



Coffee, Farming Families, and Fair Trade in Costa Rica: New Markets, Same Old Problems?

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# RESEARCH REPORTS AND NOTES

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## COFFEE, FARMING FAMILIES, AND FAIR TRADE IN COSTA RICA New Markets, Same Old Problems?

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*Abstract: Fair-trade networks have been working to temper the inequities and uncertainties facing small-scale artisans and farmers and to provide them with more secure and livable incomes. Drawing on earlier research in 1991–1993 and a brief pilot study in 2006, this research note examines farmers' perceptions of the benefits and drawbacks of production for fair trade in three coffee-producing regions in Costa Rica. While the fair-trade movement has made significant headway in bringing social and environmental concerns to the marketplace and in providing farmers with guaranteed minimum prices for their coffee, farmers' reactions to production for fair trade indicate a number of problems that farmers and fair-trade cooperatives are facing in their efforts to reap the potential benefits of fair trade. As currently structured, fair-trade markets alone do not adequately address the needs of small farming families in Latin America.*

### INTRODUCTION

Small-scale family farmers throughout the world have long struggled with the dilemmas of production for international commodity markets. State policies, the lure of potential booms, and lack of viable alternatives have drawn millions of family farmers into the world of export commodity production. Although export commodity production at times provides small producers with new opportunities and the potential to improve their standard of living, global markets are also fraught with perils. Small-scale

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farmers must contend not only with the uncertainties of Mother Nature and the boom-and-bust cycles in commodity prices but also with limited economic resources and political power; they are typically at a disadvantage in global markets and often receive relatively low prices for their products. As a result, they may be forced to sell their lands or migrate in search of temporary employment when market prices fall below the costs of production (Sick 1997, 1999).

Since the mid-twentieth century, various alternative trade movements, of which fair trade is perhaps the most well known, have been working to temper the inequities and uncertainties facing small-scale artisans and farmers. In the past ten years fair-trade organizations (FTOs) have made significant headway in establishing an alternative market in which social and environmental concerns play a key role in establishing the value of commodities—most notably of coffee. Theoretically, premium prices that socially and environmentally conscious consumers pay help small and disadvantaged producers earn higher and more reliable incomes from commodity production (Fair Trade Federation [FTF] 2003). For many small-scale producers, scholars, and socially conscious consumers, fair trade (FT) provides an appealing alternative to the “ecologically and socially destructive practices” that characterize conventional, corporate-dominated world markets (Murray and Reynolds 2000, 66; Renard 1999; Simpson and Rapone 2000).

For the millions of small-scale farmers and artisans in Latin America who produce coffee and other commodities for global markets, FT and other alternative markets offer the hope of earning livable incomes and the means of improving conditions within both their households and their communities. Yet while FTOs do offer hope for struggling family farmers and socially conscious consumers, whether FT can provide viable and sustainable economic and social benefits for small producers not found in conventional commodity markets is as yet unclear. The relationship of FT to the conventional coffee market is highly complex, raising questions as to whether and/or how FT can achieve its ambitious economic, social, and environmental goals. As Murray, Reynolds, and Taylor (2003, 1) note, “the answers [are] more ambiguous” than much research recognizes.

Drawing on a pilot study conducted on perceptions of FT in three coffee-producing regions of Costa Rica in 2006, here I examine farmers’ responses to the current coffee crisis and the role of FT in current production and marketing strategies. The problems facing small-scale farmers in Costa Rica today are much the same as those I found facing coffee farmers producing for the conventional market in the early 1990s (Sick 1999). Farmers’ perceptions of production for FT as a way out of the commodity conundrum appear to be shaped by a number of structural factors within both farming communities and FT itself.

## COFFEE AND FARMING FAMILIES IN COSTA RICA

Since the beginning of the nineteenth century, coffee production has played an integral role in national economic policies throughout Latin America (Brockett 1990; Cambranes 1985; Paige 1987; Roseberry 1983). As a crop with potentially high value that is relatively easy to produce and store (Mwandha, Nicholls, and Sargent 1985), coffee has dramatically altered the lives of hundreds of thousands of small-scale farming families. Historically, the specific impacts of coffee production on smallholders and laborers have varied from region to region (Sick 1999; Williams 1994), but the periodic booms and busts associated with production of this volatile agricultural commodity are known to all. The latest crisis, sparked by the failure of the International Coffee Organization (ICO) to reach an agreement in 1989 and the subsequent increase in world production, has been notably long and severe and Latin American producers are struggling to cope.

Compared to their counterparts elsewhere in Latin America, for the most part, small-scale coffee farmers in Costa Rica have fared well with coffee production. Although the Costa Rican state actively promoted coffee production to increase foreign exchange, it also supported small farmers' rights; facilitated the creation of producer cooperatives; and provided for social investment in education, health care, and infrastructure (Gudmundson 1986; Samper 1990; Sick 1999). Today, Costa Rica's economy relies more on tourism, nontraditional crops such as tropical fruits and flowers, and industrial exports like microchips (Hershberg, Monge, and Pérez 2003; U.S. Bureau of Public Affairs 2006) than it does on coffee.<sup>1</sup> Still, coffee remains the primary crop and significant source of income for more than seventy-eight thousand small-scale highland farmers, who produce more than 2.5 million quintals per year (Instituto del Café del Costa Rica [ICAFFE] 2007).

Like their counterparts elsewhere, for the past fifteen years, Costa Rican coffee-producing families have been contending with a fundamentally more competitive global market in which international coffee prices generally have failed to cover production costs. In Sarapiquí, Montes de Oro, and Pérez Zeledón, where I conducted this pilot study, farmers are dealing with the crisis in a number of ways. On an individual level, many farmers (primarily those who produce lesser-quality coffee in the lower elevations) have ripped out their coffee trees—an action that was unthinkable fifteen years ago. Frustrated with poor coffee prices, they have opted to plant other export crops like pineapple or to convert their coffee fields

1. Pineapple production has now surpassed coffee production to become the number-two agricultural export behind bananas (U.S. Bureau of Public Affairs 2006).

to pasture for dairy cattle. Many who ripped out coffee at lower elevations have planted (with funding from the Inter-American Development Bank) new fields of coffee at higher elevations, suggesting that hopes remain for quality-coffee niche markets.

Nevertheless, the decision to tear out years of investment in coffee is not an easy one; markets for new commodities are no more certain, nor are the risks of production lower (Sick 1997). For the most part, coffee-producing households in Pérez Zeledón (where I conducted my research in the early 1990s) have been attempting to weather the current downturn in the coffee market as they did in the past by diversifying and supplementing their incomes with wage labor. As before, this strategy typically involves short- and medium-term migration to urban centers in Costa Rica and/or the United States. The decisions are not easy. As one young farmer in Pérez Zeledón told me: "Coffee prices have been so bad that we can no longer support ourselves. I don't want to divide my family by going away to the [United States] to work. Maybe it is time to tear out my coffee and get dairy cattle like so many others are doing. But would raising dairy cattle be any better? I am a coffee farmer; that is what I know, and love to do. We don't need a lot, if I could just be sure of a certain income each year, that would be enough. It is this insecurity, not knowing, that is intolerable."

It is precisely this question of instability and providing livable incomes that the FT movement is attempting to address.

#### THE RISING FT MOVEMENT

With roots dating back to the 1950s, FT is perhaps the best known of a growing number of alternative trade movements that seek to challenge the logic of conventional commodity markets. As Paul (2005, 134) notes, fair trade "is at once a social movement, an alternative form of trade, and a development intervention" intended to change international trading practices; raise consumer awareness; and ultimately improve economic, social, and environmental conditions for marginal and disadvantaged producers (see also Brown 1993; Hudson and Hudson 2004). While the FT movement has also developed markets for a variety of commodities produced by small-scale farmers and artisans, to date, its greatest efforts have been in the realm of coffee, where the potential impacts are huge. Coffee is among the world's most heavily traded and valuable commodities; millions of small farmers worldwide rely on coffee production to support themselves and their families.

Sales of FT coffee account for a relatively small share of world trade but have rapidly risen in the past decade. In 2005, sales worldwide reached more than US\$1.5 billion, an increase of 37 percent from 2004 (Fair Trade Labelling Organisations [FLO] 2006). This growth is the result of increasing awareness on the part of consumers and the growing social cachet of

FT products. As consumers in the North become more aware of the plight of small-scale farmers and artisans, increasing numbers of social organizations and institutions have adopted policies to encourage their members to use only FT products (e.g., many college campuses, British Parliament, and Quebec National Assembly). Increasingly, global corporations, such as Starbucks, are also heeding growing public demand and offering FT products. As one journalist puts it, fair trade is in vogue (Karneef 2005). Coffee continues to claim the largest share of FT sales, but bananas and other fruits, as well as textiles and crafts are also gaining ground.

Fair trade attempts to address the problems of market inequities and uncertainties facing small-scale producers in a number of ways, the most significant being a commitment to return a larger proportion of the retail value of the product to producers, thus providing a fair living wage for workers and a living income for small producers. For coffee, producers receive a guaranteed minimum price of US\$1.26 for washed arabicas (good-quality coffee) when world prices are low, and a guaranteed premium of above the world price when it reaches above this minimum. Although environmentally friendly production practices are not a requirement of FT per se, organic farming and other environmentally sustainable practices are increasingly encouraged and farmers receive an additional premium for certified organic coffee. At the time of this research in 2006, premiums were US\$0.05 per pound for conventionally produced coffees and US\$0.15 per pound for certified organic coffee; these premiums increased to US\$0.10 and US\$0.20, respectively, in March 2007 (FLO 2007a).

Second, buyers must also commit to longer partnerships with coffee producers so as to provide a more stable market and lower transaction costs for producers. Although earlier guidelines suggested a minimum two-year contract with producers, current FLO guidelines mandate only that FTOs strive for "mutually beneficial" long-term relationships (FLO 2007b).

Third, buyers are also obligated, when possible, to provide technical support and services and to facilitate access to reasonable credit (up to 60 percent of contracted harvest earnings) so as to help farmers avoid excessive debt with high-interest moneylenders.

Finally, FT certification is given to democratically organized cooperatives and producer associations rather than to individual producers. As with the Alliance for Progress initiatives that promoted the creation of agricultural cooperatives throughout Latin America in the 1960s, FT sees cooperatives as a means of providing small producers with economies of scale and a stronger, collective voice in the marketplace. Cooperatives are also seen as democratic organizations that incorporate more marginal producers, including women, and in which members have equal voting power, regardless of the size of their landholdings.

These FT principles and practices have made some significant contributions to improving incomes and reducing vulnerability for many small-

scale producers (Bacon 2005; Neigh 1997; Raynolds, Murray, and Taylor 2004) and in initiating new forms of governance in commodity production and marketing (Taylor, Murray, and Raynolds 2005). Some researchers argue that among the most important long-term contributions of FT are the organizational skills and other forms of human and social capital that small, marginal producers have gained through their partnerships with FTOs (Bray, Sanchez, and Murphy 2002; Raynolds, Murray, and Taylor 2004; Rice 2001; Ronchi 2002). Perhaps one of the most significant contributions of FT has been to draw social concerns into the global marketplace and to create a market space in which small-scale producers hold an advantage over larger producers and multinational corporations. For many thousands of family farmers worldwide still struggling to earn a living from coffee production, FT offers the hope of a sustainable livelihood. Nevertheless, assessing the impacts of FT on family farmers is not a straightforward matter.

Despite rapid growth over the past ten years, FT and other alternative trade markets remain relatively small and production frequently exceeds demand. Consequently, FT-certified producers are still often obliged to sell much of their crop on the conventional market. Attempts to increase sales by operating more within the conventional market have raised concerns about original goals being undermined (Taylor 2005). In addition, recent research has begun to raise a number of questions regarding issues of sustainability, economic effectiveness, and equity in FT initiatives (Blowfield 1999; Levi and Linton 2003; Meacham 2003; Murray, Raynolds, and Taylor 2006; Mutersbaugh 2002; Rice 2001; Thomson 1995). Other research has shown that FT prices are not always significantly higher than conventional market prices and that some producers find the stringent certification requirements related to FT production unduly burdensome (Moberg 2005; Shreck 2005).

#### FARMER PERCEPTIONS OF FAIR TRADE IN COSTA RICA

To date, production of coffee for FT and other alternative trade networks in Costa Rica has been relatively low. Compared to other coffee-producing countries in Latin America (e.g., Peru, Mexico, Nicaragua), in Costa Rica, FT still accounts for a very small portion (about 1 percent) of overall coffee production.<sup>2</sup> The Consorcio de Cooperativas Cafetalera de Guanacaste y Montes de Oro (known as Coocafé), the country's oldest certified FT consortium, buys just 30,000 quintals per year of coffee from approximately 3,500 farmers, in 9 small producer cooperatives. But the number of FT-certified coffee producing cooperatives is growing. In addi-

2. Precise figures are not available. Estimate is based on Transfair (2007) and ICO (2006) data on FT and total coffee production in Costa Rica in 2006.



tion to the Coocafé consortium, five other coffee-producing cooperatives are currently producing FT-certified coffee.

Although much research has focused on FT as a social movement and on the ways in which FT has contributed to improving conditions for small commodity producers, in this pilot study, I wanted to gain an initial understanding of farmers' perspectives on the current coffee crisis and the role they see for FT in alleviating the adverse impacts of commodity production. To do so, I conducted semiformal and informal interviews with farmers and cooperative leaders and employees in three cantons in different parts of the country.<sup>3</sup> With 8,500 farmer members, Coopeagri in Pérez Zeledón, where I had also conducted research with coffee farmers in the early 1990s, is the largest and most dynamic of the three. Of the three cooperatives I examined, Coopeagri has the least involvement with FT, having received FT certification in 2005 only for coffee produced on an experimental farm in the Las Nubes Biological Corridor, which it operates in conjunction with a Canadian university. Coope Montes de Oro, in northern Puntarenas Province, has 550 members and has been part of Coocafé since 1983. CoopeSarapiquí, in central Heredia Province, is the smallest of the three, with just 380 farmer members, but has the longest ties with FT, having been a member of Coocafé since 1969.

In an earlier study of Coocafé, Ronchi (2002) concluded that farmers were benefiting both financially and organizationally from their involvement in FT, but my discussions with farmers and cooperative leaders in the three regions revealed a wide range of experiences with FT and a number of concerns about producing for the FT market. Chief among these is the low demand for FT coffee. As noted previously, despite considerable growth in the past decade, the market for FT coffee is still quite small.<sup>4</sup> Thus, while FT pays farmers a consistent minimum above the conventional world market price, demand for FT coffee remains well below production from certified FT producers. Even with FT partnership agreements, most producer associations still must sell much of their coffee to buyers in the conventional market.

Low demand undoubtedly plays a significant role in limiting the ability of FTOs to create a viable alternative market for small-scale coffee producers, but low demand is not the only concern that farmers have with producing for FT networks. Discussions with farmers and cooperative

3. Semiformal interviews were conducted with cooperative leaders and *beneficio* (processing factory) employees in each of the three cooperatives. Farmers' perspectives on the current crisis and their understandings and perceptions of FT were obtained through multiple informal interviews with six coffee farmers and members of their families in the three regions. In addition, semiformal interviews were conducted with officials at ICAFE to understand better the role of FT in the Costa Rican coffee sector.

4. The need to increase demand is one reason the FT movement focuses heavily on consumer education.



leaders in Sarapiquí, Montes de Oro, and Pérez Zeledón suggest that a number of structural factors equally affect farmers' perceptions of the benefits of FT and its role in both their individual and collective production and marketing strategies.

The most common concern echoed by representatives of all three cooperatives was the cost of certification and marketing through the FT network. Certification has become a necessary tool to maintain consumer confidence, as it provides consumers with a visible assurance that the coffee purchased was grown according to specific social and environmental conditions. But currently producer cooperatives must bear the costs of ensuring that all their farmers meet the required standards and of paying for inspections. The monetary and other transaction costs of certification can be prohibitively high.

The costs of producing certified-organic coffee are the highest, but as noted previously, all producers must be certified as meeting minimum FT requirements. Because of increasing consumer demand for more environmentally friendly coffee, FT is now beginning to require all producers to meet certain minimum qualifications for what is termed "sustainable production."<sup>5</sup> Prices for sustainably produced coffee are higher than for conventionally produced coffee, for which there are few restrictions on chemical inputs. Nevertheless, there are added costs in terms of additional labor, processing, and certification, and yields are lower than for conventionally produced coffee.

Certification costs include not just the initial costs of inspection to ensure that member farmers meet basic social and production requirements but also add additional US\$2 per quintal produced, which FLO charges. Fair-trade producing and exporting organizations must cover their costs. According to one cooperative leader, Coocafé retains an additional US\$1.65 per quintal to cover its operating costs and US\$1.00 for each FLO coffee sack. Some farmers complained that, once these costs were deducted, FT-guaranteed minimum prices were not much better than conventional market prices.

In addition, there are the transaction costs related to monitoring farmers' fields to ensure that the environmental and social conditions of sustainable production continue to be met. Sanctioning non-compliers, one cooperative leader pointed out, is particularly difficult in smaller commu-

5. According to one cooperative's leader, as opposed to certified organic production in which no chemical inputs are allowed, with sustainable production, chemical fertilizers are allowed in limited amounts, herbicides are prohibited, and shade production is encouraged to improve soil conditions. Fair-trade prices for sustainably produced coffees are higher than for conventionally produced coffee (few restrictions on chemical inputs) but lower than for certified organically produced coffees. Yields likewise fall in between, with conventional fields producing about 60 fanegas per hectare; sustainable fields producing 30–40 fanegas per hectare, and organic fields producing 15–20 fanegas per hectare.

nities where nearly everyone is related by both consanguineal and affinal kin ties.

Production costs are another factor that farmers must consider. In Costa Rica, where the costs of living and labor are relatively high, farmers receive the same FT price for their coffee as do their counterparts in other coffee-producing countries where costs of living and labor are much lower.<sup>6</sup> With insufficient demand to absorb production, many farmers expressed frustration that they were not being adequately compensated for their efforts to meet social and environmental requirements.

Furthermore, although FT guarantees a minimum price above average world market prices, this is not necessarily the best price available. In today's competitive global coffee market, quality coffees are increasingly in demand. Buyers representing global firms roam the countryside offering higher prices to farmers who have better-quality coffees to sell (e.g., coffee grown at higher altitudes). Thus, contrary to agreements with their producer cooperatives and FT buyers, many farmers opt to sell their better-quality coffee to independent buyers at higher prices. The remainder of the crop is sold to local private or cooperative processors, who in turn sell to FT buyers and/or on the conventional market.<sup>7</sup>

The complexity of the relationship between alternative markets, such as FT, and the conventional international coffee market is apparent in the varied strategies that farmers in Sarapiquí, Montes de Oro, and Pérez Zeledón have devised to survive the current crisis. The role that FT plays in each of these strategies reveals both the potential and limitations of FT to help small-scale coffee farmers negotiate the continuing challenges of export commodity production.

For example, despite the fact that in 2005 Coope Montes de Oro was able to sell just 40 percent of its members' coffee at FT prices, farmers in this cooperative continue to see their FT partnership as an opportunity to produce for the more lucrative organic and sustainable production markets. To improve their position, they are exploring ways both to cut operating costs and to stand out as an environmentally innovative cooperative. Although wastewater purification tanks and coffee-husk composting are becoming standard features of coffee processors throughout Costa Rica, Coope Montes de Oro, through a partnership with a U.S.-based solar company, has also built one of the first solar-powered coffee-drying factories (as opposed to simple sun drying, as used by coffee producers in Colombia, for example) and is working to develop ways to convert methane gas

6. In 2004, Latin American FTOs raised this issue. At that time, the FLO voted not to increase FT minimum prices and premiums but to conduct a more extensive review in 2007 (Transfair 2004).

7. This problem plagues all coffee processors—private and cooperative, FT and non-FT, alike.

by-products to electricity to power its processing factory and offices. Such environmentally friendly innovations, it is hoped, will help to make their coffee more competitive within the increasingly differentiated alternative trade markets.

In Sarapiquí farmers are not so optimistic. Despite nearly thirty years spent producing FT coffee, many farmers in Sarapiquí have become disillusioned with FT. Several expressed their perspective as follows: "Fair Trade has not brought us a better income. It is still the same: those who really make money from our coffee are those who sell it cup-by-cup in the coffee shops in the North. That is where the profit is. We don't see it here." Although many in Sarapiquí have already converted their cafetales in the lower elevations to pastures for dairy cattle, many do wish to continue to produce coffee, but not for export—neither for FT nor for the conventional market. They plan instead to focus on the domestic coffee market. In particular, they plan to offer coffee plantation tours and to open coffee shops for the many tourists who pass through their town. This way, they argue, they can sell their coffee with higher value added, directly to visiting consumers from the North.

Coopeagri, with its long history of commitment to many of the ideals of social and economic justice that are also the foundations of FT, would appear to be a perfect candidate for FT. It has long paid farmers higher crop prices than the private processing factories and its 5 percent social capital fund is much like that mandated by FT. Yet, to date, FT has played but a very small role in Coopeagri's coffee production and marketing strategies.<sup>8</sup> Coopeagri representatives are pleased with the FT certification of the coffee produced on its collective experimental farm in Las Nubes Biological Corridor. One representative said that the group is considering the possibility of certifying the group of farmer members who produce coffee in and around the corridor (thus being able to include their coffee for sale at FT prices) but are reluctant because of the costs of certification.<sup>9</sup> Expanding certification to cover all farmer members who produce throughout the valley is more problematic, he explained. The costs of certifying thousands of producers, coupled with the low quantity of coffee that the FT network can absorb (he estimated about 5 percent of the cooperative's production), made it highly unlikely that the cooperative's entire coffee crop would be certified anytime in the near future.

As they have long done, the farmers of Coopeagri are continuing to deal with the problems of market volatility through strategies of diversi-

8. Coopeagri's sugar is fair-trade certified.

9. Currently, the FT-certified coffee produced on the Las Nubes experimental farm is collected and processed separately from the rest of Coopeagri's coffee. Leaders are currently debating the possibility of certifying only those farms immediately surrounding the corridor, in which case that coffee would be collected, processed, and sold separately as well.

fication and vertical integration (keeping intermediary transactions to a minimum).<sup>10</sup> In addition to its coffee-processing plant and sugar refinery, the cooperative now owns and operates the canton's largest chain of supermarkets, modern gasoline stations, and a credit union. In keeping with earlier strategies of pursuing more lucrative market niches for its members' coffee, it now classifies its coffee into four types with identifying brand names. At the moment, FT certification appears to be one of many diverse strategies geared toward stabilizing incomes in today's increasingly differentiated and highly competitive markets.

## CONCLUSIONS

For the thousands of farming families who continue to constitute the backbone of Costa Rica's rural economy, the impacts of the latest crisis in world coffee prices have been severe. Although the proposal of farmers in Sarapiquí to withdraw from export production to sell to domestic markets is perhaps one solution, it is unlikely to provide the answer for the majority of Costa Rica's farmers. The domestic market for agricultural goods is neither large nor lucrative enough to support more than a small portion of Costa Rica's farmers. Thus, the export market remains essential, and in this volatile and competitive environment, FT offers hope for the survival for small-scale coffee producers. It guarantees a minimum price for coffee, and small-scale farmers hold an advantage over large-scale producers in the market because, by definition, small growers produce FT coffee (and sustainable coffee in general).<sup>11</sup>

Nevertheless, FT is no magic bullet. While this research is still in the preliminary stages, the variety of farmer perceptions of FT in Sarapiquí, Montes de Oro, and Pérez Zeledón provides insight into not only the challenges faced by small-scale coffee producers and a worsening coffee crisis but also the challenges facing the FT movement in its attempts to build an alternative market that might more effectively address the needs of small-scale commodity producers.

Insufficient demand for FT coffee remains a significant problem, and farmers find certification a double-edged sword. In today's glutted global market, competition is keen not just among growers trying to sell their beans but also among sellers at the other end of the commodity chain who are searching for ways to make their coffees attractive to more consumers.

10. For example, Coopeagri has chosen to establish direct FT partnerships with York University (Canada) and Timothy's World Coffee rather than to sell through Coocafé or other FTOs.

11. Fair trade is now certifying large-scale producers of other commodities (e.g., tea, bananas) that rely on hired labor, as long as basic worker rights, wages, and working conditions are met, though this possibility has not yet been extended to large-scale coffee producers.

Certification becomes a reputation tool that provides farmers with a preferred supplier status and facilitates access to potentially more secure and lucrative niche markets (Muradian and Pelupessy 2005, 2039). In contrast, some analysts argue that voluntary certification systems have begun to impose on farmers a number of restrictions that have become “de facto market requirements” that are costly for farmers to implement and that do not always compensate them with price premiums (Muradian and Pelupessy 2005, 2039–2040).

Not surprisingly, financial compensation is a central concern for farmers. Although FT buyers do pay a guaranteed minimum price for certified coffee (not all alternative trade networks pay price premiums), with low demand for FT certified coffee, currently for many farmers overall profits do not always outweigh the costs of certification. Furthermore, FT does not reward farmers financially according to coffee quality the way that the conventional market does. Although FT attempted to create an alternative market that would operate outside the logic of conventional commodity markets, the fact is that the relationship between FT and conventional markets is intricate and complex. The conventional market continues to provide farmers with an opportunity to earn premium prices (even above guaranteed FT prices) for better-quality and estate-branded coffees. From this perspective, the FT structure of one global price for all coffees, irrespective of taste qualities, works to the disadvantage of the FT network when farmers surreptitiously sell their better coffee to non-FT buyers.

Farmers and producer cooperatives today face a highly competitive and complex global marketplace in which neither conventional prices nor the benefits of alternative markets like FT are stable, or even evident. Although many farmers in Costa Rica and elsewhere throughout Latin America have benefited from FT, the problems of farmers contemplating production for FT today are much the same as those that have long shaped the strategies of coffee farmers producing for conventional markets. Fluctuating coffee prices, production and marketing costs, available labor, and relative access to markets continue to shape farmers’ production and marketing strategies and their perceptions of FT as a viable strategy for meeting their goals.

The varied responses of farmers in Sarapiquí, Montes de Oro, and Pérez Zeledón suggest that local conditions play a role in how farmers calculate the benefits of production for FT. These include local ecological conditions that affect coffee quality (e.g., soils, altitudes), infrastructure and distance from markets, available economic alternatives, and the size of producer cooperatives. Consequently, farmers evaluate production for FT just as they have always evaluated production for the conventional market: in terms of the perceived costs, risks, and benefits stemming from both global and local factors. For many farmers, production for FT and other alternative

markets has, by necessity, become one facet of their complex production and marketing strategies.<sup>12</sup>

Despite these problems, the FT movement has been instrumental in challenging the structure of conventional global commodity markets and in attempting to compensate small farmers for the social and environmental value embodied in their crops. This is no small feat, as a growing number of consumers demand such values in their coffee purchases. Just as some producer cooperatives improved conditions for local farmers by providing competition to private processing factories (Sick 1999), the FT movement has created a competitive environment in which social and environmental concerns now matter in the marketplace. Although overall demand still remains low, competition among FT and mainstream buyers (e.g., Starbucks) for various niche-market coffees can benefit small-scale farmers in the long run.

Although this research is still in its early stages, and the small sample of farmers interviewed cannot be construed as representative of all farmers, this preliminary examination of farmers' perceptions of FT and the role that FT plays in their production and marketing strategies suggests that, in today's highly competitive international coffee market, the FT movement faces a number of structural challenges in its ability to provide small-scale coffee-producing households with livable, reliable incomes. Whether and how FT can address these issues remains to be seen.

This preliminary research raises a number of questions regarding the role of local factors, market mechanisms, civil society organizations, and state and international policies in creating conditions that allow small producers to survive and prosper. Fair trade aims to improve incomes and to bring broader social benefits and foster more democratic economic processes in communities reliant on commodity production. In Costa Rica, democratic processes, though not perfect, are deeply embedded in all levels of governance, and the state has been instrumental in providing widespread access to health, education, clean water, and other social benefits frequently lacking in many coffee-producing communities in Latin America. One might argue that FT attempts to fill a void left by the state in other regions. Whether market mechanisms regulated by international FTOs are the best manner of doing so, or whether state policies would have greater effect, is as yet unclear. Understanding the complex relationship between the increasingly regulated FT market and current neoliberal policies will require more in-depth and longer-term investigation.

12. Parrish, Luzadis, and Bentley (2005) found in a study of coffee producers in Tanzania that FT production does not always significantly improve farmers' incomes but, depending on specific market conditions, farmers can benefit from a combination of FT and free market approaches.



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