

THE EVOLUTION OF COFFEE MARKETS FOR SUSTAINABLE
DEVELOPMENT: A HONDURAN COOPERATIVE'S
EXPERIENCE WITH FAIR TRADE

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by
Erin Sue Smith
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LIST OF NOMENCLATURE

- AECI-Spanish Agency of International Cooperation
- AHROCAFE-Association of Honduran Coffee Producers
- ATOs-Alternative Trade Organizations
- CACTRIL-Triniteca Agricultural Cooperative of Coffee Producers, Ltd
- CAFTA-Central American Free Trade Agreement
- CATIE-Center for Tropical Agricultural Research and Education
- CCCH-Center of Coffee Cooperatives of Honduras
- COAPROCL-The Agricultural Cooperative of Organic Producers of Copan Ltd
- COMUCAP-Coordinator of Rural Women of La Paz
- DED-German Technical Services Organization
- EFTA-European Fair Trade Association
- ESEA-Technical School for Business Agriculturalists
- FAO-Food and Agriculture Organization
- FDA-Food and Drug Administration
- FLO-Fair Trade Labelling Organizations International
- FLO-CERT-Fair Trade Labelling Organizations International Certification Body
- FNC-National Federation of Coffee Growers
- FTO-Fair Trade Organization Mark
- HACOFECO-The Hamburg Coffee Company

IBC-Brazilian Institute of Coffee

ICA-International Coffee Agreement

ICO-International Coffee Organization

IFAT-International Fair Trade Association

IFOAM-International Federation of Organic Agricultural Movements

IHCAFE-Honduran Coffee Institute

IHDECOOP-Honduran Institute of Cooperatives

IMF-International Monetary Fund

INA-Honduran Land Reform Institute

ISO-International Organization for Standardization

NAFTA-North American Free Trade Agreement

NEWS!-Network of European Shops

NGO-Non-Governmental Organization

OCDIH-Christian Organization for Integral Development of Honduras

PASOLAC-The Sustainable Agricultural Program in Central America

RAOS-Regional Cooperative of Mixed Organic Agriculturalists of Sierra, Ltd

SCAA-Specialty Coffee Association of America

SMBC-Smithsonian Migratory Bird Center

TNC-Transnational Corporation

UDEPOM-Unión de Ejidos Profesor Otilio Montaña

UN-United Nations

USAID-United States Aid Agency

USDA-United States Department of Agriculture

WHO-World Health Organization

WTO-World Trade Organization

ABSTRACT

THE EVOLUTION OF COFFEE MARKETS FOR SUSTAINABLE DEVELOPMENT: A HONDURAN COOPERATIVE'S EXPERIENCE WITH FAIR TRADE

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This thesis explores the barriers coffee farmers of Cooperativa Copan in Western Honduras face in effectively participating in the Fair Trade market, as well as the opportunities Fair Trade offers in improving the conditions of these farmers and the environment. It also highlights the political and economic relationships that constitute the global coffee industry and the many links between points of production and consumption along the coffee value chain. Fair Trade has become an important alternative trade strategy in the world economy as it confronts the power inequalities and exploitations within the North-South trade relations. Despite the limitations of Fair Trade as both a movement and an alternative market for Cooperativa Copan, this research suggests that Fair Trade has proven to be a key contributor to sustainable

income- generating strategies and socio-economic stability among rural, small-scale farmers in Copan. In the case of Cooperativa Copan, access to Fair Trade and organic markets was made possible by the development support from NGOs and Fair Trade networks in the region.

CHAPTER I

INTRODUCTION

Follow the Bean

The air in the Copan Valley of Honduras was still, cool and slightly humid that morning. The sky was littered with unwelcome thick grey and white clouds that accompanied early morning silence. People began to stir about in their village homes as roosters announced the beginning of the new day.

The first sounds were the “pat pat...pat pat” of *masa* being shaped into tortillas by the quick hands of women in the kitchen. The smell of coffee followed. A days worth of work had begun. As the community awoke, some made their way higher into the mountains to pick coffee cherries- one by one they are plucked off the branch and dropped into baskets, buckets or bags that hug each picker’s body.

One farmer heads to his hillside farm, an hour’s hike by mule, hoping to move the coffee that was drying on the patio out of what seemed to be looming rain. He worried a little because too much rain could damage this season’s crop. Faced with a regional shortage of available coffee pickers that season, the farmer makes his way to the steep hillside to help pick coffee cherries with a few others already out on his farm. Later, when the coffee is hauled down to his small processing plant nearby, he’ll have his son help him begin processing the beans. They will be soaked, washed, sorted several times and laid out hopefully to dry.

That same morning, long after coffee laborers entered the fields for the day, a young woman on the California coast steps into a local coffee shop to the squealing sound of the espresso machine behind the bar. It's a busy morning. All she orders is a medium cup of coffee to sip while she reads the morning paper. Her cup costs double what the Honduran farmer will make for a pound of his unroasted coffee. These two people live very different lives in very different parts of the world, but who are connected by a common interest in coffee.

Curiosity to “follow the (coffee) bean” and explore the process of how a bean goes from crop to cup and from grower to grocer is what inspires this paper and my original research agenda. Yet this paper is not simply about coffee. Coffee is a vivid symbol of deeper dynamics of structures of trade between rich nations and developing nations.

Small-scale farming families around the world have long struggled with the issues surrounding production for global commodity markets. Export commodities can potentially provide farmers the opportunity to improve their livelihoods but at the expense of boom and bust cycles of the international market.

With such a large and complex topic at hand, I focused on several important questions concerning the global coffee market and issues of trade. How does coffee transform from a cherry on a tree to coffee in a cup? Who are the different actors along each link of the commodity chain? How do they all interact?

Yet, most importantly to this research, I asked what role do small-scale farmers have in the global coffee economy and how have alternative market strategies like fair trade benefited them, if at all? The existing research done on this subject has

been limited, though burgeoning, so I hope to highlight the potential Fair Trade has in improving the conditions of coffee farmers, the environment and strengthening farmers' roles in the global economy.

On the level of theory, my interests lie in the political economy and social history of coffee farming, especially among growers in the Copan region of Honduras. Looking back historically, European colonialism set the scene for a global economy; one that would grow into an unforgiving world economic order. The less developed countries that emerged as part of the world system fell on the surplus extraction side of historical processes (Wolf 1982).

These developing nations are now faced with the dilemmas of globalization, defined in part as the penetration of market economies into more and more remote regions of the world (Edelman and Haugerud 2005). This era of a global connection has further fostered the commoditization of resources and has pushed subsistence farmers into agricultural margins.

Coffee is one commodity that is produced in Third World countries to fuel global consumers' desires. More than 25 million farmers in over 50 countries, the majority of whom are smallholders with less than 25 acres of coffee land, depend on coffee for their livelihood (Lindsey 2004:2).

Rural farmers in developing nations opt to grow coffee because of its importance as a valuable commodity worldwide. Yet, new international rules of trade have transformed capitalism during the last two decades of the 20th century- an era encompassing the end of the Cold War and the spread of economic neoliberalism.

These changes have propagated a growth in power among global corporations at the expense of national economies. Privatization and free trade regulations have encouraged operations to move and multiply in cheaper locations (Murray and Reynolds 2007:6; Talbot 2004:102,193).

For developing countries, one way to participate productively within global trade is to recognize and take advantage of consumer trends in the North. Particularly, organic and Fair Trade trends fit into the overarching theme of my research which focuses on the “internationalization” of the coffee business and the key enterprises associated with it.¹

In my efforts to understand these current social issues and the complexity of world market relations, I decided to couple this broader political-economic perspective of international issues with an emphasis on the vulnerability of small-scale coffee farming in today’s global marketplace. As small growers compete against highly mechanized, large-scale coffee operations, they are looking for viable alternatives such as niche, or specialty markets within the coffee industry.

Specifically, this study documents the global coffee market and the responses of rural coffee farmers in less developed nations to changes in that market: the rise of specialty coffee within an evolving coffee industry, the Fair Trade and organic market, new competitors and widely fluctuating prices.

To further narrow down the key aims of this paper, I have organized my central arguments around the barriers growers face in effectively participating in the Fair

¹ Review Walter Goldfrank’s 1994 study on Chilean produce in the world market; Walter L. Goldfrank’s *Fresh Demand: The Consumption of Chilean Produce in the United States*. In *The Cultural Politics of Food and Eating*. James L. Watson and Melissa L. Caldwell, eds. (Blackwell Publishing, 2005).

Trade market, as well as the opportunities Fair Trade offers disadvantaged growers. My intention was to understand as well as help growers in Copan adjust to the dislocations and increasing gaps in wealth generated by globalization. This is a critical part of my research because the labor intensive process of coffee farming and the low prices farmers receive for their coffee are the most immediate facts shaping the daily struggles among growers in Copan and elsewhere.

So I went to the small community of Copan in Western Honduras to work with the farmers of Cooperativa Copan and bridge the interface between global and local. While the situation in Copan is distinctive, I share it because it takes us to the heart of vigorous debates and discussions in various academic and development milieus regarding the efficacy of Fair Trade and whether or not it can achieve its ambitious economic, environmental and social goals.

The following section glances at the methods I used to conduct my research and my journey as an anthropology student doing fieldwork.

Anthropology in the Field: Research Methods for *Following the Bean*

Friction can disrupt the supposedly smooth operations of global power. Tsing (2005) articulates this in her book about global connections and the frontier environment of Indonesian rainforests. She invites her readers to feel the “rawness” and “friction” that characterize this interplay of natural and social practices (Tsing 2005:29). Tsing views friction as glue that gives meaning to economic and cultural interactions, given the “long histories” of “networks of power, trade and meaning” that influence human cultures (Tsing 2005:5)

Using Tsing's expressions, my paper too can be considered an ethnography of global connections. And like Tsing, I am careful to note that these connections are "makeshift links across distance and difference that shape global futures-and ensure their uncertain status" (Tsing 2005:2).

The friction I uncover involves the relationships between structural oppression and social justice movements and farmer involvement in alternative development strategies. The interactions of difference partly reflect the awkward links that make up the coffee commodity chain. This has not only the potential to create misunderstanding but also the potential to create common ground (Tsing 2005). My anthropological objectives led me to look at Copan's coffee growing region and local growing conditions to assess whether Fair Trade and organic coffee farming could evolve into a successful alternative trade system based on the experiences of Cooperativa Copan farmers.

Because the scope of my research in Honduras has been limited by time and language barriers, my research goals have been practical and carefully directed. My fieldwork in Copan spanned a three month time period- from January through March 2008-yet the cumulative efforts of my research took place over a two year period from 2006 to 2008, intermittently and in a range of locations along different sites of the coffee value chain.

Part of my experience with the cooperative was developing a partnership with them to assist them in marketing and selling their coffee in the United States. In accord with my goals of applied research,² my work with Cooperativa Copan was contingent

² See Margaret D. LeCompte and Jean J. Schensul's *Designing and Conducting Ethnographic Research: Ethnographer's Toolkit* (Walnut Creek: Altamira Press, 1999).

upon the ideas of Cooperativa Copan as to what they wanted from my participation. I was to provide them with information about market trends and other resources supportive of change and build relationships with potential coffee buyers.

I worked with Cooperativa Copan by internet from the United States before my stay in Honduras, facilitating a sale of their coffee to an interested importer in Redwood City, California. A coffee roaster in Chico, California also kindly allowed me to become familiar with the relationships and processes that exist among importers and roasters in the global North. Consequently, I have also studied the mode of business of California roasters and importers to understand buyer demands and consumer preferences in coffee quality.

To augment this research, I studied and discerned a basic understanding of production and processing techniques during my fieldwork in Copan because they are important factors influencing the quality of coffee and the price growers receive when they sell it. This was a secondary goal to my first priority of clarifying and documenting the constraints coffee growers faced as well as strategies for reducing or resolving these constraints.

In Honduras, the methods I used were deeply rooted in a traditional anthropological approach of descriptive ethnography. This is a method that draws on both quantitative and qualitative methodologies. It is important in anthropological fieldwork (whether carried out in one or multiple sites) because it is a means of learning local points of view and knowledge within the community you work with. It is a tool for identifying aspects of human experience, hopefully the often subtle nuances of human differences and similarities, at a personal level (see Agar 1996; DeWalt and DeWalt 2002). The

strength of an ethnographic approach is that this kind of bottom-up insight can be considered in addition to perspectives of policy makers at the top.

An ethnographic approach offers the value of participant observation in which the researcher takes part in the daily activities, interactions and events of a group of people (DeWalt and DeWalt 2002:1). It is a central method of research because it can be a means of learning explicit and tacit understandings of life routines and culture (DeWalt and DeWalt 2002:8). Again, this kind of fieldwork and experience can add to the quality of data gathered and interpretation of that data.

The discipline of anthropology has taught me that data collection should be truthful and accurate, no matter what time frame the research is confined to. “Becoming “intimately involved with the people we study” (Bourgois 2003:13) brings anthropologists closer to achieving that goal. Working within the local setting of the Copan community gave me access to in-depth, ethnographic detail that can help to inform larger issues in the world of policy making.

I was eager to legitimize my presence in Honduras because, up until then, I remained to the cooperative a mysterious student working with their trusted colleague (my professor) to help them find prospective coffee buyers. My stay in Copan was an important part of building on this partnership (see Figure 1).

Along with my use of participant observation, I used a face-to-face survey and a select few but crucial interviews to identify how things are done locally, in conjunction with theoretical insights I borrowed from schools of thought in political economy and social history. Political economy is a useful interdisciplinary approach to explain the existing relations between different countries of the world. Though comprised of a sea of



FIGURE 1. Ethnographic photos in the field. First frame shows me with a cooperative member in Comayagua collecting a green coffee sample. The second frame shows me with cooperative leaders in Copan. (Photos courtesy of E. Smith)

varying perspectives I have found difficult to navigate, the study of political economy is important for understanding policies of the world and relationships between the individual and the society and between political institutions and capitalism (Marx 1970; McMichael 1994). More importantly to my research, it is an approach within anthropology that pays attention to the role political and economic transformations have within history and culture (Roseberry 1989; Wolf 1982).

Understanding in particular the conditions under which the process of globalization occurs eventually taught me what developments have led to the globalization of agriculture and the food industry. Mapping out these processes as they relate to farmers of Cooperativa Copan were invaluable for deepening my understanding of the dynamics in the coffee community and what farmers were most concerned with. Individual farmer responses often depicted and reflected a different picture than what cooperative leaders discussed.

I believe using Cooperativa Copan as a case study can be exemplary of other cooperatives facing similar challenges in similar growing capacities. These growers'

local perspectives and experiences also help contextualize data concerning interactions between local farmers and other actors along the coffee value chain. This perspective within anthropology can also succeed in noting how history, culture and political-economic structures constrain the lives of these growers and others.

Another component of data gathering was collecting pertinent documents on coffee production, certification, sales and export records during my daily ritual of working with the administrator and his assistant at the cooperative office in Sesesmil. Sesesmil is the small mountainous town outside Copan where the cooperative office and many cooperative members reside. My involvement in routine activities earned me respectful, collaborative relationships with members and permitted me access to important trips and events and opportunities to interact with the community.

I attended several important meetings, one that included Fair Trade Labeling Organization (FLO) representatives; I learned how to pick coffee, how to process it on the farm, how it is transported to an exporting facility and then further processed. I have witnessed each processing step within the country of origin and I have experienced each exchange along the way, from the exporter to the importer, from the importer to the roaster and onward.

I was interested in the qualitative value of people's experiences and the meanings of those experiences that emerged from my observations and surveys. So, I made treks to farmers' homes to talk with them, mostly those within the cooperative and also a few other growers in the community.

My position as a female in a male-dominated profession and culture made it harder for me to be part of the action and stay informed on news of sales or events. As it

turned out, being a female did allow me to move closer into a circle of young women who are very involved in the cooperative. A significant portion of the information I gathered came from them. They also helped me earn a level of respect I was hoping for from other members.

Overall, working at the local level with participants of Fair Trade, organic markets has added an important dimension to how the theoretical underpinnings of the movement translate into practical application.

This introduction has addressed my research objectives, methods, and questions regarding both the conditions coffee farmers face in Copan and Fair Trade's possible efficacy as an alternative trade tool. The layout of this thesis hereafter has been divided into three parts. Part One begins with the story and situation of Cooperativa Copan (Chapter II), which should help clarify to readers what "small-scale" producer organization represents in this particular discussion.

Chapter III highlights historical issues of critical importance that shaped the global economy and constraints that coffee growers face today. It includes a reflection on coffee's history which transitions into a discussion in Chapter IV on the growing coffee trade of the 20th century. Important to the trade were the political and economic changes that occurred throughout the century which I present in length.

Part Two of this paper invites readers to understand the relationship between coffee production, Honduras, Cooperativa Copan, and the global market. It begins with Chapter V which addresses how coffee has influenced Honduras and the people of Copan, followed by an explanation in Chapter VI of the changing environment within the coffee industry that led to the specialty coffee movement in the late 20th century. Finally,

Chapter VII will touch upon the impact of globalization, important details of how the global coffee market operates, and the role Cooperativa Copan has within the market.

Part Three, Chapters VIII-X, discusses the heart of this paper- Fair Trade and globalization, and the responses and experiences of Cooperativa Copan. Chapter VIII will look at meaning and significance of Fair Trade in the current economic regime, while Chapter IX explores Fair Trade's link to environmental sustainability. Finally, Chapter X includes a discussion on the challenges of the Fair Trade movement on multiple levels and the relationship of this movement to Cooperativa Copan's struggles and success as a cooperative. This body of work will then be followed by concluding remarks in Chapter XI.

When this paper is finished I hope to have shared a story of how a small cooperative in Honduras enters into the international coffee market by way of Fair Trade. You will see how they gradually learned what it takes to succeed in that market by exploring their lives and the work they do as Fair Trade, organic coffee growers. Their story is a part of my aim to follow the bean from crop to cup and look at local experiences that reflect larger issues of trade and globalization.

CHAPTER II

FORMING COOPERATIVA COPAN

Coffee and Honduras

According to the Honduran Institute of Coffee (IHCAFE), there are more than 100,000 coffee producing families in Honduras with 667,185 acres (270,000 hectares) of coffee in cultivation. Ninety to ninety-five percent of cultivation is in the hands of small producers (IHCAFE 2008), making it relevant to explore the extent of issues that often surface among small-scale growers of Copan and Comayagua of western Honduras. These producers reside in a region of Honduras with prime coffee growing conditions but within a country that has one of the highest rates of poverty and inequality in the western hemisphere.

Two out of three people in Honduras are considered poor, defined by international standards as having a per capita income of less than \$1.50 per day (World Bank 2008b).¹ In terms of inequality, an unequal distribution of income can be demonstrated by the following facts: the percentage of total income earned by the richest

¹ Honduras has a population of 7.4 million, and is considered a “lower-middle” income country. Fortunately, total external public debt fell from 70 percent of the GDP in 2000 to 52 percent in 2005.

10% of Hondurans was 42% in 2003 and the percentage of total income earned by the poorest 10% was 1.2% (CIA 2009).²

Expanding agricultural strategies beyond the production of basic grains alone, to include, for example, coffee, has been a way to increase competitive advantage and participation in wider agricultural markets. For many families, including those of Cooperativa Copan, coffee has become the most important source of income within each household.

Though many small, peripheral, agricultural export economies have historically been dominated by coffee (and foreign interests), Honduras did not enter the coffee export economy until the mid-twentieth century (Paige 1997:6). Later, beginning in 1984 and continuing through the 1990s, IHCAFE promoted coffee farming nationwide among small-holders. The project concentrated on soil conservation and production efficiency, advising farmers to improve practices through a process of technification. As coffee became an important component of Honduras' export economy, transnational, regional and local development organizations increasingly offered coffee growers support.

The Agricultural Cooperative of Organic Producers of Copan Ltd (COAPROCL), simplified to Cooperativa Copan for this paper, is an organization of 46 small-scale coffee growers situated in Western Honduras in the department of Copan and Comayagua. Cooperative members of Copan live in the rural villages in and around

² The Gini Index for Honduras was 53.8, which measures the extent to which the distribution of income among individuals or households within an economy deviates from a perfectly equal distribution (0=perfect equality and 100=perfect inequality)

Sesemil I, the mountainous terrain outside the town of Copan Ruinas (famous for sites of Mayan archaeology) (see Figures 2 and 3).



FIGURE 2. Political map of Honduras.

Source: Lonely Planet, 2010, Map of Honduras. Lonely Planet Publications. Electronic document, <http://www.lonelyplanet.com/maps/central-america/honduras/>, accessed September 14, 2009. Reproduced with permission of Lonely Planet. © 2010 Lonely Planet.

More recently the cooperative has expanded to include newer members from the department of Comayagua, a coffee growing zone southeast of Copan near the capital city of Tegucigalpa. Both regions, Copan and Comayagua, are well-known for their production of coffee. The coffee farms of the small producers from Cooperativa Copan grow organic *Coffea arabica* (produced as washed Arabica) under forest canopy on about 540 acres (310 manzanas) of land, ranging in altitude of 900 to 1,300 meters. The next section reviews how the original farmers in Copan came to be an organization of organic



FIGURE 3. Photos of Sesesmil: In town where Cooperativa Copan is located (left) and overlooking the coffee growing landscape (right). (Photos courtesy of E. Smith)

Fair Trade coffee producers and what motivated them to grow from individual farmers into a cooperative.

*From a Caja Rural to a Cooperativa:
Organizing Farmers (and Funds) for
a Sustainable Future*

The original producers of Cooperativa Copan were initially organized within a micro-financing program (a rural savings and credit) set up by a regional NGO in 1998, the Christian Organization for Integral Development of Honduras (OCDIH). OCDIH offered small farmers technical assistance, training and access to credit for the production of basic grains and coffee.

Prior to the *Caja Rural*, as it was called, farmers' finances depended on individual loans authorized by private banks or informal credit often at high interest rates. Yet, not all farmers had access to credit. In June 1999, *caja rural* farmers from the Copan area collectively received 64,000 Lempiras (then equivalent to roughly \$4,000) as

their first credit for the production of basic grains and maintenance of their coffee (OCDIH 2002:9).

Many growers found advantages in working as a group especially as they learned valuable trainings in farming and financing from OCDIH. But it was several influential factors that prompted growers to consider selling their coffee collectively for higher prices and adopt the cooperative structure.

Farmers faced low international coffee prices around this time and were receiving prices for their wet or dry parchment coffee that were fixed by intermediaries in the region. The prices offered by these *coyotes* at the farmgate were significantly lower than conventional market prices (sometimes 50 percent of the value).³ Individual farming families were unable to grow enough coffee to sell in large quantities outside of the region. Coyotes offered immediate payment to cash-strapped households.

Another event that facilitated farmer organization began with a period of long rains in the winter of 1999. The Copan farmers at the time were unable to complete the necessary task of sun drying their coffee to prevent fermentation as the rain persisted. Farmers were obligated to sell their coffee wet and subsequently as lower quality coffee.

Not wishing to rely solely on the whims of the weather, farmers came up with the idea of buying a collective dryer for the cooperative. From these events these Copan growers decided to become a cooperative (with the help of OCDIH) in hopes of improving the conditions of their families' lives and improving the production (i.e., quality) and commercialization (i.e., prices) of their coffee.

³ Prices ranged between 80 and 200 Lempiras per *lata* (gallon bucket) (15.5 Lempiras to 1 U.S. dollar).

New Century, New Beginnings: The First
Year of Cooperativa Copan

In the spring of 2000, Cooperativa Copan pioneers made connections with the Honduran Institute of Cooperatives (IHDECOOP) to obtain status as a cooperative. By June the cooperative had gained its legal standing with 43 active members, all from the Copan area (Appendix A). Cooperativa Copan was organized by a general assembly of members, a directive body consisting of a president, secretary, treasure and a legal representative and four committees: education, marketing, credit and oversight (*vigilancia*) (OCDIH 2002:13).

A critical motive for farmers in joining the cooperative was to find better prices for their coffee. Others were also interested in working in a group, improving their system of production and freeing themselves from coffee *coyotes* (intermediaries). Often, it was one member of the family that would join the cooperative to test it out hoping it would be successful like the *caja rural* (Donovan n.d.).

Within the same year, 2000, Cooperativa Copan became certified organic producers through Biolatina, a third party organic certifying body in Latin America, the preliminary costs of which were paid partly by OCDIH and partly by Cooperativa Copan. During the 2000-2001 harvest, the cooperative produced 760 sacks of certified organic green coffee (*café oro*) (46kg each) from an area of about 103 acres (60 *manzanas*) total from 29 members. Other coffee produced that year was coffee in transition to organic and conventional coffee from farmers who had not yet complied with certification standards (OCDIH 2002:16).

By September 2000, Cooperativa Copan also initiated the completion process of being certified Fair Trade by making contact with Fair Trade Labelling International (FLO) representatives in El Salvador. They had heard of Fair Trade through the regional organic certifier and from another cooperative in Honduras prior to the year 2000.

To be certified Fair Trade, individual farms had to be 10 *manzanas* or less (roughly 17 acres), which was intended to help the most disadvantaged farmers. OCDIH helped the cooperative gather information about members and general accounts and helped them write a production plan for the Fair Trade Labelling organization.

They succeeded in being listed on FLO's registry as a Fair Trade coffee cooperative by fall of the year 2000. The pioneering leaders were enthusiastic about new cooperative ethics and practices and believed in the cooperative form of organization (Donovan n.d.:6).

The initial decisions made by the Copan farmers to orient production toward organic, Fair Trade, shade-grown coffee were partly a desire to capitalize on the growing specialty coffee market. The specialty market was worth \$8 billion in 2001 and made up more than 40 percent of the \$18.5 billion U.S. coffee market (Giovannucci 2001:7).

During this period, the international Fair Trade price for coffee was fixed at \$1.41 per pound plus a five cent premium per pound for organic coffee, totaling \$1.46 per pound of coffee that the cooperative could potentially take advantage of (OCDIH 2002:20). On the other hand, the composite indicator price for coffee on the New York Stock Exchange was 57 cents per pound in September 2000 (ICO 2008b).

With the help of OCDIH, Cooperativa Copan went through a process of training as a newly formed organization, attending workshops on implementing

sustainable farm management practices and the basics in administrative work. Farmers also engaged in exchange visits with other cooperatives to learn more about organic production methods and organizational strengthening.

Copan farmers had a new vested interest in coffee production and they remain among the few cooperatives in Honduras who are pioneering the market for sustainable coffees in the country. Despite the high costs and distant politics that remain challenges of Fair Trade and organic production, Cooperativa Copan has succeeded in entering these markets and benefiting from them.

The extent of support that NGO's and particularly OCDIH provided Cooperativa Copan in their beginning years is recognized as a key component of the cooperative's ability to access critical resources and enter into differentiated market. These issues will be given more attention in a later discussion.

This beginning to Cooperativa Copan's story was intended to briefly introduce them as a specific group of growers in Western Copan and highlight the initial process they experienced in building a farmer organization. It sets the stage for exploring circumstances where rural people find themselves at the convergence of global processes, local history and local conditions.

The following chapter will help articulate social relations of differential access to wealth and power that has historically shaped the development of particular types of producers.⁴ I find it useful to highlight a historical aspect of political economy from an anthropological approach to trace these larger currents of world history back to local

⁴ For a review of the literature on these issues, see Kees Jansen (1998) and Anthony Bebbington (1999).

contexts. It was specifically the period from around the 1600s through the 1800s that represented an important block of time in coffee's history and coffee's role in shaping a new world order.

CHAPTER III

COFFEE'S COLONIAL HISTORY: COFFEEHOUSES, PLANTATIONS AND A NEW WORLD ECONOMIC ORDER

Coffee's Beginnings and Its Growth in Europe

Small-scale coffee growers around the world like those in Copan and Comayagua spend their daily lives in a constant struggle for economic survival. This struggle comes out of a long and dynamic past involving coffee's historical presence in society. The significance of its history helps reflect the importance coffee holds in international trade today and how the conditions of growers have been shaped over several hundred years.

In this section I will relate how coffee rose to such importance and the lasting effect it has had on different peoples and cultures across the globe: 1) the rise of coffee's popularity in Europe, 2) its political importance in commodity trade among colonial powers and 3) coffee's role in the subsequent emerging world economy and unequal centers of power.

Coffee begins its journey and enigmatic history as an important commodity in international trade in Ethiopia, where the plant was originally found by the Oromo people of the Kafa province (Clay 2004:70; Topik 1998:41). It wasn't cultivated as a crop until

early 900 C.E. in the mountains of Yemen, and it remained an Arab monopoly for hundreds of years (Clay 2004:70; Jaffee 2007:39; Luttinger and Dicum 2006:3; Topik 1998:41).¹

During the mid 1500s, the first coffeehouses emerged in Constantinople, Cairo, and Mecca. Later in Europe during the early 1600s coffee was introduced by Venetian traders who had well-established trade relations with the Levant (Jaffee 2007:39; Luttinger and Dicum 2006:8). The first coffeehouse in England emerged in Oxford in 1650, and by 1715 there existed two thousand coffeehouses in London alone. The coffeehouse became a type of social institution, a new space for urban social life and educated bourgeoisie eager to foster the interchange of ideas and opinions.

The history of coffee in the late 17th and 18th centuries is associated with and similar to the history of sugar and chocolate, commodities only the elite classes could afford. The consumption of these commodities became regarded in terms of fashion, linking the act of consumption to the body, person and personality (Appadurai 1986:38).²

Much like Sidney Mintz' (1985) description of the colonial history of sugar and how this exotic substance evolved into an everyday product, coffee's production became significant economically and politically, eventually increasing in demand but decreasing in elite symbolic value (Mintz 1985:45).

¹ For a comprehensive overview of coffee's history, see Steven Topik's *The integration of the World Coffee Market, In The Global Coffee Economy in Africa, Asia, and Latin America 1500-1989*. William Gervase Clarence-Smith and Steven Topik, eds. (Cambridge: University Press, 2003).

² A commodity is any product intended for exchange; a particular kind of manufactured good or service associated with capitalist modes of production (Appadurai 1986:7). Industrial capitalism, as thought by Marx, was the most commoditized type of society, with commoditization occurring at overlapping temporal, cultural and social factors (Appadurai 1986:16).

As it acquired more importance, the coffee culture quickly spread across Europe. With time coffee eventually became a beverage of mass consumption in both Europe and the United States (Luttinger and Dicum 2006:10-17). Mass consumption meant that tropical coffee growing regions, or colonies, had to sustain a level of mass production. This coffee buzz required a labor force capable of sustaining consumption.

Therefore, it is important to elucidate the formation process of coffee colonies, the consequences of colonial expansion, and the development of intensified relations of power that ensued during this time period. It will become clear that the structure of today's coffee industry has noticeable roots in both its colonial past and events thereafter.

Politics and Power

Under the control of important European colonial powers like the Dutch, English, French and Portuguese, coffee cultivation rose dramatically among the colonies of the tropics with the use of plantations, forced or slave labor and the destructive clearing of forest on virgin lands. This process of hegemonic expansion into the rest of the world was occurring during a transformation of the world system, giving rise to the modern nation-state (Daviron and Ponte 2005; Jaffee 2007; Luttinger and Dicum 2006; Topik 1998).

In the mid to late 1600s, the Dutch introduced expansive coffee cultivation in the East Indies. In 1719, the French did the same in Martinique, bringing coffee to the Caribbean where it would, with time, successfully spread to the mainland of Central America (Jaffee 2007:39; Luttinger and Dicum 2006:26; Topik 1998:41).

European colonists also dominated sugar cane planting along with coffee production, and England prevailed as the most “successful” colonizer, using the plantation system and the largest number of slaves (Mintz 1985:35-38). The domestic Latin American economy became an extension of the world economy “with locals marching to the beat of a distant drummer” (Topik 1998:40).

Coffee expansion was associated with the rise of new elite ideology, and as political power transferred between the coffee elite, economic development was shaped to favor the wealthy and ignore the impoverished rural masses (Paige 1997:13; Topik 1998:42). Colonial production, trade and consumption meant “the growing strength and solidity of the empire and of the classes that dictated its policies” (Mintz 1985:157).

Beginning around 1730, roughly thirty thousand slaves from Africa were imported each year to French Haiti to work on colonial coffee plantations. By 1791, half a million slaves there supplied half the world’s coffee, making French Haiti the world’s leading coffee exporter (Jaffee 2007:39; Topik 1998:41).

When the slaves revolted two years later by destroying plantations and estates, Brazil quickly stepped forward to become the powerhouse of world coffee production (Luttinger and Dicum 2006:28). A catalyst to Brazil’s rise in power was their independence from Portugal in 1822 and a surprise coffee rust in 1890 that decimated a quarter of a million acres of colonial estates in Ceylon and India, Java, Sumatra and Malaysia (Jaffee 2007:39; Luttinger and Dicum 2006:28).

During this period, Brazil was responsible for producing half the world’s coffee supply, of 294,000 ton (Luttinger and Dicum 2006:30). Other coffee producing areas could not compete with the amount of natural resources and labor that was needed

to work the Brazilian fields to foster a large-scale production of coffee. It became one of the major centers of new world production and in turn, Brazil's success has ultimately shaped the world coffee market of today (Topik 1998:42; Williams 1994:21).

The magnitude of the power Brazil achieved in the coffee economy takes us to another dimension larger but related to the specific historical context of Brazil's success. The expansion of coffee production around the world during this period begins to illustrate coffee's role in the development of world capitalism and new labor relations on a global scale.

Coffee and Capitalism

When European feudalism transformed to a system of world trade during what Polanyi (1944) describes as the "great transformation" of the 18th century English countryside, agrarian life was altered by a new "commercial spirit", as the state reduced the concepts of land and labor to nothing more than commodities (Schneider 2002:68).

Dispossessed peasants became proletarian labor that fueled urban factories, stripping them of any protection they found under culturally accustomed definitions of land and labor (Mintz 1985:54; Schneider 2002:68; see also Roseberry 1989:149). The conditions changed the economic and political order from a "hierarchical, status-based, medieval society to a social-democratic, capitalist, and industrial society" (Mintz 1985:185).

Subsequently, tropical colonies became sources of profit for the industrial core, providing the raw material to be used for finished goods in Europe's market society (e.g., coffee) (Gwynne and Kay 1999:10; Mintz 1985:180; Wolf 1982). Like the wage

laborers that fueled the British factory system, the slave-based plantation system was also instrumental in the emergent world economy and the accumulation of capital in world centers (see Mintz 1985:60).

Commodities like tea, sugar and coffee became powerful political and economic resources, a necessity for the work force of the industrial revolution, providing calories for the poor labor class (Mintz 1985:116, 145). These conditions fostered unbalanced terms of trade and uneven development under a capitalist world economy, which ultimately created an asymmetrical relationship between the core of richer powerful nations and periphery countries of Latin America (even after they experienced political independence) (Appadurai 1986:6; Mintz 1985:158; Roseberry 1989:49-52; Wolf 1982).

Coffee's popularity in the United States parallels that of Europe. It was in colonial America, while the consumption of tea dominated in popularity in England, that American drinking habits changed in favor of coffee as a marker of social difference (Mintz 1985:153).

In the following centuries after the Boston Tea Party, when coffee was officially embraced as a patriotic beverage, Americans would establish a growing coffee trade industry. In the twentieth century this saw the centralization of the coffee roasting industry, technological innovations to increase yields, efficient transport mechanisms, and important geopolitical developments (Bacon 2004; Daviron and Ponte 2005; Luttinger and Dicum 2006:34). This transformation, and the American influence on the global economy during this past, is illustrated in more depth in the next chapter. It also

discusses the growing coffee trade in Latin America and the political and economic environment that existed between this region and the United States.

CHAPTER IV

BUILDING AN INTERNATIONAL COFFEE

TRADE IN THE 20TH CENTURY

Introduction

The development of the international coffee trade occurred within an evolving world economic order, an order that was increasingly controlled by a powerful United States during the 20th century. The modern coffee system and its history have been referred to by Luttinger and Dicum (2006:72) as a microcosm of the current system of international trade and its development.

This chapter will describe the social and economic changes that occurred in American capitalism as well as the important role Latin American countries like Brazil and Colombia played in developing the coffee market. These events are important factors in understanding how the coffee trade and the U.S. marketplace were transformed (Jimenez 1995:55) and illuminating the interconnectivity of United States policy and development in coffee producing nations.

The four main parts of the following discussion will focus on: 1) a brief look at Colombia and Brazil as powerhouses of coffee production in emerging Latin American coffee states, 2) standardization in the United States and international coffee agreements, 3) worldwide financial liberalization starting in the 1970s, and 4) the 1980s debt crisis and economic neoliberalism.

The Growing Coffee Trade in Latin America

According to Roseberry (1996), 20th century capitalism was dominated by the Fordist regime of accumulation. Its principles of mass production and industrial modes of organization in critical industries started in the early 1900s (Roseberry 1996:771).

It was Latin American regions that produced primary products for exports to the U.S. and Europe, resulting in an increased dependency on export commodity trade. Despite being under the same structure of trade as rich nations, southern nations experienced very different social, economic and political contexts as they incorporated into the world market and capitalist social relations that shaped what direction coffee economies took (Roseberry 1995:30).

The national states of Central America were being constructed during a period of new developments in the world system, specifically a change in demands for tropical products among Americans and Europeans (Williams 1994). The coffee economy in the region developed before coherent nation states were consolidated. By 1900, all five Central American countries except Honduras were “coffee states” run by members of the coffee elite, or institutionalized with help from them (Williams 1994).

It was during the 1800s that coffee production had boomed in the Central American region. The powerful coffee interests that had developed became frustrated with national institutions’ inability or reluctance to respond to their needs (Williams 1994:240). Coffee elites used their own local bases of power to take control over the national state by using existing political frameworks and their connections with other states (Williams 1994:240). By the latter half of the century, government policy was reoriented toward actions to promote and expand the coffee economy and export activity

in general. With coffee being the primary source of flow of foreign exchange, these governments had no desire to endanger the coffee sector (Williams 1994:240).

As these nations gradually built their coffee industries, Brazil and Colombia retained their positions as leading coffee nations in the development of the international coffee economy. At the beginning of the 20th century, Brazil controlled roughly three-quarters of the global coffee production and continued its success under guidance from the Brazilian Institute of Coffee, or *Instituto Brasileiro de Café* (IBC) [founded in 1906] (Baffes et al. 2005:303; Luttinger and Dicum 2006:73). The purpose of the IBC was to buy coffee from growers and store it in warehouses in New York, Santos and Hamburg to sell worldwide.

In order to control the flow of coffee and maintain stable prices, the IBC either stockpiled green coffee to reduce supply on the world market or they destroyed it. During this time, known as the “valorization of Brazilian coffee,” the IBC had control of setting the international price for coffee, boosting Brazil to the forefront in the expanding international market (Baffes et al. 2005:303; Daviron and Ponte 2005:84; Luttinger and Dicum 2006:73).¹

Alongside Brazil, Colombia emerged as a major coffee producing nation as it expanded its coffee sector during a period of “unbridled growth and optimism” that it was concurrently experiencing in the early 20th century (Luttinger and Dicum 2006:75). In the 1920s, the National Federation of Coffee Producers, or *Federación Nacional de Cafeteros* (FNC), was organized as Colombia’s political coffee force, representing the

¹ Brazil held some stocks of the world market to “valorize” them, eventually leading to coffee agreements like the ICA (Topik 2003).

interests of coffee producers, providing financial, agronomic and developmental help to farmers.

Unlike Brazil, who subsidized their coffee growers and withheld or destroyed coffee to maintain stable prices, Colombia promoted an expansion of coffee trade and exported coffee without restraint (Luttinger and Dicum 2006:75,76). Unfortunately, Colombia and Brazil failed to coordinate the sale of their exports and failed to resolve price disagreements they had between them (Baffes et al. 2005:303; Luttinger and Dicum 2006:78).

With the beginning of World War II, Latin American producers were cut off from European markets resulting in falling prices for the U.S. As the volatility of the market continued, the U.S. took advantage of the ability to purchase coffee at cheap prices internationally until a concrete trade agreement finally materialized first during the war and later in the 1960s (Talbot 2004:49). As the next section illustrates, the situation enabled large coffee trading corporations of the United States to sustain their growth, allowing for a heightened period of massification in the industry.

Standardization of the U.S. Coffee Industry; The ICA and the ICO

During the 1950s, many economic sectors of the U.S., including the coffee industry, underwent a period of consolidation. Coffee was being standardized for mass markets, a transformation attributable to the period of standardization and industrialization of foods during the 19th and early 20th centuries (Daviron and Ponte 2005:77; Roseberry 1996:764). In the 1920s “coffee breaks” became commonplace in work forces to help complete work tasks and sustain productivity. It was a stimulant that

“could be easily harnessed to the logic of the modern capitalist order”, eventually pushing demand for large scale delivery technologies as coffee was increasingly used between meals at or near work (Jimenez 1995:51, 49).

By the 1960s, the consolidation of national markets within the coffee sector in consuming countries became a key characteristic of the coffee value chain. After a period of price wars, only a few national roasting companies in the U.S. (as in Europe) dominated the consuming end of the chain (Talbot 2004:52).

During peak coffee consumption in the 1950s and 1960s, “conglomerated enterprises” like Procter and Gamble and General Foods gradually overpowered and eventually absorbed smaller regional roasters in the U.S. (e.g., Folgers, Hills Brothers, and Maxwell House) and soon controlled the roasting capacity in the nation (Luttinger and Dicum 2006:87, 132).

As these U.S. roasting companies grew and diversified, they concentrated on consistency in price, packaging and flavor as opposed to coffee quality and locality. In contrast, coffee standards remained higher in Europe because of different patterns of consumption and desired coffee attributes (Daviron and Ponte 2005:77).

Large roasters, like General Foods, which controlled 15 percent of world coffee consumption in the 1960s, relied heavily upon their relationships with Brazil and Colombia to maintain their market hegemony (Luttinger and Dicum 2006:87). For this reason the U.S. served as a market for harsher, less expensive coffees from Brazil, whereas Central American coffees, which were preferred quality milds were shipped mainly to European markets (Roseberry 1995:14; Talbot 2004:52). What had not been foreseen was that brand competition in a saturated coffee market would inevitably cause

a decline in the quality of coffee available to consumers. This would have an effect on patterns of consumption and its relationship to coffee production in southern nations.

This raises two important developments that marked this process of standardization and mass production after WWII: international control agreements and the long term decline in consumption starting in the 1960s (Daviron and Ponte 2005:77; Roseberry 1996:765). Both had important implications for how roasters in Europe and the U.S. sought to maintain market power in the coffee economy.

During this post-WWII phase, international development projects that promoted improving living standards became an important focus of foreign affairs (e.g., emergence of the World Bank and the International Coffee Agreement). Efforts during the development paradigm were focused on stabilizing capitalism through the management of national economic growth (mainly by the state). When President John F. Kennedy was elected, his interest in Latin America led to a re-examination of policy in the area and a push for price stabilization measures in the coffee market (Talbot 2004:58).

In the efforts to find a solution to chronic price instability, overproduction and price decline internationally, the 1962 international coffee agreement (ICA) evolved. Latin American producers originally pushed for negotiations of the ICA for two reasons: 1) while the U.S. imposed almost no restrictions (trade barriers) on coffee, the European common market did; 2) this was confounded by an agreement the European Economic Community signed with the newly independent African countries of the Franc zone that would diminish coffee tariffs overtime for those producers (Bilder 1963:332). Because of this advantage for African producers, Latin America would see a drop in their coffee

exports to Europe. They wanted these restrictions removed- a principle issue in the negotiation of the agreement (Bilder 1963:332).

A short-term agreement that preceded the 1962 negotiations had limited success, bringing attention to the need for what was being considered an effective long-term solution. Coffee producers knew they needed the United States' participation for it to work (Bilder 1963:338).

The creation of the ICA to help countries resolve commodity problems, and the use of development agendas to assist countries like Honduras economically, would allow the U.S. to achieve two things: 1) protect business interests (e.g., assure access to coffee at stable prices); and 2) succeed in its priorities of preventing the threat of communism in the region during the Cold War (Baffes et al. 2005:303; Fisher 1972, and Payer 1975, cited in Talbot 2004:60; Luttinger and Dicum 2006:85; Talbot 2004:60-61).²

By the summer of 1962, during a UN sponsored negotiating conference in New York, the U.S. supported and signed the International Coffee Agreement along with other producing and consuming countries (Talbot 2004:58). The U.S. conglomerates that had been under pressure by the FNC and the IBC to participate in the ICA were content to receive somewhat higher prices in exchange for guaranteed production (Topik 2003:47).

The five year ICA was designed to stabilize the price of coffee and find equilibrium between supply (production) and demand (consumption). This would be accomplished through a system of export quotas that limited supplies put on the market

² John F. Kennedy developed the "Alliance for Progress" program in 1963, totaling \$705.5 million, distributed among 15 developing countries. Honduras received \$94 million from this assistance program and another \$193 million for development, food aid, and military assistance (Merrill 1995:198).

by exporting members to estimated levels of demand [producing countries were to abide by the strict export quotas and importing countries should refuse to accept over quota exports] (Bilder 1963:328; Talbot 2004:59).³

In 1963, The International Coffee Organization (ICO) was established to administer the agreement and carry out its responsibilities. It did so through its Coffee Council- the major authority and governing body of the ICO- that was made up of importing and exporting countries (Bilder 1963:380; ICO 2008c; Talbot 2004:61).

Most importantly, the ICO controlled agreed-upon coffee prices along a spectrum of coffee grades by adjusting quotas (i.e., supply) (Bilder 1963:358; ICO 2008c; Jaffee 2007:42; Luttinger and Dicum 2006:90; Roseberry 1996:772). This imposed rigidities on international trade but it also existed as protection for producing countries in the developing world. Producing countries met quotas by stockpiling coffee to keep it off the market, destroying it or selling it at low prices to non-ICO member countries (e.g., Soviet Bloc) (Talbot 2004:60-61).

The ICO would continue to operate under successive agreements, becoming what Luttinger and Dicum (2006:90) describe as a “global cartel” of the post WWII coffee trade. It also served as a reservoir of information on the market and a forum for producing countries and consuming countries to confront and resolve problems in the world market (Bilder 1963:328; ICO 2008c; Talbot 2004:59).

³ Based on Bilder’s (1963:361) assessment, the share each country could have in the global quota was based upon each country’s size by exports. Yet, no country could exercise more than 40 percent of votes. Of the 1000 votes to be exercised within each group, up to 150 went equally to members of that group on a “basic vote” basis. The rest were allocated on a weighted basis (2/3 vote) (e.g., countries like Brazil and the U.S. received larger shares).

Prior to the 1960s, the volatile world coffee prices discussed earlier left small growers in developing countries very vulnerable. The ICA (and its renewals) resulted in relatively stable and high coffee prices during the 1960s to the 1980s (Luttinger and Dicum 2006:91; Talbot 2004:63).

Using Brazil and Colombia as models of success, coffee was seen during the era of the ICA as an example of the potential that export crops had in bringing money into national economies (Luttinger and Dicum 2006:85). Growing coffee became a profitable activity and was seen as a catalyst for improving living standards.

State-owned coffee institutions in coffee producing nations promoted production, helped maintain coffee quality, and provided resources to producers to help them meet the volume of exports the ICA had set (Eakin et al. 2006:159). It was in these decades that much of the profit from coffee was flowing to either coffee growers or producing states (Talbot 2004:179).

Coffee production continued to expand in many countries in Central America (including Honduras in the latter part of this period), in Africa, and in Indonesia with help from the International Monetary Fund and World Bank (Luttinger and Dicum 2006:91). Yet, it became clear that a colonial role continued to haunt the division of labor surrounding production and processing of coffee. With the primary international trading partners of major tropical commodity exporters often remaining former colonial powers (Daviron and Ponte 2005:42; Talbot 2004:44), it seemed that political regulation changed but geographic patterns of trade did not.

Yet, on the positive side, the collective action growers had taken part in during the years of the ICAs taught them a great deal about the coffee commodity chain

and how the market worked in consuming countries. This would continue to give them the capacity to respond to the new period of the self-regulating market that arose during the crisis of the world economy in the 1970s.

As the next section discusses in more detail, the 1970s saw a period of increasing “transnationalization” which partially undermined the authority of the ICA (Talbot 2004:61). By the 1980s, state management of the national economy (and national management of coffee sectors) was being replaced by liberalization and integrated agriculture into the global economy as a means for economic development (McMichael 1994; Talbot 2004:74,102).

Furthermore, the coffee intensification programs of the mid-1970s, the 1975 Brazilian frost, and pressures by the World Bank to expand coffee exports all led to a major oversupply of coffee by the 1980s (Talbot 2004:67). There were ongoing negotiations for a new agreement in 1988 and 1989, but member disagreement finally led to its breakdown (Raffaelli 1995:68).

The nations of the Other Milds coffee group wanted to increase their share of the quota (from 42-43 percent to more like 48 percent) which the United States supported. This would occur at the expense of the Robusta group (specifically Brazil) which was not willing to reduce its share (Raffaelli 1995:68). Also, non-member nations were free of quotas while members importing coffee to their markets were subject to export quotas. This meant importing countries were paying higher prices for coffee than non-members to support the quota system [penalties in selling coffee at cheaper prices to non-members were not enough of a threat to deter the action] (Raffaelli 1995:69).

Therefore, unable to negotiate a renewal of the ICA, the ICO no longer controlled export and import quotas after 1989. By 1992, coffee prices plummeted to 49 cents per pound. Individual producer countries were left to regulate their own coffee production and its quality but with less international negotiating power (Bacon 2004:498; Eakin et al. 2006:158). The situation, a period Luttinger and Dicum (2006:107) refer to as a “worldwide regime of careless capitalism” exacerbated the uncertainties growers faced.

Worldwide Financial Liberalization of the 1970s and Debt Crisis of the 1980s

The 1970s began a process of transition toward “flexible accumulation” where inventory and production processes were downsized and goods were being produced for specialized market niches (Roseberry 1996:771; see also Mathieu 1999). It also marked the advancement of worldwide liberalization of finance and what Schneider (2002:71) describes as the “global factory” where worksites of industrial production for world markets came to exist on all continents.

Consumer preferences were changing from instant to brewed coffee, which shifted demand from Robusta to Arabica beans. Countries who weren’t ICO members were receiving (higher quality) Arabica coffee more often, and as an ICO member, the U.S. wanted more flexibility in trading Arabica beans. North America’s expanded interests would eventually lead to a quality and pricing system based on grading scales which required particular processing techniques (Jimenez 1995:45; Roseberry 1995:14).

Part of this structural change in the global economy was a result of the breakdown of the Bretton Woods financial institutions, composed of the International Monetary Fund and World Bank, organized to oversee this international monetary

system. Bretton Woods developed under the fordist regime of the post-WWII era as part of a system of fixed currency exchange rates and national controls on capital movement (Talbot 2004:61).

The Keynesian policies under this prevailing form of macroeconomics were believed to regulate the booms and slumps of the trade cycle to maintain national economic equilibrium (Daviron and Ponte 2005:14; Talbot 2004). Yet, with its breakdown in the 1970s, a series of policy changes known as economic neoliberalism emerged, which promoted free, unregulated trade and open market policies (see Schneider 2002:75; Talbot 2004:83-84).

This marked a period of hegemonic decline of the United States as transnational corporations emerged as organizers of global production and trade with their control over financial capital (Talbot 2004:24). As part of the internationalization of political power that was occurring at this time, managers of global agencies (e.g., IMF, World Bank and WTO) assumed power to set global rules and see them through in national policy-making (McMichael 1996:32, 38-39). Supported by the ideology of free markets in the global political economy, nation-states had to yield regulation of their economic growth to new forms of global regulation during the restructuring process (McMichael 1994:5). This led to a tightened control over production located in the peripheral or semi-peripheral regions of the world (McMichael 1996:38).

Changes in the structure of coffee chains were therefore part of larger changes in the agri-food regimes and international trade generally (McMichael 1994). This process can be seen as part of a gradual paradigm shift from the development project to the globalization project, urging the integration of specialized sectors of agriculture into

global not national production systems as a means of stabilizing capitalism (McMichael 1996:31).

The first phase of financial liberalization took place after the oil crisis of 1973-74, when the U.S. began lending to Asian, African and Latin American countries. The loan money banks were giving to the Third World was funded by the growth in the petrodollar market that occurred after big increases in oil prices during the 1970s (Talbot 2004:23). Honduras, like many other developing nations in Latin America, had borrowed heavily from these external agencies for development projects to attract foreign investment. Unfortunately, the projects only dragged most nations further into debt (Merrill 1995:114), leading to the subsequent debt crisis that developed by the early 1980s.

Nations like Honduras found it difficult to repay their loans for a multitude of reasons so The World Bank and the IMF imposed a series of structural adjustment reforms on poor nations that resulted in: 1) privatization of government-owned enterprises, 2) trade liberalization, 3) reduction in state expenditures on social services, and 4) deregulation of financial and labor markets (Edelman and Haugerud 2005:7; Krivonos 2004:3; Merrill 1995:117; Schneider 2002:77).

The aims of these reforms were to cut down spending in certain economic sectors and introduce more efficient markets in Africa and Latin America. This is one reason why countries like Honduras were urged to strengthen sectors that promoted export growth (e.g., coffee and agriculture) (Bacon 2004:498; Daviron and Ponte 2005:19). The overall impact of these reforms must be taken in context of each nation's situation.

Beginning in 1990, the Honduran government implemented reform measures despite being unable to decrease their dependency on foreign assistance to support their economy (Merrill 1995:114). This occurred for several reasons, one of which is most important.

During the 1980s, the U.S. had been using Honduras as a focal point in U.S. policy toward Central America by making them a staging ground for military events regarding conflict in Nicaragua and El Salvador (Merrill 1995:198). Honduras' strength was their ability to evade revolution, conflict, and civil war which these neighboring countries suffered. After the conflict was over, the U.S. neglected to consider the social and political consequences Honduras might experience once the U.S. left. As one example, the U.S. had rewarded Honduras with monetary aid for their cooperation in the conflict (\$1.6 billion stretched over a decade), despite known institutional corruption in Honduras' political system (Merrill 1995:200).

This arguably pushed Honduras to use the money as a substitute for undertaking economic reform to its fullest. Honduras remained one of the poorest countries in the hemisphere during the 1990s (Merrill 1995:199), raising questions about efficiency and effectiveness regarding aid money and large-scale development projects.

Overall, the global market is still regulated by an uneven system of trade where those at the top perceive pure capitalism as a structure to benefit everyone, "with tremendous leaps in manufacturing efficiency and the multiplication of wealth throughout world trade" without considering regional or historical contexts (Schneider 2002:75).

The intent of this chapter has been to address the changes that have taken place in the global political economy concerning trade patterns, agro-food systems, and market regulation, and how these changes have affected the coffee industry.

The discussion has briefly laid the foundation for how political and economic issues of the 20th century have influenced the current situation developing countries, particularly Honduras, and coffee growers face today. The contingencies of history and coffee's historical significance in the world economy that I discussed so far in this paper will help develop a clearer understand of the current state of the international coffee market and Honduras' place in it.

This chain of historical events will also help give clarity to the next two parts of this thesis and the story of Copan coffee growers. In saying this, I now move on to Chapter V, the beginning of Part 2, to highlight Honduras' agricultural sector, the development of Honduras' coffee industry, and the knowledge Cooperativa Copan producers have in growing and processing coffee. The discussion is an important lead into understanding the inter-connectivity between local conditions of these particular Honduran growers, market evolution, their responses to market changes and their interactions within the coffee value chain.

CHAPTER V

AGRICULTURE AND COFFEE IN HONDURAS

Understanding Honduras' Late Emergence into the Coffee Industry

Honduras is a country dominated by rugged terrain with poor soil, largely lacking the volcanic ash found in other Central American countries. Coupled with a lack of good ports for exporting goods during the colonial era, it has been difficult to cultivate and develop a significant agricultural industry beyond mining and livestock which dominated Honduras until the early 20th century (Merrill 1995:70).

On a political level, Honduras historically experienced political turmoil, civil strife and interference by their Central American neighbors in their internal affairs (Guatemala, El Salvador and Nicaragua), during the 19th century (Merrill 1995:15-17). Under pressure to improve their economic situation, Honduras opened up its economy to foreign investors, first in the mining industry and later to large banana companies on the Caribbean coast.

The banana industry grew rapidly in Honduras at the end of the 19th and the beginning of the 20th century with the construction of railroad lines on the Caribbean coast and favorable land concessions in the Northern plains offered to United States

enterprises (Merrill 1995:20; Jansen 1998:7).¹ Powerful U.S. banana companies used railroads to further open up new banana lands, gaining control of the best lands in the region and prompting the U.S. to take on an increased role in Honduran political affairs to protect its interests (Merrill 1995:20; Jansen 1998).

By 1913, Honduras was truly a “banana republic,” with bananas accounting for 66 percent of total exports (Jansen 1998:7). With foreign banana multinationals manipulating state power and influencing laws in their favor, increased banana exports did not lead to an even distribution of wealth within Honduran society. Honduras would later experience political unrest and corruption along with the entire Central American region during the mid 20th century.

Honduras’ experiences with foreign intervention resulted in a position of “relative economic and social backwardness” and an elite class that was relegated as politically and economically the weakest oligarchy in Central America (Merrill 1995:17, 84). It was the combination of environmental, social and political contingencies that influenced the absence of major coffee exporting in Honduras until mid to late 20th century. This differentiated it from neighboring Central America nations where large coffee plantations resulted in wealthy elite (Jansen 1998; Merrill 1995:80; Topik 2003:145).²

¹ In 1899 the Vaccaro brothers of the United States began shipping boatloads of bananas from Honduras to New Orleans, igniting the banana trade of this region (Merrill 1995:20).

² Concerning coffee’s lack of importance in Honduras, Jansen (1998) has also attributed it to failed policy influenced by topography, scarcity of transport infrastructure, and absence of sources of capital.

Honduran geography consists of three distinct topographical regions: an extensive interior highland area and two narrow coastal lowlands. The mountainous terrain and scattered flat floored valleys of the interior highlands represents 80 percent of Honduras' total area [11.2 million *hectares* or 112,000 sq km] (Merrill 1995:69). According to the World Bank (2008a), agricultural land makes up 26 percent of its total land area even though not all of it is optimally suitable for growing crops.³

Within agricultural production in mountain areas, there are three distinct forms of land use constituting major economic activity: 1) farming of basic grains (particularly *maiz* and *frijol*), 2) coffee, and 3) livestock (Jansen 1998:7; World Bank 2008b).

Rural Honduras has traditionally been a dual agrarian structure composed of the *latifundio* (large estates) and *minifundio*, which reflects historical continuity from the Spanish *encomienda* system to the post-colonial land-based elite (Jansen 1998:48). The majority of Honduran farms today, however, are made up of small and middle-sized producers, changing the dynamic of forms of land use and producer relationships (Jansen 1998:48, 61).

As haciendas transformed into commercial estates, and as land was appropriated by cattle ranchers, land available to smaller producers steadily diminished beginning in the early 1960s. This led to a period distinguished by the concentration of land holding and wealth, consequently resulting in the transformation of many diverse agricultural systems into pasture (Jansen 1998:67; Merrill 1995:65).

³ In 1993, Chiquita Brands International, Dole Food Company and the Honduran government owned 60 percent of Honduras' cultivable land (Merrill 1995:125).

Initially, cattle exports took precedence in Honduras as a target for economic improvement after WWII due to high demand for beef in the U.S. These efforts increased production dramatically from 1950 to 1980 [shadowing coffee production] (Merrill 1995:84; Jansen 1998:68).⁴ The increased tension with cattle farmers and rising farmer insecurity prompted a Honduran Land Reform and later a land titling program during the 1970s to increase land rights to small and medium sized agricultural producers (Jansen 1998:28; Merrill 1995:65).

Despite Honduras' political stability during the 1970s and 1980s and a well organized movement of landless peasants beginning in the 1960s (Merrill 1995:187), these reform efforts failed to last long. Farmers were once again forced to eke out an existence on smaller parcels of land with limited productivity (Jansen 1998:52; Merrill 1995).

Illustrating their organizational incapacity and disregard for social differentiation and power conflict among farmers, USAID, the Honduran Land Reform Institute (INA) and the Honduran state failed to note the importance in assessing social consequences of development programs for marginalized areas (Jansen 1998:58). The impact of such development programs affected rural communities across Honduras. In the Copan region, farmers still struggle to access good outlets for strengthening social capital that would help to improve their livelihood (e.g., support from local or regional NGOs regarding financing, on-farm technical assistance, and farm management trainings).

⁴ Merrill (1995) states that cattle production tripled between 1950 and 1980, whereas Jansen (1998) writes that cattle increased by 52 percent during "the golden period for cattle" between 1952 and 1974.

The Maturation of the Coffee Sector in Honduras

During the 1950s that the Honduran government and Banco Nacional de Fomento, with assistance from the U.S. government and USAID, helped to expand coffee production and improvements in coffee processing infrastructure (Eakin et al. 2006; Rice 1997:108). By 1967, the Association of Honduran Coffee Producers (AHPROCAFE), Honduras's first coffee growers association, had emerged.

The development of AHPROCAFE was followed by the Honduran Coffee Institute (IHCAFE), which was set up in 1970 by the Honduran government to further develop coffee production, promote technical improvements and provide credit to farmers (Eakin et al. 2006:161; Jansen 1998:184). Yet IHCAFE programs were expensive and only reached a limited number of farmers (Wyeth 1987:89).

Coffee expanded in part in response to market opportunities and high prices for coffee (stemming from high prices during the 1970s). Coffee production was a profitable business for coffee state agencies and growers through the 1980s. The boom occurred in part because of a need for larger volumes of coffee as transnational corporations consolidated and also in response to debt pressures during the 1980s (Talbot 2004:75). This would help to build Honduras' poorly developed infrastructure and accelerate the slow development of market structures to commercialize coffee (Jansen 1998:209).

During the 1970s, 1980s and 1990s, a series of laws that favored coffee production (including efforts discussed in the previous paragraphs) further influenced the importance coffee would develop as an export crop in Honduras (Eakin et al. 2006:161;

Merrill 1995:27).⁵ Furthermore, the social landscape that is linked to coffee has seen the emergence of organized producer groups like Cooperativa Copan who have helped the industry grow. To follow is a brief history of Copan's agricultural valley, highlighting tobacco's role in the region preceding the coffee and cattle boom.

From Tobacco to Coffee: A Changing Landscape in Copan

Before Copan became known by tourists for its rich cultural history embedded in their Mayan ruins, Copan was famous for tobacco. Although tobacco was grown in the region since the 18th century, flue-cured tobacco became an important crop in Copan during the 1950s when the British American Tobacco Corporation came to town. The company dominated the national market after buying two national tobacco firms and creating the *Tabacalera Hondurena* in the 1920s (Loker 2005:303).

A landless population of agricultural laborers cultivated the labor-intensive crop near the fertile land of Copan's river until the boom ended in the mid 1980s (Loker 2005:308). They became dependent on local landowners for wages and access to land (*patron-peon* system), relations that fostered an unequal social and economic system that drew the valley closer to potentially exploitative national and international markets (Loker 2005:308).

By the 1980s, tobacco fields slowly transformed into pasture land for grazing cattle and coffee cultivation crept up along the mountainsides to become a significant

⁵ The series of laws include: 1) an exemption of coffee producing lands from agrarian reform law; 2) a subsidy for road improvements in proportion to coffee production; and 3) a fund to cushion producers from price shocks (Eakin et al. 2006:161). In 1992 the Agricultural Modernization Law was also passed that resulted in an increase in land titling permitting cooperative members to break up holdings into small personal plots (Merrill 1995:127).

source of income for the *campesinos* of Copan valley. Coffee is a crop that can be processed in small batches with rudimentary technology, presenting few economies of scale in production and early processing. These processing methods in producing regions worldwide provide employment for as many as 20 million people (Talbot 2004:41).

Coffee now represents an important export commodity in Honduras, with over 100 thousand families in 15 of the 18 departments cultivating it (IHCAFE 2006). The crop employs over one million laborers in the industry, representing 22 percent of employment in rural Honduras.

Coffee contributes 14 percent of the national GDP and 33 percent of the agricultural GDP, helping Honduras to be the second largest producer of coffee in Central America [exports nearly tripled in value since 2001] (World Bank 2008b). See Table 1.

TABLE 1. Coffee exported by top Central American countries (bags of 46kg each).

Country	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Guatemala	4,284,286	4,487,532	4,336,634	4,885,947	4,975,869
Honduras	3,643,971	3,126,830	3,818,360	4,194,523	4,427,991
Costa Rica	2,357,932	2,094,519	1,836,657	1,917,145	2,072,164
El Salvador	1,767,378	1,601,221	1,661,770	1,592,302	1,909,938
Nicaragua	1,619,598	1,251,189	1,775,528	1,508,579	2,068,345

Source: Data for table adapted from Instituto Hondureño del Café (IHCAFE), 2008, Informe de Cierre Cosecha 2007-2008. Gerencia de Comercialización. Annual Report. Honduras: IHCAFE. Electronic document, http://www.cafedehonduras.org/ihcafe/administrador/aa_archivos/documentos/informe_2007-2008.pdf, accessed June 15, 2008.

In global figures Honduras ranks 7th among largest producers, closely behind Peru and Guatemala (IHCAFE 2008). During the 2007-2008 harvest last year, Honduras exported over four million sacks (46kg each) of coffee principally to buyers in Germany, United States, Belgium, Holland, Italy and Japan (IHCAFE 2008). Germany has grown to be an important coffee business partner, representing 26 percent of coffee export totals in Honduras, followed by the United States at 22 percent (see Figure 4 and Table 2).

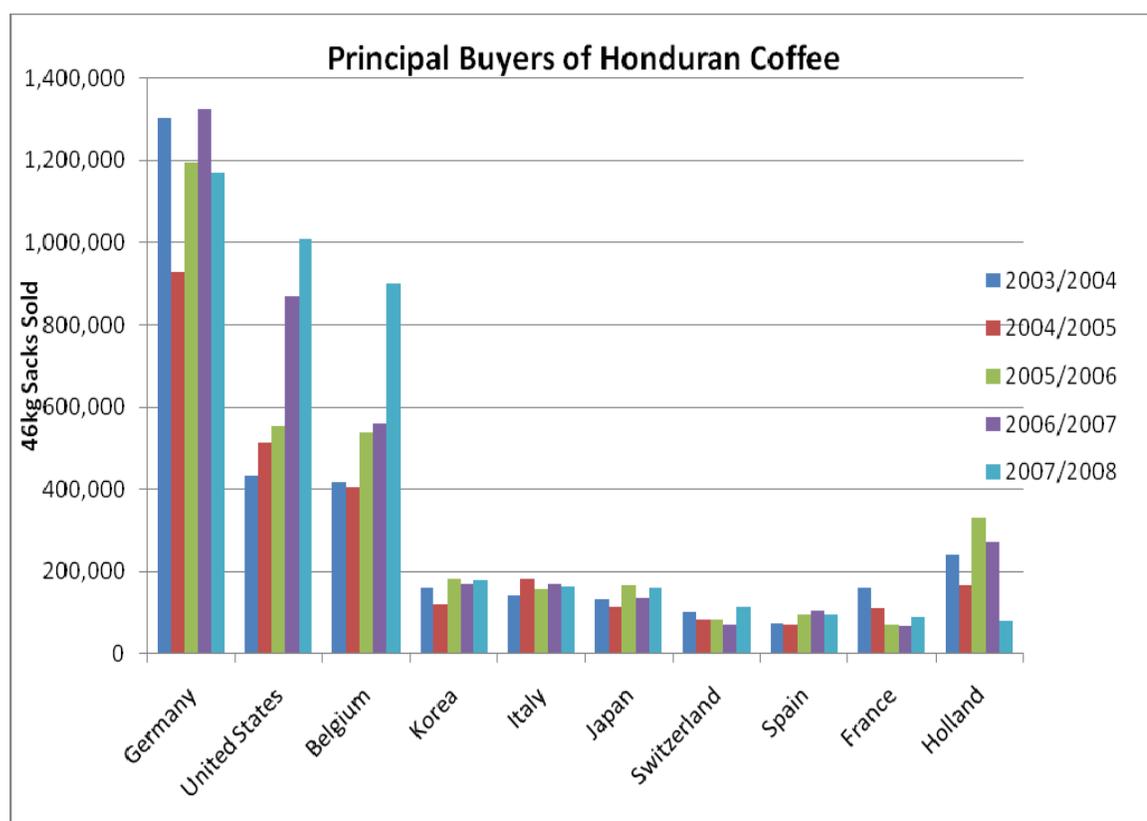


FIGURE 4. Primary buyers of Honduran coffee and purchase totals for each country (46kg sacks).

Source: Data for figure adapted from Instituto Hondureño del Café (IHCAFE), 2008, Informe de Cierre Cosecha 2007-2008. Gerencia de Comercialización. Annual Report. Honduras: IHCAFE. Electronic document, http://www.cafedehonduras.org/ihcafe/administrador/aa_archivos/documentos/informe_2007-2008.pdf, accessed June 15, 2008.

TABLE 2. Average price paid per pound by top buyers 2006-2007.

Country	Price per pound
Germany	\$1.13
United States	\$1.09
Belgium	\$1.12
Holland	\$1.15
Italy	\$1.13

Source: Data for table adapted from Instituto Hondureño del Café (IHCAFE), 2008, Informe de Cierre Cosecha 2007-2008. Gerencia de Comercialización. Annual Report. Honduras: IHCAFE. Electronic document, http://www.cafedehonduras.org/ihcafe/administrador/aa_archivos/documentos/informe_2007-2008.pdf, accessed June 15, 2008.

Over 334 thousand *quintales* or 33 million pounds of this coffee were exported to what has been termed “differentiated” or specialty and sustainable coffee markets, including Utz Kapeh, Organic, Fair Trade and Rain Forest Alliance. These markets emerged out of changes in quality conventions in the coffee industry to include not only higher quality processing but also socio-economic and environmental aspects as well. Together, organic and Fair Trade coffee represented 25 percent of exported Honduran differentiated coffees (IHCAFE 2008).

As Figure 5 indicates, there was a significant increase in the 2004-2005 coffee prices after the coffee crisis that began in 1999, with average coffee prices reaching above one dollar per pound. By 2006-2007 and 2007-2008, prices had climbed even higher (IHCAFE 2008).

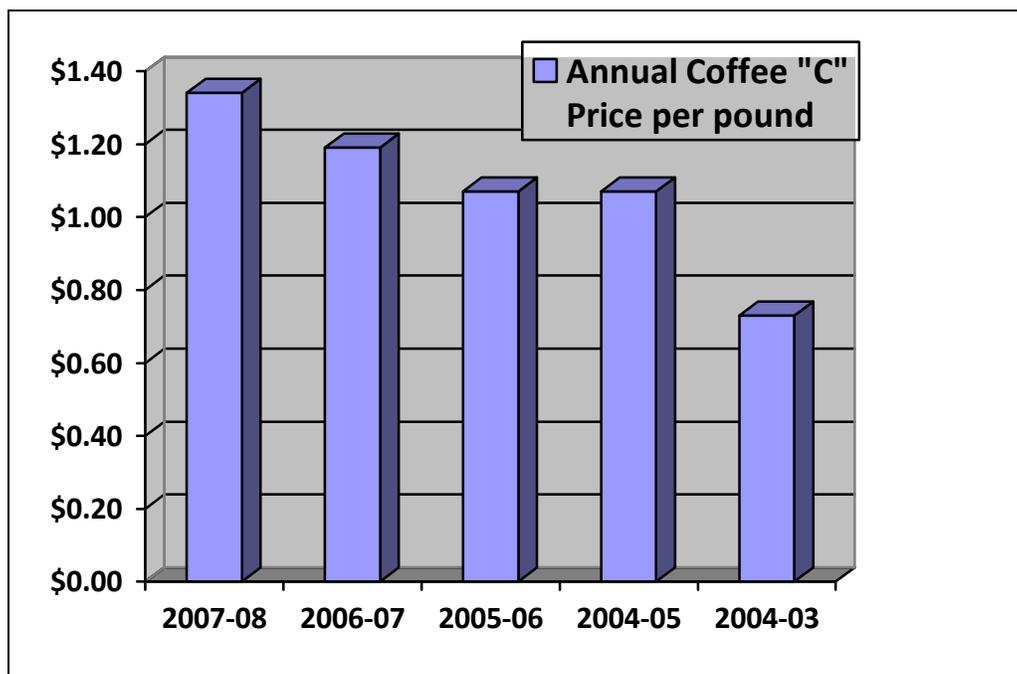


FIGURE 5. Annual average stock market price for coffee on NYBOT “C” per pound.

Source: Data for figure adapted from Instituto Hondureño del Café (IHCAFE), 2008, Informe de Cierre Cosecha 2007-2008. Gerencia de Comercialización. Annual Report. Honduras: IHCAFE. Electronic document, http://www.cafedehonduras.org/ihcafe/administrador/aa_archivos/documentos/informe_2007-2008.pdf, accessed June 15, 2008.

The prime areas for coffee production in Honduras are located in the departments of Santa Barbara, El Paraiso, Comayagua and Copan (Wyeth 1987; IHCAFE 2008). Copan is characterized by a higher concentration of smaller farms and with smaller areas of land in coffee (less than 3 *manzanas*) (Wyeth 1987:23), but has out-produced other departments (IHCAFE 2008). The pictures of Copan coffee farms in Figure 6 depict the coffee landscape in the area.

Forty-five percent of all coffee produced in Honduras comes from the Western region; of the coffee grown here ninety-eight percent is shade cultivated



FIGURE 6. Coffee farms in Copan: Rows of coffee beneath the canopy of shade trees (left) and an aerial view of a forest canopy (right). (Photos courtesy of E. Smith)

(IHCAFE 2008). The 46 growers of Cooperativa Copan represent a small portion of the seven to nine thousand producers that live in the departments of Copan and Comayagua combined. These departments together produce around 130 million pounds of coffee each year (IHCAFE 2008). See Table 3.

Arabica coffee is the primary species of coffee grown in Honduras but varieties vary across the nation. The main varieties of Arabica grown in the western region are Caturra, Catimor, Villa Sarchi, Catuai and Bourbon. These coffee trees require conditions only found in certain parts of the world as detailed below.

TABLE 3. Production figures of Copan and Comayagua 2006-2007 (department and city).

	Dept. of Comayagua	City of Comayagua	Dept. of Copan	City of Copan Ruinas
# of producers	8,994	1,713	6,996	95
Manzanas cultivated	40,847	5,955	37,590	1,624
production in Lbs	64,552,100	6,617,400	65,163,600	1,522,600

Source: Data for table adapted from Instituto Hondureño del Café (IHCAFE), 2008, Informe de Cierre Cosecha 2007-2008. Gerencia de Comercialización. Annual Report. Honduras: IHCAFE. Electronic document, http://www.cafedehonduras.org/ihcafe/administrador/aa_archivos/documentos/informe_2007-2008.pdf, accessed June 15, 2008.

The Anatomy of a Coffee Tree and the Copan Coffee Harvest

A coffee tree needs a warm climate (average annual temperatures between 17 and 25 degrees Celsius), without sudden shifts in temperature (it doesn't tolerate frosts) and it needs a lot of seasonal rain (a minimum of 1200-1500 millimeters of rain a year) (Talbot 2004:31).

These ecological conditions are mainly found in the tropics and steeper areas of the highlands between tropical and temperate zones with altitudes around 3000 to 6500 feet (Talbot 2004:31; Toledo and Moguel 1997:163). Climate (altitude) is an important factor affecting the quality of a crop because it helps slow down the beans' growth and in turn increases acidity and sugar concentration of the coffee (see Torres 1997). Yet, it is difficult to raise bean quality if coffee has to be farmed in marginal areas with low soil fertility because this leads to high soil acidity and nutrient deficiencies.

It takes a newly planted tree about five years to produce coffee cherries to harvest a significant yield, but can produce coffee from 15 to 40 years (Daviron and Ponte 2005:110; Talbot 2004:33). The coffee cherry is the protective material on the outside of two coffee beans. At this stage, the beans also consist of a material called parchment (see Figure 7).



FIGURE 7. Coffee cherries ready for harvest. The coffee cherries turn red when ripe (left), growing in beautiful clusters along the tree's branches (middle), and eventually hanging down ready to be picked from the tree (right). (Photos courtesy of E. Smith)

The farming style of Cooperativa Copan is described as a high diversity/ low input coffee system characterized by organic farming practices (discussed later in the paper). In Copan, the harvesting process begins around October during the end of the rainy season and continues through the dry season until April.

Every aspect of this process influences the dynamic of the cooperative (ie: the size of their operation and the range of farmers contributing) and the success that is obtainable for that year. Success partly rests in the farmers' ability to achieve top bean

quality, and this is not only done on the farm but also during the harvest- sorting, depulping (making sure fermentation times are correct), washing, grading, and drying (see Torres 1997).

Difficulties that arise during this process and subsequently alter the quality of coffee are 1) removing pulp when the bean is not mature, 2) immature beans produce bad taste, and 3) the use of contaminated water by upstream neighbors or processing plants (Hearne et al. 2002). Actual performance in coffee production versus its potential is critical because high quality can elevate the value of coffee, and its source as income for families.

During the harvest months, producers and coffee pickers tie the sacks of the day's collected coffee to mules and haul the cherries down to a processing site or *beneficio*. Under what is known as a wet processing technique that is implemented in Central America to process Arabica beans, the cherry (*uva*) is harvested and removed from the bean by water and a depulping machine.

The machine crushes the cherry and separates the cherry pulp from the seeds by a vigorous motion. The parchment coffee is soaked overnight to slightly ferment the mucilage (slimy textured film) that resides on the outside of the coffee bean (see Figure 8).

As Figure 9 shows, the mucilage is then washed away during a classification process where the farmer filters out the lower quality beans that float to the surface as they move along a narrow sluice of running water.

The coffee beans are bagged at the site by each farming family and taken to be dried in the sun and later in the warehouse dryer within a huge cylindrical metal container

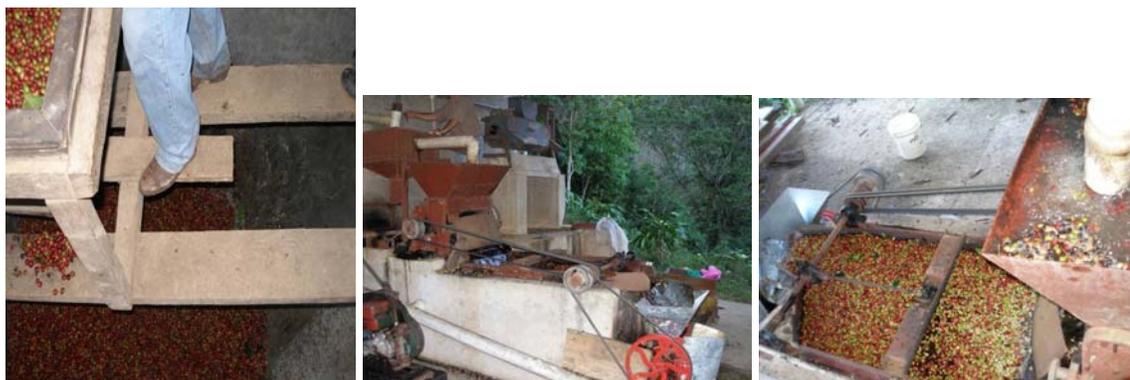


FIGURE 8. Photos of coffee processing. Coffee is first unloaded and soaked in water (left). The outer pulp is then removed from the bean (middle) and the beans (covered in slimy mucilage) are then rinsed (right). (Photos courtesy of E. Smith)



FIGURE 9. Photos of coffee classification process. (Photos courtesy of E. Smith)

(see Figure 10). The cooperative dryer is often rented out to other farmers in the community too, helping Cooperativa Copan finance part of their organization [in 2001 charged \$190 per batch to dry] (Donovan n.d.).



FIGURE 10. Photos of the cooperative’s processing site. The photos show the warehouse (left), a boy drying coffee on the patio (middle), and coffee being dried further under solar domes (right). (Photos courtesy of E. Smith)

Each member in the region turns in sacks of coffee to the warehouse as they harvest and process it. Some producers turn in as little as five sacks or as many as 120 sacks, which may be their entire harvest for the year or just a week’s worth of coffee. This depends on the capacity of the farmer (contribute very little or contribute to every container sold for the year) or the amount of ripe coffee available (five containers were sold in the 2007-2008 harvest).

Each coffee sack can weigh between 100 pounds to 135 pounds, the majority of which is turned in as dry parchment coffee (*pergamino seco*). Three *latas* (gallon buckets) of coffee cherries picked in the field are needed to produce one *lata* of depulped dry parchment coffee.

Once there is enough coffee to produce a container, the coffee is transported to the exportation facility for the final processing procedures before it is shipped to the buyer. The pictures in Figures 11 and 12 show producers turning coffee in all together before it is sent to the exportation facility and then coffee being weighed again once it is in the export warehouse (Appendix B).



FIGURE 11. Photos of cooperative members turning in coffee for a shipment. Members bring their coffee in trucks to turn in to the cooperative (left) and the cooperative administrator then weighs each farmer's coffee contribution to a particular sale (right). (Photos courtesy of E. Smith)



FIGURE 12. Photos of CACTRIL exporting warehouse in Honduras. Coffee is delivered to the warehouse (left) and weighed by the exporter upon arrival (right). (Photos courtesy of E. Smith)

For example, a mix of producers from Copan and Comayagua turned in about 53,000 pounds (530 *quintales*) of dry parchment coffee on two separate occasions during

February 2008. Fifty-three thousand pounds of dry parchment coffee are needed to produce one container (42,000 pounds) of *café oro* (green coffee ready for shipment overseas).

The newer growers in Comayagua have produced more coffee this harvest than their counterparts in Copan (three containers to one, and the last a mix from both). This was the case the previous year also. Copan growers collected approximately 54,000 pounds (540 *quintales*) of dry parchment coffee for the year. Half of the coffee was sent to the exporter at the end of February and the other half was sent in March. As part of the process, Cooperativa Copan subtracts a mandatory fee from members (one pound per sack of coffee turned in) which is retained to help pay for organizational expenses and fees.

The final stages of processing within the producing country is done at the exporting plant, not on the farm, and entails removal of the parchment and a final cleaning of the beans before they are shipped abroad (Figure 13)

A final breakdown of coffee processing conversions and land conversions is shown in Figure 14.

Members of Cooperativa Copan are similar to other small producers in the region. A local farmer in Sesesmil had produced three thousand pounds of dry parchment coffee during 2008, a number that is familiar to many families within the cooperative. The majority of individual members of the cooperative produce a range of dry parchment coffee anywhere from 500 to 20,000 pounds for the season.

Other larger conventional producers in the region may have hundreds of *manzanas* of coffee (*fincas* Santa Isabel, El Cisne and San Rafael). One large local



FIGURE 13. Photos of final coffee processing. The parchment is finally removed from the coffee bean by vigorous shaking (left) and workers then filter out, by hand, remaining low quality beans (right). (Photos courtesy of E. Smith).

conventional and organic coffee grower in Copan produced 400,000 pounds of conventional coffee in 2008 and 30,000 pounds of organic. This producer also raises cattle and has full time employees for his coffee farm and hires a couple hundred pickers for his harvest.

Members told me it is not uncommon for a large conventional producer in Comayagua to have 3,500 acres of coffee and produce 10,000 pounds a day. Cooperativa Copan (46 members) produced around 200,000-250,000 pounds of organic, Fair Trade coffee for export.

As for labor, relatively big producers may have 30-50 coffee pickers a day during harvest season (this is the case with one cooperative member in Comayagua) versus smaller producers who either only receive help from family members or hire

Coffee Conversions*
<p>1 Quintal of Oro (green) coffee (100 lbs) requires: 125 lbs (1.25qq) of <i>pergamino seco</i> (dry parchment coffee) 250 lbs of <i>pergamino humedo</i> (wet parchment coffee) 580 lbs of <i>uva</i> (coffee with cherry intact)</p>
<p>Other conversions: 6-7 <i>latas</i> (buckets) of wet parchment coffee= 1 <i>quintal</i> (100lbs) dry parchment coffee 3-3.5 <i>latas</i> (buckets) of <i>uva</i>= 1 <i>quintal uva</i></p>
<p>467 lbs <i>uva</i> (~13 <i>latas</i>) = 200 lbs ph = 100 lbs ps = 83 lbs oro</p>
Land Conversions
<p>1 <i>manzana</i> = 0.73 hectares 1 hectare = 1.43 <i>manzanas</i> 1 hectare = 2.47 acres 1 acre= 0.4 hectares 1 acre=0.58 <i>manzanas</i> 1 <i>manzana</i>= 1.73 acres</p>
<p>* From <i>pergamino humedo</i> (ph) to <i>pergamino seco</i> (ps), there is a 50% reduction in humidity when the coffee is dried (sometimes between 47-50%). For <i>pergamino seco</i> (ps) to become <i>oro</i> (green) coffee, there is another reduction in humidity by 12%. Exporters usually dry the coffee once again to ensure quality, which is called <i>café oro exportable</i> versus what farmers call <i>café oro bruto</i>. Depending on the wetness of the coffee, the rate of conversion from <i>pergamino seco</i> to <i>oro exportable</i> may vary between 1.25 and 1.30. Using 1.25 as the conversion rate, 100 lbs of <i>pergamino seco</i> would produce 80 lbs of exportable coffee. This rate is a value determined by negotiations at IHCAFE.</p>

FIGURE 14. Coffee and land conversions

Source: Adapted from Cooperativa Copan administrator, personal communication with author, February 11, 2008; Donovan, Colleen, N.d., *Hay Café?, Si Hay Café: Coffee Cooperatives, Cultivation and Commercialization in Copán Ruinas, Honduras*. Unpublished Internal Report Submitted June 2002 (document in possession of author): 18.

anywhere from 5-20 pickers. No one in Cooperativa Copan has full time employees and many use family members to help manage the harvest.

Coffee is a very laborious and demanding crop to grow. Those hired to pick coffee may bring back 15-20 sacks a day (according to several farmers), hauling the heavy weight on their bodies as they tediously pick berries (see Figure 15). They use the day's sunlight to work as long as they can, breaking for burnt coffee and tortillas a couple times a day.



FIGURE 15. Photos of coffee pickers at work. A laborer loads a coffee sack onto his shoulders (left), hauls the sack down the hillside (middle) and prepares to load the sacks onto mules for further transporting (right). (Photos courtesy of E. Smith)

I spent time with one farmer who stays four days a week up at his *finca* during the harvest season. He hires about ten pickers in addition to his son who helps him for months, picking coffee.

One of the problems growers voiced during the 2008 season was the lack of available help and day pickers in the region. Another issue among the more disadvantaged cooperative members was the cost to hire help, the wage rate being on average 20-25 Lempira per *lata* (in 2001 day labor cost 10-15 Lempira per *lata*; 15.5 Lempira= \$1).

Comparing the Copan cooperative to other cooperatives in more established coffee nations, UDEPOM in Chiapas Mexico is a Fair Trade group with over 620 farming families. This is in stark contrast to the 46 members in Cooperativa Copan, although each farmer in UDEPOM averages only 4.5 *manzanas* of land like Copan farmers (Royal Coffee Company representative, personal communication with author, November, 2006). There are other cooperatives in Honduras who have worked with

Cooperativa Copan, such as RAOS in La Paz. They have over 130 farming families and produce twice as much as Cooperativa Copan.

Just as the sizes of cooperatives vary across regions and countries, so do the reasons growers have for joining them. To Copan growers, coffee is an important element in achieving economic (and food) security in the household. To the extent that participation in the Fair Trade market via cooperatives can allow families a wider range of options economically, there is a possibility of making a tangible difference at the household or community level. Before embarking on figuring out whether Fair Trade can meet the needs of Cooperativa Copan farmers, I ask first what kind of needs are present in the rural community of Copan where the cooperative is located.

The growers in Copan represent the kind of farmers that make up the majority of those twenty million people growing coffee worldwide. Like other small-scale farmers, the livelihoods of Copan coffee families are partly reflective of social, economic and environmental conditions of their region.

This next section paints a picture of the existing local conditions to help further understand the interplay of factors that are helping shape what direction families and the cooperative take as they move forward. What is it that drives small farmers to consider market alternatives like Fair Trade or other opportunities at local and regional levels? Later sections in the paper related to fairer trading relations will expand on the following issues I discuss below.

Realities of a Farming Lifestyle: Socio-
Economic Constraints in and
Around Copan

According to the World Bank, half of all residents in Honduras are classified as rural, and 80 percent of the rural population lives in hillside areas, areas defined as having slopes of more than 12 percent. The quality of land available to farmers presents a formidable problem.

Coffee is primarily grown on these hillsides, utilizing land that is often unsuitable economically and ecologically for the production of other crops (Hearne et al. 2002:2; Jansen 1998:198; Topik 2003:145).⁶ Because these areas are constrained, poverty can be stark among some households and families must concentrate on food security before profit maximization.

Rural hillside regions offer limited opportunities for sustainable farming for the following reasons: 1) agro-ecological constraints (low factor productivity), 2) lack of road infrastructure and transport services, 3) households' lack of land, education and access to credit and 4) inadequate public policies and limited access to key markets, financial services, support services and basic infrastructure (Jansen et al 2006:3).

Researchers in western Honduras have noted in particular that hillside areas in the regions of Copan and the provinces of Comayagua- both representing residences of Cooperativa Copan families- are regions of high poverty rates and high poverty densities (see Figures 16 and 17) (Jansen et. al 2006:3; Loker 2004).

⁶ Up to 250,000 hectares of coffee in Honduras are cultivated on 85,000 separate plots by small producers in regions between 700 and 1500 meters above sea level (Hearne et al. 2002).



FIGURE 16. Photos of the community of El Rosario in the Copan region. (Photos courtesy of E. Smith)



FIGURE 17. Photos of patchwork agricultural landscape on the hillsides of Copan. (Photos courtesy of E. Smith)

As of a few years ago, there were approximately 30 thousand people living in and around Copan Ruinas with the majority of inhabitants (80 percent) living in the rural zones surrounding the town. The communities of the Copan region are plagued by the lack of good roads, communities with electricity, latrines, healthy drinking water, or sanitation systems (La Municipalidad de Copan 2000). Only 18 percent of the seven thousand households in urban Copan have the minimum necessities for a “healthy” household standard (potable water, latrines, cement floors and tile roofs).

Cooperativa Copan has its roots in and around the village of Sesesmil I where the cooperative is based and where the administration and organizational leaders reside (see Figure 18).



FIGURE 18. Photos of Sesesmil. The road coming into town (left) veers to the right on a dirt path up to the cooperative office, *cafetin* and warehouse patio (right). (Photos courtesy of E. Smith)

The village is one of nine communities in the rural zone of three thousand inhabitants referred to as Sesesmiles (see Figure 19). The villages near Sesesmil I vary in their degree of living standards and access to resources. Eighteen of the ninety

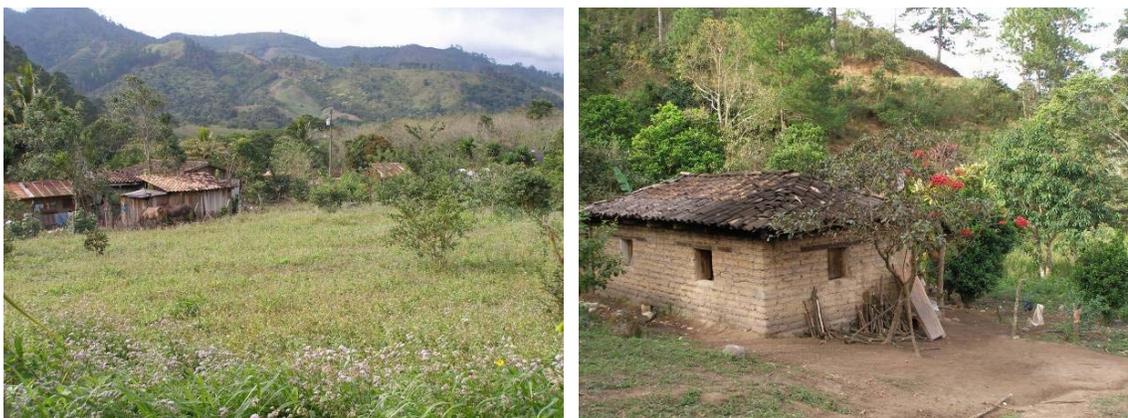


FIGURE 19. Photos of Sesesmil countryside. (Photos courtesy of E. Smith)

households in Sesesmil I lack latrines but only eight are without potable water compared to Sesesmil II, a much smaller community, where 43 percent of residents live without latrines and 80 percent don't have access to potable water.

Yet, it is the community of El Tigre that falls under the lowest category of living standards, with people lacking minimum health resources and capital and some residents living in houses characterized by dirt floors, palm roofs and walls of *bahareque* (as opposed to covered floors, tile roofs and concrete structures). El Tigre is a short distance from Sesesmil but the road to it is steep and the terrain is rugged (see Figure 20).

The members of Cooperativa Copan who live in El Tigre represent the cooperative's poorest members. As shown in Figure 21, the children in this community share a small, two room building and the open spaces of a small church during the week for school; the road conditions are poor and the community still does not have electricity (see Figure 22).

In contrast, the school for children in Sesesmil I and II is more established and better equipped (see Figure 22), though it is overcrowded with students and understaffed



FIGURE 20. The poorer community of El Tigre. (Photos courtesy of E. Smith)



FIGURE 21. Photos of El Tigre's two room school (left) and a classroom of children ready for recess (right). (Photos courtesy of E. Smith)



FIGURE 22. The road from El Tigre back down to Sesesmil (left), and a school in Sesesmil (right). (Photos courtesy of E. Smith)

with instructors. This is a partial contributor to the 49 percent rate of illiteracy that prevails in Copan.

Most of the other cooperative members are better-off in terms of household materials and resources. Their floors are either dirt or tiled, and the houses are often made of concrete or adobe, all covered by tile roof tops. What the community needs is a medical or health center, ability for everyone to have potable water (which the area received in 1992), and electricity and better roads in peripheral communities in the Sesesmil region.

In addition to growing coffee for export, growers also cultivate corn, beans and fruit, and raise animals (cows and chickens). Cows are not raised as often as chickens by members in the Copan area because they are more expensive. Cattle are often a marker of wealth in the region and are seen an important investment to producers (similar to raising pigs) (Loker and Donovan n.d.).

There are a handful of producers in the cooperative, mainly from Comayagua, who are a little better-off than their *compadres* in Copan. These members may own one or two cars, cattle, coffee, corn, a small coffee warehouse, a processing site and a farm separate from their home. These few farmers may produce more than 25 *manzanas* of coffee (not all sold through the cooperative) followed by others that may produce between 10 and 25 *manzanas* of coffee.

Most producers, however, have mules and horses for transporting coffee and often share a pick-up truck among several interconnected families (see Figure 23). The members in the Copan region tend to grow between five and ten *manzanas* of coffee with the poorer members from the communities of El Rosario and El Tigre who produce less than five *manzanas*.



FIGURE 23. A cooperative member's son saddles his mule (left), and transports coffee from the farm to the cooperative warehouse (right). (Photos courtesy of E. Smith)

As has already been discussed somewhat, households and communities follow different livelihood strategies based on numerous interrelated factors. These factors include local history and land distribution, their ecological settings, the resources they

have, and the access to economic opportunities to capitalize on (Bebbington 1999:2031; Jansen et al. 2006). In particular, social capital, an often underemphasized source of wealth for development, allows the cooperative and its members to mobilize more resources and opportunities in the pursuit of common goals. The next section draws attention to this concept in an attempt to clarify social capital's meaning in development discourse and its importance in farmers' lives.

Social Capital: Prospects for Development

Assets, or capital, are what people use to build their livelihoods and allow survival. Yet as Bebbington 1999:2024 notes, they are also “the basis of agents’ *power* to act and to reproduce, challenge or change the rules that govern the control...” Structures of economic and political spheres largely determine these rules and also determine access to capital (Bebbington 1999:2025). Within a sustainable rural livelihood framework, Bebbington (1999) considers livelihoods in terms of access to five different types of capital: produced, natural, human, cultural and social capital. His discussion on these capital assets has been influenced by a number of scholars, though I emphasize in particular the contributions made by Serageldin and Steer (1994).

Produced capital, or often called physical or human made capital, refers to basic infrastructure (transport, shelter, water, energy) and production equipment (machines, buildings and factories) (Pretty 2008:452; Serageldin and Steer 1994:31). Under Bebbington’s (1999:2033) definition this also includes financial resources available to people.

Natural capital refers to stocks of natural resources or environmentally provided assets that provide a source of renewable or non-renewable goods and services (Pretty 2008:452; Serageldin and Steer 1994:31). For example, this includes soil, forests, water, land, wildlife, and biodiversity.

Human capital, on the other hand, is the investment in people (particularly education), or the skills, knowledge, ability, and good health needed to pursue livelihood strategies (Bebbington 1999:2030; Pretty 2008:452; Serageldin and Steer 1994:31).

The fourth type of capital, cultural capital, has been emphasized and added by Bebbington (1999:2034) as an important dimension to livelihood strategies. This type of capital relates to the meaningfulness associated with a set of cultural practices (a type of agricultural labor for instance, or attending a weekly community fiesta). Bebbington (1999:2034) argues in particular that maintaining access to land or residence is associated with maintaining certain cultural practices that are valued. These meanings and practices can influence perceptions and meanings of poverty and the way people deal with poverty not only in a material sense. Cultural capital may therefore play a factor in the choices households make concerning livelihood strategy.

Lastly, social capital remains a critical yet often under-looked part of producer livelihoods and the ability to build sustainable livelihoods. It is a development term that has proven to be most difficult in defining but a concept that has gained increasing importance for its contribution toward “mutually beneficial collective action” and toward “the cohesiveness of people in their societies” (Pretty 2008:452). Loosely speaking, social capital can be seen as the value that is generated by networks of relationships and

connections among individuals. It may be something that facilitates action, whether collective or individual.

As one of the originators of the concept, Pierre Bourdieu (1986:248-249) has defined social capital in one work as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition...which provides each of its members with the backing of collectively owned capital”.

In a more simply stated definition, Robert Putnam (1995:67) called it “features of social life- networks, norms, and trust- that enable participants to act together more effectively to pursue shared objectives.”

Bebbington (1999:2034) has expanded the discourse on social capital, arguing that networks and organizations are vitally important in “helping people act to improve their livelihoods, mobilize assets, and defend them.”

What emerges from interactions between the agency that growers act on and knowledge of the larger world is strategic action to accomplish their goal. Within the civil sector, these goals are usually oriented toward helping people reach their basic needs- the fundamental goal of development. In this case, it would be to improve the capacities of Fair Trade for rural farmers. For Cooperativa Copan, social capital has been a source of educational advantage, and a point of access to important resources.

Producers endowed with strong social networks (social capital) are potentially better able to access institutions of the state and markets that may stimulate positive patterns of access to other resources (and assets) (Bebbington 1999:2041). When growers, like those in Cooperativa Copan, have limited ability to draw upon this kind of

capital (links with state, market or civil society) they are less likely to counter the forces that create poverty. Looking at social capital also allows us to understand how actors engage with other actors along these different links (Bebbington 1999:2022).

Cooperativa Copan farmers were eventually able to enter into new markets with the help of NGOs and cooperatives in the region. Fair Trade and organic certifications were increasingly recognized as strategies for building income following the end of the 1980s and picking up speed in the early 2000s. What led to the creation of these certifications was a shift in the 1980s from an Alternative Trade Organization (ATO) dominated movement to a certification/labeling system, as ATOs and key organizations (e.g., Equal Exchange) consolidated their efforts to expand sales from handicrafts to commodities like coffee (Raynolds and Long 2007:17).

The next chapter will explain the social, political and economic context of the end of the 1980s that led to these changing consumer preferences and the rise of the specialty coffee industry. The discussion will provide the foundation for understanding how, when, and why differentiated markets like Fair Trade and organic have risen to such importance for constrained farmers in the past two decades. This will lead us to the core issues of this paper, issues that highlight the tension between free trade policies and Fair Trade market solutions within the coffee industry and the coffee value chain.

CHAPTER VI

THE RISE OF THE SPECIALTY COFFEE INDUSTRY

What is Specialty Coffee and How Did It Develop?

As the previous chapters have highlighted, the end of the 1980s was an era of changing market patterns in the global coffee economy, shifting geopolitical conditions (fall of the Soviet Union), and new economic policies. These wider socio-economic and political shifts of the time coupled with the changes in consumer preferences led to the rise of specialty coffee. Two distinct segments would make up the emerging specialty business: 1) marketing of coffee varieties based on quality and 2) pushing flavored coffees to the generation which preferred the consumption of soft drinks (Daviron and Ponte 2005:142; Roseberry 1996:765; see also Katzeff 1997).

More specifically, while this new period characterized by the globalization project and economic neoliberalism took shape, the specialty coffee industry surfaced as multilateral trade agreements like the ICA and national coffee boards were dismantled or rendered powerless (Bacon 2004:498; Baffes et al. 2005:304; Jaffee 2007:42; Luttinger and Dicum 2006:94,100; Roseberry 1996:772).

With coffee boards that once buffered price swings now dismantled, specialty coffees like Fair Trade, and organic certification, would become viable stable alternative

markets for small-scale producers. These markets would grow in the following years as distrust of the industrial agro-food system prompted a general increase in conscientious consumption patterns (Raynolds and Long 2007:17).

Specialty coffee represents a distinct market countering the “concentration and massification” of the coffee trade that characterized the past (Daviron and Ponte 2005:76; Roseberry 1996:764). As with other particular historical periods, consumers develop preferences for different characteristics of their coffee and other food commodities that require new production practices (Goldfrank 2005; see Mintz 1985:48).

Coffee belongs to a class of foods with the likes of wine, beer, and cheese in which a range of quality attributes and different tastes can be distinguished. The boom occurred alongside several important more general developments: 1) the amount of time coffee was in transit was reduced dramatically with the development of containers in international shipping, which also allowed for distributors to be located in interior cities; and 2) valve packaging was invented to keep whole roasted beans fresher, and longer during shipment and distribution processes (Daviron and Ponte 2005:143; Roseberry 1996:767).

During the same period, high inflation and interest rates of the late 1970s and early 1980s resulted in banks urging clients to lower inventories by buying in smaller quantities. Relationships were established with a few importers in the Bay Area (e.g., Harold L. King and Royal Coffee) who agreed to trade in smaller lots of ten bags (of 60kg each). This was a relief to the roasters who struggled to establish a regular supply of green coffee as the specialty coffee industry experienced exponential growth during the 1980s (Katzeff 1997: 284; Roseberry 1996:766).

With less than 200 roasting companies existing in the U.S. during the early 1980s, the scene grew into a network of small specialty gourmet traders, retailers, and roasters in the coastal cities like San Francisco, New York and Seattle who began using different sources of supply and networks of distribution. This new coffee scene was labeled by Roseberry (1996:763) as “new capitalism” or “the beverage of postmodernism” which was linked with wider cultural changes of changing diets among the affluent and middle-income consumers during the neoliberal economic reorientation (Goldfrank 2005:45).

By 1982, a network of roasters and retailers created the Specialty Coffee Association of America (SCAA). This organization, along with others like the ICO, were important in facilitating networks, lobbying the government, training new entrepreneurs and providing information on economic and political trends and market conditions (Roseberry 1996:767).

Many of the emerging businessmen and women brought with them a new set of social, political and ethical concerns such as interest in environmental and social issues. Changes in the criteria for selecting coffee became of particular importance. For nearly one hundred years price and flavor were the main criteria coffee buyers followed until recent developments in social, environmental and Fair Trade issues in which roasters sought a point of difference and advantage within the industry (Katzeff 1997:283).

In 1985, certified organic coffee was not offered by any green importer, forcing interested roasters to buy directly from farmers themselves. Yet, responding

quickly to changes in demand, by 1991 every green specialty coffee importer listed some organic coffee on their prices list (Katzeff 1997:284).

Retail giants General Foods and A&P reacted by creating their own specialty line for supermarkets in 1986 (Roseberry 1996:768). Yet, as smaller roasters were moving from regional distribution chains of gourmet shops to national markets they brought with them quality coffee with distinct “styles” and “flavors.” Roasting coffee with this kind of care and craftsmanship allowed them to compete against coffee made by retail giants. Roasters gave themselves flexibility by using a number of varietals to create blends or simply serving single varietals with distinctive tastes or origins (Roseberry 1996:769).

Yet as Roseberry (1996) contends, roasters and retailers were creating criteria of variability and quality that had little to do with the natural traits of the beans themselves (Roseberry 1996:770). Liquid flavors for coffee attracted new coffee drinkers who had previously been the soft drink generation, illuminating an “emerging era of variety and choice” (Roseberry 1996:770). Coffee content became a minor proportion of total sales as coffee flavoring, mixing and “consumption experience” became a valuable source of profit within the industry (Daviron and Ponte 2005:76).

Fostering a “Gourmet” Coffee Culture

The increasing attentiveness to consumer demand has been a fascinating point of difference between world markets of the past and those of the late 20th century, and has affected every link on the commodity chain. Appadurai (1986:32, 31) suggests demand is

determined and regulated by social and economic forces and is “not an artifact of individual whims and needs,” though it can manipulate these forces within limits.

Paula Mathieu (1999) argues that corporations create and circulate narratives that justify themselves along with their products and the economic system. On a similar note, Daviron and Ponte (2005) argue that there is an increasing difference between the coffee sold on the international market and coffee sold as a final product to consumers. As the following paragraphs illustrate, it is the symbolic quality attributes of coffee rather than content that is being sold by roasters and retailers. This is also why the governance of the global value chain for coffee stays in the power of those based in consuming countries (e.g., roasters). Daviron and Ponte (2005:30) point out that producers are trading but not gaining much from it. The Starbucks Company is a great illustration of the power Northern business has on the consuming end of the chain. The evolution of specialty coffee is inextricably linked to this “Starbucks factor,” and to the promulgation of the “latte revolution” (Daviron and Ponte 2005).

Starbucks is the single most important contributor to the rise of gourmet coffee culture in the United States. Their emergence occurred at the same time with other consumer products during the transformation from mass production and marketing of post WWII to a redefining of products that reflect authenticity, flavor and health during the 1980s (Daviron and Ponte 2005:78).

In 1971, Starbucks opened its first location in Seattle’s Pike Place Market. By 1991, Starbucks had 116 locations in the United States and the number blossomed to over 4,000 internationally by 2001. After establishing relationships with airlines, hotels, and food companies, Starbucks had opened over 7,500 outlets worldwide by 2004, 1,500 of

which were based outside of North America (Starbucks Coffee 2009). Even though the recent economic slowdown of 2007-2008 has forced Starbucks to close some of its doors, the company still has over 15 thousand stores across 43 countries. Their corporate success rests upon the creation of a unique language to customize many different drink choices of which can be tailored to what each individual wants.

The irony of what has been labeled the “latte revolution” is that it may have more to do with milk than with coffee (Daviron and Ponte 2005:79)! This combination of ambience, consumption and choice has led to the redefining of symbolic meanings around food and consumption habits in the coffee culture context. As a marketing strategy, Starbucks avoids evoking images of labor intensive working conditions, and instead persuades customers to think that “drinking coffee is a transcendent gourmet experience” (Mathieu 1999:118-122).

Language and persuasion are important factors in defining habits of consumption but people also choose to construct new social identities with the goods they buy (Schneider 2002:74). Having the means to purchase specialty coffee is linked with social validation, distinction, and affiliation, much as how Mintz (1985) describes the role sugar played as a cultural good and marker of wealth, power and status during colonial times.

Over time, these kinds of marketing forces in long-distance trade have driven a separation of the end products from the processes that helped create them (Hudson and Hudson 2003:415). Directing marketing campaigns at an individual’s material self interest has 1) increased the distance between production and consumption of coffee, and

2) has allowed consumers to feel unaffected by environmental and social problems related to coffee production (Hudson and Hudson 2003:418).

More recently it is the organic market and fresh produce market that have caught the attention of consumers “sufficiently attuned” to current trends in eating healthy (Goldfrank 2005:50), paralleling the idea that supporting Fair Trade is healthy for the conscience of coffee drinkers who want to align their tastes with social justice values. Fair Trade thereby reflects the anxieties surrounding free trade and economic injustices of corporate globalization (Lyon 2006:456). As a way of “defetishizing” coffee as a commodity, Fair Trade “removes the veil” obscuring social and environmental conditions of capitalist production (Hudson and Hudson 2003:414; Lyon 2006:457).

During the 1990s and early 2000s, increased pressure to provide more information to consumers about coffee was partly due to the development of new coffee quality attributes and related issues concerning socio-economic and environmental conditions of production (Daviron and Ponte 2005:16). New consumption patterns also emerged out of the fragmentation of the coffee market during the 1990s, which saw the growing importance of “sustainable” coffee and the proliferation of cafes and related specialty shops (Daviron and Ponte 2005:76).

Sustainable coffees are those that explicitly consider the environment, equitability of trade, and the working conditions of growers. Fair Trade consumption partly forges political and ethical identities, politicizing everyday consumption practices and re-embedding production-consumption relations. This is done by channeling consumer sentiments into action (Lyon 2006:456).

As a consumer, participating in Fair Trade markets is culturally symbolic in that it reflects visible categorical differences between consumers and producers (Lyon 2006:458). Consumers are acting on the grounds of difference, representing their desire to help others different from them. Because the act of consumption can reflect particular cultural values and influence their position in the modern world, this partly explains why “sustainable” coffees have become marketable and a potent source of profit within the global industry.

For example, in October 2008, FLO and Starbucks announced an initiative to work together on their commitments to raise environmental and agricultural standards in coffee producing regions. In doing so, Starbucks agreed to double its purchases of Fair Trade certified coffees to 40 million pounds in 2009, which made them the largest purchaser of Fair Trade coffee in the world (Organic Consumer Association 2008). We see in this trend that political appeals (in this case among consumers) can often control or change demand.

In a sustainable coffee survey of the specialty coffee market, Giovannucci (2001) found that two-thirds of those who participate in the specialty coffee industry consider sustainable coffees to be important for the future of their business.¹ This can be advantageous to Cooperativa Copan. To meet the demands of these specialty coffee companies, however, growers must first understand the criteria roasters and importers use to judge the value and quality of their beans.

¹ Daniele Giovannucci (2001) surveyed over 2,000 coffee related firms, including retailers, roasters, wholesalers, distributors and importers.

Meeting Demands: Buyer (and Consumer) Concern for Quality

Importers and roasters almost always make their decision on quality at the cupping table (Royal Coffee Company representative, personal communication with author, November 2006; see also Giovannucci 2001). As the quality of sustainable coffee has improved in recent years, roasters often see differentiated coffees, particularly organic and shade-grown coffee, as having better quality attributes because of the connections between the maturation of the bean and growing conditions. As has been described in the previous section, there are important factors that affect the quality of coffee before it leaves the port to consuming nations.

In Honduras, 95 percent of coffee is processed by individual farmers after harvest, making it difficult to guarantee a standardized product (Hearne et al. 2002:3). This is known as decentralized processing, different from the centralized processing plants used in other Central American countries that offer more efficient use of scarce water.

For this reason, Honduras has had a price penalty of \$12 for each 46kg bag of coffee in the past unless coffee was exported through the Central Honduran Coffee Cooperative (where there is central processing and quality control) (Hearne et al. 2002:3).

Quality has been a critical issue within the development of Fair Trade coffee, much like the early years of the organic movement, with low quality or inconsistent quality hindering its growth (Murray et al. 2006:184). Yet with investments in training and technology in growing nations, Fair Trade coffee now has a reputation of top quality as farmer cooperatives have become established in stricter quality control methods.

Honduran coffee growing regions, for example, have been working hard to correct these issues.

When Cooperativa Copan makes a sale of their coffee, they send a sample of the container to both the buyer and sometimes to the Honduran Coffee Institute (IHCAFE) to measure the quality of their coffee. Regional IHCAFE sites have a controlled cupping laboratory where they analyze coffee samples for producers who don't have the capacity to do so.

Professional coffee tasters engage in what is called cupping, a process where coffee is sampled for quality attributes. There are measurable traits of a coffee bean like color, density, chemical composition, humidity, shape and size (Topik 2003:126). But there are also traits like aroma, flavor, acidity, balance, body, and sweetness that roasted coffee can tell a cupper.

In February 2008 I attended a cupping event or *catación* in the Copan region put on by IHCAFE, Vision Mundial and the Technical School for Business Agriculturalists (ETEA) for farmers in the region. Five cuppers were present to cup 56 samples brought by growers. Each cup is filled with eight grams of coffee grounds. The cuppers perform a series of actions in the following order: 1) smell the coffee in ground, un-brewed form; 2) smell the coffee again after pouring 150 ml of hot (almost boiling) water in each cup of grounds; and 3) slurp a spoonful of coffee into their mouths and spit it out. They record their scores, out of 100, on an evaluation form that is then returned to

the cooperative.² The event reflects how types of coffee become graded for global markets.

In an effort to increase quality production incentives among producers, in 1999 Honduras and other developing coffee nations also started hosting a competition called “Cup of Excellence” (Daviron and Ponte 2005:157). International professional cuppers sample coffees from a wide range of farmers in that particular country. Farmers are awarded prizes for their coffee, which often leads to recognition among international buyers in the marketplace. Don Teo, a Comayagua grower from Cooperativa Copan, has won an award for his beans, which is important for earning a good reputation in the region.

Its success has been exemplified in the prices some buyers have paid for prize winning Honduran coffee (one producer earned \$60 per pound last year!) (IHCAFE 2008). This will hopefully change the image the coffee growing world has of the nation’s coffee that growers want to change so desperately.

Cooperativa Copan is at the forefront of this change. They have been praised by regional coffee NGOs and organizations as an example of how to facilitate the improvement of their coffee production and processing methods as well as marketing skills (Fair Trade and organic market outlets). An IHCAFE official told me Cooperativa Copan was one of (if not the only) certified Fair Trade, organic cooperatives in the region.

² A few years ago, Cooperativa Copan had their coffee cupped by IHCAFE analysts. They were awarded a rating of 80.5 for freshness, and a clean cup with flavor hints of chocolate and ripe fruit; a score the cooperative wanted to improve upon. Unfortunately, the cooperative did not enter a sample for this particular cupping event that I attended.

For producers, coffee is an export crop to be consumed elsewhere. They relate quality through farm practices, rather than consumption experiences. Yet, consumer preferences to brands, national origins, and of course, specific types of production like organic and Fair Trade also influence a coffee's popularity. Roasters are very important players in the manipulation of quality attributes and retailers continue this effort to shape the way consumers approach quality.

The only symbolic value quality has is when it is embedded in a geographical location, selling not only the coffee, but the story and place of where it came from (Daviron and Ponte 2005:129). This has led to an increased tendency in the specialty industry to sell the story of farmers like those in Cooperativa Copan, which prompts roasters and importers to get involved in direct relationships with farmers. (Daviron and Ponte 2005:156). The question is whether the value given these attributes of coffee can be acquired in developing countries.

Overall the growth of specialty coffees and their importance in coffee markets has led to important opportunities for producers to diversify into value-added markets with foundations resting upon specific quality characteristics (Oxfam 2006:6). Rising numbers of consumers *are* looking beyond corporate narratives to broaden producer and consumer perspectives within the global capitalist framework (despite limitations discussed later) (Mathieu 1999:115).

Nevertheless, neoliberal emphasis on consumption has been labeled “the moving spirit of the late 20th century” (Comaroff and Comaroff 2005:178) even though it has been associated with a growing income disparity on a world scale. This reality reflects the urgency of considering issues of Fair Trade within current trading practices.

Efforts within the Fair Trade movement can help reshape dominant narratives and discourse in favor of increased equitable trade. As for now, trading practices are aligned with capitalist principles of a free market system; a system without priorities in fairness.

The following chapter has been written to expose the heart of how the coffee trade occurs on a global scale as it exists in a neoliberal, or free market environment. On the one hand the topics of interest include changes in global market governance and how it has influenced the coffee value chain. On the other hand, I describe how Cooperativa Copan carries out their business along this chain as a small farming organization and the role they play within industry. Finally, I discuss the recent world coffee crisis and how this event, along with general shifts in market policies, has prompted many farmers to consider alternative economic strategies like Fair Trade.

CHAPTER VII

ADAPTING TO MARKET CHANGES:

COOPERATIVA COPAN IN A

GLOBALIZED COFFEE

INDUSTRY

Global Friction: Shifts in Market Power and Its Affect on Coffee Growing Countries

Terms of trade in the global economy in the late 20th Century worsened for developing countries that typically depend heavily on primary commodities. Jaffee (2007) has pointed out that world prices for eighteen major export commodities fell by 25 percent between 1980 and 2000. For coffee, the price fell by 64 percent. Furthermore, the proportion of the retail price of coffee that goes back to producers has shrunk significantly.

Coffee-producing nations earned \$6 billion of the \$80 billion in world coffee sales in 2001, which equated to 8 percent of the purchase price. Other estimates by Talbot claim producers' shares of the final retail price of coffee fell to 13 percent since the collapse of the ICA (Bacon 2004:499). In 1989, before the collapse, their percentage of the purchase price was 32 percent (Jaffee 2007:45). The collapse of the ICA and initiatives toward liberalization created a shift in power relationships in the coffee trading system to favor multinational commodity traders (Eakin et al. 2006:156; Krivonos 2004:6).

The internationalization of market forces has also eroded the capacity of states to control national economies and has distanced sites of production and consumption (Comaroff and Comaroff 2005:180; Stiglitz 2003:19). Although official development strategies by the World Bank have prioritized “trade for aid” for nations who face economic and social challenges, the logic of commerce neglects to consider the welfare of the disadvantaged farmers as a top priority.

The concept of development has conventionally been understood as improvements in well-being, living standards, and opportunities in developing nations (Edelman and Haugerud 2005). As part of the Basic Needs development agenda of the 1980s, it was once an approach underlining the importance of state (government) intervention and became an effort to reduce world poverty.

Although development remains a favored concept within international organizations (such as the World Bank, UN agencies, Inter-American Development Bank), it is continually being contested, critiqued and redefined. Strong critics who are familiar with the failure of many official development projects view development as a “self-serving discourse propagated by bureaucrats and aid professionals that permanently entraps the poor in a vicious circle of passivity and misery” (Edelman and Haugerud 2005:2). Within anthropology, the concept has been critiqued to try to rid it of hegemonic ideology by looking at the relationships between culture, economy, discourse, power, institutions, and history.

The development paradigm shifted into a period of economic neoliberal policy in the late 1980s that now dictates the global economy today. As Chapter 4 has illustrated, this change emphasized the market, not the state, as the means to solve the

problems of the poor, and was followed by subsequent structural adjustment reforms and modifications of these reforms after development's shortcomings during this period became evident (Edelman and Haugerud 2005:7).

The changes in the world economy that occurred during the 1980s and 1990s are contingencies of historical processes of commodification, industrialization, and modernization- understood to be products of "globalization," which has replaced, in some ways, the development paradigm before it. Globalization has fostered the emergence of new and critical issues throughout the world which require exceedingly careful and serious consideration. The concept refers to the expansion of various places integrating into the world economy as transportation and communication systems improve. It also refers to the cultural flows and economic and political processes that shape and are shaped by these flows (Edelman and Haugerud 2005:3, 23). Globalization is certainly not new, but its recent manifestations as global capitalism and economic neoliberalism have further blurred the lines between local and global,¹ creating, as we have seen, an increasing interdependence between national governments, international trade organizations, and transnational business interests (Mathieu 1999:112; Talbot 2004:102).

The expansion of financial markets (free trade) and technological changes together have been one of the most dynamic developments in the world economy. The question considered is whether these exploit or empower growers like those in Copan and Comayagua who have access to new markets but must compete against large transnational corporations.

¹ From a more cross-cultural approach, Renato Rosaldo has written about "border zones" along the blurry lines between local and global and the shaping of identities within a changing social environment.

Debates can often reflect the difficulty in assessing the impact of western institutions and values, which have long favored free markets, on other societies. Nonetheless, a large gap exists between “the West and the rest.” As anthropologists and other scholars have come to understand, this suggests that despite economists’ assertions of a free market being an expansion of opportunities, the hegemonic power of market powerhouses means that not everyone has the same resources to capitalize on these opportunities (Schneider 2002:65; Stiglitz 2003:19). The following discussion raises concern regarding the impact of free trade agreements and market reform on poorer countries.

Free Trade Agreements: Undermining or Supporting Economic Development?

Free trade agreements like the North American Free Trade Agreement (NAFTA) and the Central American Free Trade Agreement (CAFTA) have made it easier and less risky for corporations to invest in developing nations because 1) many of the rules of the World Trade Organization protect the interests of rich countries and transnational corporations (Oxfam 2002:6); and 2) these southern nations are pressured to be more flexible in their regulatory standards.

These trade agreements are negotiations between the U.S. and Central American countries to eliminate tariffs and barriers that restrict open trade relations between respective partners (CAFTA 2009). According to Oxfam (2002:5), however, when these developing countries export to northern country markets, they confront tariff barriers reported to be four times higher than those encountered by these rich northern countries. As Stiglitz (2003:19) points out, Washington Consensus policies had a “single-

minded focus” on deregulation, rather than formulating an appropriate regulatory framework that would address problems of poverty. The benefits of market expansion and growth were thought to “trickle down” to the poor (Stiglitz 2003:11).

Furthermore, liberalization requires cutting social programs and funds for health and education, and it has resulted in lower environmental, labor and regulatory standards (Sassen 2005:174; Schneider 2002:73). Beneficiaries in the North will have “a measurable advantage” in the multitude of southern markets they access. In a “race to the bottom,” large corporations access these local sites of production to escape labor costs and environmental regulations they face in their home countries (Europe and U.S.) (Murray and Raynolds: 2007:6).

As other social institutions are replaced by the market, the human context of producers is increasingly forgotten (Comaroff and Comaroff 2005:182). The situation has resulted in continued lack of social infrastructure and economic capital, as small-scale producers like those in Cooperativa Copan integrate into a global trading system complete with complex trade negotiations and competitive markets (Gwynne and Kay 1999:25; Stiglitz and Charlton 2005:9). Many debtor nations that were caught up in the Latin American debt crisis of the 1980s are paying the International Monetary Fund (IMF) 20-25 percent of their export earnings toward debt service. Though some countries have experienced a rise in their income with liberalization, the majority of nations have become poorer and capital starved (Sassen 2005:174; Stiglitz 2003:12).

According to Sassen (2005), of the 93 low and moderate-income countries, only 11 had trade surpluses in 1998. Scholarly debates among political economists have centered on “confounding effects of rampant liberalization,” questioning whether it has

stimulated global flows of capital or produces a circulation to a few major sites, and whether it “undermines, sustains, or reinvents the sovereignty of nation-states” (Comaroff and Comaroff 2005:177).

The struggle is not over whether the global economy should expand, but over how it should be regulated. Who gains and who loses as a result of these investments and regulations? For many farmers worldwide, the neoliberal terms of trade have not been able to support their economic development, and free trade policies have led to the undermining of economic and food security for these farmers.

This is why social movements and advocates for Fair Trade coalesce around trade negotiations and other events concerning the World Trade Organization (WTO). When the WTO convened in Cancun in September 2003, protestors complained that rich nations had created distorted trade policies that favored foreign investors, large corporations and agribusinesses. The market size of the U.S. allowed state negotiators and U.S.-based business interests “significant advantages” in creating the final policy outlines of trade and investment agreements signed by southern nations (Cox 2008:1529).

These “preferential trade agreements,” as Cox 2008 calls them, resulted in “highly restrictive policy guidelines” for developing countries, in exchange for access to more markets of developed countries (Cox 2008:1529). Under these policies, most developed countries have been able to protect their domestic markets by providing heavy subsidies to their farmers, while developing countries must open up their markets to imported goods and foreign investment (AVANCSO and PACCA 1992:8; Baffes 2005:299; Daviron and Ponte 2005:21; Jaffee 2007:42).

Grain farmers in the United States earn \$180 billion in subsidies a year and U.S. farmers in general receive a “support price” for their crop if open market prices are low (Roosevelt 2004:4); These forms of protectionism and regulatory agreements act as tools for providing a safeguard to farmers from the booms and busts of commodities markets. Yet, the surpluses of overproduction are dumped onto the world market, and goods are exported by the U.S. at prices more than one-third lower than the costs of production (Oxfam 2002:11). Farmers in developing countries cannot compete with these heavily subsidized products from the U.S. (Stiglitz 2003:23).

Free trade capitalists continue to argue (and assume) that tariffs and quotas (regulations) are barriers to trade and only protect inefficient domestic industries-limiting the movement of goods. However, the U.S. could more fully open up its markets by eliminating agricultural subsidies and “foregoing the myriad of non-tariff barriers” that it has pushed on its southern neighbors (Stiglitz 2003:34). In the end, though liberalization is viewed by many as a positive force for development, political economists in the globalization reform movement view the inequality of wealth and power, and what Paige (1997:360) describes as the “immiseration” of many, as the fundamental contradiction of the agriculture-export order.

As will become more evident in the following section, price supports and protections for farmers (e.g., Fair Trade) can be crucial for their viability as both a business and a community. This is particularly true since globalization has led to changes in governance over commodity networks in favor of powerful buyers who have exerted increasing control over brands and market access (Raynolds and Wilkinson 2007:35). To understand this tension in market complexity and price fluctuations regarding coffee as a

commodity, I want to clarify more descriptively the role of Cooperativa Copan farmers within the coffee value chain and its actors.

The Coffee Value Chain: Struggles for Control from the Crop to the Cup

From what we have learned so far, producers are losing market power within the value chain against Northern agro-food corporations and roasters in a world Schneider (2002:64) calls “a vastly uneven playing field”. This is because traditionally, the majority of the value of coffee is exported, generating large profits at the roasting and retail stages of the value chain.

The value chain is a series of economic linkages between the producer and the consumer, with different phases of ownership in each link as the product is transformed from a tree to a beverage (as shown in Figure 24) (Luttinger and Dicum 2006:110; Talbot 2004:6).

Originally developed within world-systems analysis (Wallerstein 1974), the global value chain (formerly called the global commodity chain) is a unit of analysis bigger than a nation-state but smaller than the entire world system. A value chain approach to development helps address the major constraints at each level of the supply chain. It is also useful for examining the various ways developing countries can be inserted into international trade.

There are three major stages in the coffee chain outlined by Talbot (2004:164): 1) growing and initial processing on the farm; 2) processing up to green coffee and exporting from producing country; and 3) importing of coffee and the

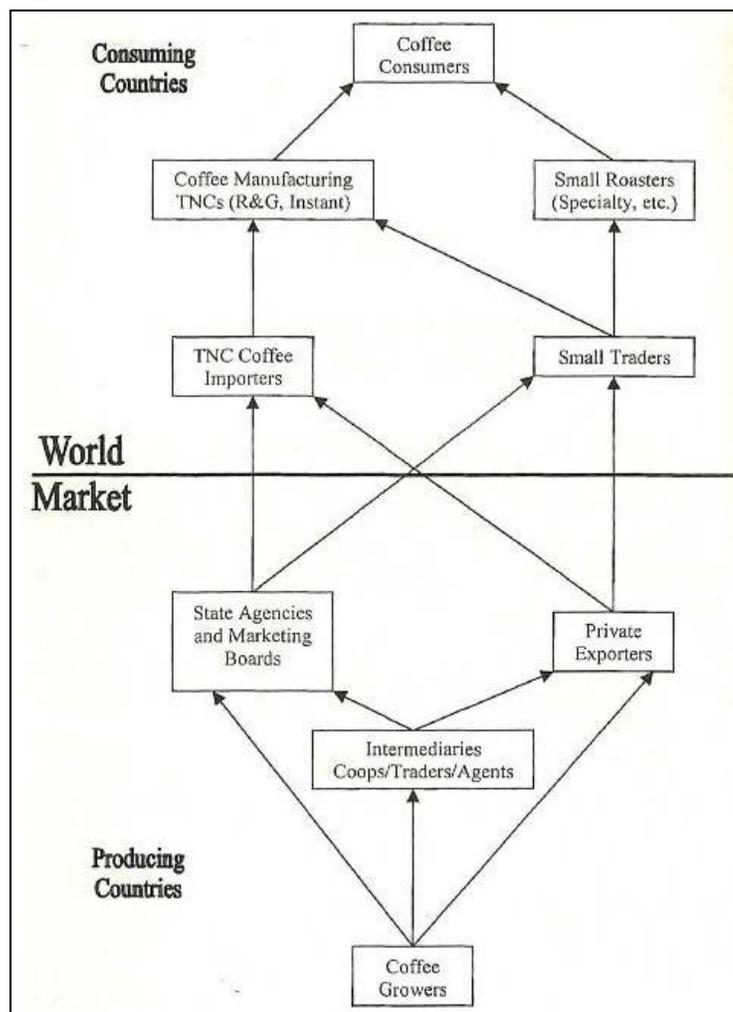


FIGURE 24. The international coffee value chain.

Source: Talbot, John M., 2004, *Grounds for Agreement: The Political Economy of the Coffee Commodity Chain*. Oxford: Rowman and Littlefield Publishers, Inc. Reproduced with permission.

production and sale of roasted coffee.² There is value added at each stage of the chain, elevating the third stage as the most dynamic and profitable which occurs in consuming countries (Talbot 2004:7). See pictures of each stage below in Figure 25.

² There are also three key dimensions of the coffee chain: input-output structure and geographical coverage; governance structure; and institutional framework (Talbot 2004:19)



FIGURE 25. The broad sequence of stages in coffee processing: coffee growing on the tree (left); coffee being processed at the cooperative (middle); and coffee being delivered to exportation warehouse where it will be sent to the buyer (right). (Photos courtesy of E. Smith)

At this stage, the coffee trading business is made up of centers of concentrated power and wealth, with transnational roasting companies controlling most of the middle of the value chain (Jaffee 2007:49; Krivonos 2004:6; Schneider 2002:64). The high profit margins for roasters became accentuated during the latter half of the 1980s in which a major shift of surplus occurred from the coffee-producing countries to multinational corporations (Daviron and Ponte 2005:24). To reiterate, since the fall of the ICA, Talbot estimated that producers' share of the final retail price of coffee has fallen from 20 percent to 13 percent (Bacon 2004:499).

Only a handful of international coffee buyers, roasters and distributors have the capacity to hold and process large stocks of green coffee (Eakin et al. 2006:159). In 1998, the "big five" multinational coffee roasters were, in order of market share, Nestle, Sara Lee, Philip Morris, Procter and Gamble, and Tchibo, who together controlled 69 percent of the roasted and instant coffee market (Jaffee 2007:49; Daviron and Ponte 2005:92; Eakin et al. 2006:159).

As of 2004, Kraft (Philip Morris), Proctor and Gamble, Sara Lee and Nestle together purchased half the world's coffee (Roosevelt 2004:2). Unfortunately, this effect has widened the gap between farm gate and retail prices of coffee (Eakin et al. 2006:159). Coffee growers of Cooperativa Copan who are farming on a smaller scale than large plantations are then forced to find new strategies to stay afloat in the market.

As a critique to the prevailing governance system within the coffee industry, alternative supply chain systems have materialized from links between producers and alternative trade NGOs who are reshaping the nature and significance of producer involvement in the value chain (MacDonald 2007; Raynolds and Wilkinson 2007). Access to differentiated markets, like Fair Trade, have surfaced as strategies for Cooperativa Copan farmers and others alike to gain a higher proportion of the total income generated in the coffee chain. Despite its inability to eliminate the unequal balance of power that remains within the industry, selling through Fair Trade outlets has benefited the cooperative. This strategy will become more conceptually clear as the paper proceeds.

On the supply end of the chain (producing country), exporters and intermediaries hold a great deal of control because they coordinate operations in the local chain. There are over 40 exporters nationwide in Honduras and 77 percent of the coffee they receive for exportation comes from the estimated 3,000 intermediaries in the country as opposed to six percent from cooperatives or unions like Cooperativa Copan (Fromm

and Dubon 2006:3).³ Small scale conventional coffee farmers commonly sell their beans to intermediaries or they sell their unprocessed berries to larger, local growers who operate their own *beneficios* (processing site).

These larger growers then sell the parchment coffee to regional buyers (Eakin et al. 2006:163). Exporters also operate as private enterprises, often large cooperatives, who also buy coffee from smaller growers. These cooperatives that have an exporting license are usually affiliated with nationally authorized exporters of IHCAFE.

IHCAFE uses the registry to gather information about coffee prices and quantities bought and sold throughout the year. This way they can also inform producers of the range of estimated coffee prices for the year to help keep local and regional prices offered by intermediaries somewhat standard (Wyeth 1987:128). Overall, access to market information remains an important source of power.

Intermediaries exist because of the fragmented small-holder structure of the sector. For those smallest growers in Copan, intermediaries are often an obligatory outlet to sell coffee throughout the harvest, linking producers who do not have the means to transport and process coffee to a market. Others cannot wait for the cooperative to pay them their share once contracts are settled. Waiting for large sales to finalize can cause angst among growers who rely on immediate gains coyotes, or price intermediaries, can offer.

For producers in the region of Copan, these *coyotes* on the street were paying between 50 and 85 cents per pound (for dry parchment coffee), which they turn around

³ Smaller intermediaries trade less than 230,000kg of coffee a year; Medium sized trade up to 920,000 kg a year; large intermediaries trade more than 92,000 kg (20,000 bags) a year (Fromm and Dubon 2006).

and sell to exporters. Cooperative members received around \$1.24 per pound after processing deductions and fees. Because the international market prices for coffee were high at the time of this study, the gap between farmgate prices and Fair Trade, organic prices was relatively small.

Locally, members may sell lower grade coffee and coffee left over from the harvest (which Cooperativa Copan had to do more frequently in their first years).⁴ Poorer members could sell a bucket, or *lata*, of their picked coffee cherries (*maduro*) for about \$5.00 (on the high end). It takes 13 *latas* of coffee cherries to make 100 pounds of dry parchment coffee. This would equal \$.65 per pound of dry parchment coffee. If the coffee was wet processed but not dried, they might receive \$10-\$18 per gallon bucket. If it takes six *latas* of wet parchment beans to make a *quintal* (100 lbs) of dry parchment coffee, then farmers were getting about \$.85 per pound of dry parchment coffee.

The price these middle-men charge depends on several factors related to the cost of their business, like transport cost and other competitors, as well as supply and demand, how processed the coffee was when they bought it, the time it was bought, quantity, and quality (Wyeth 1987:134).

That being said, there is more value-added farmers retain if they can process their coffee into dry parchment stage and have it exported to importers abroad. This is particularly true in Fair Trade, organic markets, where growers can establish long term relationships with buyers at higher prices. This year, Cooperativa Copan received an average of \$1.60 per pound for their green coffee they sold directly to international

⁴ 2003-2004 the cooperative sold 81 quintales of dry parchment coffee locally; 2004-2005: 13 *quintales* of dry parchment coffee; 2005-2006: 75 quintales of dry parchment coffee; 2006-2007: 10 *quintales* of dry parchment coffee.

buyers in this market. After deductions, members were earning approximately \$1.24 per pound, which they receive at the end of the harvest season.

In contrast, a larger conventional farmer in Copan that I spent time with sold his coffee to a buyer in Guatemala, just over the border. He expressed, in his words, an unwillingness to be tied down to organizational rules, and he felt that cooperatives would take away his entrepreneurial freedom. Yet his goal to be connected with buyers in Europe or the U.S. had yet to be fulfilled as he struggled to find outlets for his export even regionally.⁵

The following information in Figure 26 lists the deductions the cooperative members incur during the coffee season. Even with Fair Trade sale prices, the reality of major costs to process coffee become apparent in this small but important list. The next section helps to understand how these costs add up, by revealing the details of how coffee is bought and sold on the international market.

Buying/Selling Coffee on the International Market: Experiences of Cooperativa Copan

The structure of the current international coffee market is tied to the price that is paid for Brazilian coffees, known as the “C” price. There is the Coffee Terminal Market in London where Robusta beans are traded, and the Coffee, Sugar and Cocoa Exchange of New York where Arabica coffee is traded. Distinguished by graded attributes, the four major coffee groups are Colombian Milds, Other Milds, Brazilian and Natural Arabicas, and Robustas (see Table 4) (Oxfam 2006:9; Topik 2003).

⁵ He said he received about \$1.07 per pound for his coffee in the 2008 harvest (this price is assumed to be before other costs are considered).

Price per <i>quintal</i> (100lbs or 46kg) <i>oro</i> (green)		\$167.00
IHCAFE trust	-	9.00
IHCAFE Export Permit	-	3.25
Export processing	-	11.00
Use of Cooperativa Copan dryer	-	3.95 (L. 75.00)
FLO premium	-	10.00
Transport costs	-	1.60 (L. 30.00)
Additional contribution (added to co-op savings)	-	2.65 (L. 50.00)
Approx. indiv. cost of FLO certification	-	1.00 (per qq oro)
Approx. indiv. cost of organic certification	-	1.00 (per qq oro)
	=	\$123.55
TOTAL PRICE PER QUINTAL		\$123.55*
TOTAL PRICE PER POUND		approx \$1.24
*This amount does not include other variable costs that members may incur such as:		
Annual member fee (240 Lempira or \$12.70)		
Loans borrowed from Cooperativa Copan and interest		
Interest on the sum of export permit and IHCAFE trust (four percent)		
Administrative fees, trip costs, office materials (estimated at \$2.00 per <i>quintal</i> (100lbs)		
Local transport costs to <i>beneficios</i> (processing mill)		
Cost of labor to pick coffee (25 Lempira per <i>lata</i>)		
Processing coffee at the <i>beneficio</i>		

FIGURE 26. Final payment to growers (Spring 2008).

Source: Information adapted from Cooperativa Copan administrator, personal communication with author, February 5, 2008.

The degree of value in each grade of coffee is variable depending on standards being met, and this affects the “C” price quoted on the New York Exchange. Coffee from Cooperativa Copan is in the “other mild” category of Arabica beans along with the rest of Central America. The value of their beans may increase (price differential) because they are grown under Fair Trade, organic conditions.

The “C” price may rise and fall in relation to how quantity and quality of Brazilian coffee is perceived by financial speculators in New York and London (Daviron and Ponte 2005; Cycon 2001). Here, players can utilize futures markets, where coffee

TABLE 4. World coffee production by coffee types 2007-2008.

Type of Coffee	Sacks (60kg ea)
Robusta	32,600,381
Brazilian Naturals	27,344,151
Other Milds	21,872,934
Colombian Milds	12,702,328
Total	94,519,794

Source: Data for table adapted from Instituto Hondureño del Café (IHCAFE), 2008, Informe de Cierre Cosecha 2007-2008. Gerencia de Comercialización. Annual Report. Honduras: IHCAFE. Electronic document, http://www.cafedehonduras.org/ihcafe/administrador/aa_archivos/documentos/informe_2007-2008.pdf, accessed June 15, 2008.

shipments from Honduras and other countries are bought and sold on the market floor at an agreed price set for a future date (a paper trade in which physical commodity is rarely traded).

In the mid 1970s, almost all coffee was sold at prices fixed when the sale of coffee was made; by the mid 1990s, 90 percent was sold at a fixed differential to the futures market (coffee trading done on purely speculative terms) (Luttinger and Dicum 2006:110; Talbot 2004:113). The purpose of futures markets is to provide hedging, or the use of future contracts as insurance against price fluctuation.

The contract defines a specific grade, volume and a specific date of delivery. In this arena, price, risk and exchange are separate from production, distribution and consumption, making the logic of this trade a sort of “meta-fetishization” in a Marxian sense (Appadurai 1986:50).

Utilizing access to internet, Cooperativa Copan established contracts with three buyers for the 2007-2008 harvest, each of them negotiated under different conditions concerning quantity, quality and long-term relationships (see Table 5). These buyers are not exclusive to Cooperativa Copan. Hamburg Coffee purchased 1.7 percent of the total coffee produced in Honduras during the 2007-2008 year. Globus Coffee purchased 0.1 percent followed by Simon Levelt at 0.02 percent.

TABLE 5. Cooperativa Copan sales to importers 2008.

Who	What	When	Where	Price
Simon Levelt (exporter:Cactril)	280 bags, 69kg ea.	16 Nov 2007 (shipment for April 2008)	The Netherlands	\$1.66/lb (fixed Dec. 11)
Globus (exporter:Caffex)	275 bags, 69kg ea.	14 Jan 2008 (shipment for March 2008)	New York, USA	\$1.70/lb (fixed Jan 21)
Globus	275 bags, 69kg ea.	14 Jan 2008 (shipment for April 2008)	New York, USA	\$1.70/lb (fixed Jan 21)
Hacofco (exporter:Cactril; broker Highland Coffee)	275 bags, 69kg ea.	22 Jan 2008 (shipment for March 2008)	Hamburg, Germany	\$1.65/lb (fixed Jan 28)
Hacofco (Cactril)	275 bags, 69kg ea.	March (shipment for April 2008)	Hamburg, Germany	\$167.50/lb

Let us say that the cooperative signs a contract with a buyer in February, they may take a position to sell in March or April, with the negotiated price based on the New York “C” price for that month and a 30 cent premium added per pound- 10 cent premium for Fair Trade and 20 cent premium for being organic certified.

As the seller, Cooperativa Copan can fix the price they want to sell at prior to the physical stock of coffee being shipped from the exporting warehouse to the buyer (known as the “bill of lading” date). If Cooperativa Copan does not choose to fix their preferred NY “C” price, the default price they receive is the Fair Trade minimum price.

Because speculative trading based on futures has increased market volatility, Cooperativa Copan also has the option of opting for a “stop loss,” which allows them to set the lowest price they are willing to accept if the market prices fall. Knowing tiny details like this about the market can be both a burden and a blessing depending on the experience a cooperative has in negotiating.

As an example, in January (2008), the cooperative administrator was on Skype discussing this option with a coffee broker as the market was dipping. He was simultaneously working out a price he was happy with and trying to find a buyer for the container.

There was an interested buyer in England. The administrator, insistent yet not at all knowledgeable about “stop loss,” was told by the English importer that the condition only existed in special cases (with certain partners). The administrator’s nerves and inexperience resulted in him passing on the buyer. He wanted a buyer with “fewer limitations,” and within the hour, the cooperative was negotiating with the Hamburg Coffee Company (HACOFECO).

Lucky for the cooperative, HACOFECO accepted the administrator’s terms. If the market dipped to \$1.31 per pound, the cooperative would be stuck at that price even if the market elevated (or dipped further) in subsequent days or weeks. The market price for the day was \$1.37 per pound. Anxious to fix the price before a “stop loss” actually took

place, the administrator settled on \$1.35 per pound the following day, fearful it would drop lower. Prices rose in the following days to \$1.40 per pound, exemplifying the phrase “market volatility” and the stress this volatility can cause growers who know more about cultivating coffee than they do about selling it.

Sometimes, it is simply hard to keep the attention of importers/buyers abroad. It requires back-and-forth contact that Cooperativa Copan did not have in the past. I had been in contact with Harold L. King and Company Coffee in California for several months leading up to mid January to get at least one U.S. importer interested in the cooperative’s coffee. After many email conversations back and forth and a hand delivery of a sample of the cooperative’s coffee to their office in the Bay Area, I finally made some progress. More recently, the cooperative has made great strides to do business in a global setting by hiring a young, skilled administrator who utilizes the internet and important communication tools like Skype.

Because King Coffee had an interested roaster who was looking for a Central American coffee, they made an offer of \$1.51 per pound total. This is when attention to detail is important. The New York market price for coffee at the time was \$1.31 per pound and after adding the Fair Trade and Organic differential it amounted to \$1.61. If the cooperative had accepted, they would have settled below what the value of their coffee was worth at the time.

Once Cooperativa Copan has secured a buyer or buyers for their beans, the beans are transported to an exporting warehouse where they will go through final processing and be shipped out to the docks of Northern importers. The next section

explains this last leg of processing in which the assurance of bean quality remains the cooperative's responsibility.

From Copan to California: The Practice of Exporting Coffee

Up until now, the coffee business relationship so far has been directly between importers and Cooperativa Copan as they negotiate the sale of their coffee. Yet, as this section explores, smaller roasters are a critical link in the value chain as well.

Importers buy large containers of green (unroasted) coffee from growers in order to sell smaller quantities to smaller roasting companies. The smaller roasters do not operate at a large enough scale to store this much coffee in a warehouse, nor are they able to afford it.

A small roaster and coffee shop owner in Chico I worked with drives to Emeryville in the Bay Area to pick up coffee he buys from Royal Coffee (a roasting and importing company). This way he can order two bags of coffee at a time from Royal as opposed to 250- 300 bags of coffee that many coffee containers hold.⁶

Royal Coffee will receive the sample of green coffee from the grower (one pound bag) which will represent the container of green coffee they bought by Cooperativa Copan. The standard coffee shipment and capacity of such a container is 37,500 pounds (known as one unit of coffee).

Then professionals at Royal Coffee cup it to measure its qualities. If the pre-shipment sample is approved, the rest of the coffee is sent by the exporter. After traveling the seas, the coffee will be delivered at Royal Coffee's warehouse at the port in

⁶ There are very large roasters who also import coffee (e.g., Starbucks, and Nestle). For each container, bags may weigh 100lbs, 134lbs, or 152lbs.

Emeryville, while appropriate documents are finalized and the Food and Drug Administration (FDA) and customs entries are made. From sampling the coffee to its delivery takes at least one month.

A delivery sample of the coffee is then cupped again on arrival to make sure the beans still meet their standards. During the “ripe” season, Royal Coffee may receive five to seven containers a day, storing about 150 containers worth of beans in the warehouse during the season.

Organic and Fair Trade inspectors along with country of origin inspectors come to the warehouse once or twice a year inspecting the paper trail of where the coffee is sold in the U.S. to assure that organic coffee, for example, is actually being sold as organic.

During this process, exporters also play an important role in the relationship. Much of the cost taken out of the price Cooperativa Copan receives for their coffee per pound occurs during the final stage of coffee processing at the exportation facility.

When Cooperativa Copan arrives at the exporting plant with trucks full of bagged parchment coffee, exporters dry the coffee once again to get the humidity correct for shipment and is threshed (to remove the parchment), filtered for defects and sorted by size. Beans can often be damaged or discolored (bad beans), and be mixed with sticks, rocks and other objects that were left behind after harvesting. This process of final cleaning is done by women who sit around a conveyor belt as coffee beans move down the line, sifting through the beans by hand (see Figure 27).

The lower quality coffee material filtered out at the exporter’s processing site is given back to the cooperative. This material, called *resaca*, is then sold in the national

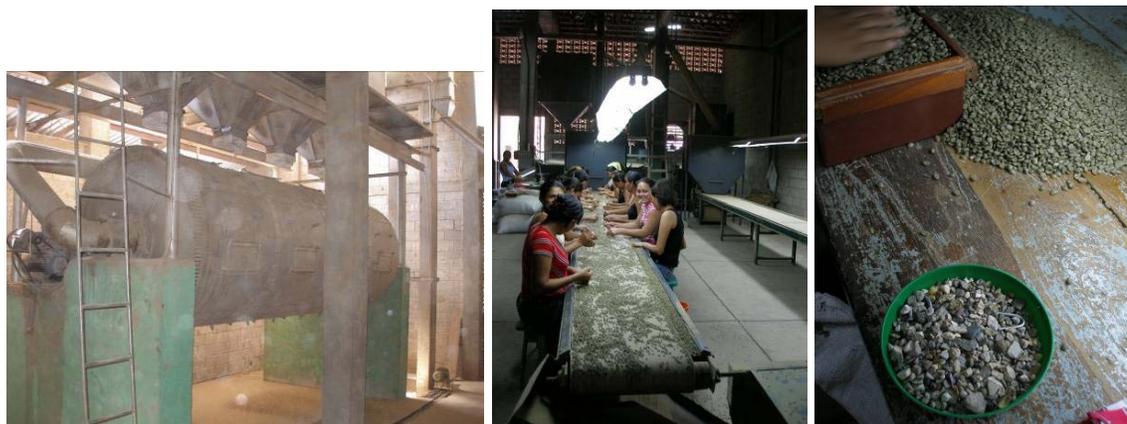


FIGURE 27. More coffee processing at the exporting warehouse. The coffee is dried once again (left), and filtered by hand (middle) for any rocks, etc. (right). (Photos courtesy of E. Smith)

market because it is not suitable for international sale. While I was in Copan, the Resaca was being sold for \$0.52 per pound (1,000 *Lempira* per *quintal*), considerably less than premium grade coffee.

The price a couple of exporters were charging Cooperativa Copan varied between \$10.00 per 100 pounds of coffee to \$11.50 per 100 pounds of coffee. This rate depends on the services offered, which might include gas, energy costs, transportation of coffee to the port, clean storage and a sample they send to the buyer before shipment, in addition to processing the coffee (some may cover IHCAFE permits and taxes too).

Exporters often lend producers a 60 percent advance of their coffee sale, until producers receive payment from the importer (with or without interest). This is done through a pre-financing loan company. The common procedure is to pay Cooperativa Copan when the importer receives proper documentation and the coffee (“cash against

documents”).⁷ If Cooperativa Copan ships coffee in March and April, they will not receive payment until May-July, making pre-financing important to growers.

The documents include the organic transaction certificate, ICO certificate of origin, phytosanitary certificate, weight note, invoice, and bill of lading. The contracts are subject to conditions of either European Contract for Coffee in force at the time of the contract, or U.S. regulations requiring conformity with FDA Regulations and Cost and Freight Contract of the Green Coffee Association of New York City.

The U.S. allows only 18 percent defects in coffee exported, whereas the rate in Europe is more like 23 percent. Cooperativa Copan succeeded in selling to one United States buyer (Globus) this harvest, who agreed to pay only 70 percent “cash against documents” and the remaining 30 percent as a “quality bonus” when they had approved the quality of coffee. The exporter’s job is to get Cooperativa Copan that extra 30 percent of their cash, by making sure the coffee is exported at top quality.

Overall, the changing conditions of each buyer-seller relationship highlight the difficulty that Cooperativa Copan leaders may have in understanding the “fine print” of terms in each sale they make and the implications they have for the cooperative.

I remember when the cooperative was working with Highland Coffee, a broker, whose job it was to pull similar coffee (in this case organic and Fair Trade) from different cooperatives in the region if Cooperativa Copan could not make a whole container. This was to be sold to Hamburg Coffee. Yet, in this kind of transaction the cooperative not only loses a good amount of money to this middleman but also loses

⁷ This is after the “bill of lading” is issued in the port of Honduras, allowing the shipment to be sent abroad. It may take 15 days or it may take a month.

credit and company name on official documents (Highland Coffee takes most of the credit).

What can be taken from this section is that working as part of the coffee value chain in a global coffee market is both complex and challenging for small-scale farmers. As a Fair Trade cooperative, growers in Cooperativa Copan understand that getting the premium requires skill, experience, and technical know-how. On a larger scale however, an urgent concern is that roasting companies in consuming countries and international trading companies operating in producing countries have seized increased shares of the income generated across the supply chain. Farmer income on the other hand has significantly declined (Bacon 2004; Jaffee 2007; MacDonald 2007:795; Talbot 2004).

Within recent years, the response to these changes has been a progressive effort to realign the responsibilities and control within the institutions of supply chain governance. The Fair Trade system acknowledges the power inequalities and exploitations within the North-South trade relations and has become an important component of the new forces that are redefining aspects of the market and regulation (Raynolds and Wilkinson 2007). Although the neoliberal assumption is that expanded trade will increase the benefits for those involved, the next section illustrates the degree of impact market volatility can have on growers' livelihoods. Specifically, it reflects the devastation growers experienced during the world coffee crisis at the end of the 20th century.

The World Coffee Crisis of 2001-2004

When the “C” price for coffee falls below the cost of production, farmers struggle to meet their basic needs, exacerbating a cycle of poverty and debt. This is highlighted in areas of Latin America, a region that accounts for 60 percent of global coffee output, and more acutely in Honduras, where coffee accounts for 24 percent of total exports and an even larger percentage of sources of cash income (Baffes et al. 2005:297; Lindsey 2004:3).

It is important to note that primary commodity prices have a history of long slumps and short spikes. It’s often hard to determine whether changes in the international market happen because of changes in production processes (supply), from changes in consumption patterns (demand), or other forces (see Topik 2003). Nonetheless, for small scale coffee farmers, the labor intensive cultivation of coffee and low world coffee market prices have exacerbated the impoverished conditions of these growers.

From 2001 through 2004, a global coffee crisis, initiated by a market crash stemming from over supply, led to bankruptcy and failure of coffee farms globally. International coffee prices crashed to a 30 year low in 2001 (Grounds for Change 2005:5). Low prices are also a reflection of processes I described earlier: changing patterns in the global coffee value chains (e.g., the end of the ICA), market liberalization, and corporate consolidation.

The crash was partly because of a strong competition of highly mechanized agriculture in Brazil and low-cost production in Vietnam that exacerbated a worldwide coffee glut (Baffes et al. 2005:301; Cycon 2001:67; Eakin et al. 2006:158).

Although Robusta coffee dominated Brazilian coffee markets until this period, Brazil more than doubled its production of Arabica coffees in the last ten years (Bacon 2004:498). This has forced Central American Arabica producers and Cooperativa Copan to compete more fervently in the global market, or switch to other crops. Furthermore, production of coffee in Uganda, India, Guatemala and Ethiopia increased between 20-30 percent during the 1990s (Luttinger and Dicum 2006:105). The difference between the amount of coffee being grown and the amount being consumed was ten million bags of coffee (100 pounds each) during the crisis (Jaffee 2007:44).

Vietnam's efforts in starting new plantations of Robusta coffee were financed by the World Bank, Asian Development Bank and the French Government in an effort to promote export led development. Vietnamese produced copious amounts of cheap, "hyper-technified" Robusta coffee, flooding the market and contributing to a lower global coffee price (Cycon 2001:66). In turn, Vietnam moved from a position of tenth place in 1991 to becoming the second largest coffee producer in the world behind Brazil by 2001 (Eakin et al. 2006:158; Jaffee 2007:44; Luttinger and Dicum 2006:98).

In Central America, the crisis caused a 54 percent decline in permanent employment and a 21 percent decline in seasonal employment in the coffee sector (Murray et al. 2003:3). An estimated 600 thousand jobs on coffee farms were lost throughout Central America (Oxfam 2006:5). People were forced from their land, many emigrating to urban areas or the U.S. for work or converting their farms to more profitable crops (Jaffee 2007:47; Murray et al. 2003:3; Murray et al. 2006:179; Oxfam 2006:5).

Over 25,000 acres (10,000 *hectares*) of coffee in El Salvador and Honduras were abandoned, giving rise to a cycle of social instability at local and regional levels (Jaffee 2007:47; Talbot 2004:128). Unfortunately, because of the severity of the coffee crisis, and a general decline in prices for export crops, Honduras' agricultural sector has lost one-third of its purchasing power in the past two decades (World Bank 2008a).

Confounding these problems have been the damaging effects Hurricane Mitch had on Hondurans and particularly small farmers in 1998, which produced losses amounting to 40 percent of the GDP (Nugent and Drescher 2006:1; World Bank 2008a).⁸

To make matters worse, Honduran coffee has historically suffered a low market share and pricing for its specialty coffee, due to quality control issues in the chain of production and a lack of visibility within the international specialty coffee industry (Hearne et. al 2002:2; McCarthy and Sun 2004). McCarthy and Sun (2004) documented that during the coffee crisis, Honduran coffee suffered penalties between five and fifteen cents per pound on average on the world market.

In 2001, the market value of one pound of coffee was 42 cents on the New York exchange for Arabica beans. During October of 2001, coffee prices hit as low as 15 cents per pound of Arabica coffee in Honduras (ICO 2008b). Farmers of Cooperativa Copan survived with the help of OCDIH by diversifying their crops, adding a variety of fruits and vegetables to sell in local markets until the crisis waned.

Diversification was extremely important for growers to implement because hardly any members sold anything else but coffee for profit (former OCDIH agricultural

⁸ Hurricane Mitch caused 10,000 immediate deaths in Central American according to Nugent and Drescher (2006).

technician, personal communication with author, February 26, 2008). In their comparative study on coffee producers in Guatemala, Honduras and Mexico, Eakin et al. (2006) found that diversification of crops and income was the principal strategy to cope with market risk and institutional change among Honduran producers.

They found that the survival of small-holder coffee growers depended on their ability to proactively adapt to new conditions in the market, which is often adopting new production practices and forms of organization. Of course, as I discussed before, there are many factors that greatly influence adaptive capacity including institutional structures, degree of poverty and distribution of resources, physical infrastructure and investment (see Eakin et al. 2006:158).

Structural changes in the world coffee market and the transformation of basic commodity production to diverse agribusiness systems in Honduras and other Central American countries have led to different responses by farmers to these changes.⁹ A significant aspect of restructuring has been a shift in production and consumption with the expansion of the specialty coffee market. Under a new political economy in Latin America, developing countries are responding to these changes in demands made by consumers and the global economy (Eakin et al. 2006; Gwynne and Kay 1999:3).

Even though coffee prices have gradually increased in the 2004-2008 time frame, small-scale producers continue to be vulnerable to price swings and “the disproportionate market power of local buyers, international traders and multinational coffee companies” (Jaffee 2007:44).

⁹ For a good anthropological account of world markets, look at Jane Schneider’s (2002) work- she discusses the many variables involved in how world markets work and how they have evolved over time.

Market-based solutions such as Fair Trade are materializing into critical alternative development strategies that emphasize market-driven development. In a quest for economic security, Cooperativa Copan's decision to initiate entry into Fair Trade and organic markets reflects a twofold necessity for 1) protection from an unpredictable market, and 2) access to higher value markets for higher prices.

Part Three of this thesis will concentrate on what Fair Trade means for the growers of Cooperativa Copan as well as its rising power and pitfalls as a trade alternative. Although clear solutions to sustainable development among poor nations remain somewhat elusive, chapter eight will help contextualize the emergence of Fair Trade, its relationship to the global market and its potential as a development strategy for Cooperativa Copan and other small-scale producers.

CHAPTER VIII

FAIR TRADE: A BRIEF HISTORICAL SKETCH AND THE CURRENT MOVEMENT

What is Fair Trade?

Principles of fairness have become recognized as a very important component of the need for global action against world poverty (Stiglitz and Charlton 2005:74).

Globalization is a profound economic issue of our time, and Fair Trade is at the center of global policy debate about changing North/South relations and the transformations that have taken place in the agricultural and food sectors (Raynolds and Wilkinson 2007:33).

The Fair Trade movement arose partly out of concern for the low share of consumer prices received by exporting countries and their farmers in addition to the adverse impacts of commodity price shocks on the economies of these nations (Daviron and Ponte 2005:23-24).

The disregard for social relations that exists in international markets has also led to consumer (and NGO) demands for transparency in agro-food production and trade. These advocates have also pushed for increased circulation of information on ecological and production relations that are often concealed from consumers (Daviron and Ponte 2005:226).

Within the Fair Trade model, trade is used as a tool for poverty alleviation, business transparency and accountability, democracy, capacity building, fair prices and concerns for the environment. The next several sections explore the relationship between Fair Trade and Cooperativa Copan (as small-scale farmers), and ask whether this alternative economic model has acted well as a cushion to the growing challenges of the global economy.

Fair Trade is both an international social movement and a market-based approach to sustainable development that builds direct links between producers and consumers (Murray et al. 2006:180). It challenges existing power relationships and neoliberal economic policies that undermine labor and environmental standards in the world economy- an economy plagued by power inequalities and exploitation (Bacon 2004:500; Edelman and Haugerud 2005:26).

Fair Trade is a set of business initiatives with specific objectives and criteria that continue to evolve as Fair Trade grows as a cohesive and mainstream force (TransFair USA 2007). Its principles serve as the basis for a different kind of trade policy, where the benefits of trade flow primarily to the countries and communities most in need through negotiated integration into the global economy. Directly concerning the coffee industry, Fair Trade is an effort to re-invent the traditional commodity chain that has characterized coffee for generations.

Fair Trade advocates work hard to move beyond it being just a safety net for farmers, toward being a strategy for sustainable development that would reduce the injustices brought on by neoliberal policies. In 2007, retail sales of Fair Trade products in the U.S. were estimated at one billion dollars (Transfair USA 2007).

The concept of Fair Trade originated around the late 1940s and early 1950s, out of efforts by alternative trade organizations (ATOs) and religious development organizations who established links with poor communities in the Global South (Kocken 2003). Pioneering organizations like Oxfam spawned the emergence of “world shops” (i.e., fair trade shops) in the late 1960s with the goal of equitable trade (Kocken 2003; Murray et al. 2006:181).

The first Fair Trade certification initiative was founded in 1988 by the Max Havelaar non-profit labeling organization of the Netherlands who sought to return greater profits to producers by eliminating intermediaries in the commodity chain (Murray et al. 2006:181). In 1997, they evolved into the global Fair Trade umbrella group called Fairtrade Labelling Organizations International (FLO), based in Bonn, Germany. FLO (as it is known), comprised of producer and labeling organizations, assumes responsibility for setting criteria defining this system of trade and ensuring that products with the Fair Trade label conform to Fair Trade standards (Barker et al. 2005:11).

There are both generic Fair Trade trade standards along with additional standards that apply to particular products. The generic standards are as follows:

(1) **Certification**- operators of Fair Trade products are subject to inspection in order to assess compliance with this standard (FLO 2009).

(2) **Traceability**- product must be traceable and authenticated back to the producer through proper documentation. The product must be physically separate and identifiable from non- Fair Trade products (applied with producers onward) (FLO 2009).

(3) **Contracts**- written contractual obligations must be mutually agreed upon between producers and buyers which include expected quality, price, volumes, payment terms and delivery conditions (FLO 2009).

(4) **Sustaining Trade**- sustainable trading partnerships between producers and their buyers must be made to provide producers long-term access to markets under viable conditions (e.g., sourcing plans, information sharing, price updates, quality training, etc) (FLO 2009).

(5) **Pre-financing**- giving producers access to reasonable forms of financial assistance, with agreed upon low interests rates and the ability of producers to request up to 60 percent of the contract value unless parties agree to more (FLO 2009).

(6) **Pricing**- Fair Trade minimum price is the starting point for price negotiations and Fair Trade payers must pay the appropriate product specific premium in addition (FLO 2009).

Today, national labeling affiliates of FLO exist in twenty countries around the world (Barker et al. 2005:11). Products that FLO and its affiliates certify include coffee, tea, rice, fruit, juices, cocoa, sugar, honey, sports balls, and wine (Barker et al. 2005:11). In 2006, consumers spent approximately \$2.2 billion on Fair Trade certified products globally (FLO 2006).

In the United States, the national initiative that monitors the label in partnership with FLO is TransFair USA. They are the only independent certifier of Fair Trade products in the country. Within the coffee industry, which is Fair Trade's largest and oldest product, TransFair USA certifies about 32 million pounds of coffee each year around the world (TransFair USA 2007). Today, certified coffee is available from 300

cooperatives in 23 countries from Africa, Latin America and Asia (Transfair USA 2007). Central America and Mexico represent over half of them (Barker et al. 2005:23).

FLO and TransFair USA outline five criteria that coffee producers like those in Cooperativa Copan and purchasing companies must comply with to be Fair Trade certified.

(1) Coffee farms must be family owned and operated and must belong to a democratic cooperative controlled by its members (FLO 2009; TransFair USA 2007).

(2) Purchasing companies must buy coffee directly from Fair Trade certified producers and agree to establish long, stable relationships with these cooperatives (FLO 2009; TransFair USA 2007).

(3) Purchasing companies must agree to pay the coffee cooperative a fair price (\$1.26/lb, or 10 cents above the prevailing market price for conventionally farmed coffee and \$1.41/lb, or 20 cents above the market price for certified organic coffee) (FLO 2009; TransFair USA 2007).

(4) The purchasing companies must agree to provide pre-harvest credit or financing to the producers to allow farmers to survive until the crop comes in (FLO 2009; TransFair USA 2007).

(5) Producers must implement environmental protection plans with the ultimate goal of organically farming all Fair Trade coffee (FLO 2009; TransFair USA 2007).

FLO raised the Fair Trade premium from 5 cents to 10 cents per pound and the organic differential from 15 cents to 20 cents per pound in March 2007. This event coincided with the decision to require producers to pay for Fair Trade certification (a licensing fee paid by FLO in the past).

This fee has been a source of contention with farmers, so in 2007 FLO published details letting people know that as they expand, their expenses must too. In the U.S., 65 percent of licensing fees make up TransFair USA's income (\$7.2 million). Eighty percent is devoted to the following programs and services: 1) consumer education and outreach (31 percent), 2) providing market information and connecting licensees to suppliers (22 percent), 3) certification and auditing (21 percent), and 4) expanding supply and producer support (26 percent) (Transair USA 2007).

Under the International Organization for Standardization (ISO) standards for certification bodies, FLO has established a separate entity, FLO-Cert. Ltd, to run and monitor the certification process as a third party.¹ Its creation was a move to provide more transparency in certification and auditing (Daviron and Ponte 2005:175). The first three steps to being certified for producers are 1) an application process, 2) initial inspection of operations, and 3) an evaluation of corrective measures the producer took to meet requirements (FLO-CERT 2008). There are both generic standards and product specific standards that producers and traders must meet; certification lasts one year and continues upon renewal inspections.

Within the different categories of producer and trader fees, Cooperativa Copan falls under the "very small producer organization" (less than 50 members) equating to a decrease in certification costs.

According to FLO-CERT, the initial application fee is a flat rate of \$370 coupled with an initial certification fee based on the size or type of your organizational

¹ The FLO-CERT location in Central America is in Costa Rica, with FLO representatives in El Salvador also.

structure. This fee for a first grade farmer organization like Cooperativa Copan is \$2,060 and the follow up inspection fee is charged on a time and expense basis with a daily rate of \$590.

Fair Trade Coffee

Coffee is the leading product in the Fair Trade sector, as it was one of the first products showcased in the development of the movement. The Fair Trade model allows Cooperativa Copan growers an opportunity to develop a market for their coffee at an international level and guarantees them a minimum price (a decent living wage) for their coffee (Develtere and Pollet 2005; FLO 2006; TransFair USA 2007).

Latin America is at the heart of Fair Trade coffee production. As of 2004, there were 165 producer groups registered with FLO in 14 countries from this region who exported over 84 percent of the Fair Trade coffee produced globally (Murray 2006:182).

Coffee has the largest share of Fair Trade sales in North America, and in 2004, Fair Trade coffee sales in the U.S. reached \$369 million, up from \$85.6 million in 2001 (Barker et al. 2005:8). By 2006, the U.S. Fair Trade coffee value was \$730 million, despite being only 3.3 percent of the total coffee sold in the U.S. (see Figure 28) (FLO 2006). As the leader in Fair Trade products, coffee is a commodity that can illuminate both strengths and limitations of the Fair Trade model (see Develtere and Pollet 2005).

Fair Trade is one of many sustainability initiatives that both private and public agencies have adopted in recent years (see Figure 29). Some companies may develop their own codes of conduct with environmental and social parameters or they may adopt

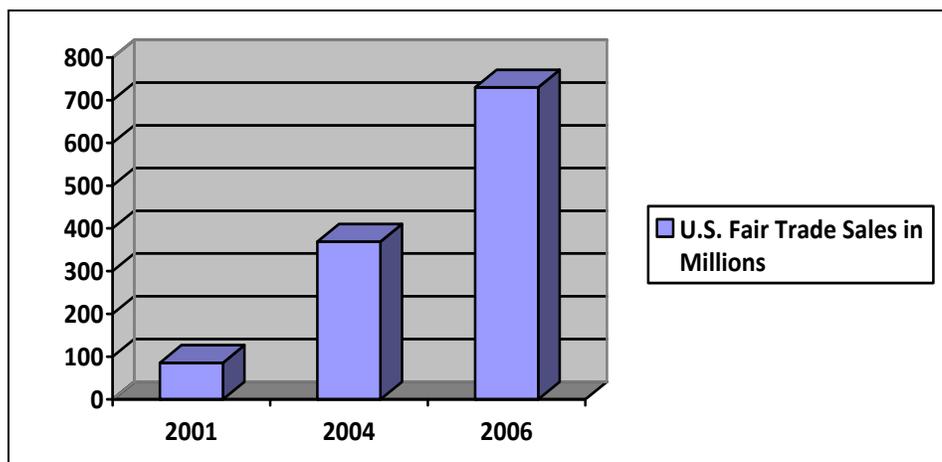


FIGURE 28. A graph of the history of U.S. Fair Trade sales.

Source: Fair Trade Labeling Organizations International (FLO), 2006, Coffee. Electronic document, <http://www.fairtrade.net/coffee.html>, accessed July 14, 2008; 2009, Generic Fairtrade Trade Standards. Electronic document, http://www.fairtrade.net/fileadmin/user_upload/content/GTS_Aug09_EN.pdf, accessed November 16, 2009. Reproduced with permission.



FIGURE 32. Fair Trade labels and certification seals. The official certification seal is on the left, followed by the movement label in the middle, and the Fair Trade Federation label on the right.

Source: Fair Trade Labeling Organizations International (FLO), 2006, Coffee. Electronic document, <http://www.fairtrade.net/coffee.html>, accessed July 14, 2008; 2009, Generic Fairtrade Trade Standards. Electronic document, http://www.fairtrade.net/fileadmin/user_upload/content/GTS_Aug09_EN.pdf, accessed November 16, 2009. Reproduced with permission.

others written by organizations or public/private initiatives (Daviron and Ponte 2005:193).

Fair Trade coffee is a differentiated coffee grouped with the likes of shade-grown or Bird Friendly, organic, and Utz Kapeh certifications in what is known as “sustainable coffee” within the specialty coffee market (Baffes et al. 2005:306).

Organic standards are created and regulated by government authorities, international organizations (FAO/WHO Codex Alimentarius) and the International Federation of Organic Agriculture Movements (IFOAM). Accredited third party agencies monitor standards on production processing and handling.

For Bird Friendly coffee or shade grown coffee, only the Smithsonian Migratory Bird Center (SMBC) and Rainforest Alliance offer independent certification or verification. Utz Kapeh (meaning ‘a good cup of coffee’ in one of the Mayan languages) is a foundation in Guatemala and the Netherlands. This coffee contains criteria on soil management, fertilizer use, integrated pest management, waste pollution management, worker health, and safety and welfare (Daviron and Ponte 2005:182). Yet, Utz Kapeh has less demanding criteria and does not apply the basic Fair Trade principles, including paying a minimum guaranteed price, pre-financing, and a social premium to farmers (Renard and Perez-Grovas 2007:149).

The following section deepens our understanding of Fair Trade’s successful evolution and penetration into global markets by looking at the organizations key in its development.

Global NGO Networks of Fair Trade

Non-governmental organizations have played an important role in social movements and development projects since the 1980s (AVANCSO and PACCA 1992:8; Edelman and Haugerud 2005:27), and particularly in the Fair Trade, organic movement. As Arturo Escobar (2005:348) contends, it is the action of social movements (like Fair Trade) that offer possibilities in redefining development. They are fluid and emergent and can potentially invent new forms of discourse for interpreting needs (Escobar 2005:349). They are also an analytical and political arena in which the deterioration of development can be defined and explored (Escobar 2005:344).

These types of civil society, at both a local level and recently transnational scale, pursue goals similar to official development objectives, but are oriented toward alternative development strategies focusing on income-generating projects as a means for meeting basic needs of disadvantaged groups.

In addition to meeting the basic needs of poorer farmers, Fair Trade and organic certification are strongly related to conditions of environmental sustainability. Therefore Cooperativa Copan faces not only rules that govern entry into the system of Fair Trade and the challenges of growing and selling their coffee but also certification and ecological regulations required in organic production.

In the last two decades, the movement has become a global network of producers, traders, marketers, advocates and consumers determined to build equitable trading relationships worldwide (Barker et al. 2005:11; Murray et al. 2006:180). In addition to FLO, there are three other prominent Fair Trade networks in the world: 1) the

International Fair Trade Association (IFAT), 2) European Fair Trade Association (EFTA), and 3) Network of European Shops (NEWS).

IFAT created its own Fair Trade Organization Mark (FTO) concentrating on certifying organizations that meet IFAT's standards for working conditions, child labor, wages, and environmental stewardship. This helps identify commercial businesses and organizations whose core activity is Fair Trade. IFAT also works with national governments and international trade institutions toward making international rules on trade fairer. EFTA and NEWS are both gateways for information exchange, project development, networking, collaboration with others in the field of Fair Trade and institutions in the European Union.²

As the next section will show, the opportunities that Fair Trade and organic markets offer farmers of Cooperativa Copan extend beyond a social and economic level to improve farm management and environmental resources through organic farming. The efforts undertaken on the farm by members of Cooperativa Copan will help exemplify the dynamics of organic agriculture and illustrate the implications it has on the environment and sustainability of farmer livelihoods.

² Good websites for information on Fair Trade and network links include: www.ifat.org, www.european-fair-trade-association.org, and www.fairtradefederation.org (also at www.wfto.com).

CHAPTER IX

FAIR TRADE AND ENVIRONMENTAL SUSTAINABILITY

Defining Environmental Sustainability and Sustainable Agriculture

A growing concern among coffee consumers has been the importance of Fair Trade's link to sustainability. A traditional definition of sustainability refers to meeting the needs of this generation without jeopardizing the ability of future generations to meet their needs (World Commission on Environment and Development 1987).

The small-scale farmers of Cooperativa Copan (and across the globe), recognize strategies that will ensure their survival and a steady income, yet the agricultural practices they use, whether modern or traditional, are not always ecologically sound or sustainable. When Cooperativa Copan was formed in 2000, growers' intentions were to implement sustainable farm practices as a means for potentially growing higher quality coffee. In doing so, their interests were to earn a higher premium for the coffee they sold in regional and international markets.

Adopting sustainable practices is influenced by agronomic characteristics as well as local knowledge and economic contexts framing household decision making. Knowledge is often constructed in a social process among individuals with diverging ideas, skills and interests (Jansen 1998:175) not necessarily in tune with optimal

adaptation to the environment (reflecting the contrast that often exists between external perspectives and local realities).

Natural limitations to successful agriculture for Cooperativa Copan growers are coupled with social, economic and political relations at a national and regional level also. These relations influence access to resources (e.g., capital, state assistance), development activities and producer-market relations (Jansen 1998:213,226; Loker 2004). Overall, many of these mechanisms influence exploitative relations with the land, especially when there is demand for products like coffee and cattle that shape various forms of environmental deterioration. Fortunately, for growers in Cooperativa Copan, access to NGO support and technical assistance in the Copan region was the catalyst for them to commit to Fair Trade organic production methods.

Sustainable development recognizes connections between natural resources and economic development (Torres 1997:212). It is the sustainability of consumption, production and a resource base as well as the livelihoods that are a consequence of that resource base. The intertwined nature of human-induced land use change is why Fair Trade's commitment to sustainability includes environmental priorities.

Investments in sustainable production can be funded by the profits from export crops like coffee, under the circumstances that sustainability is a priority among farmers. As for farmers like those of Cooperativa Copan who work within a Fair Trade set of standards, meeting the goals of sustainable coffee production can be a difficult investment if farmers lack capital and resources to do so. There is an expanding body of work concentrated on farmer adoption of sustainable agriculture practices, and a focus on low-input systems used by small resource-constrained producers just like Cooperativa

Copan (Bacon 2004; Bebbington 1990; Jaffee 2007; Jansen 1998; Murray et al. 2003; Reynolds et al. 2007; Torres 1997).

Management of agricultural systems greatly affects levels of biodiversity as well, making sustainable agriculture an important alternative to conventional farming. Several authors define sustainable agriculture as a process of 1) reducing fertilizer inputs and replacing them with organic fertilizers or methods of fixing nitrogen to maintain soil enrichment and important soil qualities; 2) combining plant varieties, mixed cropping, or increased rotations to avoid mono-cropping; and 3) employing biodiversity friendly methods as a basis for ecological balance and economic stability and other appropriate technologies (e.g., organic farming, managing wildlife friendly habitats like growing coffee under forest canopies, and employing mixed farming of arable land and livestock) (AVANCSO and PACCA 1992:7; Nugent and Drescher 2006:2;).

Specifically, agricultural biodiversity is the outcome of the interactions among many factors that are a result of both evolutionary biology (environment) and human invention developed over millennia (e.g., management systems and practices used by farmers) (Convention on Biological Diversity 2008).

In regards to coffee production, sustainability reflects coffee that is grown in a culturally appropriate manner which is economically viable and non-harmful to both the environment and to the people who farm it (AVANCSO and PACCA 1992:7; Clay 2004:81). As I have already mentioned, the collective term “sustainable coffee” refers to organic, Fair Trade, shade-grown and bird-friendly coffees produced under similar, yet distinct manners. These practices came to existence from the need to mitigate the harmful effects of high-input, mechanized farming.

The Industrialization and Technification of the Coffee Crop in Latin America

During the mid-twentieth century, as well as during the Green Revolution, Latin American countries, along with other third world nations, were introduced to “factory farming”, or the use of mechanized equipment, chemical fertilizers, pesticides and herbicides, by North Americans (Jaffee 2007:137; Gonzales 2001:102).

Funded by USAID and national coffee institutions, coffee growing countries in the 1970s and 1980s were encouraged to convert to technified or “modern” coffee agriculture with new hybrid varieties (see Table 6) (Jaffee 2007:137; Wyeth 1987).

TABLE 6. Increase in technification from 1970s to 1990s in Central America.

Country	Percent Increase in Technification from 1974 to 1994
Honduras	140
Costa Rica	89
Colombia	54
Guatemala	36
Mexico	3
Nicaragua	-18
Dominican Republic	-24

Source: Talbot, John M., 2004, *Grounds for Agreement: The Political Economy of the Coffee Commodity Chain*. Oxford: Rowman and Littlefield Publishers, Inc. Reproduced with permission.

A USAID and IHCAFE project in Honduras during the 1980s promoted technification partly in response to a serious problem with coffee rust (*roya*) and the cherry borer (*broca*). During this highly promoted transition, farmers, supported by

IHCAFE credit, converted their low-input system and replaced their traditional *typica* variety of coffee with higher-yielding hybrids like *Caturra*, *Catuai* and *Villa Sarchi* (Wyeth 1987:23).

What project officials assumed was that the third world countryside was underdeveloped and inefficient. Yet the consequences caused increased deforestation and a greater dependency on inputs that led to greater environmental degradation.

In Honduras, high-input production technology coupled with the country's relatively recent entry into the coffee industry resulted in an 807 percent increase in coffee production and a 129 percent increase in area devoted to coffee production between 1950 and 1990 (Rice 1997:113).¹ Many small-scale growers removed their canopy of shade trees and planted IHCAFE grown coffee trees resulting in an overexploitation of their land.

Many farmers didn't experience the success they were promised, fueling criticism and cause for concern regarding deforestation and unsustainable agricultural practices (Jansen 1998:184-188). During this transition during the 1980s and 1990s, Honduras lost 3.6 percent of its remaining forests annually from a combination of factors including agriculture, logging, and cattle ranching (CIPEC 2005). Due to different ecological regions and varying cultural diversity in Honduras, forest conditions did vary. Yet, it is evident that expanding coffee production did play a role in deforestation during this time (Rice 1999). During the period from 1978 through 1991, USAID is said to have

¹ As I have discussed earlier, these figures also reflect Honduras' late development as a coffee growing nation and an increase in demand for coffee.

spent roughly \$81 million on coffee technification projects in Central America and the Caribbean (Rice 1999).

The industrialization of coffee production and an increase in agrochemicals has led to the loss of biodiversity, habitat fragmentation, pesticide poisoning among workers, and soil erosion (AVANCSO and PACCA 1992:4). Many conventional production systems, most notable on large-scale plantations in areas of Brazil and Colombia, still use new varieties of coffee that will do well with high levels of agrochemicals and little or no shade (Jaffee 2007:137; Jansen 1998:163; Toledo and Moguel 1997).

Under conventional farming methods, land clearance for crop (and animal) production contributes to soil problems like sodification, salinization, and depletion (Nugent and Drescher 2006). Unfortunately, shade-less, sun-grown coffee led to a 50 percent reduction in avian biodiversity in Latin America in addition to aggravating soil erosion and reducing overall carbon sequestration (Rice and Ward 1996).

Excluding Brazil (and their high rate of conventional sun-grown coffee), an estimated 30-40 percent of all Latin American coffee is considered “technified” (Daviron and Ponte 2005:177). The reduction in diverse shade systems (deforestation) has resulted in reduced carbon sequestration between 30 percent and 50 percent in Latin America (Rice and Ward 1996).

Most notably in Honduras and the Dominican Republic, high pesticide use also increases the danger of pest resistance and subsequently disease prevalence after a few years of production, which can cause “ecological crises” (AVANCSO and PACCA 1992:5).

Organic Farming: Purpose, Costs, and Benefits

One critical type of ecologically sustainable agriculture that has helped alleviate the damaging impact of high-input, industrialized coffee farming is the use of organic production methods. Organic production is a central component of Fair Trade coffee, with more than 70 percent of Fair Trade certified coffee in the U.S. also certified organic (Transfair USA 2007).

The International Federation of Organic Agricultural Movements (IFOAM) (2008) defines organic agriculture as a production system that relies on ecological processes (e.g., recycling nutrients), biodiversity and cycles adapted to local conditions which maintain soil fertility while reducing external inputs like synthetic fertilizers and pesticides.

The organic movement gained momentum during the 1960s when concerns arose about the impacts food production methods had on human health, particularly the harmful effects pesticides and synthetic fertilizers on people and the environment (IFOAM 2008). According to Nugent and Drescher (2006), only approximately one-tenth of a percent of pesticides actually reach pests; the rest stays in the environment or on food. Organic production has become an alternative to this “modern” type of agriculture that has negatively impacted the environment and human health by minimizing the use of harmful inputs and implementing resource-conserving practices to improve stocks of natural capital (Pretty 2008).

A common downside of organic farming, as voiced by growers of Cooperativa Copan among others, is that it is a more labor intensive way to farm than conventional

farming, and it results in coffee grown for specific attributes and qualities at the expense of quantity (Torres 1997:213). Newer members of the cooperative are finding it cumbersome as they transition to organic certification.

Coffee in transition from conventional to organic goes through a three year period in which no agrochemicals are applied to the coffee parcel, eventually meeting full organic standards after each phase is complete. Inspectors visit the farms over a course of a couple of days in addition to reviewing documents on management practices.

There are still more than a dozen members who are working toward full organic certification but they still receive partial certification. For instance, the first year the Comayagua members produced coffee for export (2007), Biolatina organic inspectors certified the cooperative in April with 24,000kg of green organic coffee and 453kg of coffee in transition.

In general, most members agree, and some insist, that keeping farms organic is important for long-term benefits for both the environment and their families. Certainly the motivation to maintain organic Fair Trade certification is the higher price they can fetch in the market, but farmers noted other benefits of organic production as well: it is safer on their health than harmful agrochemicals, it drives down costs of synthetic inputs, it is better for the environment, and it helps protect waterways.

Certification has also pushed the cooperative growers to look differently and more carefully at their land use. A former OCDIH agricultural technician that assisted in the organization and development of Cooperativa Copan remembers the cooperative members learning that the quality of their crop was directly linked to the price they could receive for their coffee and what markets they could access (former OCDIH agricultural

technician, personal communication, February 26, 2008). Without this economic incentive, hardly any grower rich or poor is going to invest in the sustainability of the environment. The advantages of sustainable investments hits home when it has resulted in economic security for their families.

An agricultural system that is high in sustainability attempts to make the best use of environmental goods and services while not damaging these assets (Pretty 2008:451). As the next section explores further, one way to protect these natural repertoires without hindering economic growth among coffee growers is to grow coffee under these forest canopies.

Preserving Critical Ecologies: Growing Coffee in Biodiversity Hotspots

More than 80 percent of the 11.8 million hectares (29 million acres) devoted to coffee production around the world is planted in former or current rainforest (Oxfam 2006:5). It has been noted by scientists, particularly E.O. Wilson, that tropical rainforests harbor more than half of the world's species (Kunich 2003). In turn, the geographical region of Central America houses some of the highest levels of biodiversity in the world.

Regrettably, 40 percent of coffee planted in Central America during the 1990s was converted to sun or "technified" coffee (Rice and Ward 1996:1). Deforestation and high levels of farming inputs had negative consequences on the species diversity in countries like Honduras. Because Honduras and other countries in the region hold significantly high levels of biodiversity, scientists have deemed the region as the Mesoamerican hotspot.

This ecologically rich “hotspot” area harbors 24,000 vascular plant species. Twenty-one percent of these species are endemic, which means they can only be found in that particular region. In addition there are 521 mammal species (40.3 percent are endemic), making an overall total of 2,859 non-fish vertebrate species (40.5 percent being endemic) found in this zone (Kunich 2003:34).

Hotspots, originally conceptualized by Norman Myers of Conservation International, are regions containing at least 1,500 endemic species of vascular plants found nowhere else, including the concentration of rare and endangered species (Kunich 2003:29-30). The significance of hotspots is linked to the fact that over 50 percent of all plant species and 42 percent of all terrestrial vertebrate species live in 2.3 percent of the Earth’s land surface (Conservation International 2007a).

Coffee is grown in 16 of the world’s 34 biodiversity hotspots (Conservation International 2007b). Kunich (2003:10) estimated that 30,000 species worldwide each year are lost to habitat destruction caused by deforestation, development activities and air and water pollution. With negative consequences of climate change also in effect, scientists are now estimating that half of all species will be lost in our lifetime by the end of the 21st century (Myers and Knoll 2001:5389). The impact of this “biotic crisis” will be a world of diminished biological diversity and an alteration of the evolutionary processes by which diversity is generated (Myers and Knoll 2001:5389, 5390). These direct and indirect consequences of habitat destruction also threaten the viability of fragile soils and watersheds. In a cycle that fosters low sustainability, fragile soils can lead to low productivity for farmers.

When coffee exists as the understory shrub of a forest canopy (shade-grown coffee) it promotes protection from soil erosion, produces leaf litter that replenishes soil organic matter, and provides a home to a varied mix of useful trees and animal species (Jaffee 2007:40; Rice and Ward 1996:7). It also regulates temperature variation and extends the life of a coffee tree (Jansen 1998:163). With only 1.5 percent of soil made up of organic material, this material does not seem to be very important, yet this organic matter provides this soil 60-80 percent of its necessary nutrients (ANACAFE 1995:165).

Tree species used to shade coffee include fruit trees, nitrogen-fixing trees, and trees used for firewood, timber, shade and medicine. All of these support a rich epiphytic flora and attract and house birds, mammals and insects that are key pest controllers (Jaffee 2007:40; Rice and Ward 1996:7; Toledo and Moguel 1997:168).

The importance of preventing extinction among species, aside from their present practical value, is their value they have for the future (e.g., their potential as genetic resources), and what Kunich describes as a “moral duty” to preserve their intangible value (Kunich 2003:13). For instance, insects pollinate flowering plants that can be sources of food for birds (also a key contributor toward soil fertility). Earthworms and other “enigmatic microfauna” play an important role in aerating soil and are critical in the decomposition and detoxification of organic matter and other wastes that leads to generation and renewal of soil (Kunich 2003:14).

Toward a promising future, 85 percent of coffee produced in Honduras is grown in combination with tree species that provide shade (Hearne et al. 2002:2). The degrees of shade reflect the degrees of ecosystem manipulation that also affect, in different ways and intensity, processes like hydrologic balance, forest cover, and CO₂

equilibrium (Rice and Ward 1996; Toledo and Moguel 1997:167). Figure 30 shows the spectrum.

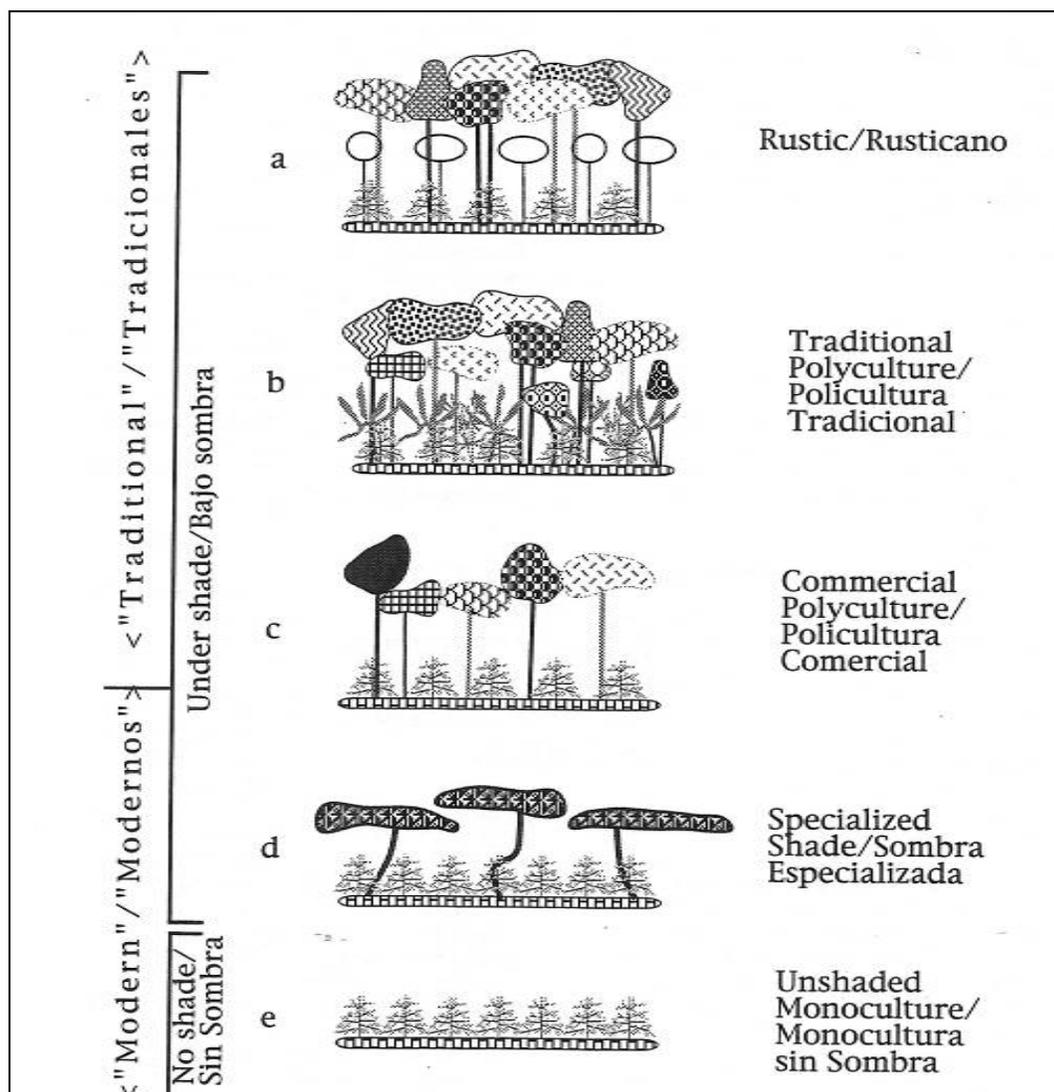


FIGURE 30. Spectrum of shade systems on coffee farms.

Source: Adapted from a diagram published by NRDC, the National Resources Defense Council. Rice, Robert A. and Justin R. Ward, 1996, *Coffee, Conservation and Commerce in the Western Hemisphere: How Individuals and Institutions can Promote Ecologically Sound Farming and Forest Management in Northern Latin America*. Washington D.C.: Smithsonian Migratory Bird Center and Natural Resources Defense Council. Reprinted with permission.

Much of the coffee grown by Cooperativa Copan members is done within tropical broadleaf forest. This may include riparian forest near streams that was cleared for agriculture at some point and is now in stages of re-growth. In Copan, a complex mosaic of pine and oak can be found on hillsides and ridges among a woodland mix of other trees and grasses (see Figure 31).



FIGURE 31. Pine and oak mosaic on Copan's hillsides. (Photos courtesy of E. Smith)

It is not only quantity, but quality of species that make shade coffee farms important habitats for biodiversity. Each year up to ten billion birds of a few hundred species trek between forests of North America and Tropical America as part of their migratory route. These birds reside in small patches that make up the agricultural medley of fields and wooded vegetation (Wilson 1988:135).

Together, organic, shade-grown and Fair Trade methods are conservation strategies that aim to find a balance between agriculture and the environment. As the next section explains, achieving this balance as farmers can be challenging.

Improving Coffee Processing Methods: Sustainable Action on the Farm

The farm practices Cooperativa Copan uses to ensure ecological norms of organic and shade-grown coffee are also closely linked with coffee processing methods. Processing coffee is labor intensive and requires equipment that can often be too expensive for individual producers to afford. Many farmers resort to using processing methods that usually diminish the coffee's quality unless they are connected with equipped producer organizations.

Over 90 percent of Honduran coffee is processed by the individual small-scale farmer who mostly uses rudimentary technology, characterized by decentralized processing plants.² Neighboring countries with more established coffee sectors use centralized processing plants with effluent control and more efficient use of scarce water (Hearne et al. 2002:3).³

In general though, the wet processing method performed for Arabica coffee beans in Central America, Mexico, Colombia and the Caribbean results in better quality beans [diminishes bitterness and increases acidity] (Hearne et al. 2002:4). Central American coffee is considered bright and acidic because of their soil and rainfall versus other regions like Sumatra (Indonesia) which produces heavy, earthy coffee.

² According to Hearne et al. (2002:8), previous efforts from the government to improve coffee processing have failed. In recent years, IHCAFE as attempted to modify processing techniques by addressing the need for centralized coffee processing facilities with environmental controls that would conserve water and reduce water pollution. See the results of Hearne et al. (2002)'s study that focuses on efficient processing technologies.

³ However, as coffee producing nations, they have still contributed to the pollution resulting from the intensive processing of coffee. In Central America during a six month period in 1988, 547 thousand tons of coffee generated 1.1 million tons of pulp and polluted 110 thousand cubic meters of water per day (Rice and Ward 1996:20; see also Hearne et al. 2002).

Unfortunately, wet coffee processing relies on water power, a process that requires 40 liters of water for each kilogram of processed coffee and wastes 40 percent of the water used during the process (Hearne et al. 2002:5). Aside from concerns of coffee quality, water pollution due to processing techniques has been a problem in Honduras (see Figure 32).



FIGURE 32. The water intensive process of washing beans (left) and the expulsion of dirty water and coffee pulp from this process on a hillside (right). (Photos courtesy of E. Smith)

Without effluent controls, high amounts of residues are emitted directly into rivers and streams during processing periods from December to April, causing water and soils to become more acidic (Hearne et al. 2002:5). This acidic imbalance leads to a lack of oxygen in the water which causes life forms to die (Jaffee 2007:163; Torres 1997:219).

Contamination also facilitates the spread of parasites and viruses among people, with serious implications for human health (Nugent and Drescher 2006). The main pollutants are pulp and mucilage, primary by-products of wet processing which

make up 62 percent of the total weight of the coffee cherry (pulp represents 40 percent of this) (Hearne et al 2002:5; Torres 1997).

Instead of wasting this organic material, farmers in the cooperative recycle these by-products back into the production of coffee by converting it into compost and draining the *aguas mieles* (the water used to process the coffee) into retention ponds instead of dumping the sludge into streams.

The compost can then be used as organic fertilizer for coffee cultivation. Examples of good organic products for making compost (and hence fertilizer) are decomposed coffee pulp, as well as leaf litter, grasses, weeds, manure, stubble and ashes (see Figure 33). These all enhance organic matter content in their coffee soils (Torres 1997:219).



FIGURE 33. Photos of pulp as a coffee processing by-product. (Photos courtesy of E. Smith)

According to Torres (1997), pulp may be used with chemical fertilizers, too, permitting a 50 percent reduction in the amount of fertilizer used on coffee farms. Copan farmers can also use other by-products of coffee processing as partial substitutes for

chemical fertilizers used for nursery plants. Coffee husks, the layer that surrounds the coffee bean, are also valuable combustible materials making it a good source of fuel in coffee dryers that also saves on energy costs⁴ (Torres 1997:252).

Those producers in the cooperative who have realized the benefit of organic methods both economically and ecologically are also those who are investing more time into expanding sustainable farm management.⁵ A core group of leaders in Copan have begun a project to construct a composting site or *abonera* (one in El Rosario and one in Sesesmil) in order to produce and house organic fertilizer for 65 *manzanas* of coffee in the region. They learned how to do so from Fair Trade technical assistants.⁶

In addition to this project the cooperative is investing in more solar “domes” for drying coffee that more members will have access to (six small domes will go to smaller communities and seven medium sized domes will go to other members) (Appendix C). This method is supposed to produce better coffee than patio-dried beans because it offers shelter and filtered sun.

⁴ Torres (1997) estimates that coffee husks can provide 4,000 kilocalories per kilogram. Furthermore, the Mesoamerican Development Institute found that after labor costs, energy is the most expensive component of coffee production. About 84% of the energy required to process coffee is used during the drying process, and roughly 6,000 hectares of forest are used each year in Mesoamerica for firewood to fuel conventional coffee dryers.

⁵ I often heard members repeating to me the common language used by Fair Trade and organic officials when I asked them what it meant to them. I came to understand that some assume these benefits to be reality, without giving it much thought. Others hope it will benefit them more fully in time. Yet, there were a handful of growers who have given organic Fair Trade methods much thought through their experiences and have formed strong opinions in favor of them.

⁶ The fertilizer, made up of organic matter like pulp, dirt, cow manure (*estiercol*), and grass and plant material, is composted for 15 days to become solid. To begin the project, the cooperative will need 5,200 quintales of bocashi fertilizer.

They have also built a miniature earthworm farm (at one farmer's home) to give to members for their crops (to foster fertility). Their plots also contain fruit trees and other plants thought to be good for the soil too (good for snacking in the field, too!).

The fertilizer (composting) project is estimated to cost them around \$1,500. Yet farmers hope it will cut costs in the long run since the president told me farmers cannot afford to buy fertilizers in town. A member told me it costs him \$2.65 per 100 pounds of coffee to apply store bought fertilizer (Appendix C). As one grower put it "to make fertilizer is extra work but organic practices make better coffee and better coffee gets us a better market."

Their efforts have been praised by other cooperatives and Fair Trade inspectors, despite minor hiccups that arise. In testimony by FLO from an inspection report of 2005,

the producer [Cooperativa Copan] lives up to national and international legislation regarding the use of pesticides, handling pesticides, the protection of natural waters, virgin forest and other ecosystems of high ecological value, erosion and waste management. [p. 14]

Besides their careful coffee production, their improved farming practices extend to their subsistence crops as well (see Figure 34). *Maiz* (corn) and *frijol* (beans) remain important subsistence crops for Cooperativa Copan farmers, which are not produced for an income like coffee, a pattern reflected all across Latin America.⁷ This is a level of sustainability that reaches farther than just its environmental and market

⁷ As a similar comparison, the Zapotec farmers in the Talea region of Mexico engage in coffee cultivation but have "struck a balance" between subsistence and cash cropping (Gonzales 2001:103). As the Zapotec believe, "humans produced maize, but maize also produced human societies" (Gonzales 2001:119). Loker (2001) found that the majority of individual Cooperativa Copan members (70 percent) cultivated less than two *manzanas* of *maiz* and half a *manzana* of *frijol* in 2001.



FIGURE 34. While cooperative leaders talk outside (left), the president’s wife heats coffee and prepares tortillas for guests (right). (Photos courtesy of E. Smith)

implications, coming full circle to a social sustainability at the community and household level too.

To conclude, I hope I have shown to what extent farming coffee organically can benefit the multiple layers of a “coffee landscape.” Achieving the various levels of sustainability (social, economic and environmental) is an ongoing effort of patience, trial and error, and dedication. This is all done to sell their coffee (at top dollar) at a quality demanded by buyers and consumers.

As consumers in the North are increasingly connected to growers in developing nations, conditions under which coffee is traded and produced have become increasingly more visible. Fair Trade and organic movements have grown to heightened popularity in the mainstream market as a result. As the market for Fair Trade products grows, the model must make adjustments without comprising Fair Trade's standards. The next, last, and most vital main chapter weighs at length these issues both growers and the Fair Trade movement must tackle.

CHAPTER X

BRIDGING MARKET AND MOVEMENT

PRIORITIES: WHAT FAIR TRADE

MEANS TO COOPERATIVA

COPAN

Addressing the Prospects and Challenges of Mainstreaming Fair Trade

Fairness is the cornerstone of Fair Trade's principles. The challenge of the Fair Trade movement has been to address problems in trade policies that exist within the system of global trade liberalization and a deregulated market. In criticizing the "unjust" governance system that shapes existing relations in production and trade, Fair Trade is one of many constructive initiatives to change the way global industries are governed (Lyon 2006; Oxfam 2002; see MacDonald 2007:794).

Although it has been effective in promoting goals of improving the livelihoods of small growers, Fair Trade has also confronted growing limitations and constraints as it has moved from a fringe market to a mainstream international market. As contradictions between movement and market priorities heighten, concerns and contesting interests have surfaced from varying participants of Fair Trade across a wide political spectrum (Develtere and Pollet 2005; Fridell 2006; Hudson and Hudson 2003; Lyon 2006; MacDonald 2007; Raynolds and Murray 2007:226).

Anthropology's contributions to these debates have resonated from the strengths offered by ethnographic observations and case studies. In this case, the impacts of Fair Trade and organic certification on Copan and Comayagua farmers have been shaped by variables and factors recognizable in a context of growing coffee within Cooperativa Copan. This chapter will be about understanding these impacts through the cooperative's experience and recognizing Fair Trade's capacity to empower growers.

Furthermore, studying where Fair Trade matters the most illuminates larger issues and reinforces the vitality that case studies can have in helping to tease out theoretical arguments made at the macro-level. Before I evaluate the extent to which Fair Trade has contributed to Cooperativa Copan growers' development, I review first the criticism Fair Trade has generated, as well as the praise, and the transformative challenges the model and movement presently faces.

One of the most powerful implications of Fair Trade has been through the message supporters convey in their actions. As Chapter VI earlier noted, with the decreasing importance of national sovereignty and an increased awareness of global trade issues, some citizens have redefined their power and citizenship in economic terms. The informed are questioning the trade and business priorities that dominate the system of global exchange by the choices they make as consumers and producers (Hudson and Hudson 2006; Jaffee 2007; Lyon 2006; Mathieu 1999:113; Murray et al. 2003; Murray and Raynolds 2007; Oxfam 2006).

An increasing number of consumers across a broad political spectrum are expressing their political opinion through their purchases. Consumers can vote with their

dollar which is a statement that goes beyond boycotting and has the power to change consumption practices (Economist 2006).

For most of its development, however, the Fair Trade movement has catered to a middle class that can afford the costs passed on to consumers. Even though many consumers in the U.S. will affirm their support for socially and environmentally responsible coffee, economically the majority will make their decisions based on price at the supermarket (Giovannuci 2001). As Hudson and Hudson (2006:426) also point out, voting with your dollar is problematic in that it is a “narrow individualistic channel” for fostering change and not everyone has the same dollars to vote with (see also Fridell 2006:14).

On another front, from my experiences talking with different small local roasters and coffee shop owners in California, it has been too costly (in the past) to make all their coffee Fair Trade and organic. In late fall 2006 I was told by a local Chico roaster that only one percent of his customer base requested Fair Trade, a demand too low to invest in (owner of Cal Java Coffee, personal communication, November 26, 2006).

Fortunately, the movement has proved to be an important engine of change in recent years by interfering in an “oligopsonistic environment” of small numbers of large transnational roasters dominating the industry (Develtere and Pollet 2005:9).

Furthermore, the demand for Fair Trade has ballooned and its penetration into mainstream distribution channels has allowed consumers to buy Fair Trade at prices close to other coffees.

However, like a dark cloud looming overhead, one of Fair Trade’s fundamental limitations is that its existence remains structured within the same trade

system it opposes. Critics will argue that Fair Trade attempts to challenge the dynamics of colonial trade that underlies the world coffee industry, but its “living wage” prices are still tied to the international “C” price based on Brazilian coffee (Cycon 2005:27). There are other Fair Traders, however, who view Fair Trade as somewhat compatible with neoliberal globalization in that it enhances the ability of growers to participate in a world market (Fridell 2007:53). More recently this has been exemplified by the support Fair Trade has received from international institutions and transnational corporations.

Bringing Large Firms into Fair Trade

Although the efforts by consumers and movement advocates to make trade fairer have been relatively effective, the question is how Fair Trade will expand its capacity as an alternative trade system to adapt to larger demands and changing interests. In particular, the recent and ongoing transformation of corporate accountability is reflected by the success Fair Trade campaigners have had in penetrating large firms to consider the conditions of farmers. Now more important than ever, the movement has to concentrate on how to reconcile producers’ needs with the interests of consumers and corporations.

As one example, Fair Trade campaigns have succeeded in raising awareness among the transnational company Sara Lee's institutional clients at hospitals and universities. Sara Lee's clients have demanded Fair Trade coffee, putting pressure on the company to comply. On the other hand, some companies have instead acknowledged Fair Trade's success by using it as a selling point. Wild Oats Markets, for example, now offers Fair Trade coffee to distinguish itself from Whole Foods Market. Lastly, in their 5,400

stores across the U.S., Dunkin Donuts has also made the decision to serve an all Fair Trade espresso line, motivated to have a competitive edge in social responsibility that others do not (Roosevelt 2004:3).

Corporate acceptance of the Fair Trade movement stands to make a bigger impact as more clients are reached. It may also push business ethics to a new frontier. In 2000 the U.S. Fair Trade market was at \$50 million and by 2005 it had increased to \$500 million (FLO 2006). By 2007, U.S. Fair Trade sales topped \$1 billion (Redell 2008).

It can be argued that if Fair Trade stayed isolated from mainstream, change would be weaker and the movement more irrelevant in a powerfully large industry. On the other hand, “100 percent Fair Traders” are afraid of the diluting effects that going mainstream often has on movements (e.g., in the U.S. only 70 percent of an organic product has to be certified to be labeled “organic certified”).

As the most basic aim, labeling and certification sets the standards higher in the coffee industry by making those who use the label adhere to a certain set of principles. For the most part, it has succeeded in distinguishing ‘Fair Traders’ from simply ‘ethical traders’ who are usually investor-owned companies making claims of social responsibility without being third party certified (Develtere and Pollet 2005:7).

As Fair Trade steps up to the “major leagues,” big firms like Starbucks, Sara Lee, Phillip Morris, Neumann Group, Nestle, Kraft, and Carrefour are only minimally committed to Fair Trade standards, particularly in regards to fair wages to workers. They sell a tiny percentage of Fair Trade coffee only as a marketing strategy that inaccurately positions them as socially responsible corporate citizens. This leads to “green washing”,

empty advertising, and an undermining of the principles of Fair Trade (Giovannucci 2001:13; Roosevelt 2004).

For example, Starbucks, an \$8 billion company, only offered one Fair Trade certified coffee in 2004, which it served only once a month in its 3,900 U.S. shops (Roosevelt 2004). Yet, maybe campaigners truly have succeeded in pushing business ethics to new heights. Other large businesses, like Green Mountain Coffee Roasters, offer 42 of their 100 varieties of coffee as strictly Fair Trade and paid farmers double the market price for coffee during the crisis (Roosevelt 2004:2). Because Fair Trade labeled products have done extremely well in the U.S., Starbucks has recently been adding more Fair Trade coffees to their line. In 2007, 3.1 billion pounds of coffee were imported into the United States. Sixty-six million of that coffee was Fair Trade certified (Redell 2008). In 2008, Starbucks committed to doubling its Fair Trade coffee purchases to 40 million pounds, which subsequently nearly doubled the amount of Fair Trade certified coffee the U.S. imported (Redell 2008).

TransFair USA's relationships with companies like Wal-mart, which sells Fair Trade certified coffee in 628 stores, can be important investments for increasing the amount of Fair Trade coffee sold globally (Marek quoted in Rowe 2008). Develtere and Pollet (2005:8) agree, noting that compared to FLO formerly selling products through their own distributive network, the retail sale of labeled products done through outlets like supermarkets reaches more clients and is also a cost advantage.

The next several years will determine whether corporate commitment is only temporary. Murray et al. 2006 fear that once they have boosted their images as being progressive, companies may erode existing standards in order to maximize profit, which

will lead to further undermining of small-scale growers. The next step should be a campaign to convert a fixed percentage of sales to Fair Trade or organic among these large firms.

The pursuit of direct marketing relationships with supermarkets and specialty roasters in the North has contributed to an “institutionalization” of Fair Trade and a recent call to let larger-scale producers become Fair Trade certified (Barker et al. 2005:27; Jaffee 2007:247; Murray et al. 2003:22). Murray et al. (2003) and Jaffee (2007:215) (along with “100 percent Fair Traders”) contend that this increases the risk of Fair Trade becoming just another market that offers a higher price devoid of its original development policies and the reliability of its standards and ideals.

Those who are concerned acknowledge the growing issue regarding the expansion of Fair Trade membership beyond small-scale cooperatives. Critics use this as leverage to question the “fairness” of Fair Trade coffee and its quality (Economist 2006; Weitzman 2005). The contention is that since Fair Trade exists for small producers organized within cooperatives, larger plantations, individual coffee laborers, and large family farms do not qualify [even if they meet certain Fair Trade standards] (Barrientos et al. 2007:59; Economist 2006:3).

A representative from Royal Coffee told me they find the same complaint among larger estates they work with who would like to use the Fair Trade label. But with estates often earning top dollar in premiums for their quality coffee anyway (without the label), their need for Fair Trade is not as urgent compared to their smaller counterparts.

A bigger concern is the kind of wages and conditions day laborers face on these large estates. Even among those certified, FLO certifiers have been criticized for

lacking the capacity to monitor production practices closely, particularly labor practices that may not fit within Fair Trade standards.

It is difficult to monitor whether hired seasonal laborers on Fair Trade farms are being paid fair wages. Small Fair Trade farmers paying these workers struggle to do so in many cases. There is also the issue of small farmers, not organized as cooperatives, who have struggled to access the Fair Trade network because they lack resources (Murray et al. 2003:18). At the other extreme, there are smaller cooperatives who find they do not need this particular qualification to sell at higher prices and toy with the idea of decertifying (when the market is high).

According to work done by Murray et al. (2006:186), well organized small-scale producers are speaking out in opposition to letting larger more established farmer organizations participate. The small-scale farmers fear they will be displaced from Fair Trade outlets through processes of economies of scale regarding quality control and marketing that favor larger producers with more capital.¹

Overall, whether or not large estates should be allowed certification is still an issue in debate. And in response to critics who want Fair Trade standards to be more rigorous, regulators fear that raising standards might heighten entry barriers for low-level, capital starved growers (Daviron and Ponte 2005:192; Murray et al. 2006).

Regulations to uphold at present are challenging enough for poorer, smaller cooperatives. Certification can be 1) time consuming, 2) costly and 3) difficult to comply with. The following section looks at how Cooperativa Copan addresses these constraints.

¹ This issue was not an immediate concern among members of Cooperativa Copan to my knowledge, though it is something that should be discussed in the future as the cooperative matures.

Grower Constraints and the Costs of
Becoming Certified in Cooperativa
Copan

Becoming experienced in the world of international coffee trading and norms of organic and Fair Trade certification was an exhausting learning experience for growers of Cooperativa Copan. It was during the coffee crisis of 2001-2004 that they struggled as a young, inexperienced cooperative in overcoming initial obstacles to entering the Fair Trade market (former OCDIH agricultural technician, personal communication, February 26, 2008).

The cooperative had received financial assistance as a new organization, but they did not have a solid capital base to continue sustainably. In the first couple of years, many members made the decision to sell coffee to coyotes for immediate results when coffee prices dropped (former OCDIH agricultural technician, personal communication, February 26, 2008). Members had little idea of how to market their coffee (and story as a cooperative) or even who they would market to. Anthropologist William Loker and researcher Colleen Donovan also worked with the cooperative in 2001 and helped them create a brochure about the cooperative and a description of the coffee they offered to give to roasters and importers abroad.

Before selling internationally, Cooperative members initially found it to be a great advantage to simply be able to sell their coffee *en bloque* (collectively) in regional and local markets. Their first harvest as a cooperative in 2000-2001 was sold to three outlets: 1) a large local coffee farmer, 2) an intermediary, and 3) a producer living in a nearby town (former OCDIH agricultural technician, personal communication, February 26, 2008).

By the following year, cooperative leaders were receiving invaluable support and training from a regional NGO (OCDIH) who also helped them contact an international buyer for their coffee. Yet the growers remained very unfamiliar with the way business was conducted among importers or how to secure contracts with them.

The leaders of the cooperative lacked communication skills, business skills, internet skills, and basic literacy. There was also the absence of an information management system and office and technological resources to run a business.

They managed to send a sample to a Dutch coffee importer, Simon Levelt coffee, (with help) but failed to do a follow-up (*escribir cartas de insistir*) on whether Levelt was interested in purchasing Cooperativa Copan coffee and how their coffee fared after it was cupped.

With expectations of hearing from Simon Levelt, Cooperativa Copan did not contact anyone else. Simon Levelt eventually wrote to them informing them of the importance of being a reliable business partner, being organized and maintaining strict compliance with organic Fair Trade rules if they were going to use the label. Fortunately, as Cooperativa Copan matured in the following years, Simon Levelt became a main buyer for their coffee.

Certification proved to be one of the bigger challenges the cooperative faced. Initially, the cooperative had difficulty getting certified on time. This caused tension between Cooperativa Copan and Biolatina (third party certifiers in compliance with U.S. organic standards), and disappointment among cooperative members.

A former member of the cooperative told me that he believed certification under Fair Trade and organic was good, but the rules for entering the market were too

difficult and it was too hard for him to complete the strict requirements on the farm. As members in 2001 transitioned to organic production methods, some of their responses to what made it difficult included: 1) their coffee production was lower, 2) they had difficulty transferring organic fertilizer to their farms, and 3) the plants had trouble adjusting to new production requirements (Loker and Donovan n.d.). But it was also the cost of organic production- for both labor and certification- that growers struggled with, especially since they initially did not receive a premium for their organic coffee (Loker and Donovan n.d.).

These problems were compounded by the cooperative's difficulty in marketing and selling their coffee which caused frustrated members to leave the cooperative. Below, I share the reality of inspection complications and the difficulties the cooperative encounters throughout the certification process.

Problems Noted in Inspections in Cooperativa Copan

This section is meant to briefly explain, through personal examples, the problems the cooperative has experienced in earning Fair Trade organic certification. To begin, during a three day inspection in November 2007, Biolatina inspected 17 farms (of 46) ranging from first stage transition organic to 100 percent organic. Cooperativa Copan had conformed to regulations regarding organic farm management and was awarded certification for nearly 412,000 pounds of organic dry parchment coffee (186,684 kg or 4,115 *quintales*) and nearly 166,250 pounds (75,410kg) of organic coffee in transition.

Being awarded certification does not let farmers off the hook for that year. Out on the farm, Biolatina urged growers to maintain and improve the contents of organic

material for a better fertilization system.² The year prior, after they had earned certification, the cooperative received a “notice of non-compliance” from the USDA National Organic Standards and Biolatina. Growers were given two months to implement the standards requested from the organic certification bodies. Certification, as growers learned, was not just about farm management, but also about organizational records and plans.

For instance, Cooperativa Copan had kept an incomplete registry (list of activities) and description of their maintenance system for completing organic standards and they lacked an overall plan for their organic production system on paper. They also struggled with systematically documenting internal inspections, or internal norms of production each member should follow within the cooperative.

The cooperative had the same difficulties the following harvest season. They had improved internal inspections and had produced a plan for their organic production procedure, but it lacked detailed information on each producer. As it was, the cooperative strengths were in their compliance with ecological norms on the farm, not in areas concerning records, bookkeeping and accounting.

These are the same problems the Fair Trade certification body found during inspections also. According to the Cooperativa Copan administrator, FLO has not made a physical inspection every year at the cooperative.³ Instead, Cooperativa Copan is required to sign a new contract each year sent by FLO in Germany, which reviews the

² The final report produced by Biolatina is a 30-page document detailing every aspect of their inspection and certification procedure.

³ From my understanding from talking with the Cooperativa Copan administrator, FLO made inspections in 2001, April 2002, March 2005, and October 2007

cooperative's status by having them send new information over the course of the year (new members, production history, etc.).

Cooperativa Copan then pays FLO the fee for certification. FLO maintains contact with growers through their regional representatives who offer guidance in helping the cooperative operate as a business under Fair Trade standards. To reiterate, the cooperative has to 1) have all small producers as members, 2) operate democratically, 3) have active member participation and transparency, 4) operate with non-discrimination, 5) eventually have the ability to export, 6) work toward economic strengthening of organization, 7) use the Fair Trade premium as a cooperative, and 8) implement environmental protection.

During an inspection in 2006, FLO representatives noted that Cooperativa Copan's registers and documents exist and allows fairly transparent management of information. Their bookkeeping system on the other hand is not organized, updated, nor summarized clearly to benefit members and directors. This includes information concerning land holdings, organic production, member coffee deliveries, drying, deliveries to exporter, and performances. Also necessary are annual financial statements, accounting records, yearly work plans and budget forecasts.

Similarly, Cooperativa Copan was told to document and separate the premium money earned from Fair Trade and must inform members of its existence so the general assembly can decide on how to use the money together as a group. Nonetheless, in the words of FLO representatives, Cooperativa Copan's efforts to build on their significant strengths in organizational and commercialization affairs has shown FLO they are working hard to earn a spot on FLO's registry.

Adding to the weight of these matters, the cooperative must also be able to afford the upkeep of certification. The following section takes a look at the financial burden of certification and other expenses the cooperative and individuals might face in a coffee season.

The Heavy Costs of Certification in Cooperativa Copan

Certification remains a necessary tool to keep consumer confidence, which it achieves by giving consumers tangible assurance that the coffee they buy was grown under specific conditions and certified by an independent third party (Sick 2008:200; Renard and Perez-Grovas 2007:149). Yet, certification has proved to be not only time-consuming but also costly for Cooperativa Copan. Although these costs may vary over the course of an inspection, as Chapter 7 more generally highlighted, Cooperativa Copan had to consider the following specific costs for the 2007-2008 inspection for organic certification (of 46 members and 217 hectares of land): \$30 application fee, \$1,773 inspection fee,⁴ \$200 fee for days spent on the farm, \$50 unit certification fee, \$200 expenses allowance per day (for the visit) and a possible translation fee of \$70. The total potential costs for the cooperative as a whole amounted to \$3,323.

These organic certification costs are compounded by the recently added costs of Fair Trade certification placed on farmers. Cooperativa Copan paid \$2,000 to FLO for Fair Trade certification during the 2006-2007 harvest. From the time they pay FLO, they

⁴ During 2006-2007, Cooperativa Copan paid \$1,500 for organic certification inspection fees, up from \$1,350 in 2005-2006 harvest and \$1,241 in 2004-2005.

have four months before inspectors make their visit.⁵ Certification costs like these become burdensome for the cooperative and member families, adding to a growing pile of expenses that growers struggle to afford.

Understanding this burden requires an evaluation of the differences between costs of the cooperative as an organization and the growers as individuals. Earlier, in Chapter VII, I broke down the final payment individual members receive from a coffee sale, which included some processing costs, exporting costs, certification costs and transporting costs that are taken out of the price growers get for each *quintal* (100 pounds) of coffee. Starting with an average of \$1.67 the cooperative earned per pound of coffee, the aforementioned costs result in a final payment to growers of \$1.24 per pound.

On the other hand, according to the Cooperativa Copan administrator, the following list highlights the expenses that the cooperative as a whole might encounter for the year:

- Administrative costs (trips to farms, office materials and equipment [phone, internet, photocopier])- \$3,000 (estimated at \$2 per *quintal* [100 pounds])
- Full-time administrator- \$3,500
- Warehouse labor costs- to pay for someone to maintain coffee and the warehouse is ~\$200 per month (for 4 or 5 months)
- Meetings with members and leaders- \$800
- Member trainings/cooperative exchanges/tours/proposals- \$2,500
- Recruiting new members- \$160

⁵ This amount is similar to what a representative from Royal Coffee told me other small growers were struggling with. In the past there was no licensing fee for small-scale farmers but the fee could now be as high as \$3,000 for small producer organizations.

- ❑ Internal inspections/quality control- \$530
- ❑ Paperwork, documentation of export process- \$530
- ❑ Establish buyer contacts/send coffee samples-\$500
- ❑ Collect and store wood for dryer-\$1,000
- ❑ TOTAL- approximately \$13,300

Now turning to members alone, expenses aside from certification may vary across the board for each individual farmer (aside from final payment to growers in Chapter VII):

- Loans borrowed from Cooperativa Copan and interest (10-15 percent)
- Interest on the sum of export permit and IHCAFE trust (4 percent)
- Local transport costs to *beneficios* [processing site] (L250 per *lata*)
- Cost of labor to pick coffee [25 Lempira per *lata*] (a *lata* is a gallon bucket)
- Processing coffee (depulping, washing, drying)
- Farm maintenance, organic fertilizers, tools

Overall, the costs of certification remain a concern among many cooperative members, particularly since the cost of producing certified organic coffee are the highest (versus producing Fair Trade coffee not certified organic). As highlighted in the next section, certification costs are only one of many challenges the cooperative faces in producing coffee for Fair Trade markets.

Challenges of Selling Fair Trade Coffee Via Cooperativa Copan

This section is meant to highlight several important obstacles cooperative members face while selling their coffee, and also to suggest several recommendations to

ease these difficulties. First, although Fair Trade guarantees a minimum price above average world market prices, it does not necessarily mean it is the best price available to farmers. Second, more disadvantaged growers in the cooperative often cannot cover the costs of organic production during the season and have struggled to find adequate help in harvesting their crop. The last issue discussed regards the difficulties growers have in keeping track of their sales, the different measurements and weights they must know for various stages of processing, and calculating the true price a harvest earns an individual grower.

With all the time and money poured into certification, serious questions arise about the costs and benefits of the process. This is especially true as certification does not necessarily guarantee that growers will actually sell all of their coffee through these outlets. As Murray et al. (2003, 2006) point out, FLO estimates of Fair Trade coffee export capacity in Latin America, Africa, and Asia is seven times greater than what is currently exported through Fair Trade channels. Within this context, farmer groups on the FLO registry are not guaranteed that they will get a Fair Trade buyer or sell one hundred percent of their coffee at Fair Trade prices.

The number of qualified producers that can comply with Fair Trade standards exceeds those who are actually selling their coffee in the Fair Trade market, causing growers to resort to traditional coffee markets and lower prices (Fridell 2006:14; Murray et al. 2006:184; Sick 2008:198). With increased marketing relationships with larger and conventional corporations, Fair Trade producers have also been pressured to conform to traditional industrial and commercial expectations (Murray et al. 2003:5, 29).

The harvest year of 2002-03 was the first time Cooperativa Copan exported internationally, selling only half of their coffee crop at the Fair Trade price of \$1.41 per pound compared to 69 cents per pound they received for the other half. Similarly, Bacon (2004) found that, among Nicaraguan cooperatives linked with Fair Trade organic markets sell up to 60 percent of their coffee through conventional markets.

Cooperativa Copan has succeeded in selling over 15 containers of organic coffee internationally since the 2002-03 harvest, but it was not until the 2006-2007 harvest that they succeeded in selling one hundred percent of their coffee through Fair Trade channels.

The cooperative must also consider the effects of a coffee market rebound, with higher market prices for conventional coffee that have reached levels at or above the minimum Fair Trade prices. The recent market spike (2005-2008) caused producers to opt for short-term rewards by selling locally (Jaffee 2007:56).

This is especially true for more disadvantaged growers, like members of Cooperativa Copan who live in El Tigre, who often do not have their own *beneficios*. It costs them money to transport their coffee to someone else's processing facility, if these facilities are even available, and some do not have enough coffee to justify time and transport costs.⁶

When the market is high it is thus cheaper in many cases to sell to coyotes at farmgate prices than to transport coffee to cooperative member *beneficios* (processing

⁶ Farmers in El Rosario expressed the same frustration. One farmer told me it costs him 700 lempira to transport his yield from his farm to Sesesmil (about an hour away because of terrain).

facilities). For this reason, growers will benefit greatly with the recent addition of a cooperative vehicle to help with these harvest issues.

Before even considering how they are going to transport their coffee off the farm, many members express a need for more technical assistance with their crop. As another recommendation, a full-time technician would also benefit each member and increase the quality of coffee as a group.

More disadvantaged growers especially expressed problems in producing coffee because their land is infertile and they cannot keep up with cooperative demands. Organic fertilizer is expensive to buy and growers slip up on meeting organic regulations. Further, despite being able to get outside loans from NGOs and FLO as a cooperative, growers felt that there were not enough available funds from the cooperative for them to cover costs during peak coffee harvest season.

Another problem during the 2007-2008 harvest was the lack of day laborers and temporary help needed for harvesting coffee. With cooperative members scattered across many regions, growers cannot help each other so much and instead rely on their children and other families to help finish the coffee picking and processing.

Additionally, farmers can often become confused by the different weights and measures as coffee goes through various conditions and sold along the way. At an international level, prices are quoted for green *oro* coffee (clean but not roasted), yet coffee is also sold by farmers as *uva* (cherry), *pergamino humedo* (wet parchment), and *pergamino seco* (dry parchment).

Wyeth (1987:136) found that farmers in Honduras often understate the quantity of coffee they are selling by up to 20 percent, and subsequently often overstate

the price they receive for that coffee. This usually occurs with farmers who sell a few *latas* (gallon buckets) of coffee at a time in cash transactions throughout the harvest season.

At the end of the harvest, growers and the cooperative start calculating prices at which coffee will be sold both locally and in Fair Trade organic markets. Because farmers sell coffee both locally and via the cooperative in Fair Trade organic markets, calculating the prices they sell their coffee at can be difficult to determine and hard to put into context. It is even more difficult to calculate true prices members receive, because 1) growers often cannot remember details of some transactions that go unrecorded, and 2) growers are paid by the cooperative in stages, first as credit, next when they turn in coffee, and later when the coffee has been sold abroad. If growers cannot keep production records, neither can the administration. This is how cooperative data and records become perpetually faulty.

Despite all these obstacles and problems, certification helps improve the bargaining position of farmers even for coffee that the cooperative cannot sell through Fair Trade channels. Their partners in consuming countries demand a certain degree of accountability and monitoring which producer organizations like Cooperativa Copan have learned and continue to improve upon (see Daviron and Ponte 2005:187; Sick 2008:200).

Despite, also, the time, money and energy (labor) costs of maintaining Fair Trade organic certification, many buyers agree that “Fair Trade is still one of ‘the best options out there for small growers’” (Royal Coffee Company representative, personal communication, November 2006). Similarly, MacDonald 2007 notes that data on income

differentials between coffee farmers selling into Fair Trade markets and those selling into conventional markets reveals that farmers with access to Fair Trade leads to modest, yet, significant improvements in producer income.

As for the Cooperativa Copan members I surveyed in the Copan region, attitudes about Fair Trade as a whole varied. Members who had become accustomed to the requirements and standards believe Fair Trade to be an advantageous market strategy. Those with fewer resources living in remote areas a good distance from the cooperative base confirmed the importance of Fair Trade but were waiting to experience the full extent of benefits they were promised.

The cooperative faces many issues that must be addressed if they are going to strengthen their successes overtime, but it appears that most of the constraints experienced by members have significant but feasible resolutions. This next section reviews the advantages Cooperativa Copan has by being part of Fair Trade and how, with time, these benefits can help reduce the amount of setbacks growers feel they experience.

Fair Trade Opportunities for Cooperativa Copan

This section reviews the opportunities Fair Trade offers small-scale farmers by asking farmers why they decided to join a Fair Trade cooperative and how they feel they benefit from it, if at all.

More generally, cooperatives have become the alternative organizational form that allows small-scale coffee farmers a system of decision making, self-regulation and local autonomy in the coffee economy (Cycon 2005:27). They do not just help to “eliminate middlemen” but give farmers opportunities to be their own intermediaries of

their coffee, to seek higher margins for their coffee, and build economic independence from “local oligarchs and traders” (Develtere and Pollet 2005:15).

The cooperative structure has been adopted into the Fair Trade model to help farmers survive in a competitive business market and maintain ethically responsible activities (Develtere and Pollet 2005:14). Ideally, decisions among members are made openly, democratically and transparently⁷ in contrast to systems of debt peonage and a more historical plantation system that is set up to regulate wage labor, subtracting food and other costs from the small day wages that workers earn.

Essentially, cooperatives of farmers who sell their coffee collectively have more bargaining power to obtain better prices with brokers and exporters than single farms (Cycon 2001:67; Develtere and Pollet 2005:7).

Furthermore, producing coffee under an externally monitored set of social and environmental standards shows consumers, buyers and banks the capacity to enter value-added niche markets. Labels are based on process-oriented standards, and symbols that help define identities through consumption (Daviron and Ponte 2005:38).

As I have discussed previously, adhering to environmental standards has also been an important catalyst for improving farming methods overall and keeping soil, and landscapes healthy for future farming.

Within the Fair Trade market, long term commitments with buyers can also create a “perceived market future” (Murray et al. 2003:7, 13). Undergoing compliance

⁷ Develtere and Pollet (2005:10-11) list seven principles that make up the criteria for determining a group or association a cooperative: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community.

audits pressures cooperatives in positive ways to improve their administrative capacity. It also helps uphold the credibility of the cooperative as a viable business and to its members who count on strength, solidarity, and real rewards (Giovannucci 2001; Murray et al. 2003:2). This is certainly the case among growers of Cooperativa Copan who rely on the guidance of leaders to help them make important decisions⁸. Members also rely on Cooperativa Copan to provide access to loans, technical assistance, and resources for their families.

The following lists what growers from the Copan region found to be the successes that Cooperativa Copan has accomplished as a farmer organization, from most valuable to least valuable:

- Increased sales due to Fair Trade market access
- Higher prices
- Credit offered
- Collective dryer
- Warehouse
- Cooperative exchanges/trainings
- Organic production/better management of farm and environment
- Cooperative office
- Administration
- Being a collective group

⁸ From my observations, interactions and discussions with members, I noticed that the majority of growers in Copan (those not part of the administrative circle) knew little about coffee prices they were receiving from buyers and market information.

Here I list what farmers believe are the benefits they have received from being in the cooperative, from most valuable to least valuable:

- Higher prices
- International sales
- Organic production/better farm management
- Health improvements from reduced pesticide use
- Credit
- Trainings/workshops
- Selling/producing collectively
- Better business skills

Among the newer members of the cooperative that I had discussions with, the top reason for them joining the cooperative was access to better prices through Fair Trade and organic markets. In 2006, specialty coffee markets only represented two percent of total coffee exports from Honduras, giving farmers who access these markets a competitive advantage (Fromm and Dubon 2006:4).

The second reason why they joined was to be a part of an organized group of farmers that offers social benefits (e.g., farm assistance, trainings, credit, Fair Trade premiums, and collective production).

Beyond this, cooperatives often create networks that support the entry of other cooperatives into the specialty coffee market (Murray et al. 2006:183). Farmers in cooperatives who may not be able to meet the demands of buyers on their own will collaborate with other cooperatives to make a sale.

Overall though, I found that higher prices are the most direct benefit that farmers perceived from Fair Trade. A very closely related benefit is also having secure

prices from buyers. Three brothers in the cooperative told me they were happy with the prices they received this year because their earnings outweighed their costs. As one member stated, “*comercio justo es una gran ventaja para tener un buen precio seguro cada año*” (Fair Trade is a great advantage for having a good secure price each year). Kate MacDonald’s (2007) research in Nicaragua also found that more stable incomes helped strengthen security of land tenure, reduced pressure of family members migrating in search of work, and gave farmers incentive to invest in improved production methods.

Every coffee farmer has to deduct costs from the ultimate sale price of their coffee. If these costs are too high, conventional farmers fall further into debt. Because Cooperativa Copan receives Fair Trade prices for their coffee, each farmer has a cushion for absorbing these costs and hopefully will make a profit like these brothers in Copan.

In addition, those who enter the Fair Trade market are rewarded with premiums paid for certified coffee that are a bonus to the guaranteed minimum price already offered by Fair Trade. As Cooperativa Copan increases their coffee sales directly within the Fair Trade market, the amount of premiums they, and other similar Fair Trade grower associations, receive increases.

Cooperativa Copan earned over \$1,000 in premiums in spring 2003 and over \$2,000 the following year’s harvest. By 2006-2007, the cooperative had sold three containers of coffee and earned \$6,000 in premium money. In 2007-2008, Copan farmers received \$16,800, in premiums which they decided to use to repair their dryer (about \$3,000), pay FLO certification fees (\$2,000), and pay off bank debts (owing about \$7,000 left on the dryer they bought in 2000).

Bacon (2004:505) also noted among the cooperatives he worked with in Nicaragua that they opted to use up to half of their premiums to pay outstanding debt as well. As for Cooperativa Copan, of the remaining premium money, the members will vote again to decide what they will use it for (see Figure 35).

FLO Premium 2008	\$16,800
Debt to Bank	- \$ 7,000
Cost of Dryer Repair	- \$ 3,200
Cost of FLO (yet to pay)	- \$ 2,000
Premium \$ left	= \$ 4,600

Figure 35. Using the Fair Trade premium money 2007-2008.

Regarding Fair Trade guaranteed prices, supporters view this central criterion as a benefit to growers in that it supplies growers a living wage. Economists are skeptical of its benefits and argue that when overproduction of coffee leads to low prices, this should signal growers to switch to other crops (leave the market), or competitively supply higher-value coffee (Economist 2006; Lindsey 2004:2). Another solution (to economists) to an oversupply of coffee is to increase demand (i.e., coffee drinking).

Critics also allege that Fair Trade prevents the switch to other crops and that the guaranteed minimum price encourages others to enter the market. This hypothetically drives down the price of coffee and exacerbates oversupply (Economist 2006:2). Even worse, *The Economist* (2006) questioned the quality of Fair Trade coffee, arguing that a guaranteed price makes farmers unmotivated to improve quality.

But Fair Trade is not an easy market to enter because it has set limits on who can enter. These are based on Fair Trade's capacity to serve their growers, making it less likely for growers to flood this particular market. My research and experience with Cooperativa Copan suggests that farmers are now finding it more difficult to compete in specialty markets like Fair Trade organic without continually improving the quality of their product and the methods used to produce it.

By working toward improving the quality of their coffee production and processing, as well as their capacity as an organization, Cooperativa Copan is more likely to succeed in finding buyers who are willing to pay the premium prices for higher quality beans.

Studies also suggest that Fair Trade farmers are less likely to abandon coffee production when world prices drop because of the guaranteed price they receive (MacDonald 2007:800; Murray et al. 2003:10). Those that have seen the benefits of Fair Trade will argue that the premiums earned by growers from Fair Trade sales keep farmers stable in times of crisis because this money is put toward sustainable social projects. Being that Cooperativa Copan is still finding its grounding in the Fair Trade system, benefits to the surrounding community have been limited. More recently, the cooperative has started an organic fertilizer/compost site for members, and plans to open it to the community as well. Furthermore, in 2009, the cooperative invested 40,000 Lempiras from Fair Trade funds for local school improvements in the Sesesmil and El Tigre areas (Cooperativa Copan leader, personal communication, December 2009).

As a source of working capital otherwise not available to farmers, Fair Trade premiums can be used by producers collectively to make investments to diversify into

other crops. Cooperativa Copan members from Comayagua and Copan have been discussing diversification options and using the remaining Fair Trade premium to invest in high-value crops like cacao, and explore opportunities of incorporating tourism into their coffee business. Comayagua members also expressed a desire to have a trained coffee cupper (taster) to improve coffee quality.

An alternate crop is important for farmers in a country like Honduras, which relies on a few export crops, and for Cooperativa Copan, whose members are dependent on coffee as a source of income. Variables such as personal income, taxes, and earnings of foreign exchange that depend on coffee as an export will fluctuate as market prices move up and down (Wyeth 1987:31). Coffee is also susceptible to weather, pests and diseases like *La Broca* and *La Roya*, making it important to have another source of income if something unexpected should happen to their coffee.

Farmers without additional capital or support often diversify into subsistence crops, which Wyeth (1987) found was linked with the poorest farmers in Honduras. Although this is an important household strategy to feed their families, instead, diversification into export crops allows farmers to sell products at different times from different harvesting periods so farmers can spread their income more evenly over the course of a year.

These alternative or substitute crops must be agronomically suitable, easily marketable, financially possible and profitable (Wyeth 1987:90). Parts of a farm may become more profitable if marginal areas are used properly. Cacao (chocolate) is a good alternative export crop for low (0-600 meters), moist areas, where coffee does not develop well or is of poor quality (Torres 1997; Wyeth 1987:34).

In summary, Fair Trade has provided the farmers in Copan the opportunity to succeed in selling coffee internationally at higher prices, improve farming techniques, invest in productive infrastructure, and develop better administrative and organizational capacities, as well as the possibility of using premiums for community development where members live (Appendix C). As mentioned earlier, premium money recently used (2009) for community and educational improvements has been a significant highlight in the growth of the cooperative. It marks a beginning in moving beyond investments in production alone and toward community development as a whole.

In addition to higher prices, farmers in the cooperative also recognize the indirect benefits of being in a Fair Trade cooperative. These include access to social capital, help from group events, and access to a network of regional organizations that provide, for example, FLO sponsored trainings, technical farm assistance and market information. One farmer told me Fair Trade is a big success in the workshops and the opportunities it offers besides prices. The work is worth it because it is good for the farms, the environment, and the families.

A grower out in El Rosal thinks Fair Trade and organic certification is good for farmers. He says it is better working your farm knowing the prices you get for your beans are higher than average. It encourages him to maintain his farm better. Other growers said it is important because it is an information network for the cooperative. Fair Trade had opened new doors for them, most importantly by allowing them to sell their coffee to the United States.

All in all, social capital, in forms such as these first described, is considered a critical source of security for farmers within the Fair Trade system, because these

networks help farmer organizations sustain the viability of their businesses and provide resources to improve their livelihoods. This is why FLO also assesses whether their own work adds development potential to the social context of the region, economic situation of Cooperativa Copan, and entry into other markets. The next section illustrates how Cooperativa Copan has benefited directly from social capital they have accessed in their community.

Contextualizing the Advantages of Social Capital for Farmers: Cooperativa Copan's Experience with OCDIH and other NGOs

Social capital is an essential tool in developing better livelihoods in poor communities. The literature suggests that region-specific production support systems with agronomic technicians and producers who have modified farming methods to specific ecological, economic and social conditions are critical in helping farmer organizations in certain regions to attain sustainable production (Bebbington 1999; Eakin et al. 2006; Torres 1997:215).

Despite the level of power that multinational corporations have gained, regulation systems such as Fair Trade help ensure that the voice of producers is heard and their conditions are kept on the front lines. Fair Trade has also encouraged increased participation by corporate, civil and governmental sources in standards of sustainability and in addressing inequalities in the coffee trade (see Chapter 5 of Daviron and Ponte 2005).

Technical support and information are other primary benefits of organization membership that farmers have listed both in my research and others (see Eakin et al.

2006; MacDonald 2007:800). FLO, organic certifiers and a network of NGOs and cooperatives often provide critical support services, guidance, monetary support and educational workshops. These efforts assist farmers in improving coffee production, marketing and business management, all of which potentially contributes to economic and social stability (MacDonald 2007:800; Murray et al. 2006:183; see Murray et al. 2003:7).

The study by Eakin et al (2006) has shown that while public sector support programs and subsidies have played a stronger role in some countries, Hondurans more often utilize agricultural and technical assistance from NGOs, rural credit unions, and coffee institutions like AHROCAFE and IHCAFE (mainly in the form of *caja rurales*).⁹

The support of NGO financing and activity in Honduras increased significantly in 1999 following the devastation of Hurricane Mitch and a subsequent influx of money into the country to help recovery efforts. As we have seen, Copan farmers initially responded to the assistance NGOs offered in the region by joining a *caja rural* (micro-financing program) set up in the community. By using the help offered by NGO programs in the area, growers became enmeshed in a network of support from other organizations and growers that introduced them to Fair Trade.

The Christian Organization for Integral Development of Honduras (OCDIH) represents the pillar of local support networks that Cooperativa Copan farmers had access to. Originally founded in 1993 as a private development organization, OCDIH supported

⁹ According to Eakin et al. (2006) during their study of Central American coffee farmers, 66.7% of all loans reported among Hondurans were from *caja rurales*.

disadvantaged communities in rural areas, assisting them in cases of disasters, social conflict, ethnic and religious issues and political issues.

Geographically, their work was concentrated in the Western region of Honduras in the departments of Cortes, Santa Barbara, Copan and Lempira, with the majority of their work in Copan (the initial program lasted from 1999-2005, though their work continues in the region).

The institution's role within local development and democratization was to help strengthen civil societies and local governments, assist them in better management practices, and provide help within a political context. They also promoted sustainable production and economic activities among farmers and small farmer organizations.

According to some members and a former OCDIH representative, the rural zone that includes Sesesmil had only received very limited support from organizations and institutions prior to OCDIH's influence in the region. Individual producers had not received adequate production assistance in the past from institutions like the Honduran Institute of Coffee (IHCAFE), and lacked the ability to market their product.

OCDIH provided farmers of Cooperativa Copan with economic and technical support, and guidance in how to organize production efforts collectively. This was initially achieved through the *caja rural*, or micro-financing program, set up by OCDIH in the Copan region to help growers access low-cost credit and farm assistance collectively. A core group of farmers saw further organization as an opportunity to improve the conditions they faced as coffee growers. Others hesitantly joined hoping it would be a continuation of aid they received from the *caja rural* (Loker and Donovan n.d.; former OCDIH agricultural technician, personal communication, February 2008).

Particularly in the years 1999 and 2000, OCDIH played an extremely instrumental role in the birth and growth of Cooperativa Copan. OCDIH's goal was to be direct with farmers about what they needed to do to improve their production methods and how to do it (former OCDIH agricultural technician, personal communication, February 2008). They were also there to teach the growers what being a cooperative meant and required.

OCDIH trained farmers in aspects of production, organization, and management, and later they received more intensive assistance with administration, and marketing (OCDIH 2002:10). OCDIH was also an important asset to the cooperative because they connected growers to other NGOs and cooperatives for more support.

During this developmental training process, the cooperative exchanged experiences with other farming organizations and learned first hand the benefits of organic production from the women of COMUCAP (Coordinator of Rural Women of La Paz) and RAOS (Regional Cooperative of Mixed Organic Agriculturalists of Sierra, Ltd) in Marcala, La Paz. From these visits, Cooperativa Copan saw direct results in achieving higher quality coffee from careful, sustainable techniques.

These experiences prompted Cooperativa Copan to pursue organic and Fair Trade certification. Subsequently, after OCDIH helped them set up certification contacts in the region, several cooperative leaders were trained in ecological norms of organic production (e.g., the dangers of agrochemicals; organic vs. inorganic trash for fertilizers) and how to perform internal inspections at member farms (OCDIH 2002:14).

Along with (and often connected to) assistance provided by regional Fair Trade agencies, Cooperativa Copan took advantage of cooperative exchanges and

trainings. Particularly influential were the educational workshops hosted by the RAOS and COMUCAP, the Center of Coffee Cooperatives of Honduras (CCCH), and CACTRIL (Triniteca Agricultural Cooperative of Coffee Producers, Ltd- a licensed exporting cooperative) on how cooperatives function and operate (OCDIH 2002:12). With the help of OCDIH, the Sesesmil farmers were taught basic organizational leadership skills and fundamentals in administrative work like bookkeeping and managing funds. They were advised how to 1) sell their coffee, and 2) sell it at higher prices by learning how to contact international buyers electronically, watch the movement of coffee on the New York Stock and Mercantile Exchange, and access Fair Trade outlets in the global market (OCDIH 2002:17).

Cooperativa Copan's ability to contact international buyers on their own and communicate with buyers regularly has rested almost solely on the cooperative's ability to access the World Wide Web. Using the internet to navigate the global marketplace has allowed the cooperative to be more involved, direct, professional, and therefore successful in their business opportunities abroad.

In taking advantage of their expanding web of access to social capital, the cooperative leaders also learned how to write proposals for donations and financial help. In the first few years of being organized, it is arguable that growers would not have succeeded in their efforts without the monetary support from local, regional and international NGOs and aid agencies. Eventually (as OCDIH hoped), DED, the German Technical Services Organization, funded over \$2,500 (42,000 Lempira) toward initial organic certification, legalization fees and training for cooperative leaders. The

Sustainable Agricultural Program in Central America (PASOLAC) provided over \$4,500 for trainings and costs related to administration, technology and computation.

Other help was received from Irish Aid, the Spanish Agency of International Cooperation (AECI), Banco Occidente, and more continually ASONOG, a Fair Trade foundation that teams up with other organizations in the region to support local development. More recently, The Center for Tropical Agricultural Research and Education (CATIE) donated \$2,000 which the cooperative used (along with money from Irish Aid) to go toward new dome-shaped solar driers, a photocopier, and wireless internet.

Although the majority of this type of financial assistance is very advantageous, it is not sustainable for the long-term. Having access to low-cost, long-term loans and credit, on the other hand, is one of the greatest benefits offered to farmers in a Fair Trade cooperative.

In the past, Cooperativa Copan was fortunate to have OCDIH, which has loaned growers money and has helped the cooperative take out loans from BANCAHFE (a bank specifically for coffee growers) and Banco Occidente.

The first major loan the cooperative was granted was from Banco Occidente in Copan (\$25,000 or 400,000 Lempira) for the purchase of a dryer for their coffee. Along with a loan OCDIH provided them, part of the money went toward the construction of a patio and a warehouse during the 2003-2004 harvest (October 2003). Growers of the cooperative were able to put forward the remaining \$2,000 (30,000 Lempira) that it would cost to complete the project.

Another type of loan the cooperative has access to is supplied by coffee buyers (in this case Fair Trade importers), as pre-financing credit. Under a Fair Trade contract, importers agree to advance a certain percentage of production lines of credit to help cover farmers' expenses during the coffee harvest. For the harvest of 2007-2008, the cooperative had three open credits while I was in Copan from January through March.

Before being able to take advantage of pre-financing, producer organizations must normally establish both a good track record and a good relationship with an importer or a roaster. This has been more difficult for producers in Honduras compared to growers across the border in Guatemala who already have a strong position in the coffee industry, exceptional organizational skills, established production systems, and older relationships with buyers.

In the example of Cooperativa Copan, roughly \$2,500 was loaned to them by a larger cooperative in the region and by OCDIH in 2007-2008. But the most important loan they received was a "pre-shipment trade credit" from Root Capital who financed them roughly \$50,000 over a 10 month period.

Root Capital is a company set up to help finance farmers in the Fair Trade circle. The cooperative only has access to this particular source of credit because they are members of FLO and have a firm contract with a buyer as collateral. Root Capital allotted the money in three disbursements, giving Cooperativa Copan the first 50 percent of the loan in December of 2007, another 30 percent in January (2008) and the last of it in February. The cooperative received the credit as an advance for selling coffee to Simon Levelt and the Hamburg Coffee Company.

From my understanding, the coffee buyers of that season make part of the payment they owe Cooperativa Copan to Root Capital who then cancels the cooperative's loan debt and gives the remainder of the money back to Cooperativa Copan. The growers are relying on this advance because it takes several months for the cooperative to actually get paid what they make from a coffee sale abroad. As a result, some growers are barely able to afford to process their coffee during harvest.

Narrowing the scope of loan relationships, I found that Cooperativa Copan advances their members credit over the harvesting period, charging them an interest rate slightly higher than what the cooperative is charged overall (8-10 percent vs 10-15 percent). The amount of credit each member receives depends on their need, and the amount of coffee they promised to produce for the season. The majority of loans were given to members in Comayagua, who produce more coffee as a group than the group of Copan farmers.

There were approximately 16 people in Comayagua who borrowed roughly \$30,000 and nine members in Copan who needed about \$11,000. The majority of growers asked for one or two loans, ranging from \$250 to \$2,500 each. Copan growers on average needed about \$1,220 each whereas Comayagua growers needed around \$1,875 each. Figure 36 shows the range of farmers' loans from the cooperative, based on the available data at the time.

Growers told the administrator by phone or in person how much they needed, and either got money at the cooperative office in Copan or when the administrator made trips to collect members' harvested beans. Since growers pay a low interest on this loan, some of the money is retained by the cooperative as a whole. Overall, 2007-2008,

\$5,000+	4% (1 farmer)
\$3,500-\$5,000	12% (3 farmers)
\$2,500-\$3,500	0% (0 farmers)
\$1,500-\$2,500	12% (3 farmers)
\$550-\$1,500	48% (12 farmers)
\$0-\$550	24% (6)

Figure 36. Range of farmers' cooperative loans ($n=25$).

Source: Data adapted from Cooperativa Copan administrator, personal communication with author, February 21, 2008.

Cooperativa Copan retained about \$975 from the interest growers had to pay after the harvest.

All in all, my examples of how the cooperative interacts with the various sources of social capital they can access in their region illustrate the extent to which Cooperativa Copan has been supported throughout their development. Investments over the years have been funded by loans, grower finances and NGO donations; these efforts have resulted in a well established business of organized growers. Figure 37 briefly summarizes the cooperative's investments over the years.

These investments have enabled Cooperativa Copan as an organization to contribute directly to the development process and empowerment of most of its members. With that said, I now move on to discuss other concerns the cooperative faces as it moves forward into the future. Although Cooperativa Copan's performance and accomplishments thus far have been reflective of them trying to build their capacity as a cooperative, they still face challenges to overcome and weaknesses to improve upon.

INVESTMENTS OVER THE YEARS	
Coffee Dryer (00/01)	\$17,000
Drying Patio, Solar Dryer, <i>Cafetín</i> (03/04)	\$3,000
Cooperative Signs and Trash Cans	\$300
Coffee Humidity Tester, Scale, 2 Depulpers	\$2,000
Small Toaster, Mill and Bag Sealer	\$2,500
Coffee Thresher and Another Depulper	\$3,000
Legalization Fees	\$1,700
Training Directive Bodies	\$1,000
Loan for Electricity	\$3,000
Computer, Printer, Office Equipment	\$1,800
 INVESTMENTS IN 2007-2008 	
Organic Fertilizer Site	\$6,000
Photocopier, Wireless Internet	\$800
Sun dryers (7 medium, 6 small)	\$1,500

FIGURE 37. Cooperativa Copan investments.

Recent Concerns of Viability as a Cooperative

As the last section illustrated, a portion of Cooperativa Copan's success has rested upon their ability to access support from different groups locally and internationally, who in turn have contributed greatly to the cooperative's development.

As shown also in studies of Fair Trade's impact on cooperatives done by Murray et al. (2003, 2006), and MacDonald (2007), access to technical training has led to the strengthening of the cooperative's organization, improvements in the quality of coffee and higher productivity. More importantly, the cooperative has become independent

enough to no longer rely so heavily on OCDIH or other sources of (donated) external support.

Although Cooperativa Copan's relationship with OCDIH has changed significantly since their initial project in the Copan region ended in 2005, OCDIH still maintains a strong connection with farmers of Cooperativa Copan as an established NGO in the area. Part of their role in the relationship is helping the cooperative with technical assistance, and sometimes credit, without being a permanent fixture in the cooperative. The cooperative now bears their own burdens and they are still learning through experience what it takes to stay successful. They are making their own decisions about buyers, production practices, and administrative issues while being open about how to improve.

The leaders of Cooperativa Copan have discussed over time three main priorities to work on for the following season: 1) find a way to systematically organize cooperative data so it can be shared with all members, 2) maintain certification and improve production practices, and 3) increase the number of members currently in the cooperative. This is in addition to their primary goal of selling all of their coffee internationally at Fair Trade prices.

Yet, from my survey, interviews and discussions with growers, I have learned that the cooperative falls short in many areas that could use strengthening. As noted above, some member problems stem from frustration with the cooperative for not supporting them enough, or needing tools and resources the cooperative still lacks as a whole.

It was apparent to me that the poorer, more disadvantaged growers in the cooperative felt they were not receiving the benefits of being in a Fair Trade cooperative. To them there is no strong effort on the leadership's part to include them in trainings, cooperative exchanges and information or news about the cooperative. Some of these families have not been able to produce coffee for the cooperative at times and therefore are shut out as seemingly "inactive" members.

Instead of neglecting the needs of these growers, the cooperative as a whole needs to invest more time and energy into helping them grow out of poverty, which in return will make them more productive contributors to the cooperative.

Also, many farmers feel like they are in the dark about cooperative happenings and issues, the leaders need to consider that "knowledge is the cornerstone of a viable democratic organisation" (Murray et al. (2006:188). Murray et al. (2006) found in their study that Fair Trade seemed to be an abstract concept to many producers, who lacked a clear understanding of its entire meaning. This was in contrast to producers' knowledge and intimate interaction with organic farming practices, which I also found to be the general circumstance among Cooperativa Copan members.

The problem is not Fair Trade specific, but stems from a general nature of producer organizations. The majority of certification, specifically Fair Trade, is handled by cooperative leadership or management because it is easier and often more efficient for leaders to make decisions about production and marketing practices without discussing the details with members at every step along the way (Murray et al. 2006:188).

Many producers prefer to leave most cooperative responsibilities to elected leaders, contributing to what is called passive participation and a lack of knowledge

passed on to members. However, knowledge is critical to assuring a long-term commitment to producer organizations and the Fair Trade movement (Murray et al. 2006:189).

What I see as still a more serious weakness is that *Cooperativa Copan leaders* are now trusting all important business matters and legal proceedings to the administrator hired September 2006 (they had an administrator prior to this from Fall 2004 to April 2005, but he quit his duties). This administrator has been very important to the recent successes of the organization, but the leaders have fallen behind in their knowledge of the market, business deals and technology that require skills only the administrator has at the moment. It is urgent to have the president and other officers on the same page as the administrator to ensure future stability. Let me explain.

In their organizational history, *Cooperativa Copan* has been directed by FLO to improve several aspects of organization. In *Cooperativa Copan's* case, FLO representatives have worked with the organization at a local level, stipulating goals to achieve within the cooperative's capacity at the time.

At the end of January 2008, FLO representatives came to have a meeting with the cooperative *junta* (leaders) about how their organization is functioning and whether or not they are making progress in meeting Fair Trade standards. If the cooperative needed direction, the representatives were there to help and keep the growers on task.

The meeting was long and extensive and there was a subtle sense of reprimand as the female representatives of FLO emphasized the importance of the administrator's role as the records holder, organizer, communicator and facilitator for the

cooperative. It was also his responsibility to keep communication channels open between him and cooperative leaders.

Of course, the cooperative leaders also need to be more active in ensuring this flow of information. The sharing of information between directors and members is crucial since most members have limited literacy. But because leaders have relied so heavily on the administrator to manage the cooperative, they are losing strength to be able to uphold these responsibilities themselves.

In the spring of 2008, there was an upcoming workshop going to be held for Fair Trade cooperatives in the region to teach members the basics in internet and computer skills. The female FLO representatives urged leaders to attend and stressed the importance of learning computer literacy to connect with buyers globally.

Cooperativa Copan was required to send two members to this training event the neighboring city of Siguatepeque. Leaders made excuses for not being able to go, but eventually two members went and learned how to use internet, create documents and use email on the computer. The administrator was also putting off feasible short-term goals FLO directed the cooperative to accomplish, and not relaying them to the leaders clearly. In an effort to move forward, the cooperative was encouraged to prioritize these goals and have a plan for achieving them.

Addressing Cooperative Priorities

By strengthening producer organizations like Cooperativa Copan, the Fair Trade system has contributed in partial ways to empowering producers to confront effectively “dimensions of disempowerment” that shape the structures of trade beyond

the boundaries of FLO (MacDonald 2007:801). A fundamental step toward realizing progress as an organization was for Cooperativa Copan leaders to heed the advice of FLO representatives and establish a list areas that need strengthening, and investments to consider for the future:

- New diversification plan, which leaders and FLO representatives have narrowed down to cacao as the most viable option to grow in their region .
- Improving internal inspection norms.
- Improving cooperative legal proceedings.
- Improving accuracy and organization of records and bookkeeping (including creating a small library of Fair Trade resources, cooperative documents and books required by FLO).
- Improving member information flow and meeting attendance.
- Meeting organic and Fair Trade norms with full compliance.

These recommendations confirm my difficulties in trying to piece together the history of production and sales and certification for the cooperative; the majority of documents I came across were inconsistent and unorganized. I could see that the discrepancies were enough to prevent FLO and organic regulators from making accurate comparisons or conclusions about the cooperative's history and accomplishments.

In order to become more organized and consistent with documentation, the administrative base in Copan should prepare and update members more thoroughly during the year to ensure members keep production records, share the same vision, and abide by rules of organic Fair Trade production.

Aside from improvements needed in records and bookkeeping, keeping members active in the cooperative, particularly by increasing attendance at meetings, is another important priority within the cooperative. Specifically, a present concern among some of the long-standing members of the cooperative regarding membership has been trying to maintain core strength in Copan without letting the power of the cooperative fall into the hands of the newer Comayagua members.¹⁰

Twenty-four members who started with the cooperative in 2000-2001 were no longer members as of 2007-2008. Thirty-five of the 46 members currently involved have recently joined within the last few years. The majority of new members of Comayagua had their first harvest in 2006-2007 with Cooperativa Copan.

Because there are only sixteen members in the Copan region, promoting membership should be a primary goal among leaders of the cooperative. This is because it could be detrimental to the long-term viability of foundational strength in Copan, where cooperative facilities reside, to have members located primarily in Comayagua, a four to five hour drive away. However, as a recent improvement, the cooperative has been successful in incorporating new members from the nearby town of Santa Rita, which has opened up other potential membership opportunities in the Copan area (Cooperativa Copan leaders, personal communication, December 2009).

Leaders are partly worried about having members from Comayagua because it is difficult to assess their motivations for joining Cooperativa Copan. Core members in Copan questions whether these newer members are committed to the long-term growth

¹⁰ This was also a concern with Orvin Colindres, an important former OCDIH representative who was in control of COAPROCL's systematization of the cooperative's experience and was the agricultural technician for the cooperative (personal communication with author, November 2006)

and success of the cooperative or whether they are simply interested in benefiting from the higher prices and achievements the cooperative is experiencing at the moment. The issue was brought to their attention after realizing that the Comayagua members in general contributed more coffee than the Copan group to the overall harvest. One of their sales (two containers) was also made with all Comayagua coffee, worrying some farmers in Copan. Murray et al. (2006) found that cooperatives fearful of this interest based on opportunism have established pre-conditions for members, with criteria including commitments to volunteer activities within the cooperative and converting to organic farming to list a few (Murray et al. 2006:185).

So far, the majority of newer Comayagua members have been willing to meet Cooperativa Copan's requirement of transitioning to organic production. On the other hand, in more recent harvests, several Comayagua members have either defaulted on their low-interest cooperative loans or failed to deliver coffee to the cooperative for the season. As a result, cooperative leaders have taken away these farmers' memberships in Cooperativa Copan. In addition, leaders have commented recently that logistical difficulties in working with Comayagua members continue (Cooperativa Copan leaders, personal communication, December 2009).

Hopefully, the dedication of the 11 members (five or six being the core leaders) in Copan who have been there to help build Cooperativa Copan from the ground up will transfer to newer members. As the newer members become more invested in cooperative well-being, they will want the same sustainable or long-term success that leaders are always reaching for.

Furthermore, despite underlying concerns of Comayagua growers overpowering the foundations set in Copan, leaders agreed that, at the time, it mattered little if more coffee was coming from Comayagua. This was because these growers were still part of Cooperativa Copan and Comayagua member production capacity was advantageous to the group as a whole.

Indeed, most newer members in Comayagua are well on their way to achieving full compliance of organic and Fair Trade norms. As an indication of their growing dedication to the cooperative's progress, they are also eager to improve other areas, like establishing a cupper or taster in the cooperative who could test the quality of their coffee to make necessary production changes for quality assurance.

Along with this recommendation made by producers, the cooperative would also benefit by eventually bringing to fruition other investments for the future. In 2009, the cooperative was able to purchase a 4-wheel drive pick-up truck, which will greatly improve their ability to travel outside Copan and help its members with transportation difficulties. Other future investments might be 1) having someone learn English, 2) earning their own license to export their own coffee, 3) hiring a full-time farm technician for growers, and 4) increasing the number of women in the cooperative. These investments would provide resources that would be strategic for cutting future costs and making it more feasible to improve the quality of their crops and processing coffee.

In conclusion, the growers of Cooperativa Copan must continue their efforts to improve their organization at the local level while the Fair Trade market makes improvements in their system at a global level. As the movement adapts to growing recent concerns and limitations, growers will be better able to adapt as well. The last

section of this chapter looks at what the movement must confront to move forward and what this means for Fair Trade growers.

Recent Concerns within the Fair Trade Movement: Producer Representation in FLO

Now that Fair Trade is approaching maturity, it faces challenges at both ends of the supply chain which it must meet as both a business and a development tool. This case study demonstrates the impact of the relationship between its organizations and producers, and the kinds of support producers require in this relationship. While many challenges ahead for the global movement, I will focus on a few I think emerge from this case study and the broader literature on Fair Trade.

In a 2003 article, Murray et al. called for greater participation of small farmers within the top-down decision-making structure of Fair Trade's institution. Recognizing that they have neglected the role of producers in the ownership of the labeling system, FLO re-wrote their constitution to include representatives of farmer organizations on their board of directors, which took effect in May 2007.

The board is now made up of five representatives from labeling initiatives, four representatives from Fair Trade producer organizations, two representatives from Fair Trade traders, and two external board members (FLO 2007). While this is an important step toward the amount of power producers hold within FLO, they still represent the minority on the board.

As discussed earlier, Fair Trade is currently working on how to expand its market and its membership without jeopardizing the benefits offered to small-scale

growers. As the movement expands, growers should have an increasing role in dialogue and decision-making within the system.

Just as producers have struggled for representation within the FLO structure, women have struggled at the cooperative level. I consider gender issues and the role of women in Fair Trade cooperatives to be an important priority of the movement as well as Cooperativa Copan. Participation of women in coffee production has been limited, even among Fair Trade organizations, which reflects to a further extent the gender bias that exists in agricultural domains of Latin America (Murray et al. 2006:189).

Cooperativa Copan has six women as members of the cooperative, only one of whom participates significantly. But there is also the small business of women known as *Dalias del Campo* who are closely affiliated to Cooperativa Copan. These women assume responsibilities of roasting the cooperative's coffee and selling it locally in and around Copan Ruinas under the label "Guacamaya".

Las Dalias' operation started in August 2002 with 13 women. The business bloomed in 2003 after receiving technical and financial support from some of the NGOs that also supported Cooperativa Copan early on (OCDIH, DED and PASOLAC).

These organizations assisted them in finding markets in the region and helped them conceptualize a creative presentation for packaging coffee. The local organizations also supplied financial help to Las Dalias for a toaster, grinder, and sealer, and costs incurred from registering their brand of coffee (OCDIH 2002).

Each year around January the women of Las Dalias ask the cooperative for enough coffee to last them a year, which has been between 5,000 and 6,000 pounds (50-60 *quintales*) on average. The women hand-sew embroidered logos onto small jute bags

that say “Guacamaya” on the front to sell in downtown Copan. They roast the coffee in a little building next to the cooperative office (see Figure 38). A one pound bag of coffee



FIGURE 38. Photos of Las Dalias at work. (Photos courtesy of E. Smith)

sells for 65 Lempira and a half pound bag sells for 45 Lempira. For clients downtown who buy in larger quantities, the price drops 10 and 15 Lempira respectively.

Each week one of the women takes a “mototaxi” down to Copan to sell 200 pounds of coffee among 26 different shops. In the future the Dalias hope to be able to sell more coffee in more places. In 2004, they were able to sell 8,000 pounds of coffee, a goal they would like to reach again. They have struggled in sales in recent years, only selling 4,000 pounds in 2007, leaving them with a new set of problems in 2008 and no money to correct them.

The 2008 harvest Cooperativa Copan was reluctant to sell the women coffee because the Dalias did not have enough capital to purchase it outright. The Dalias had just paid off a loan they took out with OCDIH, which was costing them 20 percent in interest. To purchase coffee for this year's harvest they would need to borrow again. Figure 39 is a breakdown of their costs from this year (leader of Las Dalias del Campo, personal communication, March 3, 2008):

Cost per quintal of coffee	L. 1,875
Quintales needed for 1 year	65qq
Cost of interest	L. 24,395
Total cost of coffee purchase	L. 121,875
Total capital needed	L. 145,000 (aprox)

Figure 39. Las Dalias' basic costs.

Instead of excluding the Dalias as a totally separate entity from the cooperative, the cooperative needs to embrace them as a productive means of local business and help them improve. But these women remain invisible as male growers fail to see them as being contributors to the cooperative.

The leader of "Las Dalias" is the daughter of Cooperativa Copan's president and someone I spent a lot of time with. She runs the *microempresa* (small business) and also helps with her father's coffee production. She even has her own *vivero* (nursery) of coffee plants in hopes of becoming a producer herself.

In fact, many women assist their male family members in growing, harvesting and processing their coffee with little recognition. The two oldest daughters of

Cooperativa Copan's president run the *cafetin* where they serve coffee and give tours to tourists that come up from Copan. They also connect with the language schools in Copan to set up volunteer activities with some of the students. Both daughters are often present for important meetings, though they only listen indirectly as they serve snacks and beverages to attendees.

The president's oldest daughter was also considered a good candidate for learning how to be a professional coffee taster at a workshop FLO was putting on in April 2008. With her university experience, she could expand this area of the cooperative. She may even be a good candidate to learn English and give more extensive tours of their coffee farms to tourists. But leaders dismissed her as an option, even though she was interested, because she was not a true member of the cooperative.

There needs to be more work done with groups like the Dalias and women in cooperatives. I found that these women struggle to find an identity within the cooperative and the community and are stalled in their efforts by existing social relations in coffee production that favor their male counterparts. I was unable to focus more attention on understanding these relationships during my study period in Copan though it remains an important future endeavor.

In conclusion, the Fair Trade movement needs to ask itself what it should do to substantiate its claims regarding benefits to *all* producers including women. Future research should explore issues of producer development, accountability, and competition in the consumer market. What are potential strategies the movement could take as it encounters competition with other approaches to ethical trading that are become more visible in the marketplace?

The overlapping yet distinct alternative trade outlets (e.g., Oxfam, traidcraft, equal exchange, IFAT) reflect “the diversity of Fair Trade’s origins and contemporary profile” (Barrientos et al. 2007:53). Equal Exchange adopts parallel principles to those articulated by FLO as growers sell their coffee via the NGO, but Equal Exchange also buys Fair Trade certified coffee to sell to its customers. As another example, IFAT, who claims they sell Fair Trade coffee based on reputation not a label, has made its own trademark to express their divergence from all that FLO stands for (Barrientos et al. 2007:54-56).

In the end, I find that organic and Fair Trade certification remains one critical component of how small farmers in Cooperativa Copan and the organization are achieving sustainability. With costs being one of the biggest constraints growers face, the Fair Trade system might open its doors to a larger body of marginalized producers by making entry more inclusive.

The tension building around Fair Trade’s purpose for the future is something I believe to be important for shaping how a diverse movement will reinvent its goals so it can move forward together down roughly the same path. In the end the movement must remain true to its original intention of keeping trade fair by joining the efforts of others in a broader movement for global economic justice. If not, empowerment of marginalized groups will continue to be uneven and somewhat limited.

CHAPTER XI

CONCLUSION

In this thesis I have highlighted social, political, and economic relationships that constitute the global coffee industry and the many links between points of production and consumption. I have shown how these relationships have shaped the evolution and organization of the coffee trade (within specific cultural and historical milieus).

I hope I have thereby contributed toward an understanding of coffee's role in society, the conditions of growers who produce it, and the relationship between market-based economics and politics as they affect small producers.

I have explored the coffee value chain, patterns of consumption, producer strategies and adaptations, and the increased globalization of trade to inform my discussion of Fair Trade and the meaning of alternative markets for disadvantaged growers. This has been done partly by highlighting the friction that exists between Northern and Southern participants in the coffee value chain.

My thesis emphasizes several important trends: 1) the fragmentation of the coffee supply base as new growers enter the market; 2) increased concentration in the roasting and international trading segments of the coffee value chain; 3) market liberalization and the loss of market power for producing countries; 4) emergence of futures markets and coffees sold based on graded quality attributes; and most importantly

for this study, 5) the recent differentiation of consumption and the emergence of Fair Trade and other sustainable coffees.

My research was intended to reflect local realities of coffee growers and the implications of Fair Trade's impact on families of Cooperativa Copan. To borrow from Kees Jansen (1998:23), I used Cooperativa Copan as a local case study of "how different constellations of class practices, production systems, farmers' strategies, and political outcomes are produced and how, time and again, they shape agrarian change."

Fair Trade Research Findings: Measuring Impact

This section provides a summary of the overall impact Fair Trade has had on Cooperativa Copan. It reviews both the positive impact the Fair Trade network has had on growers, and what growers found to be overall difficult. On the whole, my research suggests that Fair Trade has proven to be a key contributor to sustainable income-generating strategies and socio-economic stability among rural, small-scale farmers in Copan.

The three most important benefits growers feel they receive from Fair Trade so far have been 1) higher prices related to certification and access to alternative markets; 2) knowledge and application of improved farm and natural resource management (especially organic methods); and 3) access to low-cost credit.

In the case of Cooperativa Copan, I argue this has only been made possible by the development support from NGOs and Fair Trade networks (social capital). Accumulating social capital of this kind is a critical factor in achieving sustainable development in a reconfigured coffee economy. With training and development

assistance, farmers have learned how to tap into market opportunities and improve their production.

Access to Fair Trade and organic markets has resulted in higher prices for Cooperativa Copan. Farmers consider this to be the single most important aspect of Fair Trade. Directly linked to this is the advantage of selling internationally and having a secure minimum price in the marketplace if they succeed in selling through Fair Trade outlets.

My observations also suggest that the development successes attributed to Fair Trade have everything to do with efforts farmers put into organizing locally and being able to access markets for certified coffees. Similar to Bacon's (2004) results with Nicaraguan small-scale coffee growers, it is the cooperative that is the primary intervening variable affecting prices received at the farm gate. Farmers not formally organized cannot produce the volume of coffee that is needed to fill a container (275 sacks) to sell through certified markets.

It appears that the difference between successful and unsuccessful cooperatives is in the importance of "historical struggles, [and of] effective local organizations and the networks they create to take advantage of these alternative markets" (Bacon 2004; see also MacDonald 2007). Interactions with initiatives like Fair Trade have contributed to new opportunities for producer cooperatives like Cooperativa Copan to improve well-being among its members.

Access to low-cost credit was another benefit of Fair Trade for farmers. With high costs of processing coffee, having capital to pay for their harvest has been critical to

growers, particularly those in communities with less household resources (i.e., El Tigre, El Rosal).

The indirect benefits of Fair Trade could be characterized as icing on the cake. Higher premiums give farmers a financial cushion for paying off debt and funding projects for the cooperative that would otherwise not be realized (e.g., cooperative exchanges, workshops, tools to make their own organic fertilizer, new elevated solar coffee driers).

Farmers also commented that Fair Trade was important to them because they are able to obtain new information from other cooperatives and FLO concerning the international market, production techniques, marketing skills, and administrative strengthening.

Though it is true growers find organic production rules to be strict and often difficult to comply with, learning organic methods was cited more often than not as being important by farmers. Several growers said they must keep many promises in organic production but that the hard work maintaining their *fincas* pays off with higher prices and international sales. One farmer expressed what many articulated about the love-hate relationship they have with organic production: “more work but more soil nutrients and less contamination.”

Some growers found it hard to adjust to organic production, especially because it yields less. Others found the transition easier because of the technical assistance they received from local NGOs and Biolatina. Members of both groups though said to me that being organic meant better quality coffee, better management of forests, water and crops, and better health.

What has been most challenging for the cooperative is learning how to apply the skills they've been taught to improve their capacity as a business so they can improve the livelihoods of their families. Overall, within Cooperativa Copan, I found that the top three barriers growers faced in entering Fair Trade markets have been 1) upholding strict regulations in organic/Fair Trade certification; 2) not being able to sell all their coffee through Fair Trade channels; and 3) the costs farmers incur during certification and organic production.

Also, to keep this story true and balanced, Cooperativa Copan's success does not negate the fact that there is a small group of discontented poor farmers in the cooperative who feel their concerns are not always heard. One grower told me his spirit was broken. He is not connected well with other members, he does not get the support he needs, and his family simply has not benefited.

Furthermore, although participation in alternative markets has reduced the exposure and hence vulnerability to low coffee prices in the market, the costs of accessing these markets appear to offset the rewards of certification for some growers struggling in the transition. Growers in the poorest class of the membership spectrum have benefitted little if at all from being in the cooperative because they have very little coffee to produce, difficult access to cooperative processing tools, and are not able to meet cooperative requirements.

Newer members who are still transitioning to organic certification find it difficult to adjust to requirements, mostly because it is more labor intensive but the crop yields are less. More established members will attest that being organic, Fair Trade producers gets easier with time. Once growers learn how to comply with regulations on

the farm and get through the initial years of adjusting, the long-term benefits outweigh the challenges both for their farms and their pockets.

The next section reviews the transformative changes which have occurred over a seven year period among a particular group of cooperative members. The discussion leads into an overview of the cooperative's successes and challenges, and a consideration of how influential Fair Trade has been in these changes.

Cooperative Transformations

Understanding that many farmers had gone through a progressive realization of their own development as growers and as a cooperative, I thought it useful to look at what changed from Cooperativa Copan's first year as a cooperative (2001) to their last harvest while I was in Copan (2008). Particularly, I wanted to clarify the obstacles growers faced in 2001 and compare them with new kinds of obstacles that had possibly surfaced as of 2008. Are there important similarities or differences in the challenges and achievements cooperative members experienced in 2001 and 2008?

To make these comparisons, I have been fortunate to borrow data from fellow anthropologist William Loker, who did extensive work with Cooperativa Copan during the 2001 harvest.

In 2001, growers in the cooperative expressed problems with transportation, not having enough capital to pay for labor, no credit or high credit from the cooperative, no technical assistance and significant problems in selling coffee as a cooperative (Loker and Donovan n.d.). In 2008, problems were still present in relation to transportation, and not enough available credit and technical assistance. But the cooperative significantly

improved their ability to sell their coffee, and growers commented more confidently on the benefits of Fair Trade and being in a cooperative.

As far as changes in production, newer members (as of 2008) have contributed a significant amount of coffee produced under the cooperative's name. Six out of nine producers of Cooperativa Copan who have 20 *manzanas* or more were newer members from Comayagua with coffee in transition to organic. As the table shows below, the range of coffee produced by members increased to include growers with between 20-40 *manzanas* of coffee land and greater than 40 *manzanas* of land. More generally, the range of land devoted to coffee among cooperative members has shown an overall increase in the seven years (see Table 7).

TABLE 7. Comparison of Cooperativa Copan coffee production 2001-2008.

Range of Coffee in Manzanas in 2001 (N=27)		Range of Coffee in Manzanas in 2008 (N=38)	
40 mz+	0%	40 mz+	5% (n=2)
> 20-40 mz	0%	> 20-40 mz	18.4% (n=7)
> 10-20 mz	7% (n=2)	> 10-20 mz	13% (n=5)
> 5-10 mz	22% (n=6)	> 5-10 mz	13% (n=5)
> 2-5 mz	33% (n=9)	> 2-5 mz	24% (n=9)
> 0.5-1 mz	37% (n=10)	> 0.5-1 mz	26% (n=10)

Further reflecting the significance of this change, when growers gave cooperative leaders rough estimates of how much coffee they would each produce for the season, only one Copan farmer said he would produce over 100 *quintales* (10,000

pounds) of dry parchment coffee (6.25 percent of all members who stated estimates). In comparison, nine growers from Comayagua said they would each produce over 100 *quintales* of coffee for the season (31 percent).

As part of my goal, I also talked with growers who had been present in the cooperative in 2001 and 2008. According to what these farmers told me, each of them produced 100 percent of their coffee in cultivation organically during the 2007-2008 harvest.¹ Only about half (55 percent) of the same growers did so in 2001 (see Table 8).

TABLE 8. Coffee production changes among members present from 2001-2008.

Producers in 2001 (n=11)			Same Producers in 2008 (n=11)		
Manzanas of Coffee in Cultivation	Manzanas of Organic Coffee	% of Coffee that is Organic	Manzanas of Coffee in Cultivation	Manzanas of Organic Coffee	% of Coffee that is Organic
20	5	25%	20	20	100%
12	7	58%	10	10	100%
3.5	3.5	100%	3.5	3.5	100%
9	9	100%	8	8	100%
8.5	8.5	100%	2	2	100%
8	4	50%	6	6	100%
3	3	100%	3	3	100%
1	1	100%	1	1	100%
1	1	100%	1	1	100%
1	0.5	50%	1	1	100%
0.9	0.5	59%	1	1	100%

¹ Other data I gathered on production records appeared to conflict with what members told me directly. There were about 5 members who appeared to have more land in coffee according to perhaps unreliable cooperative documents. This may indicate land they will use for coffee at some point but which is not in cultivation. This would clear up the discrepancy.

Also, as Table 8 shows below, although these growers increased the amount of organic coffee produced from 2001 to 2008, I found that four growers actually decreased the amount of coffee they had in cultivation from 2001-2008. This might be attributable to focusing energies on organic production methods which are more labor intensive.

Drawing from what I have learned about the cooperative's development and their relationship with Fair Trade, I ask: how long does it take for a small-scale Fair Trade certified cooperative to experience worthwhile rewards of certification? What can the cooperative say are its accomplishments now that they have eight years of experience? How much of their success can be attributed to Fair Trade?

It took the cooperative five or six years to finally accomplish what they expected to be the greatest pay-off of being Fair Trade- selling 100 percent of their coffee internationally at Fair Trade prices. Whether this is a normal length of time growers experience while acclimatizing to the challenges of entering the Fair Trade market is unclear.

What I do know is that despite the limitations that are still a concern, growers' feelings about Fair Trade suggests they are happy with the results so far. In working with Cooperativa Copan, I believe that the key to succeeding in alternative markets is in understanding first and foremost as farmers that the initial investment into certification will not result in immediate monetary gains. As the leaders of Cooperativa Copan have witnessed and had hoped for, the long-term rewards of Fair Trade come further down the road. They are realizing that Fair Trade has in many ways become a more stable and sustainable investment that is helping them improve their livelihoods as long as they are

willing to commit to its rules and ethics. How long they can sustain the benefits rests on convincing other newer members to invest in the future, keeping the commitment level high, and helping all members resolve the constraints faced in Fair Trade certification.

If the Cooperative's achievements and goals for the future as of 2007-2008 can be reduced to lists, perhaps these are what they would look like as shown in Table 9.

TABLE 9. Cooperative achievements and challenges.

ACHIEVEMENTS	CHALLENGES/GOALS
Becoming a cooperative	Higher degree of organization
Benefits of selling coffee collectively	Full completion of FLO/Biolatina norms
Purchase of coffee dryer	Improved bookkeeping/ records
Building a warehouse, patio, <i>cafetin</i> and office	Improving member meeting attendance
Direct international export	Increasing member meetings
Organic certification/ conservation methods	Improving leader-member information flow
Fair Trade certification	Earning trust from outside members
Access to credit/economic resources	Increasing female membership
Cooperative exchanges/tours	Higher degree of coffee/production quality
Local/regional/int'l support & trainings	Importance of organizational legal proceedings and internal norms
Higher alternative market prices	Increasing knowledge of coffee value chain
Dalias del Campo women's organization	New diversification plans
Administrative leadership strengthening	Permanent production technician
Increased membership	Quality control facility/ professional cupper
Increased production & sales	Direct license to export
Sold 100 percent of coffee through Fair Trade, Organic outlets	Helping poorest members
Website through IHCAFE	Decrease dependence on administrator
Wireless internet, photocopier, computer	
Paid off cooperative debt 2007-2008	
Decreased dependency on external funding	
Improvements in planning/contacting buyers	
Improvements in organic certification	
Understanding market structure/swings	
Purchased cooperative vehicle 2009	

How much of their accomplishments can be attributed to Fair Trade? I would argue that strong local institutions and the development of national and transnational social networks appear to be important for ensuring the benefits growers receive from Fair Trade. But growers have also gained organizational skills and forms of social capital through their involvement with Fair Trade. This represents one of the most important long-term contributions of Fair Trade for Cooperativa Copan and others (see Sick 2008; Murray et al. 2006; Bacon 2004).

Local and regional NGOs and other cooperatives are often part of the Fair Trade network, and FLO deliberately works with local groups because they are best suited to serve the community. I would not say that Fair Trade played a stronger role in Cooperativa Copan's development than OCDIH or local NGOs, because I think that both efforts (often interwoven) were equally instrumental in the initial emergence of the cooperative around 2000.

Overcoming a period of low international coffee prices and an inability to export through Fair Trade channels initially, Cooperativa Copan has shown that small-scale producers can compete in a global coffee economy with the support of alternative trade policies that foster not only their financial growth but also growth as a community. The cooperative seems to have a clear understanding of what they need to focus on for a stable future; over the years they have prioritized technical and organizational trainings and have become vital leaders in their local context. They have also learned about the instability of global markets and the importance of alternative trade networks in increasing their economic security. Their goals should continue to focus on helping their poorest members, increasing female membership, clarifying the role of the administrator,

improving how data and information are organized and distributed, and improving coffee production quality and sales.

The questions underpinning the significance of Fair Trade within the international coffee market are more complex than this paper or existing literature suggests and larger, more difficult questions are being confronted by Fair Trade scholars and development agencies as the movement continues to evolve.² There are many more relevant points to make that I cannot resolve in this paper (e.g., gender issues, governance issues, and expansion issues in Fair Trade).

Shifting Boundaries: The Future of Fair Trade

Increasingly, Fair Trade is being drawn into the nexus of reforms and movements in the global South regarding food sovereignty and economic solidarity. The future of Fair Trade is being shaped by its cooperative advocacy with larger social and trade equity movements, and its position within the shifting boundaries of economy, state, and civil society.

In reality, Fair Trade and other initiatives have limited power to influence broader social conditions. These limitations stem from difficulties in effectively shaping decisions made within the boundaries of transnational supply chains (MacDonald 2007:801). They share this responsibility- influencing change in trade governance- with other actors within and beyond the Fair Trade system (e.g., governments and non-state entities related to rural development). This in turn reflects Fair Trade's still somewhat

² A good example of Fair Trade research being done is the Fair Trade Research Group out of Colorado State University. www.colostate.edu/Depts/Sociology/FairTradeResearchGroup

limited ability to achieve larger advances in producer well-being and, redressing power imbalances between North and South.

One of the main concerns continues to be the ambiguous concept of fairness. What constitutes fairness, and how will it be re-interpreted as the movement expands into new contexts? More research needs to be done on the relationship of large corporations and Fair Trade, how the benefits of Fair Trade can be sustained over time on many different levels, and on how to incorporate more farmers (especially women) and other sectors into the Fair Trade market. In sticking with the traditional “small farmer” vision of Fair Trade, other groups—seasonal, and women workers for example—are still excluded, which further reflects the debates that accompany the expansion of the movement. Most importantly, this highlights the necessity to accommodate a higher degree of producer participation in administrative decision-making within the movement (see Lyon 2006:453, 458).

In looking forward, scholars also warn against overstating the accomplishments of Fair Trade consumption (Fridell 2006:14; Hudson and Hudson 2003:422; Lyon 2006:453). The structures and powers that have created inequality are political and require collective action (Hudson and Hudson 2003:422). The Fair Trade movement’s reliance on individual purchasing decisions by northern consumers weakens the market’s transformative potential, particularly in collectively dealing with environmental and social problems (Fridell 2006:14; Hudson and Hudson 2003:422; Lyon 2006:458).

In this context, FLO needs to make clear priorities regarding their commercial (market) and development (movement) interests to preserve the viability and legitimacy

of Fair Trade. Large companies have provided the scale to make Fair Trade more visible, whereas 100 percent Fair Trade companies and organizations have continued to set the standard and push new boundaries in fairer trade practices.

Because globalization persists in building a world of investments and international finance that neglects the protection of human rights and equitable trading relations, there ought to be systems of governance and regulation similar to Fair Trade to mitigate these negative conditions. “The promise of re-embedding trade into a social value system is matched by the challenges and contradictions involved in attempts to infuse 21st century capitalism with social and ecological justice” (Bacon 2004:508).

Fair Trade has shifted its emphasis from primarily working to further local development and social justice goals to a domain of transnational corporate traders. As Fair Trade confronts the challenges of governance in a global trading context, it would be helpful if policy reforms, with funding and implementation support from local government and from bilateral and multilateral institutions, also encouraged sustainable coffee production in coffee growing countries.

In conclusion, Fair Trade has proven to be a viable alternative economic development strategy for Cooperativa Copan. Rather than being a radical challenge to conventional trade, the network within Fair Trade appears to be helping certain groups like Cooperativa Copan enter the global coffee market on better terms. It has also worked to bring forward, to some extent, information about the process of trade that conventional trade does not. I hope that the constraints growers still face, which include costs of certification and Fair Trade entry, will be resolved in time, as Fair Trade continues to

reinvent itself in its dual roles- as both business model and development network- for the betterment of the movement and for disadvantaged producers worldwide.

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APPENDIX A

Cooperative Principles and Objectives Regulated by IHDECOOP

Principles

1. Joining and leaving is voluntary, must abide by legal norms.
2. Democratic control, you have the right to vote, and the vote counts.
3. You are entitled to limited interest loan fixed annually.
4. Distribution of surplus is in proportion to each members' operations/production with the cooperative.
5. The cooperative is politically, ethnically and religiously neutral.
6. Foster member education.
7. Encourage and support member integration.

Objectives

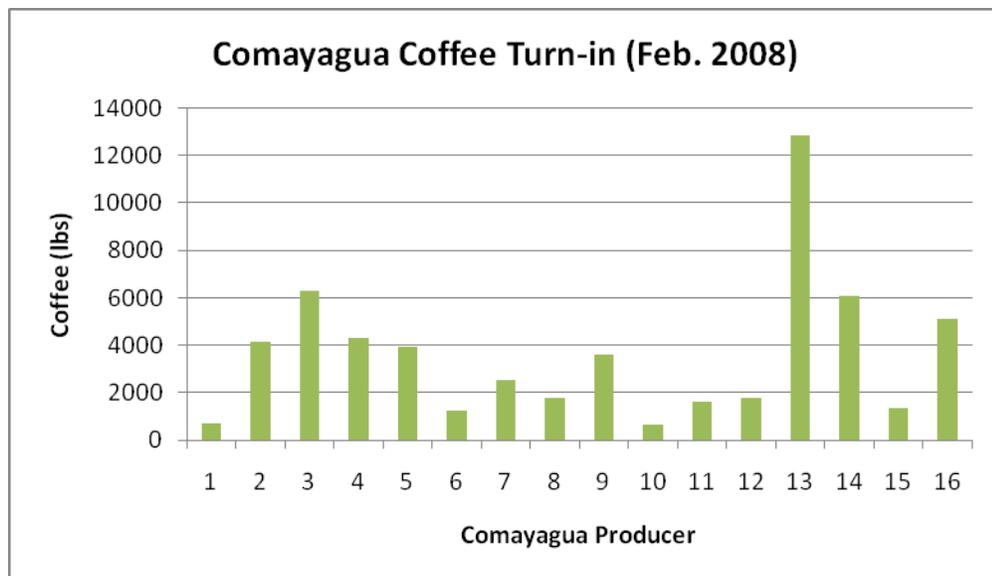
1. Improve the social, cultural and economic conditions of members and the community.
2. Increase member patrimony by means of better/increased production and productivity, stimulate savings, investment, work, and a healthy use of resources.
3. Improve livelihood conditions through appropriate and rational exploitation of the earth.
4. Manage financial resources and use wisely state or private organizations to help improve Productivity and production levels.
5. Encourage expansion and movement of members to higher levels of integration
6. Manage natural resources appropriately. Agricultural growth should be under a sustainable development foundation.
7. Look for the best ways to market and sell product to get the best prices encourage social property of the co-op and encourage education. (p. 9)

Confederación Hondurena de Cooperativas, Ltda. (CHC)
Ley de Cooperativas de Honduras y su Reglamento
Tegucigalpa, 1997 9th edicion

APPENDIX B

**Example of Coffee Turned in at CAFFEX
Exporting Warehouse, February 2008**

Comayagua Producer	# of sacks turned in	Total pounds turned in	Avg. pounds per sack
1	6	707	118
2	32	4,120	129
3	49	6,296	128
4	34	4,307	127
5	30	3,903	130
6	10	1,241	124
7	20	2,548	127
8	14	1,793	128
9	27	3,631	134
10	5	641	128
11	13	1,645	127
12	14	1,763	126
13	100	12,818	128
14	51	6,102	120
15	11	1,334	121
16	40	5,093	127
CAFFEX Total	424	53,736	127



APPENDIX C

Proposal by Cooperativa Copan for an Organic Fertilizer System Including Costs and Timeline (2007-2008)

Source: Cooperativa Copan administrator, conversation with author, February 19, 2008.

#	Proposed Activity	Proposed Cost (\$US)	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
1	Materials and Construction of two compost receptacles	\$55	X	X				
2	Tools to make fertilizer	\$13		X				
3	Materials to make fertilizer	\$300		X	X	X	X	X
4	Materials to construct 7 medium sized, dome-shaped solar driers	\$55	X	X				
5	Materials to construct 6 small sized, dome-shaped solar driers	\$30	X	X				
6	Purchase and install wireless internet and Cooperative phone	\$105		X	X			
7	Purchase a photocopier	\$45		X				
8	Office materials and furniture	\$66		X				
9	Reports	\$5						
10	Evaluations	\$13						
11	Hiring personnel	\$175						
	Total	\$862						

Presupuesto y cronograma de ejecución:

Cronograma de actividades.

#	Actividades	I mes	II mes	III mes	IV mes	V mes	VI mes
1	Compra de materiales y construcción de 2 galeras	X	X				
2	Compra de herramientas para elaboración de abonos.		X				
3	Compra de materiales y elaboración de abonos		X	X	X	X	X
4	Compra de materiales y Construcción de 7 secadoras solares tipo domo, medianas	X	X				
5	Construcción de 6 secadoras solares tipo domo pequeñas	X	X				
6	Adquisición e instalación de internet inalámbrico y teléfono en sede de la cooperativa.		X	X			
7	Compra de fotocopidora		X				
8	Compra de materiales y mobiliarios de oficina.		X				

Presupuesto en \$S.

#	RUBRO	TOTAL
1	Compra de materiales y construcción de 2 galeras	1060.00
2	Compra de herramientas para elaboración de abonos.	250.00
3	Compra de materiales y elaboración de abonos	5500.00
4	Compra de materiales y Construcción de 7 secadoras solares tipo domo, medianas	1060.00
5	Construcción de 6 secadoras solares tipo domo pequeñas	500.00
6	Adquisición e instalación de internet inalámbrico y teléfono en sede de la cooperativa.	2000.00
7	Compra de fotocopidora	800.00
8	Compra de materiales y mobiliarios de oficina.	1250.00
9	Informes	100.00
10	Evaluación	250.00
11	Contratación de personal	3265.00
	TOTAL	16035.00