and confront the manager. One cooperative member told me “one doesn’t understand Spanish words and neither can you write and it’s bad the experience that we have had.” Due to lack of education they may also be ill prepared to fulfill their cargo: one Treasurer of a Guatemalan cooperative who was barely literate signed off on checks for the manager who was later accused of corruption. Likewise, in the General Assembly, cooperative members may feel afraid to speak out against management because, for example, their future requests for credit may be denied. Therefore, a well-educated general assembly and junta directiva that fully understand the operations and finances of the cooperative and their own rights as members potentially would provide a form of internal control. A second way of potentially alleviating corruption is requiring Fair Trade cooperatives to undergo a stronger form of external auditing and provide a greater deal of transparency. Such external auditing could potentially be linked to a strengthened system of F.L.O. certification.

On the other hand, it is important to note that external and internal forms of transparency are often mutually exclusive. Cooperatives with internal problems will often choose to solve those problems within the organization and not reveal difficulties to outside individuals. On the other hand, the manager of one Fair Trade cooperative recently told me he was unhappy with the F.L.O. certifier who had performed an inspection of the cooperative, presumably to provide a form of external transparency. The certifier refused to provide the manager with a copy of this document, claiming he wouldn’t understand it anyways because it was written in English. The manager says he has a right to see what F.L.O. writes about him and the information would potentially help him to improve his cooperative, he claims to have told the inspector “how is it that you do this audit of our cooperative and don’t give us the information?”

A second weakness characterizing Fair Trade networks in Guatemala is the fact that development agencies and lending agencies continue to give large loans and donations to well-established cooperatives instead of newer cooperatives that are seen as a greater risk (this point was addressed in section 2a as well). Development agencies are eager to give money to strong cooperatives because it makes their own bottom line look better, unfortunately, as we have seen, unnecessary loans and donations can potentially harm established cooperatives. On the other hand, newer cooperatives often provide opportunities for more disenfranchised members of communities to participate in Fair Trade networks. For example, gender roles are changing rapidly throughout Guatemala as a result of higher rates of female education and the increasing number of women who work outside the home. Well-established cooperatives that arose out of older generations may not necessarily adequately answer the needs of female members. One female member of La Voz told me “what we think, the men have work but we don’t have work, all the men manage the money. What I think, there are women who are members, we are discriminated, only the men are in the junta directiva.” At the same time, when I asked this middle-aged woman if she would run for a position in the junta directiva, she told me that she doesn’t want to, she has too much work at home and would rather dedicate herself to her weaving.

In my experience, newer cooperatives are more likely to have active female members and female representation on the junta directiva. One newly initiated Fair Trade cooperative has a female assistant manager. When I asked her if it was difficult managing a coffee cooperative, which is traditionally a male space, she told me “it’s just normal for me, my family has always had coffee, I’ve been around it my whole life.” Many younger cooperatives do not know where to solicit development funds and in what form to do so. Perhaps if they were able to take the ini-

tiative they would more easily find the loans and donations they require. At the same time, we need to press upon development agencies the necessity of funding newer and unproven groups.

Finally, one of the most striking and yet perhaps most easily fixed problem characterizing Fair Trade networks in Guatemala is the lack of information and communication within the networks themselves. As we have seen above in Section 5a, there is a staggering lack of understanding among producers regarding Fair Trade networks. Such a lack of information could potentially be damaging to the Fair Trade market in the future when coffee prices return to normal and producers see little incentive in selling to the alternative market. There are many individuals in the world of coffee in both Guatemala and the United States who would prefer to see Fair Trade become less of a “movement” and more of a niche market. Without education among producers as to the importance of Fair Trade, this may, unfortunately, become the inevitable outcome.

Importers, roasters, certifiers, and development agency employees who could be in a position to champion Fair Trade coffee are often themselves skeptical of the role of organizations such as Trans Fair USA and unwilling to wholeheartedly support the movement. One importer told me “we just learned that Trans Fair takes a percentage of the cost of the coffee and they’re supposed to use that to help the producers but they don’t at all. They need to take a stronger role in the market. They came to us for information about (a cooperative) and they didn’t know anything at all about the producers.” Another development agency employee who is organizing coffee cooperatives shared her dismay with me that Trans Fair charges \$4,000 for space in their booth at the S.C.A.A. meetings: unfortunately, she said “if you don’t pay, you don’t go.” An independent coffee certifier told me “it’s troubling that FLO does not do a better job of auditing the cooperatives. We need a clear FLO certification with clear examples of what the criteria are.”

And the Director of an organization that certifies cooperatives and provides them with technical support said, “Fair Trade is a good strategy but it lacks more communication. It lacks a force.

The cooperatives get their FLO certification and say now what are we going to do?”

This lack of information and communication regarding the role of certifying agencies such as F.L.O., promotional agencies such as Trans Fair USA and the concept of Fair Trade itself could be easily alleviated at least at the producer level. Time and again producers and cooperative managers ask me for information on the market: how they can enter into diverse niches, how they can make contact with roasters, how they can sell their coffee as something unique. A short-term education project that worked not only with managers, but also with cooperative members, and explained in detail the role of Fair Trade and provided information on lending institutions and market requirements would be an inexpensive solution to this problem. A solution that would not put cooperatives farther in debt and would provide them with the tools needed to find their own independent paths to success.

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<sup>i</sup> Discussion Document, *Managing the Competitive Transition of the Coffee Sector in Central America*, Prepared for the Regional Workshop sponsored by the Inter-American Development Bank, United States Agency for International Development, and the World Bank: “The Coffee Crisis and its Impact in Central America: Situation and Lines of Action.” Antigua, Guatemala; April 3-5, 2002.

<sup>ii</sup> *Guatemalan Post* Editorial April 12, 2002.

<sup>iii</sup> This research was generously funded by The Ford Foundation, The Wenner-Gren Foundation, Fulbright-Hayes Dissertation Research Fund, and The Emory Fund for Internationalization. All translations from Spanish into English performed by author. All translations from Tz’utujil into Spanish performed by Miguel Hernandez Mendoza.

<sup>iv</sup> A cuerda, the standard Guatemalan land measurement, is equal to .3 acres.

<sup>v</sup> Members of La Voz, including the junta directiva and the management have little understanding of the Fair Trade commodity chain and theoretical models. For this reason, the answer to 2b) will be addressed in Section V.

<sup>vi</sup> It is important to note that La Voz is hardly the only lending institution in San Juan suffering from high rates of debt. Due to its prime location on the lake and the perception held by many lending institutions in the past 30 years that the town’s indigenous community can be trusted to “work together” in ways that other communities did not, the majority of Juaneros are in debt to various lending agencies that have eagerly handed out micro-credit loans over the years. The local Habitat for Humanity office has stopped building new houses in San Juan because previous beneficiaries have not paid back their loans: within the international organization of Habitat for Humanity which operates in 81 nations, the community of San Juan has one of the highest rates of unpaid loans. A non-profit agency that monitors debt accumulation among cooperatives and lending agencies in four Guatemalan states has labeled San Juan La Laguna one of 3 red zones with unusually high rates of debt.

<sup>vii</sup> It is important to note that this one container was conventional or chemical coffee as well which the manager believes made it impossible to sell at Fair Trade prices. There is a growing perception that only certified organic coffee will have a secure market in Fair Trade networks.