

Poverty Alleviation Through Participation in Fair Trade Coffee Networks:
Synthesis of Case Study Research Question Findings

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Introduction

This report provides a synthesis of the results of the seven case studies that were part of the Fair Trade Coffee research project. The text below is organized into seven sections, each representing a category of questions in the research protocol developed by project participants at the workshop held in Mexico City in March 2002.

1. Historical context of participation in Fair Trade

All seven of the coffee cooperatives studied (Table 1) were established before their entry into the Fair Trade movement. Each cooperative emerged largely from concrete felt needs of small producers experiencing crisis in the agrarian sector of their country. UCIRI, CEPCO, Majomut, Las Colinas and El Sincuyo were established expressly to allow small producers to commercialize their coffee in export markets without resort to *coyote* intermediaries. The roots of La Selva, Tzotzilotic and La Voz lie in broader struggles to address small agrarian producers' problems; these organizations specialized in coffee several years after their founding.

Table 1 Case Study Organizations			
Name	Location	Year Founded	Number of members
CEPCO	Oaxaca, Mexico	1989	41 organizations 16,000
UCIRI	Oaxaca, Mexico	1981	2,076
Majomut	Chiapas, Mexico	1983	1,500
La Selva	Chiapas, Mexico	1976	943
Tzotzilotic	Chiapas, Mexico	1992	600
La Voz	Guatemala	late 70s	116
APECAFE		1997	11 cooperatives
Las Colinas		1980	99
El Sincuyo	El Salvador	2000	28

Entry into the Fair Trade Coffee movement was the result first, of structural pressures that pushed producers to seek alternative markets for their products, such as the collapse of the International Coffee Agreement in 1989 and a sectoral crisis during the 1990s with the lowest world prices in a century. Representatives of Max Havelaar of the Netherlands

arrived in Mexico and Central America during the late eighties and early nineties to introduce the idea of Fair Trade to most of the cooperatives studied. Certification requirements appeared to be much less rigorous back then than today as competition to enter the Fair Trade was less intense.

Nevertheless in each case, certain key individuals within the cooperatives have served as gatekeepers, mentors and interlocutors who are crucial to gaining and maintaining access to Fair Trade. These individuals, often national or foreign technical advisors, have had long term commitments to the cooperatives with which they are associated. For example, UCIRI's chief advisor was himself a key participant in the early Alternative Trade Organization movement and in the conceptualization and organization of the international Fair Trade movement. The California based buyer and owner of Elan Organic Coffee arranged for Fair Trade certification of La Voz cooperative in Guatemala and has provided consistent support in the form of long term contracts and technical assistance. In El Salvador, the secondary level organization APECAFE (Association of Small Coffee Producers of El Salvador) has served as an effective intermediary for Las Colinas' entry into Fair Trade markets. Cooperatives lacking advisors and leaders with the language and other skills to be effective international interlocutors have found entry into Fair Trade markets much more difficult, as illustrated by the case of Tzotzilotic, which held certification for ten years before selling in the Fair Trade market in 2001.

The seven case study organizations had diverse ideological orientations at their origin which were important in the early cohering of their social organizations and helped them survive subsequent crises. UCIRI and La Selva were first established with the assistance of Catholic religious missionary teams aiming to address the structural causes of poverty and marginalization in the agrarian sector. Others had more overtly political origins, as with Tzotzilotic's roots in peasant land tenure struggles or as in El Salvador, where the state established and ran agrarian reform cooperative programs.

Most of the cooperatives, with the exception of La Voz in Guatemala, have found that gaining Fair Trade certification does not automatically bring buyers or prefinancing. As in conventional markets, Fair Trade market buyers require assurance that producer organization will reliably fulfill contracts and consistently deliver quality coffee. CEPCO members interviewed observed that Fair Trade markets have been captured by a few organizations. CEPCO itself only gained Fair Trade contracts after a Brazilian frost resulted in higher conventional prices and Fair Trade buyers searched for new clients to replace defecting producers. Today, with the unusual exceptions of Majomut (which picked up La Selva's Fair Trade buyers after the latter organization lost its certification) and La Voz (whose longtime buyer purchases all its available Fair Trade certified coffee), coffee cooperatives are able to place only a portion of their certified coffee in Fair Trade channels. In all cases except La Voz, cooperative members and leaders observed that because of the current saturation of the Fair Trade market, for them, Fair Trade sales must be part of a diversified marketing strategy.

Sources within each organization concurred that the future of small farmer coffee lies in organic production, as both Fair Trade and conventional markets have begun to

discriminate in favor of organic coffee. FLO is actively encouraging its associated Fair Trade producers to move to organic production. In the Mexican cases, interviewees reported that lenders are increasingly reluctant to finance non-organic coffee. All of the Mexican cases are now moving members away from conventional to organic coffee. For example, nearly 60 percent of Majomut's production in the 2001-2002 cycle was organic. In El Salvador and Guatemala, by contrast, producers are reportedly still often reluctant to commit wholly to organic production because of concerns about the impact on yields.

In the Salvadoran and Guatemalan cases, Fair Trade certification preceded any systematic transition to organic production. In most of the Mexican cases, organic certification preceded Fair Trade certification. As will be discussed below, the rigors of organic certification arguably helped build more effective and resilient organizations. The organizational and administrative requirements of obtaining and maintaining organic certification both strengthen the organization and promote more producer participation. Organic production is reportedly more concretely grasped by producers because it deals with their everyday activities while Fair Trade relations are handled mainly at the organizational level.

All of the organizations explicitly address gender issues, though as one interviewee in Majomut put it, the commitment to gender issues emerged largely because of the explicit interest expressed by international donors and certifiers. For example, women's groups have been organized in Majomut and a sister organization established in La Selva which promote economically productive activities and educational projects among women. In no case was there a clear indication that gender was currently an important internal issue. In no case do women play an important role in governance of the organization. Men appear to dominate in decision making around coffee production.

All seven cooperatives, as will be shown below, have complex organizational dynamics that have benefited greatly from Fair Trade but which go far beyond participation in the system. The experience with Fair Trade varies widely across the cooperatives studied, ranging from Fair Trade paragons and outspoken promoters of the movement to unwilling outcasts and reluctant critics. Nevertheless, each of these cases might be said to represent examples of organizational success, as they have each survived considerable adversity to emerge as resilient organizations and proponents of the interests of their members.

2. Fair Trade Networks

Since entering the Fair Trade system, the seven case study organizations have had regular contacts with FLO, Max Havelaar, and other international Fair Trade organizations. Nevertheless, until recently, most of the case study organizations' experience of Fair Trade networks has occurred at the regional and national levels. This largely domestic focus stems from the organizations' historic activities in improving coffee production, collecting, processing, transport and commercialization for export. Until recently, their direct participation in the commodity chain mostly ended with delivery of the coffee to

the exporter. Interviewees consistently report that their access to information about Fair Trade and conventional market chains beyond their borders has been inadequate.

Nevertheless, Fair Trade and related organizational networks are becoming increasingly complex. Just as the survival strategies of individual member families tend to pursue diversification, the coffee organizations' Fair Trade networks are becoming more diversified in at least two major directions. First, the producer organizations are developing new forms of coordination among themselves. Second, producer organizations are negotiating direct relations with foreign companies seeking small farmer coffee under conditions that may resemble Fair Trade conditions but which occur outside of the FLO system.

International Fair Trade and alternative market organizations

Interviewees in the seven cooperatives spoke of regular contacts with Fair Trade and alternative trade organizations including FLO, Max Havelaar, TransFair Germany and TransFair USA, international and domestic certifiers, buyers, and Fair Trade related associations such as the Specialty Coffee Association of America and Biofach of Germany.

As UCIRI's technical advisor observed, Fair Trade has helped producer organizations learn about coffee marketing, permits, bureaucratic procedures, export/import transactions, and multiple certifications. La Selva's leaders remarked that Fair Trade's most important benefit may be that it subsidizes a period of "apprenticeship" in coffee marketing.

The cooperatives' contacts with FLO and other international Fair Trade organizations have varied significantly. Some cooperatives such as Majomut and Tzotzilotic have received FLO inspection visits annually, and report receiving helpful concrete and specific recommendations. Through FLO and other Fair Trade international participants such as Twin Trading of England and Simon Levelt of Germany, cooperatives have had access to valuable technical assistance. Others, such as La Voz of Guatemala, reported having had only one FLO visit despite having maintained certification during ten years. La Voz has received ongoing assistance from Elan Organic Coffees in California, and its own exporter, Excagua.

Some cooperatives such as Majomut, Tzotzilotic and La Selva, reported occasional communication difficulties with FLO inspectors and observed that FLO criteria are sometimes inappropriate for Mexican conditions. Interestingly, leaders of Majomut argued that FLO Fair Trade criteria should be more specific while those of La Selva argued that FLO criteria should be more general. Interviewees in several of the Mexican cases remarked that producers lack adequate participation in FLO policy making. UCIRI's advisor observed that producer representation in FLO governance has diminished over time. The Mexican coffee cooperatives have begun to try to influence Fair Trade policies by organizing and coordinating at the national level, for example, through the Agromercados Integradora and the Mexican Fair Trade Group.

Obtaining and maintaining Fair Trade certification has reportedly become more difficult, in addition to obstacles to actual marketing on the Fair Trade market. Two of the seven case study organizations, La Selva and Tzotzilotic, have lost their Fair Trade certification recently. FLO removed La Selva from its registry after administrative difficulties resulted in default on a major coffee contract. Tzotzilotic lost its certification because it had failed to sell on the Fair Trade market in ten years of certification and moreover, failed to collect its members' coffee in 2000, when heavy rains damaged the crop. In both cases, the loss of certification has resulted in members' reaffirmation of interest in Fair Trade. Both organizations are pursuing re-certification.

Prefinancing is a crucial condition of successful coffee commercialization and the possibility of access to favorable financing through Fair Trade represents a major benefit of the system. The case study organizations have often turned to Fair Trade sources for prefinancing. Las Colinas relies heavily on Fair Trade channels for financing coffee collection. Before losing certification, La Selva previously relied heavily on Fair Trade financing; with the loss of certification it faces difficulty in financing coffee collection. The organizations, nevertheless, also draw on other sources when financing conditions are more favorable. CEPCO uses financing from its own credit union, UCEPCO, and other bank sources. CEPCO and Majomut have obtained financing through Fondo Acción (Banamex-Fomin and BID). UCIRI began with Max Havelaar and other Fair Trade financing, but then moved to local and government sponsored credit as its credibility among domestic lenders rose. Majomut has drawn on Fair Trade financing, but is also a member of UCEPCO and receives financing from government agencies as well. Tzotzilotic has received government financing through FONAES for conventional coffee collection. La Voz is said to have access to more financing than it needs, and is in a position to lend money to members for a broad range of production-related needs.

In El Salvador, interviewees reported that Fair Trade financing was slow to arrive and many members sold some coffee through traditional intermediaries to generate cash needed to cover harvest costs. Other interviewees in Mexico that Fair Trade buyers do not automatically advance financing to certified producers; rather, producer organizations must first satisfy customary criteria of creditworthiness and coffee quality history before being granted loans.

External public and private institutions

The government sector does not directly finance Fair Trade coffee marketing in any of the cases. However, government credits and grants are frequently used to strengthen collection activities, improve infrastructure, acquire individual equipment, and support negotiation for export. Government agencies providing soft financing and grants in Mexico have included: Fondo Nacional de Apoyo a Empresas Sociales (FONAES); SEDESOL, FIRA, Fondo Regional de Solidaridad de INI, PRONASOL, COPIDER, COESCAFE, BANRURAL, Instituto de Historia Natural, ZORUMA, PROCAMPO, Alianza para el Campo, and INEA.

In El Salvador, the institutional boundary between the cooperative sector and the state is often unclear because of cooperatives' origins in the state imposed agrarian reform of the early eighties. As an agrarian reform cooperative, Las Colinas coordinates its activities with the Union of Agrarian Reform Cooperatives that Produce, Process and Export Coffee (UCRAPROBEX) and the cooperative umbrella organization, FESACORA (Federation of Agrarian Reform Cooperatives of El Salvador). As an association of coffee farmers, El Sincuyo coordinates its work with the Ministry of Agriculture. APECAFE, which now markets all Fair Trade coffee in El Salvador, is affiliated with UCRAPROBEX, which holds the export license for Fair Trade and organic coffee. In Guatemala, La Voz has benefited from the ANACAFE (Guatemalan National Coffee Association) Small Coffee Farmer Improvement Program funded by USAID as well as Canadian government funds administered through its embassy.

NGOs

International NGOs have helped support many of the case study organizations. For example, La Selva has received assistance in support of Fair Trade and organic production from the Interamerican Foundation, the MacArthur Foundation, the Grup Tercer Mon-Mataro and the Municipality of Mataroen, Catalunya. La Selva has also had assistance from national NGOs including IDESMEC, Conserva, AC., El Jugla y Vinculo, and Consejo Civil para la Cafeticultura Sustentable. In El Salvador, APECAFE works with the Fundacion Salvadorena para Investigaciones del Café (PROCAFE). In Guatemala, La Voz has received soft credits from Massachusetts-based Eco-logic.

Other producer organizations

One of the most impressive findings from the case studies is the role Fair Trade has played in encouraging contacts, exchanges and coordination among small farmer coffee organizations. In most of the Mexico cases, cooperatives first learned of Fair Trade and the certification process from other producer organizations. In several cases, cooperatives managed to obtain their first Fair Trade contracts when other cooperatives shared commercialization opportunities. Example, La Selva first sold coffee on the Fair Trade market when UCIRI shared a contract in 1990. Majomut was invited to contribute to one of La Selva's contracts in 1993-94. Tzotzilotic sold Fair Trade coffee for the first time with the help of Majomut in 2001.

The sharing of contracts is often the only way for Mexican organizations to break into Fair Trade markets today as supply far outstrips demand in the system. Interviewees in the cooperatives explain that such contract sharing stems in large part from a belief that Fair Trade participants should be mutually supportive. At the same time, they acknowledge that sharing contracts has an economic rationale because buyers frequently request more coffee than a single organization can provide at one time. Though the sharing of contracts continues today (for example, Tzotzilotic's recent participation in a Majomut contract), other interviewees in La Selva observed that today's tight market is pushing Fair Trade producer organizations to compete with each other as often as not.

Secondary level coffee and other producer organizations

Key players in Mexico's Fair Trade coffee system include the National Coordinator of Coffee Producer Organizations (CNOOC). CNOOC in 2002 has 126 member organizations, 80 percent of whose members are indigenous. In addition to lobbying the federal government for favorable coffee sector policies, it has also supported its members' coffee exports. In 1990, CNOOC organized its Commercial Promoter of Mexican Smooth Coffees to assist its members in marketing coffee internationally. CNOOC markets its own brand of coffee in the U.S., Aztec Coffee. CNOOC has been at the forefront of promoting Fair Trade participation among its members. Through CNOOC, for example, Majomut applied for membership in the Max Havelaar system.

Several of the Mexican cooperatives studied participate in the Latin American Association of Small Coffee Farmers (Frente Solidario). The Frente Solidario was organized in 1991 with the support of Max Havelaar, TransFair Germany, the Friedrich Eber Foundation and the Ecumenical Cooperative Development Society of Holland. The Frente has 17 cooperative members in Guatemala, Honduras, El Salvador, Costa Rica, Nicaragua, Colombia, República Dominicana, Bolivia y Venezuela and participates at a high level in FLO policymaking. In the case of La Selva, participation in Frente Solidario has opened doors for planning of new commercial ventures abroad, including participation in a chain of Germany cafeterias and another in Guatemala.

Depending on the affinity of interests and personal contacts of leaders, the Mexican groups also coordinate with national level producer organizations representing the broader agrarian sector, including UNORCA (National Union of Autonomous Peasant Organizations), the Network of Self-Managed Sustainable Farmers, and RASA Civil Society.

In El Salvador, as mentioned above, both Las Colinas and El Sincuyo coordinate their Fair Trade activities with APECAFE. APECAFE assists them with entering Fair Trade, organic, shade and other specialty markets and also helps them establish links with other development organizations.

New forms of producer association

Several of the Mexican cooperatives studied have begun developing new, secondary level forms of organization based on collaboration among producer organizations. These hybrid organizations reflect Mexican producers' recognition that as currently organized, the Fair Trade system can absorb at best only a part of current participants' certified coffee.

For example, UCIRI, CEPCO and Majomut have helped form a new firm, Integradora Agromercados, to collect and market Fair Trade coffee for sale within Mexico. This effort is part of a larger effort to promote a new system of Mexican Fair Trade.

La Selva has developed a model of loosely related private firms involved in coffee industrialization, commercialization and transport. Each of these firms is governed by boards of administration are independent of producer members. For example, La Selva is well known for the chain of 18 cafeterias, established in 1994, which bear its name. These franchised cafeterias are located not only in Mexico but are now found in Atlanta and Barcelona. According to La Selva cooperative's management, the advantage for members is that the cafeterias exclusively buy La Selva members' coffee and pay a premium. Moreover, a percentage of profits of firms is dedicated to development projects in support activities of the organizations. Another example of these associated firms is La Selva's participation with 28 other producer organizations in a new company, Integradora de Cafeticultores de Chiapas. The Integradora was established with funds from the Chiapas state government. The company plans to sell its brand of industrialized coffee with a *nombre de origen*, Chiapas, to Northamerican clients. CEPCO also reports developing a *nombre de origen* brand.

Relations with buyers

It was not possible to obtain comprehensive, comparable data on the various types of markets and buyers with which the cooperatives market their coffee.

Nevertheless, an interesting finding of the case studies is the growing trend among small farmer coffee organizations in Mexico to establish direct links with foreign companies seeking small farmer coffee. These contracts may include conditions that resemble Fair Trade but they occur outside of the FLO system. One such relation that has received great attention internationally is Starbucks' plan to establish new stores in Mexico. Participants from CESMACH cooperative (located near the El Triunfo Biosphere) at a July 2002 CNOG in Tuxtla Gutierrez meeting reported that they were negotiating a contract to supply small farmer coffee to a Starbucks and Conservation International joint venture (PLT, personal communication).

Similar direct relations are occurring in Mexico within the case study cooperatives. One of the earliest reported was CEPCO's trade relations with the US firm Royal Coffee, which was first negotiated under conditions similar to Fair Trade but outside of the FLO system. When TransFair USA began established, Royal Coffee entered the FLO registry. Currently, UCIRI is reported to be "carefully" pursuing direct relations with Starbucks, SaraLee, Philip Morris, Grupo Neumann, and Carrefour. UCIRI already has trade relations with Carrefour with prices comparable to Fair Trade. La Selva is developing direct commercial relations with small toasters in Barcelona, Rotterdam and Atlanta. La Voz in Guatemala has a long term relationship with Elan Organic Coffee of San Diego, as well as with its exporter, Excagua, though these ties are within the FLO system.

These new direct ties between producer organizations and large international corporations are controversial, both within the Fair Trade movement and within the cooperatives themselves. Large firms such as Starbucks and Carrefour have realized that a significant market exists for high quality coffee produced by small farmers. CEPCO explains that producers are under greater price pressure; very few organizations can sell all their coffee

to Fair Trade markets and they must pursue diversified marketing strategies. La Selva's manager concurs that under current conditions of a tight, competitive Fair Trade market, the temptation to go outside the FLO system is unavoidable. Nevertheless, he points out that a danger exists that these large firms could greenwash their non-Fair Trade coffee and eventually undermine the FLO system.

Links with consumers

Interviewees in several cooperatives mentioned the importance of establishing and maintaining direct ties with consumers as part of Fair Trade. Several cooperatives, such as CEPCO, La Selva in Mexico, La Voz in Guatemala and Las Colinas, regularly receive visits from consumer groups in the North. However, interviewees concur that such visits have become less common under the FLO system, in contrast to the period of Max Havelaar's influence in Mexico. This de-emphasis of such direct exchanges is widely viewed among the producer organizations studied as part of a wider shift away from viewing Fair Trade as a movement and toward seeing it as an impersonal market niche instead.

Many Mexican interviewees concurred in calling for a renewed commitment to developing and maintaining direct ties between Northern consumers and Southern producers. These visits help producers better understand the nature of the Fair Trade market, and create positive impacts on producer self-esteem and coffee quality. The visits are also likely to help consolidate and perhaps expand a Fair Trade market in the North which is experienced as stagnant by producers. Moreover, such direct ties may help producers better understand the role even a small Fair Trade market can play in stimulating improvements in non-Fair Trade market relations. Such understanding could help promote continued producer participation in the Fair Trade when conventional prices eventually rise.

3. Type of cooperative organization in relation to Fair Trade participation

In the Mexican case study cooperatives, governance systems build on preexisting indigenous representative structures of community level decision making. In El Salvador, governance models follow FESACORA and Ministry of Agriculture rules, which, as in the Guatemalan case, appear to be based largely on international cooperative governance models. Formal governance includes both elected and technical leadership.

In all the Mexican cooperatives, members elect community-level delegates to a general delegate assembly. These assemblies meet once or twice annually, and select officers for two to three year terms. In the case of CEPCO, which is a federation of cooperatives, an additional layer of representation exists. In all cases, including those of Central America, an administrative council is formed of President, Treasurer and Secretary. A separate elected oversight council helps ensure effective, honest administration. In some cases, smaller standing subcommittees deal with issues such as marketing and outreach activities. In most cases, elected officers are reimbursed for their direct expenses and also

receive a modest salary. This monetary remuneration is rarely adequate to offset the sacrifices officers make, which include extended absence from family and the need to hire wage labor to work their own fields. In many organizations, for example in La Selva in Mexico and La Voz in Guatemala, these elected offices are often treated similarly to indigenous *cargos*, which are considered a community member's duty and cannot be easily refused.

The general assemblies generally receive regular reports from officers and debate and approve general policy, usually guided by specific proposals from administrative councils. Administrative and oversight councils meet much more frequently to handle everyday details of cooperatives' operations and to deal directly with outside institutions. In Majomut, elected leaders of both councils divide operational responsibilities. The administrative council manages the marketing of coffee and coordinates the cooperative's technical team and office personnel. The oversight council manages coffee collection, the warehouse and processing plant.

Several of the case studies noted ongoing problems of governance. These included the regular loss of institutional memory as elected leaders leave office just as they are becoming experienced and competent. Because of generally low levels of formal education among members, elected cooperative leaders face a very steep learning curve for which they have little formal preparation. For similar reasons, ordinary members in general assembly often find it difficult to understand and assimilate the information given them by leaders and technical staff. With varied success, most of the cooperatives have developed information systems designed to provide adequate, comprehensible communication needed for members to provide necessary oversight of their cooperatives. These systems include verbal and printed information, regular internal publications, regular visits by elected leaders to community level assemblies, and continual training sessions for members and elected leaders. In El Salvador, interviewees report that regular FLO visits encourage greater transparency.

In none of the cases studied do women play a predominant role in governance. In no case study was there evidence that the role of women in cooperative governance represented a important internal issue. Nevertheless, members of MUSA, a women's organization related to La Selva, do send delegates to the cooperative's assemblies. Women represent a significant proportion of members of CEPSCO. Women's Commissions send delegates to both CEPSCO and Majomut assemblies. Technical teams have been directly involved in promoting women's groups. Each cooperative was involved in organizing development projects for women members or spouses of male members, often financed by Fair Trade social premiums.

In some cases, cooperative members have complained that their leadership is ineffective and even untrustworthy. In practice, important decisions are often made by elected leaders without adequate consultation of the membership. In the case of El Salvador, the original imposition of agrarian cooperatives by the state has often created confusion and conflict within cooperatives and has sometimes encouraged corruption.

The cooperatives' technical teams are a decisive dimension of the organizations' governance systems. Technical advisors include agronomists, biologists, marketing specialists, accountants, and even anthropologists, as in the case of Majomut. As mentioned above, long term technical advisors have provided important continuity and have served as crucial interlocutors in Fair Trade networks, as in the case of UCIRI. They have also been instrumental in helping their cooperatives gain access to project funding from external governmental and international donor sources. These technical teams work long hours and often at great personal cost, a sacrifice which recently cost Tzotzilotic its long time technical advisor.

Ideally, elected and technical leadership coordinate their work effectively. In some cases, interviewees reported that technical advisors informally hold most of the power of decision making within their cooperatives. For example, interviewees in La Selva reported that the manager of the firm assumes responsibility for most decisions because of low educational levels among elected leadership. In La Voz of Guatemala, members reported in interviews that the manager held control and sometimes appeared to be the defacto owner of the cooperative.

Such perspectives are not surprising in productive organizations that must be both economically viable and democratically governed. A fundamental tension exists between democratic governance, which by definition produces regular turnover of elected leadership, and the long term participation required of technical advisors. Moreover, several interviewees pointed out the contradiction inherent in a Fair Trade system which requires participants to be democratically organized yet also involves buyers who explicitly prefer long term, stable relations with individual persons in supplying organizations.

It should be pointed out that most of the problems reported with the case study organizations' governance and operations are problems found with cooperatives and democratic decision making more generally. They cannot be viewed as weaknesses specific to Fair Trade or other coffee producer organizations. Moreover, that governance problems such as inefficiency or even malfeasance are aired publicly and that leadership changes are made may be signs of the strength rather than the weakness of the democratic process in these organizations.

Most of the cooperatives studied report that they remain open to new members, though in practice they are selective. Cooperatives are concerned not to admit members seeking short term benefit of higher price in today's depressed market. The organizations face serious problems fulfilling contracts when conditions of high conventional prices exist because members often defect to the conventional market. UCIRI, Majomut and Tzotzilotic report that they require new members to ensure that they are small producers and will exhibit loyal behavior to the cooperative over the long run. Majomut and La Voz requires a monetary contribution from each member toward administrative costs. In El Salvador, Las Colinas is now closed to new members as its lands are held in common and the organization has difficulty paying its current members for their labor. An association

of small farmers with individual landholdings, El Sincuyo reports that it is seeking new members.

In Mexico, only members committed to transition to organic production are being accepted. Majomut requires new members to participate in organic production for a year and pass the first certification inspection. Some cooperatives, such as La Selva, encourage new members to go through its organic program by helping them sell their conventional coffee while they are in transition. La Voz is reported to require a commitment to organic production, in a self-conscious decision to keep new membership numbers down.

Fair Trade coffee buyers pay producers a minimum price of \$1.20 per pound plus an additional .05 social premium. Organic Fair Trade coffee receives an additional organic premium. In all cases, the destination of the added economic benefits of Fair Trade sales is decided in member assemblies, with guidance from elected and technical leadership and, in some cases, with input from FLO. In CEPCO, the *sobreprecio* (the price above conventional prices) was at first divided among participating members after discounting administrative costs. In 2001, on FLO recommendation, the social premium was separated out and spent on projects that each cooperative determines individually. In UCIRI, the social premium is dedicated to projects decided by delegates of each community and have included latrine construction and lozenge stoves. In Majomut, the *sobreprecio* was first divided among all members depending on the volume of coffee they delivered. As the proportion of Fair Trade sales increased, the social premium was used for projects involving women's activities and for a community organic promoter program. The *sobreprecio* went for construction of new infrastructure, including an electronic selector, a training center and the remodeling of central offices. La Selva distributes the *sobreprecio* by averaging prices from all its diverse markets and dividing them among members. The cooperative generally keeps 15 percent for administrative costs and reserves 5 percent for recapitalization. Members producing organic coffee receive more money, though the cooperative subtracts a lower administrative cost from conventional coffee producers because of the lower prices in that market. In its first year of sale in Fair Trade markets, Tzotzilotic reports that its general assembly determines what part of price premiums will go to community projects. Las Colinas reports that its assembly has decided to use premiums to pay off the cooperative's bank loans. In similar fashion, La Voz has used its *sobreprecio* to capitalize its credit funds, though recently members disillusioned with their leadership voted to distribute it among the members.

4. Systems of certification and quality

As mentioned above, small coffee producers in Mexico and Latin America have discovered that certified coffee, particularly organic coffee, represents the future for them. Most of the cooperatives are pursuing multiple certifications, including Fair Trade, Organic, Shade, Bird-Friendly and Eco-OK labels.

Most of the Mexican cooperatives studied are systemically moving toward organic production via incentives for current members and requirements for new members. CEPCO, Tzotzilotic and La Selva obtained Fair Trade certification before organic certification, though many of their small scale indigenous producers had long been producing without synthetic fertilizers and pesticides because of lack of capital. La Selva reported that "participation in Fair Trade networks opened the door for La Selva to obtain financial support and donations to make possible organic certification (19)." Majomut was organically certified before it entered the Fair Trade market. APECAFE in El Salvador is promoting organic production but many cooperative members are reluctant because of concerns about possible yield declines during transition.

Small coffee producers in the past have often not understood the quality demands of Northern specialty markets, in no small part because growers rarely consume their own export-quality coffee. Moreover, as pointed out in the La Voz case study, the quality demands of global markets, and the rigorous enforcement they require, may directly challenge customary forms of economic and community relations in rural areas of the South.

Fair Trade and organic certifications, nevertheless, promote greater coffee quality. As noted in the Guatemalan case, cooperatives develop long term relationships with buyers and have an incentive to improve coffee quality to keep them. Higher prices in Fair Trade may also make possible investments in quality improvements. Majomut reported that it used Fair Trade price premiums to improve the quality of its export coffee with the purchase of an electronic selector. Fair Trade and organic certification requirements have given several cooperatives the standing to obtain external funding to improve quality as well. CEPCO, for example, has obtained funding from OXFAM America, the Ford Foundation and Starbucks to improve post harvest activities.

The Fair Trade network can be a source of valuable feedback. Majomut reports that FLO inspectors annually review volumes sold within the system, the chain of custody, the distribution of premiums, progress made in social development and information systems for members. The cooperative sees FLO involvement as a source of helpful information on how it might improve. Fair Trade and organic buyers and certifiers such as CERTIMEX have often provided market information and technical assistance to cooperatives to improve quality. Twin Trading of England provides regular market information to Majomut and sends a staff member regularly to provide training in marketing, contracts, risk management, financial control and strategic planning. Tzotzilotic observed that the quality of its members' coffee has improved markedly since the cooperative entered the Fair Trade and organic markets. In El Salvador, APECAFE has helped cooperative members understand the link between quality and systematic, careful harvest, drying and selection. La Voz' Fair Trade exporter, Excagua, has helped La Voz deal with its quality issues.

The rigors of certification can strengthen a producer organization especially, according to several interviewees, in the case of organic certification. The rigors of satisfying organic certification requirements may promote stronger, more sophisticated administrative

systems. La Selva's staff reported that organic certification requires greater internal control and helps develop a culture of respect among members for written agreements. Organic production also requires an close involvement of each producer in daily production activities. Many of the case studies, not surprisingly, reported much higher levels of understanding of and participation in cooperative activities by members involved in organic production.

Certification is expensive and time consuming. The costs of Fair Trade certification are not borne by the producer, but paid for by buyers. Nevertheless Fair Trade certification requires significant investment of time and organizational resources for tracking information, making reports to FLO and receiving FLO inspectors periodically. Organic certification is paid for by the producer and requires a great deal of organizational support to monitor production conditions and maintain chain of custody. Moreover, as CEPCO points out, cooperatives marketing in both Northamerica and Europe may require dual organic certifications, for example from both OCIA and Naturland. In 1998, the Mexican Organic Certification firm (CERTIMEX) was established, which reduced inspection costs.

Numerous interviewees in the case study cooperatives observed that FLO requirements are sometimes inappropriate to local conditions. Majomut, for example, remarked that one FLO inspector appeared not to understand the crucial difference of Mexico's unique land tenure system of ejidos and agrarian communities. Tzotzilotic complained that its FLO appointed monitor was insensitive and while other cooperatives protested and received a new inspector, Tzotzilotic did not protest and the same monitor eventually recommended the cooperative's removal from the FLO registry. Some of the cooperatives, such as Majomut, report participating in the Mexican Civil Council for Sustainable Coffee Cultivation and the Mexican Fair Trade group, which advocate using FLO norms adapted to Mexico's conditions. La Voz in Guatemala, by contrast, reported that their contact with FLO has been minimal and that they held Fair Trade certification without annual inspections until last year.

Many of the cooperatives studied point out that the production, monitoring and inspection requirements of organic, Fair Trade and shade coffee are compatible and often overlapping. As Majomut's technical team pointed out, Fair Trade currently asks that production tend toward transition to organic and be environmentally friendly. Organic certification based on international norms such as IFOAM (International Federation of Organic Agricultural Movements) includes a chapter on social justice.

Interviewees consistently suggested a move toward convergence of certification procedures to save time and expense. Some of the Mexican cooperatives, such as Majomut and CEPCO, are participating in efforts to develop sustainable coffee norms to make possible a brand for coffee sold under organic, Fair Trade and shade criteria. Such a unification of norms, inspections and certification procedures would make it easier to promote a sustainable product to consumers as well as saving costs and time.

5. Points of view on Fair Trade among producers and other participants

For diverse reasons, producer members of the cooperatives studied very often do not understand what Fair Trade is. Fair Trade in most cases represents only a proportion of their cooperatives' sales. Fair Trade is more distant from producers' everyday work lives than organic certification because Fair Trade is more abstract and is handled at the organizational level. And, organizers and development agencies sometimes place relatively little emphasis on educating producers about Fair Trade. In some cases, as reported in the El Salvador case study, cooperatives may prefer to consolidate producers' loyalty to the organization than explain Fair Trade's intricacies. Newer cooperatives may be more interested in capitalizing the organization so they return less of the *sobreprecio* to producers. Or, for example, one ANACAFE promoter in Guatemala was reluctant to explain Fair Trade because "the benefits don't reach the small producer but stay higher up along the chain." (26). Nevertheless, as most cooperatives are now having member assemblies decide what to do with social premiums, more members become more familiar with Fair Trade.

As Majomut points out, it may be said that three levels of understanding of Fair Trade exist within the coffee cooperatives. Members in the communities have little clear understanding of Fair Trade. Community-level delegates to the cooperative assemblies have been exposed to more information on Fair Trade. Third, elected leaders and technical advisors have the most precise understanding of Fair Trade.

Producer perspectives on Fair Trade

For many producers, Fair Trade means higher prices for coffee and better incomes. This was the case in El Salvador's Las Colinas where higher Fair Trade prices mean that members can be paid for their work in the coffee plantations. For them, the main advantage of Fair Trade is secure and stable employment. An El Sincuyo member remarked similarly that "What we gain (from Fair Trade) is a better price, which comes from being organized. They value our work and effort. It is important because through the meetings we make links with people that help us meet our goals." (20) In similar fashion, La Selva's leadership suggests that older members see the *sobreprecio* as the chief advantage of Fair Trade as prefinancing is not visible to most producers.

Some producers believe that in Fair Trade, intermediaries do not enjoy the high returns of the conventional market, but rather a balance is sought between producers and consumers with more direct dealing. As UCIRI points out, some producers see Fair Trade as involving a closer relationship between producers and consumers with fewer or no intermediaries. Many Majomut producers reportedly believe that almost all their coffee goes to Fair Trade or organic markets and do not understand that their cooperative also must sell part in the conventional market.

Some producers believe that Fair Trade coffee is of higher quality than conventional, contaminated coffee. One Tzotzilotic member said: "The Fair Trade people want quality, if your coffee isn't of quality it will be turned back at the border." (13) One UCIRI

producer commented that the producer offers a quality product and the consumer pays a fair price to improve the living conditions of small producers.

There is relatively little understanding of the certification process among producers. FLO inspectors are rarely distinguished from the organic inspectors. Producers most often identified involvement in Fair Trade with belonging to their organization. The direct benefits of Fair Trade, such as higher prices, are attributed to the activities of their own organizations rather than to the Fair Trade movement itself.

According to the Tzotzilotic case study, some producers wonder whether the same 'fair' trade rules, philosophy and moral values apply to importers. "Do they ask for the history of the importers like they ask for certain requirements from us, and like we are monitored, is it the same for them?" Another Tzotzilotic member remarked that "We are not guaranteed anything, our organizations must act on good faith and honesty alone in these transactions." (13)

Leadership perspectives on Fair Trade

Majomut's leadership sees Fair Trade as having laid the foundation in many cases for being able to open contacts with other alternative markets. According to La Selva, cooperative leaders see prefinancing as the principal advantage of Fair Trade.

La Selva's leaders believe that with Max Havelaar, there were more opportunities to deal directly with consumers in Mexico and abroad than there are now with FLO. Communication was better with Max Havelaar: "in those days we could talk with people from Max Havelaar and things could be discussed, there was the chance to convince through arguments." (30) FLO represents the institutionalization of Fair Trade, according to La Selva's manager. La Selva's manager commented that "it is expected that [Fair Trade] serves to get producers to make a series of changes that increasingly will make them look more like the consumers that buy their products. This desire isn't meant negatively. On the contrary, consumers are convinced that they are doing this for the good of the producers since they are the best mirror. The idea could be summed up as "'nice' neocolonialism" (*neocolonialismo 'buena onda'*) (30).

Some cooperative leaders believe that the Fair Trade market is now exclusive. The Tzotzilotic technical advisor remarked that "There are no buyers because those that are listed in the agreement already have those who buy from them (13." One cooperative manager in Guatemala remarked that Fair Trade is "'a lie, what the market wants is quality and for that they will pay more." (28)

If producers and even cooperative leaders have an unclear understanding of the Fair Trade system at the level of production, collection and processing, they have much less clear understanding of the rest of the Fair Trade coffee commodity chain, its principal actors and how agreements are negotiated. As noted in the Salvadoran case study, "When farmers were asked this year on what topics they would like to receive training, they

unanimously expressed the need to gain more knowledge on alternative markets, specifically organic and Fair Trade."

6. Benefits of Fair Trade for producers, their families, their organizations and their communities

All seven case studies concurred in concluding that Fair Trade brings concrete, positive benefits to the different stakeholder groups in the coffee producing South. In all the cases, however, interviewees remarked that Fair Trade alone cannot solve the economic and development problems of marginalized areas. As the CEPSCO report observes: "...the coffee producing zones coincide completely with the map of extreme poverty in the country, the regions defined by the State as requiring priority are the same that produce the coffee producer in Mexico" (19).

Nevertheless, as part of a diversified strategy of development, Fair Trade has made and has the potential to make quite important contributions. Some benefits of Fair Trade are direct, though in many cases still modest, as in Fair Trade contributions to producer and producer family incomes, the extra financial and technical margin it has provided for producer organizational strengthening, and impacts on employment in producer communities. Other impacts are indirect, as, for example, in strengthening producers' access to external development funding and services and enhancements in producer organization credibility with government agencies and financial institutions. Moreover, much of Fair Trade's positive impact has, particularly in Mexico, been the support it lends to organic coffee production, which generates a related stream of benefits such as increased income, employment opportunities and environmental improvements.

Producer level benefits

Price/income

The UCIRI report cautions that most cooperatives are unable to sell all their coffee in the Fair Trade market. Therefore, producers' receipt of the Fair Trade minimum price is insufficient to offset recent drastic losses of income because of the conventional price. Nevertheless, the Fair Trade price benefit serves as a partial subsidy, offsetting the negative impact of being forced to sell coffee at below cost in the conventional market. Majomut's technical team reported that Fair Trade prices to producers in the last two years have been as much as 200% higher than conventional prices. The average member harvests 15 quintales/year. If production is organic, such as producer received \$15,500, about \$US1,700. If the producer had sold to intermediary, they would have received only \$5,000 (\$US 550).

CEPCO, Majomut and others also observe that the minimum price and the stability it offers allows producers to better plan their family expenditures as they can more accurately predict their income.

Access to credit

Another benefit from Fair Trade, according to CEPCO, UCIRI and others, is increased access to prefinancing, either from conventional bank credits, or from Fair Trade sources. Knowing that in bad times prefinancing is available from Fair Trade sources is an important source of stability.

Coffee quality improvements

With Fair Trade, the producer has access to training and other technical assistance to improve coffee production as most cooperatives sponsor technical assistance through technical promoters. Members of Majomut, for example, have access annually to an indirect benefit of Fair Trade: a minimum of 6 training courses in organic production techniques, exchanges, and technical updates per year). As pointed out in CEPCO, UCIRI, La Voz and Las Colinas, producers participating in Fair Trade have access to greater feedback and information about their own coffee which allows them to plan and implement improvements.

Networks

Another benefit of Fair Trade cited by interviewees is the development of new networks of contacts encouraged by participation in Fair Trade. The El Salvador observed that: "Fair Trade supports building of social networks and collective action that is essential for local actors to build and move forward their own development processes." Interviewees in CEPCO, UCIRI and Las Colinas pointed out that Fair Trade makes possible exchanges of information between producers and buyers that create new commercial opportunities for producers. In La Voz, producers spoke of participating in exchanges of visits with other producer groups that bring new information and provide incentives to similar efforts.

Access to other development projects

An indirect benefit of Fair Trade is that it can increase producers' access to other development projects. CEPCO, UCIRI and Majomut, for example, spoke of enhanced member access to health, consumer supplies, housing and transport projects. Las Colinas, in El Salvador, gained access to earthquake relief assistance through their Fair Trade networks, mediated by APECAFE.

Increased self-esteem

Most of the case studies reported that producers' self-esteem was enhanced through participation in Fair Trade. CEPCO reported that such self-esteem was often manifested in producers' behavior relative to others in their community, such as increased participation in public assemblies. Majomut reported that increased self esteem was reflected in enhanced enthusiasm and interest in remaining producers of food and coffee for sale. Members see other non-members as having to migrate while they find their

possibilities of remaining in the community improved. Producers also express pride in belonging to an organization that is growing despite hard times in the coffee sector.

UCIRI reported that Fair Trade contributed to a recuperation of pride in being indigenous, "not in a romantic form but as ancestral inhabitants of their land and their country" (15). Producers in La Voz cooperative spoke of their involvement in organic production (encouraged by Fair Trade), saying that "we are rescuing the culture and rescuing the system of production that was used before but with more technical knowledge." (32)

Producer families

In similar fashion, Fair Trade participation cannot be said to transform producer families' situation. UCIRI observes that the income increases from Fair Trade are insufficient by themselves to ensure the survival of the family. Families' access to education is poor and inadequate. Nevertheless, the standard of living among UCIRI cooperative members has improved. There is persistent poverty, but not extreme misery. All of the reports concurred that Fair Trade makes a positive contribution to the improved well-being of producer families.

Increased income

La Vow's members reported that the increased income from Fair Trade allows members to hire wage labor, freeing children to remain in school.

The Majomut report observes that in Chiapas, coffee represents 80% of money income for member families, though families engage in a diversified economic strategy involving subsistence grain production. The average member family has 1.2 ha in coffee. 2 ha in basic grains. 0.5 ha in garden. Coffee is the principle market crop, though the family typically has other sources of resources. According to one study cited in the Majomut report, member families participating in Majomut cooperative in recent years saw an increase in family income of between 100-200%. They experienced an increase in their level of food consumption because of their participation in the cooperative's diversified organic production and subsistence supply program. 400 women were working collectively on organic gardens, chicken farms for self-consumption and sale. When member families participate in organic production, under shade, they have access to other resources for food, firewood, construction materials, medicinal plants. A 1996 study cited in the Majomut study suggests that organic, shade diversified coffee planting can provide up to 20 percent more monetary returns, in addition to subsistence foods.

Additional employment

An important indirect benefit of Fair Trade, especially where it promotes organic production, is that it has contributed enough additional income and labor opportunities to help many participating producers to remain in coffee. As CEPCO points out, Fair Trade

sales, even if they do not represent a high proportion of total sales, can allow continuing coffee production when others have abandoned it and migrated, or turned coffee fields into pastures or maize plantings. The organic production promoted by Fair Trade pays for most of the family labor used in organic production. In some regions, emigration is lower among families that do organic coffee. Though organic production alone cannot reverse migration trends, it may allow at least a part of the family to remain to take charge of the farm and avoid losing certification.

An additional source of employment comes from participation in the coffee cooperatives. When staff is necessary for projects, as promoters, or trainers, CEPCO, for example, selects from among member families.

Access to projects

The families of producers participating in Fair Trade have access to a diverse range of projects organized and often implemented by their coffee cooperatives. For example, CEPCO reports that its members have had access to projects including Sustainable Coffee, technical assistance, guaranteed micro credits, husbandry of birds, calves, gardens, bakeries, forestry nurseries, artisanry, consumer supply stores, community pharmacies. Majomut has supported training in organic maize production, policultivo (traditional *milpa* system) and other non swidden agricultural techniques.

Producer organizations

These contributions to the well being of producers and producer families notwithstanding, perhaps the most important contribution of Fair Trade has been to the strengthening of producers' own coffee organizations.

Market apprenticeship

La Selva's leadership emphasized that one of the most important benefits of Fair Trade was that it has subsidized a crucial " apprenticeship" in learning to export. (31) UCIRI points out that Fair Trade has promoted cooperatives' creation of their own marketing channels, (Max Havelaar, Fair Trade, Carrefour, Fair Trade of Mexico, etc). Through their participation in Fair Trade, cooperatives gain access to constant information on the market, including lists of buyers and importers and lists of producers circulated among network participants.

Organizational strengthening

Although Fair Trade in most cases represents a small part of producers' commercialization opportunities, that extra margin significantly strengthens the coffee cooperative. As CEPCO points out, Fair Trade allows paying a higher price at the moment of collection. It increases the credibility of the organization in a time of low prices "because during times of low coffee prices [producers] get discouraged and want to throw in the towel." For Majomut's leaders, Fair Trade's stability of price allows the

organization to be able to calculate the price paid the producer without risk of loss. Because of the higher price, the organization can represent a real alternative for members and can operate long term. This builds producers' confidence in the organization, and they are more likely to support it with loyal behavior when conventional prices are higher.

The possibility of access to prefinancing is another important organizational benefit of Fair Trade emphasized by numerous case studies, including La Selva, which recently lost a principal source of its prefinancing with its loss of Fair Trade certification. Majomut reported that Fair Trade financing represented 30% of its credit. Though cooperatives may not use it every year, as in CEPCO and UCIRI, the possibility of prefinancing is an important guarantee given the uncertain financial situation in producer countries.

All of the participating cooperatives have been able to use a portion of the additional Fair Trade prices to capitalize their organizations. Majomut, for example, reports dedicating a part of their Fair Trade profits over the last three years to the purchase of an electronic selector machine for their processing plant, the construction in Polho of a warehouse for organic coffee and a training center (with additional external funding), as well as remodeled central offices. In similar fashion, La Voz has used part of its Fair Trade returns to pay for improvements to its processing plant and office space.

Fair Trade promotes organic production and as CEPCO has found, organic producers tend to have closer relationships to their cooperatives and are more participative. Moreover, Fair Trade has also strengthened the cooperatives by enhancing their relevance to members through their promotion of alternatives to coffee.

La Selva's manager summed up the importance of strengthening the producers' coffee organizations: "we know that if today La Selva decided not to continue with coffee commercialization, the organization would continue. This is clear to us because in the community-level [cooperative] assemblies, coffee sales and organization production activities get discussed but they also discuss more general problems in their relations with the institutional world. For example, when and how government programs work, problems with the Civil Registry (births, marriages, deaths), problems of land tenure, religious festivals, etc." (34)

Increased credibility with external agencies/institutions

Most of the case studies reported that an indirect benefit of participation in Fair Trade is that it increases an organization's credibility among government and other external institutions, including banks and development agencies. La Voz points out that banks, for example, perceive that organizations marketing in the Fair Trade sector are likely to have greater market security. As CEPCO observed, participation in Fair Trade demonstrates that an organization and its members are subject to external monitoring and shows their initiative in a positive light. La Selva reported that its Fair Trade participation gave it enhanced credibility with government agencies, which subsequently funded infrastructure improvements, like the processing plant, drying patios and depulpers. These

improvements consolidated La Selva as a business, which later led to obtaining other credits to finance the development of their own coffee brands, toasters, packers, etc. These improvements in turn helped stimulated increased management capacity.

Coffee quality improvements

Participation in Fair Trade has encouraged cooperatives to be more demanding of quality from their members, as CEPCO points out. UCIRI and Majomut observe that Fair Trade supports the creation and maintenance of technical teams to assist with production, organization, and administration. In Majomut, for example, the *sobreprecio* allows partial payment of technical assistance and training of peasant technical promoters.

Diversified services

Most of the coffee cooperatives studied (with the exception of La Voz) have also developed diverse services outside of coffee. UCIRI reported an enhanced capacity with Fair Trade to develop and offer alternative projects in health, consumer supply, housing, transport, etc. CEPCO cites the example of one of its member organizations, Sociedad Cooperativa San Juan Metaltepec, which created a fund for emergencies and to cover cost of participating in different programs and projects, including women's' groups. Others, including Majomut and La Selva, for example, have supported the establishment of women's' groups that engage in a variety of educational and productive activities, including literacy and food service.

Many of the Mexican coffee cooperatives, stimulated and supported in part by its participation in Fair Trade, have been active in representing coffee producer interests in state and federal policy circles. They have coordinated with groups such as Coordinadora Nacional de Organizaciones Cafetaleras (CNO), Asociacion Nacional de Empresas Comercializadoras (ANEC), Asociacion Mexicana de Uniones de Crédito del Sector Social (AMUCSS), Union Nacional de Organizaciones Regionales Autonomas (UNORCA) on policy issues. This is an important enhancement of coffee producers' organizational and political capacity in support of the well being of their communities and regions.

Producer communities

Employment

CEPCO points out that the community level benefits of Fair Trade are not highly visible, as the percentage sold in Fair Trade by community members is not high. Nevertheless, there are indirect benefits of Fair Trade, especially where there is organic production, such as more employment opportunities paid for by the *sobreprecio* received.

Majomut's technical team writes that Fair Trade's support of organic production has helped many members remain in their community without permanent or temporary migration. The organic system creates more family labor jobs. A 1995 study suggested

that organic production requires almost double the man days of conventional production (208 relative to 112/year). Majomut members had in 2001 1,894 ha. in organic program. This represented an additional 180,000 work days/year covered by members of member communities.

Community services

Fair Trade social premiums have been used in a variety of ways supportive of community needs. CEPCO cites the example of its member organization, Sociedad Cooperativa Fuerza Organizada, which used the Fair Trade social premium to finish buying a pickup truck used for marketing and other community services. UCIRI created the CEC educational and training center. Majomut has helped sponsor and implement diverse community development projects with at least partial Fair Trade support, including housing construction and improvement, local consumer supply stores, mills and tortillerias for women, credits for pack animals and collective women's' groups for food self-sufficiency. Producers in Majomut communities have begun participating in savings and problem in which a peasant micro bank has been with 114 members. According to Majomut, the enhanced capacity for community management and support from economic organization supported in part by Fair Trade has allowed the introduction and improvement of roads in five communities.

Cultural benefits/self-esteem

According to several of the reports, Fair Trade has a positive contribution to community culture. The La Voz study points out that Fair Trade operates in an indigenous community suffering dramatic changes from out migration, increased education, and the penetration of capitalist economic relations. Cooperative membership helps provides a sense of group identity. With the organic production promoted by Fair Trade, members observed, "we are rescuing the culture and rescuing the system of production that was used before but with more technical knowledge." (32).

Environmental improvements

Fair Trade has had a positive contribution to make to participating communities' environment. According to CEPCO, Fair Trade contributes to environmental benefits, such as improvements from organic production, soil conservation, water management. It supports the creation of awareness of conservation and the maintenance of species diversity of shade coffee plantings. Fair Trade encourages and helps make possible improved results in coffee production from higher yields of organic and the exigencies of certification. Among CEPCO members there has been promotion of bee projects in organic plots and the possibility has been created of the establishment of organic honey production.

Majomut's technical team reports that there has been enhanced conservation of soils in organic coffee plantings. Their studies show a reduction in the loss of soil from erosion of 3,800 tons/year among their member communities doing organic production. There has

also been an improvement in the capture of rain water. According to Majomut, a diversified coffee planting managed organically offers significant biodiversity conservation services, as it can have up to 64 different species in three vegetative levels.

7. Problems and solutions in Fair Trade networks

The Fair Trade market

All of the case studies identified the Fair Trade coffee market's slow growth as the system's most important current problem. The volume of certified coffee available from producers far outstrips their ability to market it under Fair Trade conditions. Tzotzilotic members remarked that historically low conventional coffee prices have swollen the ranks of those seeking participation in Fair Trade. According to Las Colinas, the market bottleneck encourages buyers to become more selective, demanding quality standards many cooperatives cannot meet. Moreover, as Majomut points out, only part of a participating cooperative's coffee can typically be marketed as Fair Trade, so that "the price a member received may not actually be that which has been determined as being necessary to permit adequate living conditions" (23).

La Selva's leaders "recognize that the principal contribution of Fair Trade is that it strengthens organizations through a less competitive environment that permits an apprenticeship in the market." Yet UCIRI and La Selva pointed out that the stagnant Fair Trade market foments competition among producer organizations as they struggle to find and maintain contracts. This problem of competition among peers is particularly acute for La Selva, which in earlier years shared Fair Trade contracts with other small producer organizations. Now, with the loss of its certification, La Selva has seen other producer organizations such as Majomut taking up its Fair Trade coffee contracts.

Interviewees in several cooperatives observed that Fair Trade benefits typically accrue to the strongest and most well established producer organizations. Newer, less developed cooperatives find it difficult, if not impossible, to break into the Fair Trade market. La Voz members observe that they are fortunate to have strong donor backing that allows them to buy higher prices at harvest in the form of loans. However, donors and other lenders typically lend only to well-established coops with strong Fair Trade and organic market participation, leaving out younger, less secure cooperatives. In El Salvador, Fair Trade until now has benefited only agrarian reform cooperatives. Yet, individual farmer associations represent the poorest producers in El Salvador.

La Selva's manager remarked that "In its current form, Fair Trade is having its impact on an elite group of producers and is forming new *cacicazgos*. This is not what the rules of Fair Trade are supposed to strive for. From this perspective, the fair market should have tried to incorporate also the dispossessed into the system (37)."

CEPCO, UCIRI, Majomut and Tzotzilotic call for FLO to develop a common commercial promotion strategy in Northern consumer countries. Meanwhile, the cooperatives are

taking every possible step on their own part to open up new Fair Trade markets. Majomut sends samples to prospective buyers and participates in forums and campaigns that promote Fair Trade. For last five years, for example, the cooperative has participated in the Annual Conference of the Specialty Coffee Association of America and has presented academic papers on Fair Trade in the U.S. Majomut reports that it dedicates a premium it receives from one of its German buyers to the promotion of the concept of Fair Trade in Germany to increase sales.

Fair Trade system governance

Most of the cooperatives studied expressed concern about FLO's current system of governance. UCIRI and Majomut remarked on communication problems with FLO, including inspectors who lacked adequate understanding of the political and legal context in which producer organizations operate, decisions made without the knowledge or consultation of affected organizations, and a lack of clarity about where decisions are made and where participants should turn to have problems addressed. La Voz' members observed that Fair Trade requires democratic, transparent producer organizations yet FLO certifiers have refused to provide copies of their evaluations to their organization.

These organizations and others called for greater democratic participation by producers in the operation of FLO. Some called for additional representation of producers' interests and concerns at the international level of FLO. Tzotzilotic suggested that regional informational meetings be held, with workshops to expand producer participation in decision making.

Several of the Mexican cooperatives' leaders suggested changes in the nature of FLO certification criteria. Interestingly, these suggestions were quite diverse. Majomut, for example, observed that FLO's current norms and criteria are too general and ambiguous and called for more specific guidelines that were more appropriate to local context. La Voz's members called for more rigorous FLO oversight of member organizations' operation. In the context of alleged inefficiency and corruption in that case, La Voz' members suggested stronger forms of external auditing that could encourage more internal transparency. One Guatemalan certifier remarked: "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." (41) La Selva's leadership, by contrast, called for a more general set of criteria to make Fair Trade more flexible rather than what they see as FLO's current emphasis on standardization.

Interviewees were divided on whether FLO should have a rationing mechanism for producer participation in Fair Trade. La Selva's manager called for FLO to ensure that Fair Trade does not create a producer elite but to make sure that projects include the most marginalized producers. La Selva suggested that FLO broaden the reach of Fair Trade by lowering the minimum price, which, they argued, would result in an increase in consumer demand. La Selva's manager also suggested that rules be established for how long an organization can be in the Fair Trade network, to allow new organizations to enter. One of La Selva's founding members, however, remarked that they had argued against such a

policy during the era of Max Havelaar's relationship with the cooperative. Tzotzilotic and others opposed the possible lowering of the minimum price.

Other case studies pointed out issues related to Fair Trade participants further up the commodity chain. The Guatemalan report observed that importers, roasters, certifiers, and development agencies are often skeptical of the role of organizations such as Trans Fair USA play in Fair Trade. One Guatemalan certifier says he cannot wholeheartedly support the movement. One importer said "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." (41)

Other suggested changes in FLO included a suggestion by La Selva that FLO become more of a mechanism of pressure on government policymaking, to demand more favorable structural policies for rural producers. The El Salvador report remarked that Fair Trade currently involves no defined strategy for working with other actors in rural development. The benefits of Fair Trade to producers come not only from direct economic returns, but from "using [Fair Trade] as a network for other rural development goals." (23). FLO criteria says that FT should "contribute to the development of certified producers" yet currently is less part of broader development strategy than it is an alternative market that offers more equitable negotiating conditions.

Unification of certification and labels

Many of the interviewees in the studies coincided in recommending a convergence or even unification of certification processes and labels. Most of the cooperatives studied pursue multiple certifications, including Fair Trade, organic, shade, Bird Friendly, ECO-OK, etc. These multiple certification processes are expensive and time consuming. Because they overlap to a great extent, producers would like to see the process simplified.

CEPCO, for example, suggests that inspectors who currently certify organic production could be trained by FLO to include Fair Trade criteria. In Mexico, CERTIMEX could carry out dual certifications more cheaply and with sufficient rigor. The El Salvador report calls for similar FLO alliances with certifiers. At the same time, it points out that some growers are currently reluctant to embrace organic or shade production because of concerns about yield reduction and the costs of multiple certifications.

Some of the producer organizations are suggesting the development of a common label that combines Fair Trade, organic and other compatible criteria. Majomut and others are promoting in Mexico a Sustainable Coffee brand.

Improving producer understanding of Fair Trade

Producers and coops constantly ask for information on the market: how to enter diverse niches, how to make contact with roasters, how to sell their coffee as something unique.

According to interviewees in most of the cooperatives studied, producers currently lack sufficient information on and understanding of the Fair Trade system. In El Salvador, for example, cooperative members had no clear understanding of Fair Trade's ideological motivations and its emphasis on producer-consumer interactions. Too much information remained in the hands of board members rather than being transferred to members.

The Guatemalan report pointed out that the lack of producer understanding of Fair Trade is likely to be damaging when coffee prices return to normal and producers see little incentive to selling to an alternative market.

Most of the cooperatives called for more emphasis on increasing understanding at all levels of Fair Trade. CEPCO suggested incorporating Fair Trade as a permanent training theme within current organic coffee programs.

The issue of producer education is related to a fundamental disagreement over the nature of the Fair Trade system, as discussed below. Most of the producer cooperatives studied express discomfort with Fair Trade's current trend toward becoming a niche market rather than a movement. Without adequate education of producers, this depersonalization of Fair Trade is more likely.

Closer ties between producers and consumers

Many of the case studies called for a reestablishment of emphasis on developing direct ties between producers and consumers. Currently, Fair Trade coffee under FLO, interviewees contend, is being conceptualized as a niche market rather than a social movement.

This depersonalization of the system can result in the promotion of stereotypes and assumptions that undermine the goals of Fair Trade. In Guatemala, indigenous communities are often idealized by buyers and consumers as egalitarian and open societies. This naïve "good" portrait is often matched by a "bad" portrait in which communities refused to abide by rules, ignorance, laziness, etc. According to La Selva's leadership, the use of marketing (*mercadotecnia*) as a strategy of diffusion of Fair Trade depersonalizes the relations between consumers and producers. This is pernicious, they argue, because it encourages producers to believe that the most important precondition for their participation in Fair Trade is that they are poor. The notion that "they buy from us because we are poor" undermines producers' capacity for self management.

La Selva, Majomut, and Las Colinas' participants called for the promotion of direct producer-consumer ties, with an increase in awareness in both North and South of Fair Trade's principles and a more transparent information exchange. CEPCO called for the development of broader, more enduring alliances not only between producers and consumers but among all participants of productive chain, especially brokers, importers and industry in North.

New forms of commercial association

One of the most interesting findings of the case studies is that producer organizations are pursuing new forms of commercial association as they struggle to survive and prosper in tight Fair Trade, organic and conventional markets. One of the most controversial of these new forms involves negotiation of direct commercial relations between producer organizations and large international firms such as Starbucks, Neumann, Carrefour and others. These large firms have become aware of the market potential of small farmer coffee produced under environmentally sound conditions with a measure of social justice. However, they are negotiating contracts that usually occur outside of the FLO system.

CEPCO observes a strong need to discuss with other producer organizations and FLO the implications for Fair Trade of these new arrangements. They point out that these new options for producers are in large part an achievement of the Fair Trade system. Fair Trade has demonstrated the existence of a market niche that now interests large commercial groups specialized in coffee and in retail distribution. It is difficult to fault producers for their interest in ties to these large firms because they represent an increase in their market opportunities. As La Selva points out, cooperatives must not just seek "a market", but different markets. It "is impossible to maintain oneself with a single option. It is necessary to innovate and explore new markets."

At the same time, the arrangements carry risks because the motivations of large corporate entities may not be compatible with commitment to the principles of Fair Trade. La Selva is skeptical of the entry of big international corporations in Fair Trade and argues that it is unlikely to help peasant organizations. "They are buying only production with the highest quality and they do not respect prefinancing conditions." (37) Tzotzilotic expresses similar reservations, observing that the majority of importers use business rather than social criteria as their interest. Tzotzilotic calls for sanctions to exclude participation by large businesses that affect the credibility of Fair Trade and interests of small producers. At present, Majomut points out, there is no strategic vision for the future of Fair Trade and therefore, no clear line on Nestle and Starbucks initiatives. "...nobody knows their objectives, to support producers in long term or white wash their public images."

Nevertheless, these direct corporate-producer organization ties are not the only new organizational model being pursued by the coffee cooperatives. For example, La Selva is developing an organizational model based on loosely coordinated firms working within the coffee sector from production to retail consumption. La Selva is well known in Mexico and increasingly internationally for its chain of cafés. The first La Selva café opened in San Cristobal de las Casas, Chiapas. Today there is a chain of eighteen cafeterias with the La Selva logo which sells La Selva cooperative coffee exclusively. The La Selva chain recently opened stores in Atlanta and Barcelona in addition to those in Mexico. La Selva's manager stated that their goal is to sell all of the members' coffee "in a cup." The La Selva cafes are owned and operated as franchises. The principal benefit for members is that they sell their coffee to the cafes. No information was available on the profits this enterprise represents for members of La Selva. La Selva is

currently exploring the possibility opening similar cafes in collaboration with Guatemalan producers.

La Selva is also developing commercial relations with small roasters, through sales representatives in Europe (Barcelona and Rotterdam) and Atlanta. La Selva prefers relations with these small companies as they involve personalized attention, more stable relations, trust, knowledge, and personal visits. "...and above all, there is the question of apprenticeship... You're going to learn from them and them from you. By contrast, with the big firm, you're not important... well, perhaps you're important, but it's actually important that you don't learn." (35, 36).

Also, La Selva has recently collaborated with other producer organizations to create a new venture, the Integradora de Cafeticultores de Chiapas, with American clients. They plan to develop and sell processed coffee under brand Chiapas (a *marca de origen*). The emphasis on creating their own brands, they say, gives value to "our history, our ethnic identity, our way of dress, of living and the value we place on conserving our natural environment (36)."

Finally, CEPCO, UCIRI, Majomut and others are promoting the development of a Fair Trade market within Mexico. They are convinced that a market for Fair Trade products exists in urban Mexico in Mexico City, Monterrey, Guadalajara. and other cities. They have created an *integradora* called Agromercados to collect Fair Trade products for coordinated commercialization.