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Confronting the Coffee Crisis

Fair Trade, Sustainable Livelihoods and Ecosystems in Mexico and Central America

edited by Christopher M. Bacon, V. Ernesto Méndez, Stephen R. Gliessman, David Goodman, and Jonathan A. Fox

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Foreword

Around 2001, I learned of an exciting collaborative at the University of California at Santa Cruz, consisting of faculty, graduate students, and other food- and social-justice-oriented researchers and activists who informally called themselves the "coffee mafia." The collaborative had an ambitious agenda. How, they asked themselves, could an ecological approach be woven together with a social and economic justice agenda that addressed the crisis among coffee producers—small farmers in Nicaragua and other countries—who saw the rapid and painful decline of the price paid to the farmers during the years 1985–2005? And how could the decline in the price paid to farmers (which led to the loss of numerous small coffee farms and the migration of farmer-producers to the cities and across the borders in search of work) be reconciled with the fact that the retail price of coffee has remained about the same? Moreover, consumption has been essentially flat.

The researchers were also interested in coffee producers' responses to this crisis. These included the use of ecological strategies (shade-grown, organic, and other agro-forestry and agroecology practices) as well as Fair Trade certification programs and the marketing of the Fair Trade label to consumers and retail outlets in the United States and in Europe. The researchers recognized that, although these approaches and strategies were still limited, they nevertheless represented important efforts designed to challenge and begin to undo what has become an "interrelated livelihood and ecological crisis," as David Goodman puts it in his introductory chapter. Thus, in pulling together their material, the "coffee mafia" researchers focused on two important connected goals: to identify and analyze the multiple aspects of the crisis and to elaborate case studies that could evaluate promising strategies and the role of farmer organizations who have connected ecological and social-justice goals (including many of the agro-ecological practices that pre-dated the current crisis) and that place the coffee farmer at the center of those strategies for change.

The name "coffee mafia" was abandoned as some of the researchers went on to other projects and new researchers joined the original group. Together, this renewed

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World Social Forum. 2005. Call from social movements for mobilizations against the war, neoliberalism, exploitation, and exclusion: Another world is possible. *Latin American Perspectives* 32: 3-8.

Cultivating Sustainable Coffee: Persistent Paradoxes

Christopher M. Bacon, V. Ernesto Méndez, and Jonathan A. Fox

Although many coffee-growing communities sustain an inspiring combination of cultural and biological diversity, they have been dramatically impacted by the coffee crisis. The coffee crisis is not the first shock to hit these regions, and many observers find it difficult to separate one crisis from the many natural disasters, economic collapses, and political struggles that smallholders and rural workers continue to survive (Bacon, this volume; Skoufias 2003). Nor is crisis in the global South limited to coffee-growing communities. Studies have estimated that from 1980 to 1999 the Latin America and Caribbean region experienced at least 38 major natural disasters and over 40 episodes when GDP per capita fell by 4 percent or more (IADB 2000). A crisis occurs when preexisting conditions and vulnerabilities are met with a trigger event, such as a hurricane, sudden currency devaluation or a commodity price crash (Blaikie et al. 1994). A close analysis of the impacts and responses to a crisis reveals much about the pre-existing vulnerabilities and unequal power relationships (Wisner 2001).

The publicity and public awareness surrounding the coffee crisis, like that accompanying Hurricane Katrina, creates a "teachable moment." This attention opens windows into the uneven power relationships within the global coffee industry and encourages a closer look at social and ecological relationships in coffee-producing regions. Systematic study can reveal the damages and the responses, and can help to identify more productive avenues for confronting future challenges. The crisis also provides an opportunity to delve deeper into political-economic structures and the underlying tensions that accompany international trade and struggles for more inclusive and sustainable rural development processes.

In this concluding chapter, we synthesize the findings of preceding chapters into a single narrative. First, we review the studies that focused on small-scale coffee farmers' changing livelihoods and landscapes. These authors conducted most of the research in these chapters prior to this most recent crisis, and their findings show the pre-existing diversity, continuity, and change in Mesoamerican smallholders'

livelihoods and shade coffee landscapes. The following section moves the focus downstream and into the changing coffee markets and certified trade networks, incorporating findings from the preceding chapters into a narrative that links changing coffee farmers' livelihoods and landscapes to sustainability initiatives within the coffee industry. The discussion then engages the paradoxes that must be addressed to develop longer-term strategies to confront the coffee crisis. Finally, we conclude with a brief assessment of the limited impacts of sustainable coffee efforts so far, as well as their future potential.

Livelihoods and Landscapes in Mesoamerican Coffee Regions: Small-Scale Farmers' Livelihoods and Environmental Conservation

At the time when the world was becoming aware of the dramatic social and economic impacts of the coffee crisis, ecological research was increasingly demonstrating that shade coffee agroecosystems conserve tropical biodiversity and other ecosystem services (e.g. water and soil conservation) (Babbar and Zak 1995; Gallina et al. 1996; Perfecto et al. 1996; Muschler 1997; Beer et al. 1998; Moguel and Toledo 1999; Perfecto et al. 2003; Mas and Dietsch 2004; Somarriba et al. 2004; Philpott et al., forthcoming). These smallholders also continue to conserve high levels of crop diversity in their coffee, corn, beans and other crops (Brush 2004). As Gliessman argues in this volume, small-scale traditional coffee farms have higher conservation potential than do larger-scale agrochemical dependent types of coffee management. The data presented in the empirical studies in this book strongly support this argument.

The defining agroecological characteristic of the coffee producers studied in chapters 4–9 is that shade trees are an integral part of their agroecosystem management. A diverse and abundant shade-tree canopy is widely recognized as the basic foundation for low ecological impact and environmentally friendly coffee farms (Perfecto et al. 1996; Somarriba et al. 2004; Gliessman, this volume). The case studies here provide additional evidence. In most of the coffee farms studied, shade-tree biodiversity was high, demonstrating strong potential for on-farm conservation.¹ The two studies that present greatest detail in this respect refer to smallholders in El Salvador and Nicaragua. In El Salvador, Méndez shows, shade coffee cooperatives have almost as much tree diversity (169 species) as a nearby national park (174 species), although tree species composition is different. In Nicaragua, Westphal documents a trend toward a more diversified shade-tree canopy in two different groups of producers reaching a total of 80 tree species in 62 farms. In both countries, shade-tree products support household livelihood strategies. In addition, Martínez-Torres finds a positive correlation between number of tree species and

coffee yields. These studies show the conservation potential within small-scale coffee farms. They also demonstrate that a diversity of shade-tree species provides direct benefits to the environment and to farmers' livelihoods (Moguel and Toledo 1999; Somarriba et al. 2004).

In addition to shade-tree biodiversity, two of the studies document the soil conservation impacts of small-scale coffee farmer strategies. Martínez-Torres's research shows that coffee plantations under a low-intensity, no input management approach have the lowest values for an erosion index, and the highest values for a ground cover index, when compared to transition, organic, and conventional management strategies. The conventional management strategy is associated with the highest erosion index and the lowest ground cover index, while organic and transition index values are in the middle. On the other hand, low-intensity management is associated with low coffee yields and correspondingly low household coffee income, as compared to conventional management. This suggests an inverse relationship between ecological and economic benefits. Organic coffee came out as a good compromise, where yield and income are comparable to conventional management, and its environmental indicators comparable to natural systems. In seeking an alternative that will enhance livelihoods and environment, Martínez-Torres's chapter points to a need to improve organic management's soil conservation attributes, while maintaining its economic advantages. Guadarrama-Zugasti compares management practices related to pesticide use between different types of producers, including both small-scale and larger farms (this volume). He finds that small-scale producers were using much lower levels of pesticides and fertilizers, which resulted in lower soil and water contamination problems than those observed in larger farms.

The case studies reveal contradictory patterns between environmental conservation and small-scale farmers' livelihoods. This point is clearly documented by Guadarrama-Zugasti and Trujillo, who show that the coffee farmers in Veracruz, Mexico that have the lowest impact on the environment are also the most socially marginalized (this volume). In the Nicaraguan and the Salvadoran cases presented by Westphal and Méndez, shade trees not only contribute to landscape biodiversity conservation, but also to household livelihood strategies in the form of fruit, firewood and timber throughout the year. However, like their Mexican counterparts, these growers are not able to overcome their high levels of socio-economic vulnerability. Given this situation, they have oriented their agroecosystem management toward a diversified strategy that seeks to compensate for volatile coffee prices. Martínez-Torres focuses more on farmer cooperative development, arguing that these organizations can use certification as an effective capacity building tool (this volume; see also Martínez-Torres 2005). She also contends that the higher prices paid for certified organic coffee make this strategy an alternative that can

benefit both the environment and farmers. Bacon presents data from Nicaragua that shows the benefits that cooperative organizations and smallholders can draw from their participation in both organic-certified and Fair Trade-certified networks. He clearly shows that Fair Trade-certified and organic growers who were members of strong cooperative unions were less vulnerable to the volatility of international coffee prices.

Although sustainable coffee certifications may hold promise to improve farmers' livelihoods, they are not accessible to all small-scale growers, nor will they be able to solve all of their problems. Access to international certification is contingent upon such factors as coffee quality, organizational capacity, links to willing coffee buyers, support from development organizations, and the still-limited size of niche markets. Many growers surveyed in Mexico and Central America commented on their inability to become certified for one or more of these reasons (Méndez 2004; Méndez et al. 2006). In addition, debate continues regarding the level of tangible landscape environmental benefits associated with participation in different certification programs (Rappole et al. 2003; Dietsch et al. 2004; Donald 2004; Mas and Dietsch 2004). In some cases, it appears that certifications are already capitalizing on—and often claiming credit for—many of the existing practices that farmers have maintained often for generations. In other cases, it appears that farmers have made significant on-farm investments and management changes to meet certification requirements. In all cases, farmers and their organizations have needed to develop administrative and monitoring programs to fill out all the paperwork associated with coffee certification programs. Although there is increasing evidence that shade certification can support a better balance between livelihood and conservation goals (Perfecto et al. 2005), it is unrealistic to assume that successful conservation in shade coffee landscapes will be achieved through certification alone. Research in tropical ecology is increasingly supporting the possibility of successful conservation in human-dominated landscapes for a diversity of tropical species (Schroth et al. 2004). However, these initiatives will require considerable efforts to achieve landscape-scale management across different types of habitat and with a diversity of rural institutions and social actors (Daily et al. 2003; Méndez 2004). To take advantage of the conservation potential of small-scale coffee farms, these growers and their chosen partners need to have a stronger voice in environmental policy and initiatives. Specifically, international and national conservation actors, including environmental organizations, the national governments, municipalities, and other farmers and activists, need to develop integrated strategies *with* these farmers, which accomplish both conservation and livelihood goals (Méndez, this volume).

Change, Heterogeneity, and External Factors Affecting Farmers' Livelihoods

The empirical case studies presented in this volume also reveal the great diversity of farmers and livelihood strategies that exist in Mesoamerican coffee territories. They point to the dynamism and resilience of these households and their organizations as they negotiate global change. Trujillo and Guadarrama-Zugasti demonstrate the great heterogeneity in terms of production strategies and grower types in the coffee landscapes of Veracruz, Mexico alone (this volume). These strategies and smallholder systems have evolved over long periods of time, and have survived through a myriad of political and economic "crises."

In El Salvador, Méndez shows contrasting interactions between types of cooperatives, levels of shade-tree biodiversity and the importance of these trees to household livelihoods (this volume). This research finds that small-scale independent farms hold higher levels of tree biodiversity and abundance than the larger collectively managed cooperatives. This is associated with independent farmers' livelihood strategies depending more on a diversity of tree products generated on-farm, instead of wages for their agricultural labor on the cooperatives' collectively managed lands. In a similar vein, Westphal's Nicaraguan case documents how independent farmers with different socio-economic histories chose diversified shade-tree management as the best strategy to meet their needs (this volume). She compares one group of smallholders who had maintained their farms in the same places for several generations with a second group of growers who came into this landscape as part of the Sandinista government's agricultural and agrarian reform policies in the 1980s. In the 1980s, the farm was managed as a single large cooperative landholding; during this time government agricultural strategies promoted high chemical inputs and a simplified shade-tree canopy with relatively few tree species. As a consequence of the agrarian reform policies these smallholders received individual titles to their land in the 1990s. During the last decade, these farmers have transformed their plots into diversified agroforestry systems very similar to those that have been managed by independent growers for several generations.

Bacon and Martínez-Torres both show how small-scale farmers and their organizations can, in certain conditions, take advantage of organic and Fair Trade marketing and international networking opportunities (this volume). In both studies, certifications are mediated by strong cooperatives, which have access to international development and solidarity networks. The cooperatives reflect more than two decades of rural social movements in Nicaragua and Mexico. These struggles and local organizing practices predate organic and Fair Trade marketing initiatives. These successes contrast with the smaller numbers of certified farmers and weaker smallholder export cooperatives observed in El Salvador by Méndez (this volume),

underscoring the importance of historic struggles, effective local organizations and the networks they create to take advantage of these alternative markets.

These examples demonstrate the interconnections associated with changing global forces, local organizing practices, smallholders' livelihoods, and shade coffee ecologies. The external market influences range from the generally positive effects exemplified by alternative international markets, to the devastating effects of the international coffee price crisis. The role of the state, although ever present, has changed from periods of great influence, as in the Nicaraguan and Mexican examples of chapters 4 and 8, to times of neglect, as in the recent period of the price crisis in most of the countries. However, given the importance of agriculture in these countries, government policy has affected small-scale coffee farms directly or indirectly for centuries. In both Mexico and Central America, access to land by a majority of landless rural inhabitants has been a highly conflictive issue for decades, fueling several of the revolutions across the region. In this context, the state was forced to undertake different types of land reforms in these countries. Many of the cooperatives that exist today emerged through a combination of autonomous organizing from below and the uneven and partial openings from above provided by the governments' agrarian policies—in Mexico dating back to the 1970s, and in Central America beginning in the early 1980s (Fox 1994, 1996; Porter 2002). Some of these have become successful social enterprises, as in the case of Nicaragua, while others continue to struggle with longstanding internal conflicts (e.g. the El Salvador agrarian reform cooperative) (Méndez et al. 2006; Bacon 2005).

Northern actors have acquired increasingly influential roles in Mesoamerican coffee landscapes. They range from alternative trade organizations, such as Equal Exchange, whose focus is on fair trade and social justice, to conservation institutions, like Smithsonian and Rainforest Alliance, which have launched separate "environmentally friendly" certifications. Behind each of these organizations a network of development actors and donors support different social, economic, and environmental projects within coffee landscapes. While many Northern alternative trade initiatives continue to identify as nonprofits and prioritize partnerships with organized producers, other agencies including Urz Kapeh, Rainforest Alliance, and increasingly TransFair USA, have followed growth strategies that lead them to pursue partnerships with the dominant coffee companies. This practice has increased controversy concerning the potential conflicts of interest as certification agencies' operating budgets become dependent on fees paid by transnational corporations. These tensions have provoked protests from both civil-society actors and Southern producer organizations in a struggle for more voice around issues such as the stagnant price premiums and certification standards.

Certified Coffee Responses and North-South Network Dynamics

From the point of view of coffee households and their organizations, participation in alternative trade networks does not always follow a predetermined script. Because of the huge gaps in power and cultural understandings between North and South, alternative coffee marketing partnerships can both encounter and produce previously unforeseen obstacles and misunderstandings.

While these uneven power dynamics are very clear within the consolidated conventional coffee industry, examples also flourish within the certified sustainable coffee trade and production networks. Mutersbaugh provides an economic, ethnographic, and geographically rich account tracing the complex interactions among transnational certification norms, field-level inspection practices, and village social space (2002 and this volume).² His account highlights a paradox. In this case, a few Oaxacan village members must simultaneously attempt to enact their dual imperative as community members bound by tradition and culture to serve their village, and as organic inspectors who need to "inspect" their neighbors according to criteria set by the international certification networks. Their attempts to make the farming practices legible to the global certification bodies often make certification requirements "illegible" to their local communities (Mutersbaugh, this volume).³ Paradoxically, Oaxacan producer organization efforts to reduce their dependency on foreign certification agencies by building their own certification capacity provoked the unintended consequence of bringing North-South tensions inside the producers' organizations.

Certified coffees are the more recent outcome of a long history of repeated interactions between coffee related institutions, farmer organizations, and agroecological farming practices (Bray et al.; Gliessman, this volume; Martínez-Torres, this volume). Bray, Sánchez, and Murphy (this volume) trace the processes that contributed to Mexico's emergence as the first exporter of certified organic and later shade-grown coffee. Their insightful analysis reminds us that organic coffee did not emerge in Mexico in response to certification agencies; on the contrary, it is the result of decades of grassroots efforts to build autonomous smallholder production and marketing organizations, longstanding shade coffee management practices, and changing government policies in Southern Mexico (Bray et al., this volume; Celis 2003; Fox 1994, 1996; Hernández and Celis 1994; Porter 2002; Snyder 2001). Bray and his colleagues highlight the essential role of strong farmer organizations that have both the willingness and the capacity to participate in certification programs. These authors also caution against expecting dramatic social justice impacts from certified marketing, given volatile coffee markets.

How has participation in different cooperative and trade networks mediated the coffee crisis in terms of the vulnerability of smallholders' livelihoods? In chapter 7, Bacon explores how Nicaraguan farmers who are linked into certified trade and production networks received higher farm gate prices and felt more secure in their land tenure. Although these farmers' livelihoods were less vulnerable, they were by no means completely protected from the crisis. These findings are similar to those found in other parts of Nicaragua and Central America (Mendoza 2003; Uring 2007; Méndez et al. 2006).

Most farmers, including those connected to certified networks, reported that they have experienced difficulties in maintaining food security, keeping their children in school, and improving their livelihoods. A recent study that surveyed almost 500 small-scale coffee farm households in four Mesoamerican countries found that these families continue to be plagued by poverty, including deficient access to education, potable water, and housing (Méndez et al. 2006). Coffee is still the main source of income for these families, but the low volumes produced by most of these farmers generate low yearly returns. Although Fair Trade and organic certifications have resulted in farmers gaining better prices for their coffee, this has not had a significant impact on household income per person. Another recent study, from the Global Development and Environment Institute, also highlights the relatively low prices that even certified farmers receive at the farm gate, demonstrating that these prices are not sufficient to compensate farmers for the multiple environmental benefits generated by their shade coffee production practices (Calo and Wise 2005). Calo and Wise make the convincing argument that many small-scale coffee farmers are providing the rest of the world with a significant—and uncompensated—environmental subsidy.

Much of the discussion of the impacts of Fair Trade coffee ignores the fact that limited international demand prevents certified producers from selling most of their coffee at Fair Trade-certified prices. Remarkably, only 20 percent of the export quality coffee produced by Fair Trade-certified cooperatives is sold under these preferred terms (TransFairUSA 2005). The percentages of their total harvest sold at Fair Trade prices are often even smaller, since up to 20 percent of a farmer's coffee is of lower grade and is not exportable and thus they sell it at very low prices in local markets. For producers, because of insufficient Northern demand, participation in Fair Trade networks therefore falls far short of its potential. These trends hold in many certified markets, although organic coffee farmers are generally able to sell close to 80 percent of their crop at certified prices. These market realities remind us that the Southern producers continue to be much more organized than Northern "conscious" consumers. Moreover, most of the profit in the value chain, even for certified commodities, continues to accrue to Northern intermediaries and

retailers. One economist claims that "only 10 percent of the premium paid for Fair Trade coffee in a coffee bar trickles down to the producer" (Harford 2006, cited in *The Economist* 2006b, p. 74). In this context, Northern social movements, socially responsible businesses, and other market makers have a lot of catching up to do in the struggle toward more balanced North-South partnerships for sustainable coffee (Fox 2006).

Most scholars agree that, although the higher standard certifications, such as Fair Trade and organic, have provided opportunities to strengthen smallholders' organizations (Raynolds 2002; Murray, Raynolds, and Taylor 2006; Bray et al., this volume), their household-level rural development impacts remain limited by the relatively low coffee outputs, expanding smallholder households and small volumes of a farmer's coffee sold into these preferred markets (Méndez et al. 2006). Furthermore, the low price premiums received in these markets have not offset rising costs of living or mitigated small-scale farmers' continued cultural and economic marginalization and the larger political-economic inequalities between the North and South.

The Changing Global Coffee Trade

The studies presented in this book remind us that the crisis of international coffee prices is not a homogeneous force spreading across a flat coffee-producing world. Rather, the lower prices ripple through thousands of trade and production networks, including those organized around more alternative (organic and Fair Trade) and conventional marketing principles. These hybrid networks connect—or do not connect—into a heterogeneous landscape of social and ecological relationships formed through decades of local organizing and farming practice (Bacon, forthcoming). In this section, we consider the relationships between the global crisis and restructuring in the coffee industry.

From 1999 through 2003, the price of a pound of green coffee fell from US\$1.20 to between US\$0.45 and US\$0.65 (Bacon, this volume). During this same period retail prices in Northern markets remained largely unchanged and in some cases increased. Although prices paid to producers rebounded to about \$1.00/pound, the impacts of the crash and the pre-existing chronic poverty remained. In other words, even though prices began to recover, the coffee crisis continued (Petchers and Harris, this volume). The price crisis overwhelmed vulnerable rural economies and further threatened the biodiversity associated with traditional coffee production (Bacon 2006; IADP 2002; Toledo 1997). From 1999 through 2002, the total monetary value of Central American coffee exports declined from US\$1.678 billion to US\$700 million (IADP 2002). The low prices increased debt burdens and provoked bankruptcies among coffee exporters, millers, and farmers in producing countries.

The point here is that any assessment of the social and environmental impacts of alternative production and marketing initiatives must take the "big picture" of conventional coffee markets into account. As Goodman notes, "by wide consensus, the origins of the present crisis are to be found in the breakdown of the International Coffee agreement (ICA) in 1989, the ensuing relaxation of supply controls, and the cumulative weight of chronic over-production on "green" coffee prices in world export markets" (this volume). Most authors in this book share a structural and historical perspective that links the coffee crisis to neo-liberal governance and corporate consolidation in the coffee industry. Pronounced structural shifts have occurred in the coffee value chain in favor of Northern retailers (Talbot 1997; Talbot 2004; Pelupessy and Muridjan 2005; Kaplinsky 2000). Since the ICA's breakdown (1989), coffee producers' export earnings have fallen from \$10–12 billion to less than \$5.5 billion, whereas international coffee market revenues have risen from \$30 billion to over \$70 billion. In short, the share of producing countries in the coffee value chain has fallen from 30 percent to less than 8 percent (Ponte 2004). A similar analysis reveals that many of the sustainability certifications also share a relatively low percentage of their final retail price with producers and their organizations.⁴

Although some of the preceding studies analyzed trends within the conventional coffee markets, this book has given relatively little attention to the strategies of specific companies. The dominant corporate response has been continued "business as usual," including higher profit taking and relatively superficial changes, though some have made symbolic concessions by marketing their own certified brands. Petchers and Harris (this volume) recall the importance of huge segments of the coffee market that are relatively untouched by Fair Trade and organic initiatives, such as instant coffee. They cite a report from an investment bank concerning Nestlé's control of 56 percent of the instant coffee industry: "Nothing else in food and beverages is remotely as good." The report estimates that, on average, Nestlé makes 26 cents of profit for every dollar it received for instant coffee (Deutsche Bank 2000), and notes that Sara Lee, one of the world's largest coffee companies, had a 17 percent profit in 2002.

Yet growth trends and public awareness of Fair Trade drove even Nestlé to make a symbolic gesture, launching a Fair Trade-certified coffee "Partners' Blend" (Beattie 2005). This move has, according to *The Economist*, "convinced activists that the [Fair Trade] movement is carving in to big business. Nestlé sells over 8,000 non-Fair Trade products and is accused of exploiting the [Fair Trade] brand to gain favorable publicity while continuing to do business as usual." According to FLO International, however, "you are winning the battle if you get corporate acceptance that these ideas are important" (2006b, p. 74). In the case of Kraft, which led the transnational corporate incursion with the Rainforest Alliance certification, pur-

chases increased from 5 million pounds in 2004 to a projected 20 million pounds in 2006—but certified coffee still accounts for less than 2 percent of their total coffee purchases (Weitzman 2006a).

Future research should focus more directly on the coffee industry, to reveal the inner workings of the large-scale transnational coffee company responses to the coffee crisis. A framework that analyzes the coffee crisis as a corporate credibility and public-relations problem rather than a farmers'-livelihood struggle could reveal fascinating new information. For example, applying a critical corporate social responsibility lens (Utting 2002) might reveal how the top ten coffee companies that control more than 75 percent of the industry deployed publicity campaigns, charity giving, government lobbying efforts, and self-certification campaigns, supported ethical trade initiatives (Utting 2007), and restructured their supply chains in order to profit from the market opportunities created by the collapse of the quota system within the International Coffee Agreement.

Certified Solutions to a Systematic Crisis?

Critical questions remain. Civil-society organizations, companies, and certifiers celebrate together when Starbucks, McDonald's, and Procter & Gamble sign up to provide certified Fair Trade coffee and sustainable coffee surveys consistently document 20 percent growth rates in certified coffee markets (Giovannucci and Koekoek 2004). However, how do these high growth rates compare to the rest of

Table 14.1
Size of global conventional and sustainable coffee market, 2003–04.

Volume (metric tons)	Market segment	Percent of total	Source
4,659,522	Conventionally traded coffee	90.70	This table
480,000	Estimated exported volume of differentiated coffee	9.30	Lewin et al. 2004
5,139,522	Total green coffee exported	100	ICO 2005
<i>Certified coffee exports</i>			
26,400	Organic	0.51	Ponte 2004
28,283	Fair Trade ^a	0.55	TransFairUSA 2005
660	Shade Grown	0.01	Ponte 2004
10,000	Rainforest Alliance	0.19	Courville, this volume
14,000	Utz Kapeh	0.27	Courville, this volume
65,702	Estimated total ^b	1.28	This table

a. Of which 14,642 is also organic.

b. 13.7% of differentiated coffee is also certified.

Table 14.2
Summary of sustainable coffee certification systems.

Name of certification	Who are the certifiers and what are their criteria?	Who do they certify and where?
Certified organic	Farms are certified organic by third-party inspectors who follow an international code for each crop. IFOAM or USDA and others accredit the inspection and certification agencies. <i>Certification criteria:</i> Prohibit the use of synthetic chemicals; encourage farmers to preserve and recuperate soil fertility by managing the ecological processes on their farm. <i>Price premiums:</i> Generally range from \$0 to \$0.40/lb of green coffee depending on quality and demand.	Certified organic coffee production occurs around the world. Many are small-scale farmers but there are some larger operations. Earlier certification occurred primarily in Latin America. Mexico and Peru continue to be leaders in the organic coffee exports. Recently more farms have been certified in Africa.
Certified Fair Trade	FLO sets standards. FLO-Cert. is an independent inspection and monitoring agency. <i>Certification criteria:</i> Include participation in a democratically controlled small-scale farmer's organization. Smallholder organizations encouraged to export their coffee directly, the promotion of sustainable agriculture, long term contracts and access to credit. <i>Price premiums:</i> Minimum prices paid to smallholder exporters are \$1.31 conventional and \$1.46 organic arabica coffees. Premiums are high when conventional coffee prices are low and vice versa. Prices can exceed the minimums depending on quality and demand.	Fair Trade certified coffee producer associations must be primarily small-scale farmers. More than 600,000 small-scale farmers belong to over 197 Fair Trade certified cooperatives (Ponte 2004). More than 2/3 of the FT certified coffee comes from Latin America (TransFair USA 2005). According to the standards, importers and roasters are also monitored and certified by national Fair Trade initiatives.
Rain Forest Alliance (RA)	Organized a network of conservation-oriented NGOs to inspect farms and promote biodiversity conservation. The standards were initially written for larger landholdings; however, they are now being adjusted for smallholders. <i>Certification criteria:</i> Require following national labor laws, improving	Primarily larger estates but also small-scale farmers' cooperatives. Mostly in Latin American coffee-producing countries.

Table 14.2
(continued)

Name of certification	Who are the certifiers and what are their criteria?	Who do they certify and where?
Utz Certified	Urz Kapeh Foundation sets standards based on a set of general "good agricultural practices." <i>Certification criteria:</i> Standards intended to reduce environmental damage, and require humane worker treatment, including following national labor laws. <i>Price premiums:</i> Price premiums generally range from 0 to \$0.15/lb; sometimes higher depending on coffee quality and demand.	Many producers in Latin America but also growing in Asia (India, Indonesia, Vietnam) and Africa. Primarily larger landholdings, but a few small-scale farmer cooperatives.

the global coffee trade? How many of the more than 1.5 billion cups people drink every day are linked to a certified trade and marketing network that makes sustainability claims? After the initial task of naming all these certifications, we begin asking questions: How do they work? Where did they come from? Why have they emerged at this time? What paradoxes do they suggest?

In 2003, countries exported 5,139,522 metric tons of coffee (ICO 2005). Table 14.1 summarizes the volumes of coffee traded through different channels in 2003. About 10 percent of the global coffee supply is differentiated through some specific quality, origin or certification (Ponte 2004). As of 2003, 1–2 percent of the global coffee supply was differentiated by one of the four major certification programs reviewed in table 14.2. Although small, this certified market segment has grown rapidly during the last ten years. Considering the rapid growth rates by 2005 the trade of certified coffees probably accounts for 2–4 percent of the global coffee trade. For example the data in table 14.2 already show dramatic increases in the total trade of organically certified coffees.

We believe there are many reasons why sustainable coffee initiatives have emerged, proliferated, and rapidly expanded. Media coverage of the coffee crisis and civil-society mobilizations have created pressure to fill the regulatory vacuum following the disintegration of the International Coffee Agreement more than a decade ago. As governments "outsourced regulation" (O'Rourke 2003), sectors of the coffee industry have responded in unanticipated ways. Global civil-society organizations have teamed up with certifiers and progressive coffee roasters in an attempt to exert a degree of social control and "re-regulate the coffee industry from the street" (Utting 2005). Although civil-society campaigns, such as those conducted by Oxfam, Global Exchange, and various religious groups, have clearly used certification to leverage industry actors, these efforts have a long way to go to become part of a new social contract (Giovannucci and Ponte 2005), and specialty coffee companies acting in their own self-interest to ensure the quality and stability of their supply chains have accounted for the larger changes in terms of total coffee volumes. This is not the case with many of the coffee industry's largest actors, represented by the National Coffee Association. The NCA has actively lobbied against congressional legislation on coffee quality and purity standards (i.e., that products labeled as coffee must contain 100 percent coffee) (US House of Representatives 2002). In contrast, the Specialty Coffee Association of America, which represents more than 2,600 mainly small-scale roasters, retailers, and importers, has lobbied Congress in favor of quality standards and funding for coffee sustainability initiatives (Bacon, this volume).

Each star in the current constellation of certification initiatives has a different history (Rice and McLean 1999). These origin stories set in motion many of the processes that continue to play out at the policy and market interface. Social movements, notably those supporting organic farming and trade justice, have played fundamental roles in creating Fair Trade and organic certifications (Goodman, this volume; Moore 2004; Jaffee 2007). Equal Exchange pioneered alternative coffee marketing from Nicaragua as part of the US movement against war in the Central America in the 1980s. Progressive church-based constituencies in Europe linked to liberation-theology-inspired cooperatives in southern Mexico generated the initial demand for Fair Trade and organic coffee in the late 1980s (Porter 2002; Vanderhoff 2002). Global Exchange's threat to campaign against Starbucks after the Seattle World Trade Organization protests of 1999 quickly drove the company to begin buying Fair Trade-certified coffee. Although corporate involvement in certified Fair Trade and organic coffee has provoked much "internal" debate over the potential contribution of transnational companies, the lack of smallholder voices in governance decisions, the certification of larger landholdings, the use of genetically engineered crops within different certification schemes, and, more significant, the

active engagement of both the environmental and larger social justice movements in these debates illustrate a sense that these certification schemes continue to hold potential for positive social and environmental change. These debates are largely absent in both Rainforest Alliance and Utz Kapeh certifications due to a general lack of interest from most producer and social-movement organizations.

Yet one challenge for the future growth of Fair Trade coffee demand, at least in the United States, is the lack of sustained campaigning by organized constituencies that could potentially be mobilized to challenge conventional North-South trade relationships (i.e., churches, environmental organizations, labor unions, organized immigrants). Fair Trade's share of the European market is significantly higher and appears to be embedded in social institutions as well as in supermarkets. In contrast, the demand for Fair Trade coffee in the United States appears to be driven primarily by a handful of progressive coffee roasters, by churches and civil-society organizations (such as Oxfam America), by café owners, and by a large number of individuals.⁵ Activist engagement may be deterred in part by the proliferation of labels, as well as the perception that some labels involve lower social and environmental standards. The main exception to this general pattern in the United States is on college campuses. Following in the footsteps of anti-sweatshop organizing, United Students for Fair Trade has organized more than 80 campus-based social justice groups promoting Fair Trade principles, practices and polices as part of a larger global justice movement.

Of the authors represented in this volume, only Courville takes us inside the complicated worlds of voluntary multi-stakeholder codes of conduct and certified coffee initiatives. She describes the moves of some dominant industry actors to support the Common Code for the Coffee Community (4-C), which is a set of voluntary sustainability standards intended to make an incremental change that will move the conventional coffee industry toward sustainability. The 4-C steering committee includes corporate actors, international coffee organization members and limited participation from national producer associations and civil society. Both producer organizations and civil-society organizations have considered withdrawing their support. Self-certification initiatives, such as Starbucks' Preferred Supplier Program and Neumann Coffee Group's sustainability standards, are also on the rise. These corporate strategies can promote traceability and coffee quality, provide a managed response to some sustainability demands, and help large companies generate proprietary information. However, the lack of an independent third-party verification system has caused many to question the credibility of these programs.

While the credibility of these self-certification initiatives is under scrutiny, others question the future directions of the higher-bar (organic and Fair Trade) certified coffee programs. In fact, an expanding group of Fair Trade and organic pioneers

have started to look at these certifications as a starting point instead of a potential finish line (Jaffe and Bacon, this volume). Some believe that the democratic and ecological principles promoted by the original social-movement actors that created organic and Fair Trade certification are increasingly threatened as transnational companies and larger landholders become active stakeholders and participants in the governance of these certification systems (Mutersbaugh et al. 2005; Renard 2005; González and Nigh 2005). As Jaffe and Bacon observe in this volume, the founding principles that motivated people to create these "alternative" agro-food networks are increasingly contradicted by efforts to adjust as sustainability certifications to fit into the conventional trade systems they initially sought to transform. This effort to prioritize quantity over quality serves the economic interests of certifying agencies and other intermediaries that earn more with higher volumes. At the same time, if successful in increasing still-insufficient demand for certified coffee, this approach does serve the interests of producers—though whether private commercial producers will benefit more than organized smallholders remains to be seen.

Understanding Paradoxes to Confront the Crisis

Attempts to confront the coffee crisis will fail in the long term unless certain paradoxes are addressed. Actors concerned with sustainable rural development in Mesoamerica can ill afford to continue sidelining these challenges in an effort to simplify the message and/or boost sales for their self-defined "solution" to the coffee crisis.

René Mendoza succinctly stated the primary coffee paradox in the title of his 2002 book: *La Paradoja del Café: El Gran Negocio Mundial y la Peor Crisis Campesina* (The Paradox of Coffee: A Great Global Business and the Peasants' Worst Crisis). The central paradox involves the unequal power relationships that have constructed the global coffee commodity chains and markets, leading to booms in coffee consumption and crises in coffee-producing countries (Topik and Pomeranz 1999). Paul Katzef, a founder and a twice-elected president of the Specialty Coffee Association of America, says that over 500 years in the coffee trade has made people rich and it has made people poor (Katzef 2002). However, as Daviron and Ponte note (2005), the paradox of wealth and poverty is not the only paradox accompanying this golden bean in its journey from crop to cup.

Rich Lands, Poor People: Can Environmental Conservation Improve Farmers' Livelihoods?

Will the paradox of rich lands and poor people (Peluso 1994) persist, or can farmers enhance their livelihoods while contributing to environmental conservation? Traditional shade coffee already provides significant environmental benefits.

However, farmers' rural livelihoods are increasingly vulnerable. Rural households adapt with strategies that will provoke changes in land management strategies, cooperative organizations, migration and a host of still poorly understood processes as people struggle for survival. Participation in Fair Trade and organic markets may offer a partial solution. For the smallholders who initially had low yields, the transition to organic production increased yields (Martínez-Torres, this volume; Damiani 2002). Yet organic production has lowered yields for many previously conventional farmers, at least in the short to medium term, and the analysis includes the increased labor investments needed to manage organic farms (Calo and Wise 2005). In principle, the organic price premium can partly compensate for the costs of the transition, as can the price premium from associated increases in quality—but producers can realize the gains only years after making the investment. In most cases, producers are expected to absorb the income loss involved in the transition process, until certification is achieved.

Previous agroecological research has considered the dynamics of this transition process (Glitsman 2000). However, new research is needed to better understand the social and economic tradeoffs that accompany these changes, especially given higher international coffee prices and lower organic price premiums. Although lacking compensation, smallholders' organizations continue to provide valuable social benefits (e.g. local democracy, farmer autonomy, social support systems), and environmental services (e.g. biodiversity and water and soil conservation). Without direct policy and market incentives that better link all local peoples' livelihood improvements with environmental conservation strategies, many coffee territories may soon encounter increased environmental damage or increased poverty, or both.

Hungry Farmers: Production for Subsistence and/or for Sale

Most coffee smallholders are already diversified, producing staple foods for household consumption as well as coffee for the market. Smallholders generally also sell surplus staple crops and fruits into local markets and keep about 10 percent of their coffee for household consumption. These farmers already manage multiple diversification strategies, including different off-farm livelihood activities and the production of fruits, vegetables and animals both inside the coffee agroecosystems and in other production fields. Though their degree of diversification varies, for smallholders to operate in both subsistence and commercial economies involves negotiating very different logics simultaneously.

To generate agricultural income while limiting dependence and risk is easier said than done. The tradeoffs involved are still not well understood by most scholars and development professionals. In Nicaragua, smallholders claimed to grow half or more of the food they ate during the 2001–02 coffee harvest (Bacon, this volume).

Subsequent research conducted throughout Mexico and Central America has found that households on average grew about one third of their food, although Salvadoran smallholders reported higher levels of production for subsistence (Méndez et al., forthcoming). The same comparative study also found that a high percentage of small-scale coffee farm households reported that they experienced periods of hunger during the preceding two years.

One hypothesis is that the continued focus on the producer price premiums and cooperative business development could further undermine local food security efforts, if specific attention is not given to supporting and enhancing the diverse social and ecological relationships that have sustained farmers' livelihoods and agroecosystems for generations. It is also clear that, although pioneering theories addressing the peasant economy (Chayanov 1966; Netting 1996) still provide useful and frequently overlooked insights into changing farmers' livelihoods, new work is needed to apply and adjust these approaches in changing times. Scholars have called for a return to the problematic of the classical "agrarian question" in the context of globalizing foods (Goodman and Watts 1997). This volume uses coffee to explore many of these issues and interrogate future avenues for research and action in order to cultivate sustainability in coffee territories. Among the important trends in Mesoamerican coffee production are changing farmer typologies (Guadarrama-Zugasti, this volume), evolving livelihood strategies as households become more closely engaged with local cooperatives and expanding "alternative" trade networks, and increasing rates of international migration (Lewis and Runsten 2006). Of these three trends, migration has had especially dramatic impacts on smallholder households and coffee-production systems (Benquet 2003; Aranda Bezaury 2006.).

Sustainable Coffee as an Alternative to International Migration: Coffee, Development, and Migration in Mesoamerica

If migration is one response to the coffee crisis, is sustainable coffee an alternative to migration? Is migration a source of capital for sustainable coffee? Campaigners for both immigrant rights and small-scale farmers have noted that some of those migrants who have died attempting to cross the Arizona desert came from communities that had not experienced significant out-migration until the coffee price crisis, such as central Veracruz (Hernandez Navarro 2004). Many researchers and practitioners have implicitly or explicitly hoped that Fair Trade and organic coffee could be an alternative to migration. Meanwhile, family remittances appear to have helped coffee families to survive. Yet researchers have only just begun to study the relationships between sustainable coffee initiatives and migration. One of the most promising initial studies focused on a community with cooperative members connected to

organic and Fair Trade networks that had a prior track record of migration. Lewis and Runsten (2006, p. 18) concluded that "international migration can be a means to better capitalize coffee production for higher yields, quality, and returns. But coffee prices would have to be higher. Nominal [farmworker] wages have doubled in 5 years in Cabeza del Río [Oaxaca], but the [floor] price of Fair Trade coffee has not risen in over 10 years." To the degree that the transition to organic production requires substantial labor investments, the increased cost of local labor (both in terms of cash for day labor and the opportunity cost of family labor associated with increased migration rates and labor shortages) will make the spread of organic production more difficult for those families and communities where migration is an option. Changing migration patterns and the associated impacts on international trade, farmers' livelihoods, and rural landscapes will continue to be sources of research questions.

Struggling for Survival or Sustainability: From Diversified Farms to Diversified Livelihoods

The studies presented here reveal the great diversity among shade coffee livelihood strategies in Central America and Mexico. This heterogeneity can inform efforts to create sustainable livelihoods in coffee farming communities. In this respect, it is important to move beyond the conventional agronomic response to coffee crises, which has sought to support farmers by diversifying the crops within coffee plantations. Examples of this include intercropping bananas, oranges or timber with existing coffee and shade trees. This response has been continuously repeated through cyclical coffee price crises since the 1930s, with very limited success (Trujillo 2001). To move beyond crop diversification and into *livelihood diversification* it is necessary to start with a deeper understanding of the current farm household characteristics and strategies. Farmer typologies as exemplified by Guadarrama-Zugasti and Trujillo in this volume are one way to analyze and synthesize this type of information. This knowledge forms the basis for a process, which is led by farmers and their organizations, to seek diversified livelihood strategies that go beyond coffee production. Depending on the characteristics of farmers and landscapes, these diversified livelihood strategies could include strengthening local food security, developing agroecotourism, handicrafts, community forestry, non-timber forest products, or adding value by increasing the involvement of farmers in the coffee processing and marketing chain, as many regional Mexican and some Nicaraguan coffee cooperatives have done. In Mexico, ISMAM produces their own vacuum-packed canned coffee, and UCIRI even sells small jars of instant coffee, and in Nicaragua a few cooperatives have started selling specialty coffee domestically and even launched a line of all-female-produced coffee (under the name Flor de

Café). A desire for these types of alternatives was explicitly expressed by coffee farmers in El Salvador in a focus group held in 2001, during a critical period in the recent coffee crisis (Méndez 2004). However, it is important to point out that this will require in-depth case studies and context-specific alternatives that will take more time and effort than most conventional development projects.

Successful initiatives to diversify livelihoods will require the creation of strong partnerships and networks that include farmers, researchers, governments, development and conservation organizations, the coffee industry, and engaged consumers. In this volume, Jaffe and Bacon analyze an example of one such initiative: the Community Agroecology Network. Larger-scale efforts include Equal Exchange in Boston and Cafédirect in the United Kingdom. A concerted effort is necessary to take more alternative initiatives to scale. Policy actions are called for at scales ranging from the local to the national and international. This approach will be difficult to apply broadly without the support of state and international development policy makers. The more successful interventions will take process into account as they address farmers' immediate survival needs while working toward longer-term sustainability. In this way, sustainable coffee initiatives hold the potential to connect Northern efforts that seek more meaning through sustainable consumption with Southern sustainability efforts that start with survival as their top priority.

Certification Systems: North-South Collaboration or "Institutionalized Mistrust"

Mutersbaugh's research (this volume and 2002) shows how this paradox of North-South relations unfolds within coffee communities and organizations. Mutersbaugh shows the contradictory nature of how certified organic production requires that village members serve distant institutions, translating organic farming practices for international certifiers and complicating them for their smallholder neighbors. While Fair Trade and organic certification systems are widely presented by their advocates in the North as emblematic of their concern for small-scale farmers, third-party monitoring reflects the need to assure buyers that coffee is indeed produced and traded under specified conditions. Certification systems are based on the principle of submitting to external scrutiny in exchange for a price premium, given that both intermediaries and consumers are understandably reluctant to pay such premiums on faith. As a result, certification processes reflect a system of "institutionalized mistrust." Few examples of the violation of basic standards are needed to damage the credibility of certification more generally. (See e.g. Weitzman 2006b.) Since the system requires scrutiny of producers rather than consumers, there is an inherent imbalance in how it is perceived, in spite of its official discourse in favor of North-South equality and producer-consumer collaboration.

While many of these partnerships are indeed value-driven for some participants, there is no escaping the fact that these are market-based partnerships as well, based at least as much on interests as on ideas. One forum in which these issues play out is the negotiations about price premiums and contract fulfillment. While certification systems impose distinct burdens on producers and their organizations, it is important to recognize that they function in qualitatively different ways. Neither Utz Kaphé nor Rainforest Alliance provides guaranteed price premiums to exporters or producers. Organic certification does not guarantee a premium; nor do organic premiums necessarily cover the additional labor costs required (Calo and Wise 2005). However, high demand and coffee quality have resulted in organic premiums that averaged 0.42/pound above conventional prices during the 2002-03 coffee harvest (Méndez et al., forthcoming). This should not be interpreted as an upward trend for organic coffee price premiums since these data refer to a time period with very low international commodity prices. Whether or not Fair Trade buyers will actually increase their purchase price when the market price rises remains an open empirical question. In principle, the rules state that if the market price is higher than the floor price, the market price plus a Fair Trade (social) premium shall apply (FLO 2004, p. 10). However, in practice, when the market price recently rose above the Fair Trade price and coffee shortages decreased cooperatives' total available production, significant tensions emerged between cooperatives and some importers, leading to a 4 percent contract default rate in 2005 (Camps et al. 2005). Some Fair Trade intermediaries pushed hard to hold producer cooperatives to the pre-season purchase price, converting the price floor into a de facto ceiling. Smallholders may be best off when they combine Fair Trade and certified organic sales. However, declining real price premiums and the fact that this requires significantly more labor lessens the appeal of these celebrated farming and trade practices.

This paradox highlights a few of the increasingly visible North-South tensions associated with expanding certified coffee markets. These incidents indicate a growing culture of mistrust that has accompanied new certified coffee initiatives and mainstreaming strategies that do not involve solidarity and direct people-to-people relationships. These relationships will need investment and conscious nurturing if people seek to maintain the "alternative" principles within food systems that initially shared a common effort to redistribute value and reconvene "trust" between food producers and consumers (Whatmore et al. 2003, p. 389). The ability to reconvene trust and redistribute value speaks to closer alliances among producers and consumers and addresses issues of accountability and transparency within the alternative trade network governance structures.

Accountability and Transparency in the Supply Chain?

Fair trade and organic systems often claim to have fewer intermediaries in the supply chain than conventional trade. However, from the perspective of institutional economics it is important to study the functions that the old intermediaries once performed, since new actors will have to perform many of them (Warning 2006). The actors involved in each stage of certified coffee trade and production often have significant differences among them in terms of their accountability relationships and access to market information. Small producers gain market leverage and institutional capacity to the degree that they scale up to form larger cooperatives and federations. Larger memberships can also increase cooperatives' influence in the policy process, for those that campaign for access to government supports, such as access to credit, infrastructure investments, or payments for environmental services. Indeed, in Mexico producers have been creating grassroots organizations for decades and many have managed to leverage government support programs. (See, e.g., Celis 2003; Snyder 2001; Ejea and Hernández Navarro 1991.) Field research shows that without these programs the fraction of producers who lose money on their coffee crop would be substantially higher (Calo and Wise 2005; Lewis and Runsten 2006).

However, pursuit of economies of scale can involve costs for cooperatives as well. In addition to the overhead involved in maintaining larger institutions, additional costs that come with greater size include the greater potential for distance between leadership and membership. Where larger cooperatives include members that produce coffee of varying quality, the leadership's need to be accountable to the membership as a whole may create incentives to use returns from the highest-quality coffee to subsidize others' production. This internal cross-subsidy may generate important advantages for the organization, especially if a larger membership is indeed associated with greater policy influence. Yet if this strategy is not the result of a fully informed democratic decision, the risks of alienating those members with higher-quality coffee go up.⁶

Larger cooperatives, with more ambitious financial and marketing operations, will have a more difficult time keeping the membership fully informed about their activities, unless major investments are made in both financial transparency and grassroots economic literacy. It is difficult for leaders to keep members informed about why various fees and the costs of processing, credit, and transportation costs are discounted from the prices that the cooperatives pay their members for coffee—especially if the leaders themselves lack full information about decision making, risks, and opportunities throughout the rest of the supply chain. This may become especially problematic when market prices rise. Small-scale producers with limited access to market information are easily confused when private buyers offer prices

that are similar to or higher than the prices their own cooperatives offer—but only at the end of the harvest, when little coffee is available to be actually traded. If cooperatives sign fixed-price contracts as insurance against price decline and then the market prices rise, the cooperatives must decide whether to break the contracts with international buyers or to take a loss and try to convince their members to sell to the cooperative for lower farm gate prices. The challenges involved in explaining and managing perceptions of prices involve issues of accountability, trust, and transparency between different actors in the supply chain.⁷

Scaling Up or Selling Out: The Role of Producers' Voices in Making Fair Trade Coffee Fairer

The possible tradeoffs between scale and values provoke intense debates in the coffee industry. Since both Utz Kapeh and Rainforest Alliance launched their certifications of large-scale coffee plantations and a market-growth strategy based on transnational corporations, the question of selling out seems to some to be answered from the outset. Scholars, journalists, food activists, and conscientious eaters have wrestled with this same tension for more than a decade as big companies and large landholders threaten to displace the smallholder and local market pioneers in the rapidly expanding organic industry (Goodman 2002; Vos 2002; Guthman 2004; Pollan 2006). Fair Trade coffee's roots in solidarity-based social movements and smallholder cooperatives combined with the current mainstreaming strategy provides more fertile ground for debate (Goodman, this volume; Jaffe and Bacon, this volume; Renard 2005; Jaffe 2007; O'Nions 2006; Murray et al. 2006).

At its core, this debate concerns the extent to which Fair Trade can avoid being co-opted by the corporate centered market system it was set up to challenge and transform. Specific interrelated criticisms have emerged from multiple directions within and surrounding the Fair Trade movement. Southern rural producers' associations, such as Via Campesina and El Movimento Sem Terra (MST), have focused their organizing and farming efforts on food sovereignty, which refers to peoples' right to define the type of food and agriculture they want, including their ability to access sufficient healthy food, and capability to determine the degree of food self-reliance consistent with their cultural values (Rosset 2003; Via Campesina 2006). Although a food-sovereignty-centered strategy does not negate trade, these organizations and their allies have criticized Fair Trade's narrow focus on exports, instead of embedding Fair Trade in an approach that prioritizes increased support and protection for local and national food production, as well as agroecological farming practices (O'Nions 2006, p. 21).

Within the Fair Trade coffee movement, critical debates continue to brew around governance issues including the composition of FLO's Board of Directors, minimum

guaranteed price premiums, licensing products sold by transnational companies, and the possible inclusion of large coffee plantations (Renard 2005).⁸ Southern producers have little voice in global coffee markets and the four dominant coffee-certification initiatives. However, this is beginning to change in the Fair Trade system, as certified cooperatives in Latin America have organized to form *Coordinadora Latinoamericana y del Caribe de Pequeños Productores de Comercio Justo* (CLAC). Producers now hold four of the twelve seats on Fairtrade Labelling Organizations' board of directors, including a seat named by CLAC's general assembly. Among the aspects of Fair Trade governance discussed at regional CLAC meetings were the following:

- CLAC called for the inclusion of two consumer representatives on the FLO board of directors, and the restructuring of the board to be accountable to a general assembly.
- CLAC stated resistance to attempts from some national certification initiatives and industry members to lower the Fair Trade minimum price. Later CLAC commissioned a study, which demonstrated that real Fair Trade prices have declined for at least 10 years, while the costs of sustainable production have increased (Bacon 2006). In October 2006, CLAC's general assembly reviewed the study and proposed that by the end of 2008 FLO increase the minimum Fair Trade conventional prices by 12 percent and the combined Fair Trade and organic prices by 21 percent. The FLO Board of Directors responded within 6 months with a 4 percent increase for Fair Trade conventional coffees and a 7 percent increase for Fair Trade organic coffees (FLO 2007). They have also committed to conducting an extensive study to assess the costs of sustainable and develop a proposal for Fair Trade coffee minimum prices in 2007.
- CLAC clearly stated its opposition to including large-scale landholders in the Fair Trade system and caution regarding the participation of transnational companies (Renard 2005; CLAC 2006). CLAC also argued against the participation of large-scale transnational corporate exporters, such as Atlantic coffee in this system.
- CLAC stated that it did not want to limit Fair Trade market growth, that it "welcome[s] companies willing to make a serious commitment to Fair Trade," and that it "dislike[s]" what happens when, for example, "a company that dominates 25 percent of the world market for one product . . . decides to buy only 0.002 percent of their annual coffee as [Fair Trade-certified] and in all their propaganda claims that they are now a company that is part of the fair trade system" (CLAC 2006b, p. 4).

Different actors in the system will have different interests and perspectives on this paradox. For example, Starbucks' Fair Trade marketing campaigns have been seen

as "greenwashing" by some socially aware consumers and by many small roasters who are more heavily committed to sustainable coffee. Scholars, businesses, and activists have criticized "Starbucksian" behavior for their coffee-purchasing strategies and for their aggressive retail behavior (Utring 2007). Others celebrate Starbucks for their corporate social responsibility, including the provision of health care to temporary employees and relatively transparent social and environmental reporting practices. For many farmer export cooperatives, the fact that Starbucks purchased 11.5 million pounds of Fair Trade coffee in 2004 clearly matters, especially for the cooperatives that otherwise may have had difficulty finding enough Fair Trade buyers. While only 3.7 percent of Starbucks coffee was Fair Trade in 2004, this accounted for more than 25 percent of the Fair Trade coffee sales in the United States (Starbucks Coffee 2005; TransFair USA 2005). In other words, when it comes to assessing Starbucks' role, producer cooperatives and small roasters do not share exactly the same interests. When different actors make specific recommendations for sustainable coffee, a careful analysis of interests reminds us that where one stands often depends on where one sits.

Starbucks' commitment to corporate social responsibility and sustainable coffee is clearly well beyond that of Nestlé. Nestlé launched Nescafé Partners' Blend as its first—and only—Fair Trade-certified product in 2005. This purchase probably represents less than 0.002 percent of their total coffee sales, and only one of Nestlé's 8,500+ products (CLAC 2006a; O'Nions 2006). Fair Trade producers associations and social-movement organizations (including the World Development Movement, which helped create the UK-based Fairtrade Foundation that licensed Nestlé to sell this product) have protested vociferously (O'Nions 2006).

As certified sustainable coffee initiatives enter the mainstream, motivated actors will continue to push the next innovation, taking certification as a starting point, while other actors struggle toward a certified finishing line. Many of the actors (such as Global Exchange and Lutheran World Relief) that are lobbying some of the largest coffee companies to carry Fair Trade and organic coffees are also launching their own sustainable coffee enterprises. Movement-motivated organizations are developing these strategies at different scales ranging from domestic Fair Trade initiatives in the Global South and community-based certifications, to attempts to form global "alternative" food networks and the increasing common joint ventures among the more committed Fair Trade companies, coffee-producing cooperatives, and even churches. This market-based competition is too often measured in terms of total sales, press coverage, and number of participating retail outlets. If sustainable coffee advocates do not soon re-orient their success measures to address issues of social development, empowerment processes, and environmental health, these movements risk participating in a process that sells out in order to scale up.

More than 2,500 years ago, Lao Tzu said "The Great Integrity is a Paradox." (2002, p. 43) He encouraged all those searching for truth to both celebrate and nourish paradox. We follow this tradition by suggesting that people interested in confronting the coffee crisis and sustaining Mesoamerican livelihoods and ecosystems must also, as Diane Rocheleau (1999) eloquently states, "confront complexity and deal with difference." We have found that cooperative (UWCC 2005) and agro-ecological (www.agroecology.org) principles can serve as effective tools to deepen both dialogue and practice as actors negotiate paradox in search of strategies to confront the coffee crisis without reproducing the same structures that created it. These principles can serve as evaluative concepts that guide interdisciplinary analysis and international development interventions intended to support dynamic transitions toward sustainability in coffee territories (Méndez and Gliessman 2002).

Conclusions

What will the future look like in Mesoamerican coffee territories? It is clear that most smallholder households have developed three primary livelihood survival strategies: diversification, migration, and attempts to increase their total income from coffee sales. This book reveals the heterogeneity and interconnections among changing farmers' livelihoods, shade coffee production, and sustainable coffee initiatives. This understanding should inform any intervention intended to sustain the peoples, cultures, communities, and ecological processes in these coffee territories. Paradox will also accompany strategies for change. The preceding chapters have addressed strategies related to increasing opportunities through participation in certified coffee programs and diversification.

The field-based evidence available so far does not support hopes that these certified coffee markets will be a "magic bullet" cure for structural poverty and crisis. However, some of these programs, notably Fair Trade and organic networks, have played important roles in supporting smallholders' organizations, biodiversity conservation, reducing vulnerability to the coffee crisis, increasing international awareness of the social and environmental costs of the current coffee system, and creating a savvy group of smallholder coffee producers, now actors on the international stage. The constraints include price volatility, North-South power imbalances, declining and in some cases non-existent price premiums received at the farm gate, the many certification costs producers pay, and a general lack of effort to seek support from the state.

While the more likely assessment suggests the persistence of the same imbalanced global coffee economy (Topik and Clarence-Smith 2003), the chapters in this volume suggest that a few political changes during the second half of 2006

may carry with them seeds of change. Election results throughout Latin America show that voters are increasingly rejecting the consequences of neo-liberal economic policies. One example of these changes is evident in Nicaragua, where the government is negotiating plans to shift some government support to cooperatives and other organizations promoting a more social economy. Second, the Latin American and Caribbean network of Small Fair Trade Producers' research and lobbying efforts convinced Fairtrade Labelling Organizations International to increase minimum prices paid to cooperatives by 4–7 percent and to commit to studying the costs of sustainable production. This move is contrary to the general tendency among all certifiers, which is to generally increase quality standards and requirements, while real price premiums remain stagnant. If the Fair Trade system is able to overcome a host of other problems, and other certifications follow suit, this could represent a step in a race to the top instead of scaling up and selling out. However, what happens in the coffee territories will depend on how producers and their organizations negotiate these risks and opportunities.

In addition to these evolving relations with states and markets, producers' survival and sustainable development processes will depend on their ability to build accountable and efficient organizations, increase yields, prioritize food sovereignty and diversify. While many coffee cooperatives have increased business capacity during the last decade, even within these organizations opportunities to improve accountability and efficiency exist (Méndez et al. 2006). A well-planned place- and livelihood-specific diversification strategy could simultaneously increase food sovereignty, sustain agroecological processes, and improve yields in optimum coffee-growing regions. These efforts will require increased investment from producers as well as from their allies in government, business, and civil society. If certified coffee initiatives are to become an important component in this strategy, they will have to be scaled up.

Indeed, the fact that only about 2–4 percent of the global coffee supply is sold through any kind of certified markets and the fact that only 20 percent of the Fair Trade-certified coffee (about 1 percent of the world supply) is sold through these "alternative" channels suggest that one of the main imbalances in the world coffee system is between organized producers in the South and the largely individualistic environmentally and socially aware consumers in the North. Just as the environmental movement over the past several decades has made gains that support public access and collective ownership, often in contradiction with the neo-liberal economic models, coffee certification must expand its base to link social and environmental goals that bring consumers and growers into closer and more equal relationships.⁹ Scholars can play an important role in networking knowledge in service of these processes, and out of paradox they can create opportunity for change that cannot be

easily co-opted and concentrated in the hands of a few (Freire 1985; Sevilla-Guzmán and Woodgate 1997; Fals-Borda and Rahman 1991; Fox 2006; Prechel 2003).

When Northern citizens and consumers have "caught up" and are able to hold businesses, certification agencies, and governments accountable to their public claims and responsibilities to support human rights and sustainable development, while simultaneously working through markets by purchasing at least as much coffee as certified smallholder cooperatives can produce, then we will be better positioned to assess the degree to which sustainable coffee initiatives really offer a long-term alternative. In the meantime, there are plenty of opportunities to serve a little less milk and a little more social and environmental justice (Zabin 2006).

Notes

1. Note that this evidence challenges the simple dichotomous assumption that farming inherently undermines biodiversity. *The Economist* editorialized "buy organic, destroy the rainforest" (2006a).
2. This account is also applicable to agricultural certification programs, including organic and the Smithsonian Bird Friendly certification.
3. Another example of the institutionalized mistrust that frequently accompanies attempts to use certification as a tool to overcome North-South divides concerns the specific requirements to comply with certification efforts. González and Nigh address a few of these tensions in their 2005 paper, which highlights increasing tendencies toward larger landholder takeover in Mexico's certified organic agricultural sector. They also question organic inspectors' requirements for composting as unnecessary in many tropical soils. While we disagree with this from an agroecological perspective since farmers will probably be interested in compost to increase their coffee yields, we agree with their effort to highlight the general North-South tensions. Perhaps a better example is the individual terraces that many inspectors have required on Mexican certified organic farms. An interview conducted during a recent field study in Mexico found that one of the primary justifications for this practice was so that neighbors and visitors to the community could "see" the difference between certified organic farms and uncertified ones (Trujillo 2006).
4. A calculation evaluating the fairness in the distribution of coffee rents compares the percentage of the final retail price returned to farmer. Ponte has estimated that a cup of specialty coffee sold at Starbucks returns about 1 percent to the farmer, whereas a higher percentage is returned if the coffee is sold roasted but not brewed. The estimates for organic coffee are about the same. A Fair Trade whole bean espresso roast sold by the pound and on sale at the supermarket returned 21 percent to the export cooperative (about the same as the target under the International Coffee Agreement) and about 11 percent when sold at a specialty coffee shop (Ponte 2005).
5. The *Boston Globe* recently reported that "according to the National Coffee Association, more than half of coffee drinkers who have heard of Fair Trade buy it—nearly twice the rate of organic" (Dicum 2006).

6. Only large cooperative organizations with complex internal redistributive pricing structures are able to use the income from premium prices to partly compensate the losses to transitional producers by offering them intermediate prices, as in the case of Oaxaca's CEPCO, where costs of certification reached an estimated 3.4 percent of total sales (Calo and Wise 2005). In the CEPCO case, however, the complex internal price system may have contributed to some members' loss of trust in the central leadership, leading eventually to a split in the organization.

7. Another example of these North-South tensions concerns debates about the governance and standard setting within these certified initiatives (Muradian and Pelupessy 2005; Renard 2005). Although Southern producers have traditionally had little or no voice within all four of the dominant sustainable coffee-certification initiatives, this is beginning to change. In fact, producers have used Fair Trade networks as a tool to strengthen the ties among smallholder coffee cooperatives and, after intense lobbying, win four of the twelve seats on FLO's board of directors. From one perspective, these represent continued South-North tensions; from another angle, they show that the movement has moved beyond romantic notions of solidarity with relatively small rural development impacts to clearly political debates and business negotiations. While this may be healthy, the challenge is to simultaneously recover strong solidarity ties amidst the processes of expanding the market.

8. In 2004, committed coffee companies and civil-society organizations lobbied to have Transfair USA list all licensees by pounds of Fair Trade coffee sold and by the percentage of their total sales that number represented. This movement was led by Equal Exchange, Dean's Beans, Peace Coffee, and Cooperative Coffees, which at the time represented about one-half of all Fair Trade coffee sold in the United States. Transfair USA refused to provide the information or even to ask the licensees to reveal it, citing "corporate confidentiality." According to the same editorial, "it seems incongruous that in a movement that demands transparency by the farmers, a similar demand is not made of the companies—especially when those figures would give consumers a fair and complete picture of a company's commitment to fair trade thereby strengthening their capacity to make a reasoned choice" (Cyccon 2005).

9. Coffee also offers a powerful medium that could allow socially responsible businesses including many actors within the Specialty Coffee Association of America to play a role in efforts to unite environmental and global social justice movements. Of course, the foundations of these links would be value alignment outside of the markets. Some of these connections are already visible in the close ties between organic with fairly traded coffees, but more effort is necessary if these two movements are going to build stronger alliances and then create "alternative" food networks that emerge in a more participatory way that keeps the important components of the power and the rewards more firmly in the hands of the least empowered—including the farmers coffee-producing communities, and the coffee drinkers. As this journey develops, it will become increasingly important to understand and promote the state's public policy interventions, since these policies can either create or undermine the social institutions that will facilitate fairer trade and a more inclusive sustainable rural development process (Miranda 2003). Scholars with a more historic perspective are also quick to point out the fact that many of the most promising certification initiatives are very insignificant in their efforts to reclaim the benefits that the state provided, such as minimum prices to producer countries, through the quota system within the International Coffee Agreement (Talbot 2004). However, others have found promise within the new flexibility and closer relationships between roasters and producers found within the current international market.

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