

Poverty Alleviation Through Participation in Fair Trade Coffee Networks

Comments on the Implications of the Mexico Reports—Ronald Nigh

August 2002

Producers in developing countries have suffered not just from low prices but also from an increasingly unequal distribution of the wealth generated by the coffee trade. This is the result of corporate practices that seek to convert low prices into expanded profit margins, and of domestic market reforms that have deprived producers of the marketing and infrastructure support they need.

In 1997 world coffee sales reached US\$43 billion. But while developing countries produced the raw material on which this wealth was built, they received less than one-third of the total revenue. Most of it was captured by the transnational companies which (sic) control the international trading and processing of coffee, such as Philip Morris and Nestlé, and by the major coffee retailers such as Tesco and Starbucks. OXFAM (2001: 5-6)

Introduction

The OXFAM (2001) report presents anecdotal evidence and several persuasive arguments for a fair-trade approach to solving the coffee crisis. In general, our case studies provide strong support for this argument, as well as adding some new aspects to the argument. The experiences of the organizations outlined in the case studies shine some light on problems with fair trade as it has evolved over the past two decades. These problems suggest where obstacles have arisen to the fair trade strategy to poverty alleviation and also suggest where further work needs to be done.

This report will develop three themes. First, I review and comment on the experience of Mexican organizations with fair trade as presented in the reports and in the collateral research carried out on other organizations not selected as case studies. Secondly, I will briefly discuss the results of an initial, informal survey of marketing of fair trade coffee in the United States. And finally, I will discuss some very recent trends in the coffee trade that promise rather fundamental changes in the industry in the near future.

Fair Trade and the Mexican Coffee Coops

It is clear from the reports that the fair trade has had an important positive impact on smallholder coffee organizations in Mexico. For those organizations that have had the perseverance and luck to get through the difficult registration process and eventually connect with fair trade buyers, fair trade has made an important difference in the livelihoods of growers and in the effectiveness of their

cooperative organizations. There have been difficulties along the way and even now a number of issues remain to be solved. In some cases, organizations have been excluded from participation by criteria that do not always seem to be consistent and clear. I shall summarize the most important positive impacts and synergies reported by the organizations or observed by us and then turn to some of the problems.

Obviously the most direct and noticeable (to growers) impact of fair trade is the possibility of improving income through better prices for coffee. As a globally traded agricultural commodity, coffee has been subject to manipulation by commercial and financial interests with important stakes in this multi-billion dollar industry. Coffee producing countries, with the encouragement of international financial institutions to which they are heavily indebted, have followed a policy of maximization of foreign exchange as the principal criteria for coffee policy. This has involved stimulating greater production volume, regardless of market condition and places the interests of farmers and the national coffee industry first, with social and environmental factors and coffee quality as, at best, secondary considerations. The result of these policies applied for decades over the entire world, including bringing new producer countries on line—the notable recent example being Viet Nam—has resulted in world production greatly outstripping demand with consequent abysmal prices.

As the OXFAM (2001: 7) report puts it:

The main reason that prices are so low is the massive oversupply of coffee on world markets in relation to demand. Production has increased by 15 per cent since 1990 as a result of the planting of new coffee trees, technological innovation, and the arrival of newcomers on the market. Ten years ago, Vietnam was an insignificant exporter of coffee. Today, it is the world's second largest exporter. Other factors have contributed to the steady expansion of coffee supplies. The pressure of debt has forced countries to expand exports in order to generate hard currency. Meanwhile, the World Bank and other agencies have actively promoted export production, through project lending and wider macro-economic reforms. For example, World Bank loans were instrumental in helping Vietnam start producing and exporting coffee. In Colombia and Bolivia, farmers were encouraged by UN-sponsored programmes to switch from coca to coffee. And in Angola, the International Coffee Organisation recently provided funds for the revival of the country's coffee production, which had been shut down by war. World demand for coffee has increased at a far slower pace than supply. In the past ten years production has increased at twice the rate of consumption. The result: massive oversupply, leading to rising stocks and sinking prices. Stocks in consumer countries, the most important determinant of price levels, currently stand at over one million tonnes.

Although the current crisis, which promises to linger on for several years, is particularly acute, the problem of pricing has been a constant for growers for decades. Even in the golden years of the 1970s and 80s, years of good prices were outnumbered by years of lower ones. Policies pushing countries like Mexico to greater dependence on coffee place growers in a situation of dependence on a market over which they had no control. The virtual abandonment by governments and development agencies of regional food markets and food security has

created a social time bomb which, at least from a Chiapas viewpoint, has begun to explode.

In this increasingly bleak story, so-called alternative markets have been hopeful developments, in particular markets for organic and fair trade coffee. These two markets have been closely linked from the beginning, though not without some tension, and continue to have increasingly important synergies, as discussed below. What they have in common, however, is a transformation of the marketing context for coffee that increases the information flow between growers and final consumers, shortening the “commodity chain” and creating mechanisms that permit the former to realize a greater proportion of the value provided by the latter. Greater information about the product, its environmental and social production conditions, and greater information to growers about the values sought by consumers are what has allowed the alternative-market process to advance.

Our study has provided, not a little surprisingly I would say, rather firm evidence of the difference alternative markets can make for smallholder coffee growers, their communities and their cooperatives. Among many benefits reported I would select the following as the most significant categories:

1. **Better farmgate prices.**

The most obvious and important benefit, from the standpoint of smallholders’ families, of their participation in alternative, particularly fair trade networks is the attainment of better prices. The difference made by fair trade minimum pricing of \$1.21/lb has been particularly dramatic during this period of lowest-ever real prices for coffee.

For example, Unión Majomut cooperative reports:

During the 2000-1 cycle, the price paid by Unión Majomut to its members was 12 pesos per kilogram for non-organic pergamino and 18 pesos per kilo for organic pergamino. If we consider that the average price paid by regional buyers was 6 pesos per kilogram pergamino, then a Unión Majomut member received 100 and 200% percent more than regional prices respectively...(p. 10)

An average grower in Unión Majomut harvests about 15 quintales per cycle. If his production is organic then he received 15,500 pesos (equivalent to U\$ 1,700). If the same grower had sold his coffee to a regional middleman he would have received only 5,000 pesos (equivalent to U\$550) (p. 18).

Unión Majomut is unusual in having been able to sell 100% of its export production (nearly 450 metric tons: p. 7) on the fair trade market. Other coops I am aware of are unable to market even most of their exports through fair trade buyers. UCIRI, pioneer and participant in the formation of fair trade coffee networks in Europe, apparently reports about 73% (the information is garbled, see table on p. 6 of the UCIRI report). ISMAM, another fair trade pioneer, has never market more than a little over half of its high-quality organic coffee through fair trade

networks. Nonetheless they report that, thanks to fair trade and organic quality premiums, they achieved, for the 85,000 quintales they exported in the last cycle, an average price of around \$0.80/lb., nearly double the current international price, for its 1,500 members. CEPCO, representing 44 regional coops in Oaxaca reports they will market between 60 and 70% of their coffee through fair trade buyers, up from 30% last year. These figures represent significant impacts on the incomes of thousands of smallholders in Chiapas and Oaxaca, who, nonetheless, represent a small percentage of all such growers in those states.

2. Empowerment of smallholder coops.

One important indirect result of the higher prices provided through participation in the fair trade network is the prestige and credibility accorded by growers to the cooperatives and second level organizations that broker that participation. The economic cushion created by the income differences mentioned above, and the reduced uncertainty concerning prices and buyers encourages a high level of grower participation in these organizations, greatly enhancing their effectiveness. Many of the other benefits mentioned below flow from this enhancement.

Previous studies have noted a similar effect with participation in the organic market (Nigh 1997; Hernandez & Nigh 1998). Achieving better prices motivates coop members and stimulates a higher level of commitment that, in turn, increase the ability of the organization to achieve future results. Any strategy for improving farmgate prices or achieving a greater proportions for growers of the value added in the commodity would have a similar effect.

What is particularly interesting about the impact of participation in fair trade networks, as opposed to other strategies, is that it seems to be particularly useful in fortifying second-level organizations—organizations that articulate several regional or community coops—whereas organic certification and the better prices achieved through participation in the organic market has a more direct effect on first-level, grower organizations.

The clearest example of this tendency in our study is the case of Coordinadora Estatal de Productores de Café de Oaxaca (State Coordinator of Oaxaca Coffee Growers; CEPCO.) CEPCO, formed in 1989 in the post-International Coffee Agreement crisis, currently has 44 member organizations, cooperatives, from 423 communities in seven of Oaxaca's coffee regions, representing over 16,000 smallholders from different ethnic groups. (CEPCO pp. 1 & 10).

The regional social organizations that form CEPCO have a form of collective affiliation, uniting families from a locations or several communities, that must form a “regional organization” to participate in CEPCO. In other words, there is no individual membership, rather, only of regional groups that share a territory

and language. Thus, the size of the organizations, their degree of political and economic consolidation is not the same. They share the same principals , practices and programs with in the diversity and specificity of each regional organizations (p. 9-10)

CEPCO's entry into to the fair trade market can be characterized as both fortuitous and insightful:

CEPCO's first sales in Fair Trade were made during the 1995/96 harvest, with the sale of 2 lots to A Van Weely, coinciding with a harvest-time of elevated prices during which some organizations from other countries did not meet their obligations with this buyer. (p.6)

Consolidating this opportunity, CEPCO began a process of steadily increasing sales through fair trade, almost all of which is organic coffee:

By 1999/00 nearly 20% of CEPCO's coffee sold through Fair Trade and the certified organic organizations (in 2002 31 organizations follow CEPCO's organic program, or about 6,000 growers) begin to notice an important price difference and become increasingly interested, particularly in organic coffee. (p. 7)

With increasing grower approval, CEPCO is able to concentrate on maintaining constant communication and good relations with a diversified client base: Van Weely, Hamburg Coffee Co., Excelco, Royal Coffee and later NAF, GEPA and Equal Exchange.

Another crucial stage of CEPCO's brokering fair trade participation was the attainment of recognition by FLO as a second level fair trade organization.

The first years of participation in the Fair Trade registry involved considerable effort by the regional organizations since registration was obtained by each individual organization separately. To do this it was necessary to present long and tedious paperwork which was not immediately compensated by better contracts.

From 1996, CEPCO attempted to obtain a single registry for the Coordination, instead of the atomized registry for each (there were as many as 18 separate registrations). After two years of negotiation and numerous visits of persons from the structure of FLO—created in 1997 to unite the different fair trade initiatives—CEPCO presented a formal request for registration as Coordinator of its regional organizations which FLO, finally, approved in 2000, renewable in two years. (p. 15)

Being able to serve as an umbrella broker for fair trade certification not only simplified the process and considerably lowered costs, it strengthened CEPCO as a organization, fortifying the trust and solidarity that permited CEPCO to launch a new phase of activities that favored their smallholder members. As an effective fair trade broker CEPCO has been able to deliver better prices for growers For example, CEPCO has been able to create its own credit mechanisms and on only two occasions has fallen back on prefinancing by fair trade buyers. CEPCO's strength and

growing reputation allow it to diversify the portfolio of buyers, a process that would have been much more difficult for each individual regional organization. CEPCO has also been an effective communicator, not only “spreading the word” among growers about fair trade, but serving as an effective broker for demands for greater quality and thus greatly accelerating the transformation of smallholder production. (p. 20). Also, the financial transparency and effective bookkeeping required of CEPCO to maintain its fair trade representative status has had a salutary effect on the organization’s administrative capacity.

Participation in fair trade was instrumental in linking Majomut with other organizations in Chiapas and Oaxaca (e.g. UCIRI and Unión de la Selva), from whom they received crucial material aid at critical moments, leading eventually to the formation of the second-level organization in Chiapas, COPCAFE. Majomut also mentions improved coffee quality control, administrative and commercial training, and greater information on markets as direct benefits of fair trade involvement for the organization (p. 13).

Many of these benefits have been noted with respect to regional organizations that have participated in the organic market. Organic certification, for example, requires organizations to maintain more rigorous internal accounting and a more effective technical assistance and communications functions (Nigh 1997). From the reports of our study it would appear that participation in fair trade particularly strengthens the “second-level”, interregional functions such as CEPCO carries out (or the capacity of large regional organizations, such as ISMAM or UCIRI to carry out these second level functions) whereas participation in the organic market tends to operate at the lower level, regional farmer coop level. It is clear from the CEPCO and other reports that fair trade participation complements and enhances the positive effects of organic market participation.

3. Diversification

Diversification in one of the primary goals of most coffee farmer coops. Too much, in many cases, exclusive dependence on coffee as the primary source of farm family income, has had disastrous effects on the rural economy of southern Mexico and Central America, as has been noted by many. Coffee is a volatile and highly manipulated commodity and, though the organic and fair trade markets are a definite improvement for smallholders, they do not entirely solve the problem of price fluctuation and dependence. Many coffee organizations use some of their first profits to diversify production. Usual strategies involve developing alternative commercial crops, production of basic food crops, agroindustrial development seeking greater value added on crops and non-agricultural activities such as handicrafts and ecotourism. Fair trade, by forifying

farmer organizations as discussed in the previous section, supports and enhances these diversification efforts,

Once again the CEPCO report puts it succinctly:

CEPCO family members (organic or conventional) may, through their regional organizations, especially the women's groups, participate in other types of projects that are complementary to coffee production such as patio chicken- or sheep- raising, vegetable production, bakery, tree nurseries, handicrafts, etc.— that help improve family nutrition or income. Some of these projects have repercussions in the wider community such as community grocery and drug stores or bakeries. (p.23)

Unión Majomut also noted organizational benefits from their participation in fair trade networks:

By being with the Max Havelaar system we began to have greater clarity about what was needed to improve the organization in the areas of social development and organic production, since these elements were an important part of the annual evaluation. With respect to social development we were concerned with projects that encouraged women's participation (U\$0.05 per pound) and projects that improved family living conditions. On the other hand we gave priority to the organic coffee production training program. (Majomut p. 5)

Also Majomut reports:

As to fortifying and support to non-coffee activities, we already mentioned the impulse given to community projects. In previous years there was participation in owner-built homes and home improvement, the establishment of grocery supply stores, installation of corn mills to facilitate women's work, credit for the acquisition of pack animals, etc. But recently we have focused our efforts on the creation of women's groups for food production, together with other farmer organizations. (p. 17)

And:

...training in the production of organic corn and improvement of traditional milpa, conceived of as a polyculture. Organization members have received information on the problems generated by herbicide use that lead to monoculture and of chemical fertilizers that, apart from their high cost, depress the natural fertility of the soil. ...growers in the organic program have been supported to increase the diversity of shade species, by which it is possible to obtain additional benefits of food, firewood, construction materials, medicinal plants, etc. as well as surplus products for sale...according to a study, organic coffee plantations can generate 20% more cash beyond coffee sales, as well as goods for family consumption...Organization members have begun to participate in a system of savings that will eventually support a local system of financing. (p. 20)

Certainly fair trade is not the only factor that empowers organizations to be able to support these activities, but there seems to be general agreement that it has contributed significantly.

El Norte—the view from afar

I took advantage of an extended stay in the northeastern United States during the first part of this year to explore the outlets for coffee I found in the US. My idea was to see for myself what kind of information coffee consumers were getting in the general range of retail outlets. I looked at specialty and gourmet coffee outlets, including small, local coffee roasters, grocery stores, including “alternative” and consumer coop groceries, university coffee shops and the large outlets such as Starbucks and Peet’s (in Boston) as well as some mail order (internet) outlets. In lieu of a more systematic report I include the following summary of results and first impressions.

For the most part, I would say that the goal of bringing consumers closer to the growers and increasing consumer understanding of their situation is not being achieved. In general, in all outlets, the presentation of the product does not provide such information nor encourage the consumer to seek it elsewhere. The majority of coffees are not distinguished as to country of origin, the first, minimal step in providing such information. Roasters and distributors tend to promote their own brands and labels, inventing highly misleading or non-informative, such names as “Breakfast blend” or “Java Jolt”, with no indication of the origin of the coffee blended, much less its social and environmental context. In this aspect there is a range of variation, with those distributors who market under real Fair Trade or Certified Organic labels tending to be a bit more forthcoming with information. Dean’s Beans of Massachusetts, for example, markets exclusively under fair trade label (FLO) and is fully organic. They provided information on one Guatemala grower cooperative that they have visited, but sell a full range of Fair Trade coffees. My favorite is “Birdwatcher’s Blend”, that, according to the accompanying description is a form of “shade coffee” from Chiapas Mexico and Atitlan, Guatemala. Even with their blends, Dean’s Beans is clear about country of origins. Going to their web site provides a great deal of precise information, describing actual coops and other information on issues and context (www.deansbeans.com)

Dean’s Beans is part of a network of roasters and distributors known as Cooperative Coffee. They write of themselves:

Cooperative Coffees is a unique organization - a green coffee importing cooperative committed to supporting and partnering with small-scale coffee farmers and their exporting cooperatives. By importing directly from our partner-farmers, Cooperative Coffees seeks to creatively foster a more equitable and sustainable system of coffee trade that directly benefits these farmers, their families and their communities.

Organized in 1999, Cooperative Coffees is owned and managed collectively by a small group of specialty coffee roasters located in the United States and Canada. These roasters share a common interest and concern that each has addressed individually - the desire to source sustainably grown coffees and to work closely with the farmers growing it. These roasters know that by working together, cooperatively, they can more readily impact and multiply the positive effects of their selective coffee purchasing. (www.cooperativecoffees.com)

Cooperative Coffee buys from smallholder coops in 7 countries, including Mut Vitz and UCIRI in Mexico, as well as from coops in Guatemala, Costa Rica and Nicaragua. This group of 14 roasters from all over the US, which I would classify as an Alternative Trade Organization (ATO) is one of the most proactive in furthering the interests of smallholder coffee coops. It is, in many ways, a model for how fair trade and organic coffee should be heading. Interestingly enough, however, although mostly marketing FLO registered coops, Cooperative Coffee's philosophy differs somewhat from the FLO line. This became evident in Chiapas when FLO inspectors and Cooperative Coffee buyers coincided in a visit to Mut Vitz earlier this year. The discussions revealed that while FLO is interested in "mainstreaming" fair trade coffee by bringing in the major players such as Starbucks, Cooperative Coffee's approach involves building a network of smaller, independent roasters to provide an alternative market for growers. (Thanks to Tatiana Schreiber for this information; we return to this issue below).

The owner of Dean's Beans probably speaks for most of Cooperative Coffee roasters when he writes on his web page:

Fair trade is not the solution to poverty in the coffee world. Nor should it be a marketing gimmick or a feel-good effort by companies that have one or two Fair Trade coffees while they reap record profits on all their low cost coffees. The commitments we make to the farmer through fair prices and access to credit are an essential to keeping the farm communities on the land, feeding their families, and providing us with great coffee.

Dean's Bean's display at our local "Wild Oats" organic food coop in Williamstown, MA was one of the most informative I saw and one of the most affirmative with respect to the importance of fair trade. At the other extreme are the sales displays in supermarkets, including "alternative" supermarkets, where no information of any kind is provided about the coffees offered and the names given the different types do not even indicate whether they are blends, much less the country of origin or production conditions. These displays are preferred by grocery managers because they are cheap and the distributor provides the bins, bags, coffee and grinders, etc. and maintains them in return for the "privilege" of exclusive sales opportunity.

Talking with small roasters around the north and southeastern US, I found that they divided clearly into two ideological camps. On the one hand are those sympathetic to small coops such as Cooperative Coffee. Other roasters handle only "estate coffee", that is, coffee grown on private plantations. The latter roasters often claim that estate coffee is better quality, though there is little evidence to prove this and my experience in Mexico tends to confirm the opposite. Though some estates have superior quality coffee, many do not. Meanwhile, coops participating in organic and fair trade networks are continually concerned with improving their quality.

An interesting comment on consumer attitudes was revealed in the Lexington Coffee Roasting Co. in Lexington Virginia. Though advertising "estate coffee" as a better quality option, the company's brochure was careful to mention its

concern with the environmental and social issues surrounding coffee. Their coffee, we are assured, is socially and environmentally responsible and along the margin of the brochure are a number of seals—apparently, but on examination the “seals” are just drawing with no actual reference to any real certification organization or set of recognized standards. The pseudo-seals appeared to be an attempt to mislead the public into thinking that the company participates in fair trade and organic networks, which it does not!

I could only begin to get an idea from talking to a few roasters that there are a few large commercial networks behind the smaller roasters that would be important to study. Cooperative Coffee, for example, supplies its 14 members, but is a relatively small player, even within the fair trade network. There must be a small number of larger brokers for the “estate coffee” and it would be important to trace out these networks. They probably lead back to Phillip Morris, Sara Lee et al. What is clear from the survey I was able to make, however, is that fair trade has begun to make a difference in the retail coffee market in the US. It has achieved a degree of consumer awareness that years of efforts by the organic marketers has been unable to do, and, in fact, has carried awareness of organic coffee with it. I believe we can say that fair trade has moved from being an artificial market niche, to an important factor that has begun to change the forces that set coffee prices and determine the distribution of value added along the commodity chain. Still my overall impression is that, with few exceptions such as Cooperative Coffee, there is a long way to go in bringing growers and consumers into greater communication and mutual understanding, thus creating real, long-term relations of solidarity that are the basis of any fair trade strategy.

The Other Side of Fair Trade

In the preceding paragraphs I evaluated, based on the information generated during our study, the positive impact the fair trade movement has had on grower organizations and, to some extent, on consumers in the US. As I have tried to show, I believe that this impact has been significant. However, other issues have been raised by the study that indicate that there has also been a downside to the fair trade effort, that is, there have also been important negative effects. Since these effects seem to be a result, precisely, of fair trade’s increasing impact on the market, it should be of concern to us that these negative effects could be on the increase.

In the first section I gave a number of examples of how involvement in fair trade networks can have a salutary effect on organizations, urging them to improve internal organization and quality, and empower them to develop social programs and diversify member’s economy. The impact of this involvement in the internal affairs of organizations is not exclusively positive, however, and we can find evidence of this in our reports.

One issue that has frequently come up with respect to fair trade is the exclusion of an organization based on the assessment of third party inspectors. The problem here is not bad intentions on the inspector's part but rather seems to stem from a certain lack of experience and sensitivity in the local context. Unión Majomut describes their version of a situation that affected them directly:

A problem arose in 1999 due to the defamation (of Majomut) among certain sectors of FLO, where an anonymous e-mail asserted that Unión Majomut had participated in paramilitary activities and should be expelled from the system. Fortunately, this libelous statement could be rebutted by some members of the FLO Council who were aware of the activities of the organization in supporting displaced population, in denouncing divisionary activities by the government and in participating in various public conferences seeking solutions to the conflicts that culminated in the massacre of Acteal in 1997. (Majomut p. 24)

There is no doubt that the accusations against Majomut were false and unfair. Around the same time, a similar false rumor nearly cost Mut Vitz its first European export at a critical moment in the organization's history; Mut Vitz was not yet registered as a Fair Trade organization so this did not directly involve FLO, though counteraccusations blamed rival fair trade coops for the rumor. Our reports show similar problems, such as the denial of Tzotzilotik's registry for apparently rather subjective judgments on the part of a FLO inspector who had received many complaints from other organizations. Another important case was the loss of fair trade status of Unión de La Selva. Just one paragraph after describing the unjust accusation against Majomut in our report, the authors repeat the following rumor about another organization:

...several years ago Unión de Ejidos Otilio Montaña was accepted in the FLO Registry, in spite of the fact that this organization depended totally on the government for its functioning (it was not independent) and furthermore belonged to a central organization (SOCAMA) that openly supports paramilitary organizations in northern Chiapas through a group known as Paz y Justicia... this resulted in a campaign to discredit the entire fair trade system..)p. 25)

Otilio Montaña has not recovered its fair trade registration, even though those who know the organization affirm that the accusations against it are false. This is no place to review the complex history of SOCAMA; nonetheless, there is absolutely no evidence linking the SOCAMA groups outside the northern region to any paramilitary activity and Otilio's dependence on government programs is no greater than Majomut's or any of the other coops, (with the exception of Mut Vitz that, as social base of the Zapatistas, follows a strict policy of accepting no government aid). The exclusion of Otilio Montaña was a great injustice perpetrated by the fair trade network and, in particular, FLO.

These cases indicate that we are not dealing with an isolated phenomenon due to natural human error. Rather, there seems to be a definite tendency of fair trade involvement to exercise undue influence on the internal politics and functioning of local organizations, with dire consequences for smallholder coffee growers. It is worrisome that fair trade officials are so easily manipulated into taking sides in local disputes and that there seems to be an attitude that fair trade affiliation

should be used to “fix” political problems as perceived by fair trade outsiders. This tendency is of particular concern as we consider recent development in the fair trade scene, as discussed below.

In the report by UCIRI—one of the founders of Max Havelaar and therefore of the fair trade concept for coffee—describes three “stages” in the development of fair trade which has “led to three types of markets”)

- The first stage was the establishment of Alternative Trade Organizations (ATO) that arose in the late 1960s. They imported handicrafts, principally, as well as products such as honey, sesame, coffee, tea, etc., that they distributed in their shops (Third World Shops) or through social groups, churches, etc. They did not handle large volumes but there was an accumulation of marketing experience and an educational, consciousness raising. It was these ATOs that UCIRI first contacted (UCIRI p. 6)
 1. The first phase was created by ATOs such as GEPA, SOS Wereldhandel (now FairTrade) OXFAM, Twin, CTM, EZA etc.
 2. The second phase consists in the current FLO initiative. Max Havelaar Holland was one of the first to achieve wider markets than had been possible in the first phase. Some ATOs have made agreements with FLO to participate in its markets.
 3. The third phase is forming with large enterprises, especially with the supermarkets. It is a negotiation being carried out with great care by the grower organizations. The pretenders are quite varied: Starbucks, Sara Lee, Phillip Morris, Neumann Group, Carrefour, etc. Not all of them are fully trustworthy. At this time, UCIRI has only made agreements with Carrefour to sell organic coffee at fair trade prices (FLO). The discussion is of great importance but there can be no doubt that the pressure on the grower groups is great. Many participants in FLO’s markets are able to sell only a small amount of their harvest as this market seems to have stagnated. There are dangers: the large companies can use their advances in commerce to offer minimal prices, or they can use this as mere window-dressing or simply as a means of getting access to quality coffee. To assign a “social minimum price” could interfere with the fair trade market. On the other had, the growers are under strong pressure in the current market and prefer to sell to the highest bidder...(p. 8-9)

There is no doubt about the trend indicated here by Vander Hoff. Neumann group, for example has formed a contract organic coffee program that includes coops (Otilio Montaña) and private estates. Neumann’s provides technical assistance and uses third party certification (Natureland), paying premium (though not fair trade) prices. The program is still small but participants seem content with it, especially given current conditions.

The pioneer in efforts to deal directly with supermarkets is ISMAM, who began its domestic roasted- and ground-coffee marketing over two years ago and began placing canned coffee under their Cafe Mam brand in Aurrerá’s markets (now Wall Mart). ISMAM recently announce that they had cancelled this marketing effort, however, accusing Wall Mart of asking for over U\$35,000 in slotting fees. It seems from their report that UCIRI has worked out a much more favorable deal with Carrefour.

In any case, on the surface of it, it would appear that there is a sea change in terms of the attitude of the large international coffee dealers listed by Vander Hoff. Perhaps the most dramatic change in attitude is Starbucks. This company has been the villain of the movie for decades, refusing repeatedly to buy organic coffee, to buy from smallholder coops or to acknowledge the social dimensions of the coffee trade. Starbucks's meteoric rise and its key role in popularizing specialty coffee, meant that its attitude became a major obstacle to the growth of the organic coffee market in the US, which has not even come close to matching the 20-25% annual growth of other organic foods.

However, there seems to be a new dawn. Starbucks has proudly announced its new partnership with Conservation International to market shade-grown, social coffee. It also now sells a fair trade blend, as well as some organic coffees, and has even promised to serve fair trade as its house coffee. In an even more dramatic reversal of previous policies, Starbucks has announced its "Preferred Supplier Program". The introductory letter to potential suppliers in the program begins thus:

Dear Friends,

As you know, Starbucks is dedicated to sourcing the highest quality coffees available throughout the world. To that end, we are committed to encouraging and expanding the production of high quality, sustainably grown coffee. We believe that the sustainable model is the key to a healthier future for our industry. Starbucks defines sustainability as an economically viable model that addresses the social and environmental needs of all the participants in the coffee supply chain from producer to consumer.

For some time, Starbucks has been in the process of defining a new purchasing philosophy. Although we are committed to addressing social and environmental concerns, we also think that there are compelling business reasons to effect change in the worldwide coffee market. Through enlisting the support of coffee suppliers who are like minded, sustainability advocates, we hope to create a network of industry leaders who will join us in finding a way to create positive changes within our global coffee community. We do not underestimate the difficulty of such an endeavor. However, in evaluating the long-term future of the coffee world we conclude that our collective choices are quite clear. The coffee industry must undergo internal change to ensure a solid future.

In a further document describing Starbucks purchasing program for preferred suppliers, the company outlines its "point system". Considering the source, this makes such remarkable reading, I cannot resist reproducing it in its entirety:

Starbucks Green Coffee Purchasing Guidelines

Quality Criteria: Prerequisite

Every coffee offered must meet Starbucks quality standards in order to be considered for purchase. High quality is an integral component of sustainability at all levels of the coffee supply chain.
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Qualifying varieties	Only arabica varieties of coffee will be purchased.
Flavor characteristics	Starbucks cup quality standards are based on specific descriptions for each coffee purchased. Every coffee is expected to represent the flavor character unique to the country or region of origin. All coffees are expected to provide a perfectly clean cup, with medium to heavy body, and excellent aroma. All washed coffees must be of Good Hardbean or better density and have good acidity.
Defect-free beans	Starbucks requires zero defects in grade, good even color, and consistent bean size.

Environmental Impacts: 50 points		
Coffee growing and processing systems should contribute to conservation of soil, water and biological diversity; employ efficient and renewable energy technologies; minimize or eliminate agrochemical inputs; and manage waste materials consistent with the principles of reduction, reuse and recycling.		
Soil management	Farm management practices should effectively control erosion and enhance soil structure and fertility, relying as much as possible on means such as organic fertilizers, cover crops, mulch and compost.	5 points
Water reduction	Coffee should be processed using methods that reduce water consumption.	5 points
Clean water	Coffee should be processed using methods that prevent pollution of surface water and ground water.	5 points
Water buffer zone	Vegetative buffer zones should be in place adjacent to all water sources. No alteration should be made to the courses or hydrology of streams or other surface water bodies.	5 points
Forest and biodiversity conservation	Coffee production systems should maintain and enhance biological diversity on farms and surrounding areas without disturbance of natural forests.	5 points
Use of shade	Existing coffee farms in forest regions should maintain or enhance shade canopy cover with diverse tree species that conserve local and endemic biodiversity.	5 points
Energy use	Coffee growing, processing and drying should use energy efficiently, employ renewable sources wherever possible, and not rely on firewood obtained from forest clearing. For example, patio drying should be used as much as practical and solar coffee drying technology employed where feasible.	5 points
Pest management	Integrated pest management systems are employed, limiting pesticide application to extreme cases when necessary to avert severe crop loss and substantial economic failure.	5 points
Accepted agrochemical	Coffee production systems should minimize and wherever possible eliminate inputs of agrochemicals such as chemical pesticides and synthetic fertilizers. Farms are certified organic, use organic management techniques or are otherwise demonstrating significant reductions in the quantity of synthetic agrochemicals being applied. No agrochemicals that are banned for agricultural use in their country of use, country of origin or by international agreement are stored or used on the farm.	5 points
Waste management	Waste and coffee by-products are managed to minimize environmental impacts by applying the principles of reduction, reuse and recycling, for example, composting or recycling of coffee pulp and parchment.	5 points

Social Conditions: 30 points		
Coffee production systems should ensure protection from workplace hazards and conform to local laws, as well as to applicable international conventions related to employee wages and benefits, occupational health and safety, and labor and human rights.		
Wages and benefits	Coffee farms that employ workers should conform to local laws and applicable international conventions related to workers™ rights and benefits and are in a process of continual improvement over time. Wages and benefits should meet or exceed the minimum required under local and national laws. Workers' rights to organize and negotiate freely with their employers are guaranteed in accordance with local laws and international obligations.	10 points
Health and safety	Working conditions should meet or exceed applicable laws and regulations related to health and safety of workers. Effective measures should be taken to ensure the health and safety of farm workers who may handle or be exposed to agrochemicals.	10 points
Living conditions	Workers and their families, including seasonal workers, are provided with access to potable water, sanitary facilities, adequate housing, education and training, transportation, and health services.	10 points
Economic Issues: 20 points		
Coffee production systems and commercialization should benefit rural communities by boosting producer incomes, expanding employment and educational opportunities, and enhancing local infrastructure and public services. In order for coffee production to be sustainable, it must be economically viable at all levels of the supply chain, from seed to cup.		
Long-term relationships	Starbucks seeks to develop long-term trading relationships with preferred suppliers.	
Incentives	Through its purchasing and pricing policies, Starbucks seeks to provide incentives and support for sustainable coffee production, processing and shipping methods.	
Economic transparency	In order to ensure that the entire supply chain ☺ farmer, miller, exporter, and importer ☺ benefit from the Starbucks preferred supplier program, vendors are expected to provide reliable documentation regarding prices paid to their suppliers.	20 points

(The preferred supplier package, in English and Spanish, can be downloaded in pdf format from Starbucks official web page (www.starbucks.com))

We might recall, in this regard, OXFAM's observation:

The reform of transnational company practice is also vital. Instead of seeking to generate windfall profits by exploiting low prices, the corporate sector should acknowledge its responsibility to help facilitate the development of a more equitable trading environment. Enlightened self-interest should be one of the guiding principles, since current price trends are likely to produce an increasingly volatile and unstable market place. As powerful economic actors linking consumers in the rich world to poor producers, transnational companies need to display a greater sense of social responsibility. Above all, they need to acknowledge that is unacceptable to provide consumers with products on terms which consign millions of people to poverty. (OXFAM 2001: 7-8)

If we are unaccustomed to thinking of Starbucks as a fair trader, we may even be more surprised to learn of tendencies in (what we can now only call) the "conventional" fair trade organizations, i.e. FLO et al. I only recently learned that a company called Agromercado (?) has been formed in Querétaro to be the

official exporter of all FLO registered products from Mexico. I have been unable to confirm this development, but a person close to the coffee organizations in Chiapas claims that this is the case. He also affirmed that there is a tendency towards consolidation of the fair trade networks into the hands of centralized distributors in the consuming countries as well. This tendency towards “fair trade monopolies”, if it is indeed occurring, may have a certain logic, particularly in the light of the new strategies of companies like Neumanns and Starbucks. However, the problems mentioned above with regards to arbitrary exclusions of groups, combined with a strong centralized control of distribution channels by FLO or similar groups, have the potential of creating a highly exclusive, difficult and unjust situation for many smallholders. These aspects should be the object of further research.

Conclusion

The results of our study in Mexico seem to indicate that the fair trade movement has had a far greater impact on the international coffee market in a far shorter time than anyone anticipated. Limited volume and the difficulties of obtaining fair trade registry and then fair trade buyers have been major obstacles to fuller participation of by poor smallholders. Nonetheless, for those organizations that have had the capacity and good luck to overcome these obstacles, participation in fair trade has brought many benefits, direct and indirect. These benefits go beyond directly raising farm family income through better farmgate prices, to include empowering smallholder organizations, improving administrative capacity and quality control, stimulating member participation in the organization, directly and indirectly fortifying financial independence and encouraging training and inter-organizational exchange, among others.

Some negative aspects of fair trade networks have also surfaced. Inappropriate involvement in local politics, lack of grower-organization participation in FLO and other decision-making and limited and stagnant markets are some such aspects. I have also mentioned the still-garbled communication and weak solidarity bonds between consumers and growers, principally due to roasters apparent reluctance to facilitate such communication. Another aspect that was mentioned in nearly all the reports is the little understanding growers have of fair trade standards and the objectives and function of fair trade organizations, particularly FLO.

There is clearly an increasingly intimate relationship between fair trade and organic in the coffee market. At both ends of the spectrum, both growers and consumers tend to associate fair trade and organic certification. Growers consistently report that they understand organic standards, that directly affect their daily work in the fields, much more clearly than they do fair trade standards that tend to apply to portions of the commodity chain of which they have little experience. In most consumer’s minds there seems to be a close association between organic production methods and grower benefit as with quality and health issues for consumers themselves. It would seem that everyone stands to gain by further synergy between organic and fair trade networks.

The recent trends among the large coffee companies to implement standards that are clearly based on organic and fair trade models is a testament to the impact these networks are having on the marketing conditions of coffee. It would seem that we are at an important crossroads at this moment, rife with dangers yet full of potential for fundamental transformations in the way business is done in the coffee industry. These changes will have important implications for the future of some of the major actors in the coffee trade, including those involved in the current fair trade network. A second phase of this study should pay particular attention to documenting these new trends and the problems and opportunities they present. Understanding of these emerging conditions is essential if we are to ensure that this transformation benefits all, growers, consumers, traders and the environment of us all.

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