

# The World of Coffee

A holistic study of the socioeconomic and environmental implications of the many aspects of business within the world of coffee

By  
Lillie Lamm

Under the advisory of:  
Dr. Benjamin F. Timms

Socs 461 and 462

*A senior project in partial  
completion of a Bachelor of Science  
Degree in Social Sciences*

Social Sciences Department  
College of Liberal Arts  
California Polytechnic State University  
Spring 2011

## TABLE OF CONTENTS

	PAGE
TABLE OF CONTENTS.....	2
LIST OF FIGURES .....	4
RESEARCH PROPOSAL.....	5
ANNOTATED BIBLIOGRAPHY .....	6
OUTLINE.....	10
Chapter 1: Introduction.....	14
Chapter 2: Literature Review .....	18
A. The Chain.....	18
B. The Effect of Free Market Trading.....	20
C. Organic Coffee.....	23
CASE STUDY: Mayan Farmers in Chiapas Mexico.....	26
D. Fair Trade.....	28
E. Coffee Culture and the Starbucks Controversy.....	31
Chapter 3: Methodology.....	34
Chapter 4 Analysis.....	35
A. Results of Survey.....	35
B. Discussion of Results.....	38
Chapter 5: Conclusion.....	39
A. Summary.....	39
B. Moving Toward a Solution.....	42
APPENDIXES.....	45
A. Coffee Consumer Knowledge Survey.....	45

B. Informed Consent Letter.....	50
C. Statement of Purpose and Methods.....	51
BIBLIOGRAPHY.....	52

## LIST OF FIGURES

FIGURE	PAGE
FIGURE 1.1 Coffee Consumption Map .....	15
FIGURE 1.2 Coffee Production Map.....	16
FIGURE 2.1 Coffee Commodity Chain.....	19
FIGURE 4.1 Location of General Coffee Purchases.....	36
FIGURE 4.2 Coffee Attribute Importance Ratings.....	37
FIGURE 4.3 Importance Ratings on Fair Trade and Organic Items.....	38

## **Senior Project Research Proposal**

For millions of people around the world, their morning cup of coffee is an absolute necessity. A lesser known fact is that their caffeine addiction fuels the economies of dozens of countries in the developing world. According to the National Geographic the monetary value of coffee as a commodity is only surpassed but that of oil. For my senior project I plan to explore the world of coffee and its many economic and political implications.

First I will start by defining and differentiating between organic versus regular coffee—how each are grown and harvested—and examine consumer supply and demand for each. Next I plan to include a study on the fair trade industry and trace its affect on the world of coffee. There is a huge disconnect between producers and consumers not only in general knowledge of where their coffee is coming from but also in the unequal exchange between producing countries that grow and harvest beans versus countries that distribute and roast. This project will examine how consumption of different types of coffee in the western world affects local communities in which beans are grown. I plan to use my employment at Julian's Patisserie as a tool to conduct surveys on consumer knowledge of the subject and also to record data on which types of coffee are sold at the highest rates.

I will use this data to draw conclusions on the relationship between coffee bean farmers and consumers and how it can be best conducted. Being that coffee is such a huge part of the daily life of millions of people, I believe that the topic is worthy of exploring in detail. The ultimate objective of this project is to highlight the best ways coffee can be bought and sold with the most positive outcomes for both producer and consumer countries.

## Annotated Bibliography

Bacon, Christopher M., David Goodman, Stephen R. Gliessman, V. E. Mendez, and Jonathan A. Fox. *Confronting the Coffee Crisis: Fair Trade, Sustainable Livelihoods and Ecosystems in Mexico and Central America*. Cambridge, MA: MIT, 2008. Print.

*Confronting the Coffee Crisis* offers an interdisciplinary approach to the world of coffee and its particular effects in the region of Mexico and Central America. Several authors come together to illustrate the many aspects of the coffee crisis, possible solutions and real world case studies. Goodman first discusses the unequal exchange embedded in global coffee networks and how multinational corporations further impoverish producing countries in the free market. An assessment of agroecosystems and other coffee producing strategies are presented as ways to make coffee production more sustainable. The book attempts to not only explain the condition of small scale farmers on a socio-economic level but also to help ensure the survival of the vibrant communities in which coffee is grown.

Barham, Bradford L. "Fair Trade/Organic Coffee, Rural Livelihoods, and the "Agrarian Question": Southern Mexican Coffee Families in Transition." *World Development* 39.1 (2011): 134. Print.

This article compares the implementation of fair trade certification in a community in Southern Mexico and its long term financial effects. Although research does show that fair trade does guarantee a fair price that is higher without the certification, the drop in yields prove to be more influential than price premiums. The authors conclude that local communities benefit more from increasing access to other labor opportunities, education regarding management and labor productivity.

Clark, Taylor. *Starbucked: a Double Tall Tale of Caffeine, Commerce, and Culture*. New York: Little, Brown, 2007. Print.

Clark examines the Starbucks Corporation and the controversial perceptions about the company and its caffeine fueled rise to the top of the retail coffee industry. The book discussed the social aspect of coffee consumption in westernized countries and why the "coffee culture" is such a

social norm. It also investigates Starbucks' effect on producers from whom they buy their beans and their involvement and/or adversity to the fair trade industry. Ultimately Clark's opposition to the corporation is the diminishing effects it has on domestic communities within the United States.

Fellner, Kim. *Wrestling with Starbucks: Conscience, Capital, Cappuccino*. New Brunswick, NJ: Rutgers UP, 2008. Print.

Fellner investigates the Starbucks Corporation and its' struggle between rising to power as a multimillion dollar enterprise while attempting to maintain an image to social justice advocates. No doubt a cultural icon in the westernized world, Starbucks emulates not only a cup of coffee and a modern trend but also the maximization of corporate profits, consumerism, forced gentrification and the homogenizing of communities. By careful investigation, Fellner endeavors to answer whether the corporation truly attains its wealth at the expense of the global community. She concludes that Starbucks continually straddles the realm of capitalism and that of social activists in attempt to exist in both. This book is a prime example of the predicament of living in the United States under a constant pressure to conform and trying to be a conscious consumer of products shipped in from a world away.

Glazer, Sarah. Fair Trade Labeling, *CQ Researcher* 30. 2007, pp433-456

Glazer examines the fair trade industry and the real and potential effects on local communities. The fair trade label, while appealing to the "conscious consumer", ensures that the farmers receive a fair price for their goods though some critique it saying that consumers pay too high a price no matter what condition the market is in. The article compares purchasing statistics as well as general awareness tendencies between the United States and other European nations. This article is useful in the aspect that it answers the pertinent questions of whether fair trade makes a significant difference in the lives of small farmers and whether the certification is more important than trade reform.

Jaffee, Daniel. *Brewing Justice: Fair Trade Coffee, Sustainability, and Survival*. Berkeley: University of California, 2007. Print.

Brewing justice explores the fair trade industry and its benefits and limitations. Fair trade is both a social movement and a restructuring of the world market. Jaffee uses specific case studies from his research with Latin American communities, NGO workers, activist groups and directors of certification organizations to analyze the industry's effectiveness in bettering the world market of coffee. While he argues that fair trade does implement changes that improve the lives of many, particularly in his study in rural Mexico, Jaffee stresses the need for a global understanding of the nature and purpose of the international fair trade movement. He gives an analytical discussion of the history of markets, addresses the issue of sustainability and ecological degradation and examines the effectiveness of consumer activism in consuming countries. *Brewing Justice* is a prime source of literature for my research because it addresses both sides of the argument for the fair trade industry.

Martínez-Torres, Maria Elena. *Organic Coffee: Sustainable Development by Mayan Farmers*. Athens, OH: Ohio University Center for International Studies, 2006. Print.

*Organic Coffee: Sustainable Development by Mayan Farmers* discusses the organic coffee boom in the world market and uses the region of Chiapas in southern Mexico as a case study. Elena assesses the sustainability of organic farming and its effectiveness in relieving widespread rural poverty. The coffee growing communities in this region combine traditional farming techniques with cooperative commercial activities to compete in the world market. The book provides a detailed account of how coffee is produced in its three phases: cultivation—which is broken down into intensive chemical versus intensive organic—processing—including both the dry and wet method—roasting and finally packaging. Elena includes an argument for the intensification of agriculture based on sustainable practices and enhancement of natural capital rather than reliance on chemical additives, monoculture and genetic engineering. This book is a hopeful account of the benefits and potential in organic farms and a wealth of information regarding the basic production of coffee.

Paige, Jeffery M. *Coffee and Power: Revolution and the Rise of Democracy in Central America*. Cambridge, MA: Harvard UP, 1998. Print.



Coffee and Power details the political history of Central America and its relationship with the world coffee industry. Throughout the many political power struggles, civil wars and violent outbreaks in the Central America, coffee has been the dominant commodity in small export economies. Paige illustrates how the ruling elite in these countries from the nineteenth century onward were also at the top of coffee production—particularly in Costa Rica, El Salvador and Nicaragua. In order to understand the deep disparities between the rich and poor not only on a global scale but on a national scale as well, one must look to history to find some explanation. Coffee and Power helps explain how modern day coffee producers were affected by the respective political policies in the past. This is relevant to my research because it provides a foundation of information on the countries where coffee is produced and a deeper understanding of the history behind coffee as a commodity.

Talbot, John M. *Grounds for Agreement: the Political Economy of the Coffee Commodity Chain*. Lanham, MD: Rowman & Littlefield, 2004. Print.

Grounds for agreement explores the global chain of activities which connect the coffee consumed on a daily basis with the lives of those who produce it in underdeveloped countries around the world. Talbot explores the many implications on local communities who grow and produce beans. He does so by tracing coffee as a commodity chain from before World War II and its evolution into what it is in present day. He shows how free market trading led to a global coffee crisis and the devastating effects for millions of people. Talbot discusses the rise in organic and fair-trade coffees but ultimately does not argue that their implementation will be effective in solving the coffee crisis. This book is pertinent to my research because Talbot provides an analysis on the best way to conduct the trade of coffee. He ultimately supports a regulated world coffee market to satisfy the needs of both consumer and producer.

## Outline

### Chapter 1: Introduction

#### A. The world of coffee

- Importance of coffee, goal of project
- Differences between organic and regular coffee, how each are grown, harvested etc. differences in consumer supply and demand for each.
- Define fair trade and trace how it has affected the world of coffee. Coffee prices and unequal exchange between producing countries that grow and harvest beans vs countries that distribute and roast etc.

#### B. The coffee crisis

- Economic history
- Evolution of coffee as a commodity
- Political ties-ruling elite and top coffee producers, disparities between rich and poor (*coffee and power*)

#### C. Concluding statement: how this project will seek to accomplish its goal

### Chapter 2: Literature Review: What is known

\*intro statement on coffee, the markets problems and how organic and fair trade seek to solve them.

#### A. The chain

- Linkages of activities which connect the coffee consumed with the lives of those who produce it in underdeveloped countries around the world

- Chart showing coffee as a commodity chain
- Maps showing global links

#### B. Effect of free market trading

- Deregulation
- The first coffee crisis 1989 (*Grounds for Agreement*)
- The second coffee crisis 1998 (*Grounds for Agreement*)

#### C. Organic coffee

- Definition
- cultivation
- processing
- chemical vs. organic
- monoculture and biodiversity
- sustainability
- Case study: Mayan farmers in Chiapas Mexico
  - Sustainability of organic farming
  - its effectiveness in relieving widespread rural poverty
  - Traditional farming practices
  - cooperative commercial activities

#### D. Fair trade

- Definition

- Labeling, certification
- Benefits:
  - price premiums,
  - guaranteed fair price,
  - co-ops,
- Limitations:
  - ineffectiveness in severely impoverished areas,
  - drives prices lower

#### E. Coffee culture and the Starbucks controversy

- Coffee consumerism
- Coffee culture-social aspect of coffee
- Starbucks controversy- struggle between rising to power as a multimillion dollar enterprise while attempting to maintain an image to social justice advocates.

### Chapter 3: Methodology

A. Explain methods and procedures of research, how the survey will be conducted etc and why. Describe subjects and use of instruments.

#### B. Survey:

- Do you know the difference between organic, regular and fair trade coffee? Do you make your coffee purchasing decisions based on that knowledge? Etc.

## Chapter 4: Analysis

A. Tables/charts detailing the results of the survey

B. Discussion of survey statistics

- Comparison to national statistics
- Note that Cal Poly students are a specific population in San Luis Obispo, not necessarily indicative of general population.

## Chapter 5: Conclusion

\*summary of what was done in this project

A. Summary

- Trade reform-need for a global understanding of the purpose of the international fair trade movement, regulation.
- Consumer activism, education, how to best conduct business in the coffee world to benefit producers and consumers.

## **Chapter 1: Introduction**

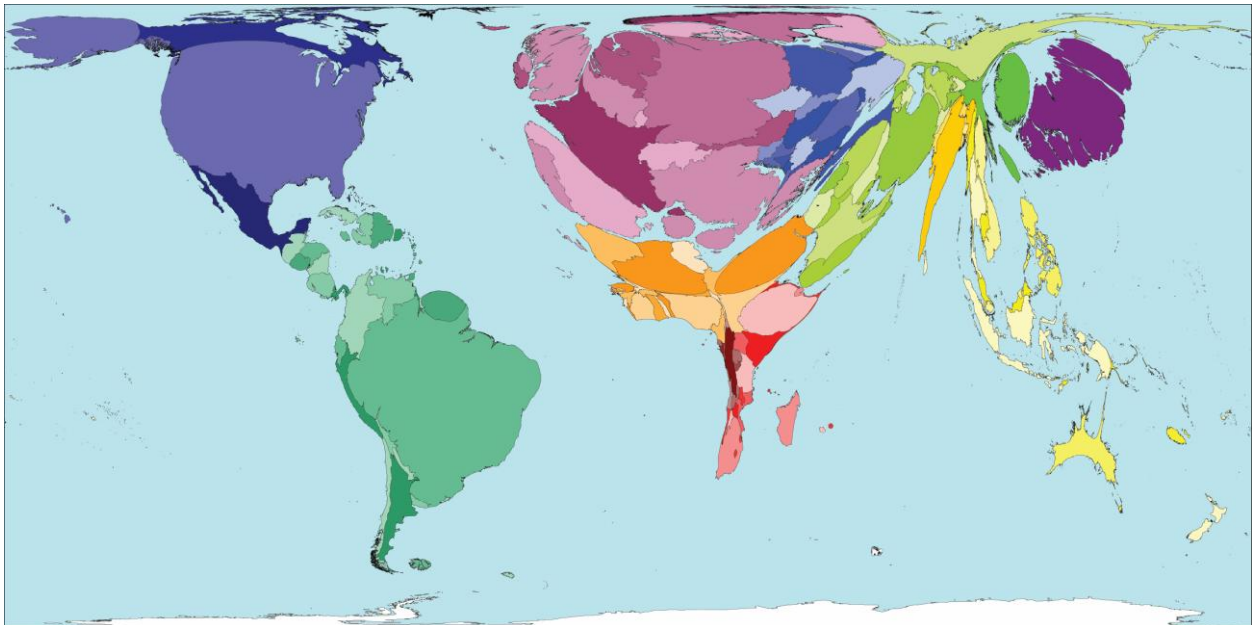
For millions of people around the globe, the day starts with a cup of coffee. Before that coffee was poured into your mug it was planted and harvested a world away; a world that is home to the small-scale farmers who base their livelihoods and the future of their families on the production of coffee. Coffee, and everything it encompasses, represents a number of social concepts. It is a growing social norm in western society, a traditional cultural practice in several regions, has a history of political issues—especially in terms of colonialism—and is the economic strong hold for numerous countries in the developing world. Over twenty-five million people are sustained by the production of coffee and are linked to billions of consumers who drink it on a daily basis (Talbot 2004). A detailed exploration of the coffee chain that connects so much of the human race is the subject of this senior project. It is important to understand the impact coffee has on both consumers and producers around the world and to endeavor to conduct business in a way that is most beneficial to all parties included.

To some, the organic and fair trade labels are a hip new trend and might provide some feel good karma as they sip their coffee. To others, they are another way to increase prices for something that tastes the exact same. While the fair trade movement and others like it are growing in popularity, many people do not know what it really is, who it protects and what it protects them from. Most importantly, this lack of understanding prevents consumers from making informed purchasing choices and denies them the ability to support struggling farmers in a small way with little cost to themselves. Whether you are buying a quick cup of ‘joe’ from a local coffee shop or a double tall skinny vanilla latte from a multi-million dollar corporation like Starbucks, the chain which connects you to the local farmers that produced it matters.

The coffee industry is extremely profitable for distributors yet producers are barely getting by. Millions of people are affected by the seemingly minute choices we make as consumers every day. “[Coffee] is the most valuable agricultural product exported by developing countries, and the second most valuable raw material overall—second only to oil. In a very real sense, the world economy may run on fossil fuels, but it also runs on coffee,” (Talbot 2004:2). Being that coffee is so valuable, the allocation of your coffee dollars and the condition of the world coffee market has vast impacts on exporting countries. Figures 1.1 and 1.2 illustrate the vast differences geographically speaking in consumption versus production. The size the territories in the maps are proportional to that countries consumption and production, respectively.

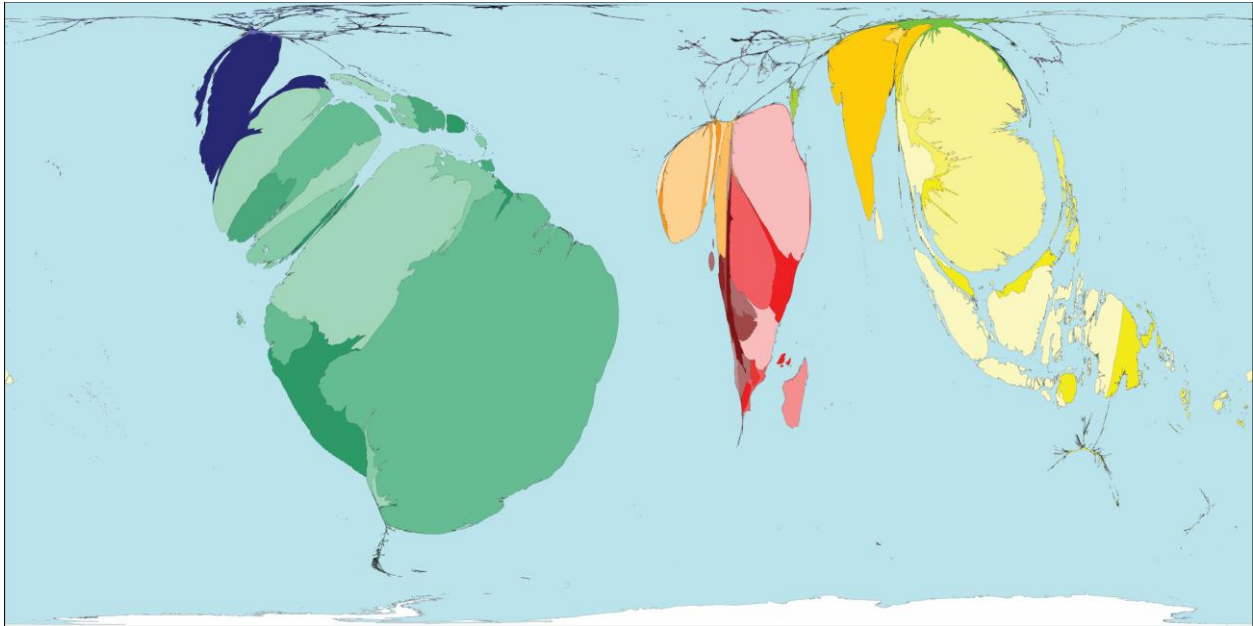
**Fig 1.1**

Coffee Consumption Map



\*Territory size shows the proportion of all coffee worldwide that is consumed in that territory.

**Fig. 1.2**  
Coffee Production Map



\*The territory size shows the proportion of all coffee worldwide that is produced there.

Coffee has been traded as a commodity since the sixteenth century and has never ceased to incur high demands. Originating in Ethiopia, the cultivation of coffee spread to every tropical corner of the globe—partially due to colonialism. As the demand for coffee increased as a luxury item in Europe many trading companies transported coffee trees to their tropical colonies to avoid heavy taxation (Paige 1998). With the advent of the Industrial Revolution, coffee became a household staple and demand exploded all over the world. As coffee production rose in the Americas, it was a cash crop produced by wage laborers, thus disrupting traditional cultural economic activity and creating a reliance on the coffee market. Today, a volume of 112 million sixty-kilo bags of coffee are traded annually. Production land covers more than 10 million hectares in fifty-six different countries (Elena 2006:8). Although the economic conditions vary from place to place all coffee producing regions have been and continue to be deeply affected by what is loosely called *the coffee crisis*.



The crisis centers on the unequal exchange between exporters and importers due to devastatingly low coffee prices and the policies which determine market regulation. In short, farmers receive extremely low returns for their products and are at a huge disadvantage in the global market. The *coffee crisis* refers to the collapse of the International Coffee Agreement in 1989 that had previously stabilized the market with price controls and quotas (Paige 1998). After its demise, the price of coffee dropped to record lows. Increased supply of coffee by struggling farmers combined with a decrease in demand in consumer countries forced the price even lower. Deregulation of the market and privatization were devastating to small scale coffee producers and plunged them into a state of poverty from which very few have yet to bounce back.

Within the world of coffee there are many different types. Because coffee is a tropical crop it can only be grown in certain areas of the world with the right climate suitable for its cultivation. In addition to biological differences in types of beans there are varying ways of producing and processing them. There are also many legal processes and requirements in the labeling procedure. This project will seek to provide a deeper understanding of the socio-economic implications on coffee producers in the developing world in addition to examining coffee culture and knowledge of consumers in westernized countries. By exploring the many facets of the coffee world this project will illuminate the benefits as well as limitations of possible resolutions to the coffee crisis such as the Fair Trade movement and the organic transition thus drawing conclusions on the best way to conduct business in the world of coffee.

## **Chapter 2: Literature Review**

As stated above, the coffee market has endured drastic fluctuations that have resulted in devastating crises for coffee producers. The following literature review examines the chain of linkages that connects consumers and producers in the commodity chain and how its structure determines the fate of the people involved. The benefits and limitations of organic coffee production and the fair trade movement will be examined, as well as how they seek to shorten the chain and ultimately reduce the gap of unequal exchange between growers and buyers.

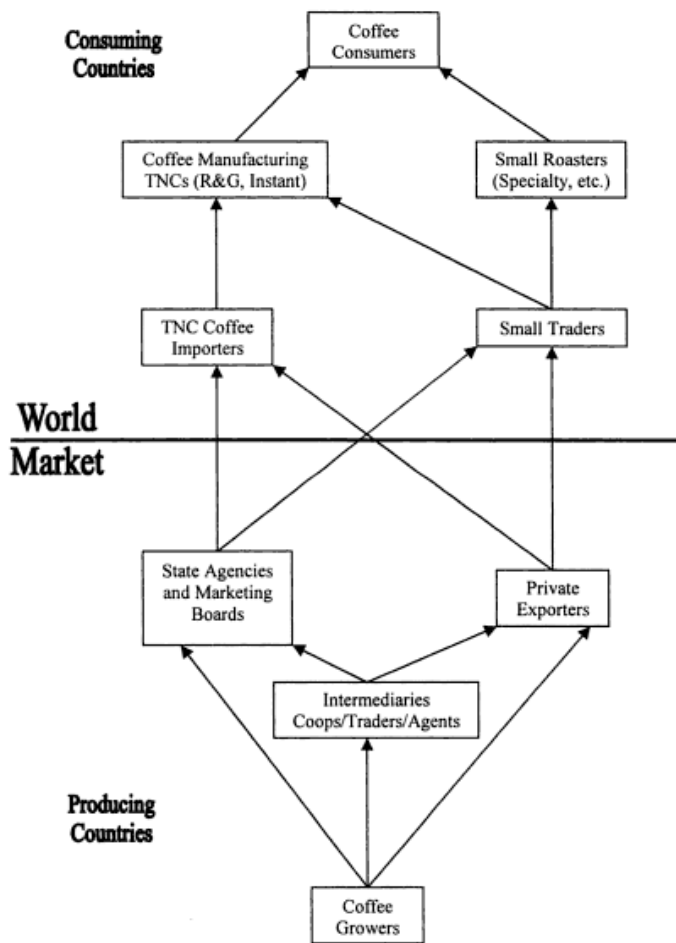
### **A. The Chain**

As mentioned in previous chapters, the connection between coffee production and consumption can be thought of as a chain. The first links of the chain start out as seedlings in developing countries and undergo a series of processes before arriving just the way you like it in your mug each morning. Each link of the coffee chain represents a number of biological, ecological, political, economic and social themes. The biological and ecological aspects include the stages of coffee growth, the methods in which it is cultivated and how they affect the environment. The political aspects include the laws that govern its production and sale. The economic aspects include monetary regulation in the form of quotas and price premiums and the social aspects include who is affected by the chain, who benefits and who loses.

There are numerous steps in the process of coffee cultivation prior to being ground and brewed for consumption. Coffee must first be planted, cultivated, harvested, processed and packaged before it is ready to be exported as what is known as green coffee. The producers of coffee range from small-scale farmers in rural, developing countries to multi-national conglomerates. As green coffee flows up the chain it is passed from growers to intermediaries,

co-ops, state agencies and/or private exporters, who then trade the coffee around the world. The buyers range from small traders to transnational corporations, also known as TNCs. It is then manufactured, roasted and sold to distributors in consumer countries, who deliver it as roasted beans, grounds or liquid to the average consumer. A map of this chain is depicted in Figure 2.1 below (Talbot 2006:32). “The chain conceptualization highlights the connections between all of these different transactions and processing stages, which happen in different parts of the world,” (Talbot 2004:5). The flow of this chain and the monetary value of commodities are dictated by the world market and the laws govern it.

**Figure 2.1**



## **B. Effect of Free Market Trading**

Coffee, like many of the world's most valuable commodities, has a complex history of large scale economic and political struggles that have determined the laws and regulations regarding its sale. After coffee producing countries gained independence from their respective colonial powers the governing structure of the coffee chain was divided into two segments; "with producing states exercising governance over the segments located within their own borders, and core-based coffee traders and manufacturing companies controlling the rest of the chain," (Talbot 2006:129). As world economics changed drastically in the 1980s and 1990's—due to globalization and financial expansion—the commodity chain of coffee was severely implicated. It was during this period that the unequal exchange seen in today's market was solidified.

According to Giovanni Arrighi, an accredited political economist, periods of financial expansion are driven by over-accumulation crises; "After a period of material expansion, there comes a point at which there is an excess of capital in search of profitable investments in the further expansion of material production and trade, driving down rates of profit," (Talbot 2006:102). The period between 1989 and 1993, known as the first coffee crisis, began with the world markets entrance into the new free market in July of 1989. This caused the prices of coffee to plummet to record lows. Producers were forced to sell their coffee for bargain prices to traders, who could afford to wait out their reluctance. Prices for finished goods—processed coffee products—in consuming markets remained the same, therefore generating huge profits for manufacturers. This created the substantial gap between the cost of green coffee for manufacturers and the profits they obtained from the prices of the finished product. According to International Coffee Organization data, "the overall average level of retail prices in ICO consuming member markets declined by only 1% in the two years following the end of quotas,

despite the decline of over 50% in green coffee prices” (Talbot 2006:113). Due to a stockpiling of coffee during the quota years prior to 1989, producing states were able to generate a modest profit by selling off their accumulated products, thus reducing the cost of their maintenance in the process. Nonetheless, “the total coffee earnings of all producing countries fell from \$9.2 billion in coffee year 1988/89 to \$6.7 billion in coffee year 1989/1990, a 27 percent decline in earnings despite a 13 percent increase in the volume of exports” (Talbot 2006:115). Over the next three years prices fluctuated temporarily but eventually dropped to the ICO indicator price of 50 cents per pound in 1992, meaning that coffee was cheaper in the nineties than it was in the thirties (Talbot 2006:101-122).

A second crisis struck the coffee sector in 1998 due to deregulation and market fluctuations that led to overproduction. By removing and simplifying the rules which had dictated the transactions within the coffee chain on the world market, the World Bank failed to protect the coffee sector from yet another crisis; “World Bank structural adjustments had forced many producing countries to liberalize their coffee sectors, exposing their small coffee growers more directly to fluctuations in the world market,” (Talbot 2006:126). After a massive frost in Brazil in ‘94 both retail and ICO indicator prices spiked overnight. Roasters such as Folgers and Maxwell House instantly raised their prices in response to the impending drop in crop production. Although Brazil suffered losses, manufacturers and other producers prospered temporarily. Due to a lack of regulation on production, growers in other regions reacted to the rapid rise in prices as well, by using their profits to increase coffee planting—thus increasing competition and future exports; “Producing states were pitted against one another by World Bank and IMF policies that used control over financing to discourage market intervention and push export expansion,” (Talbot 2006:129). This led to catastrophic results when the influx of

coffee from the new crops emerged on the market in 1997; consequently causing the crisis of 1998; “Before liberalization, the state coffee agencies and marketing boards would have increased their taxes and revenues and saved some of this money as insurance against the next period of low prices. This would have reduced the price increase received by growers, and reduced their incentive to plant more coffee,” (Talbot 2006:126). The second coffee crisis is an example of how the structure of the coffee commodity chain had shifted to allow manufacturers to manipulate the outcome of market fluctuations with their access to information and financial power.

The governance of the coffee commodity chain has undergone drastic changes in the last several decades, illuminating the real world consequences of a number of economic decisions made by those in power. As a result of these structural changes, the chain has shifted from a segmented balance of power between producers and manufactures to one in which the manufacturers control virtually every aspect of the trade of the commodity. This allowed the manufacturers to grow exponentially at the direct cost of the producers; “Increasingly, small peasant farmers producing coffee using family labor one side of the market were directly confronting giant transnational conglomerates with state of the art information technologies, access to virtually unlimited financial resources, and a clear picture of the entire global coffee situation on the other side,” (Talbot 2006:129). TNC manufacturers have become what are known as oligopolistic suppliers to consuming markets, meaning that a small number of suppliers dominate the market, and oligopsonistic buyers of green coffee, meaning they exist in a market condition where “each of a few buyers exerts a disproportionate influence on the market,” (Merriam-Webster 2011). Opposition of this type is obviously no contest and it is because of this that the money spent on coffee by consumers in westernized countries trickles

down the chain—decreasing to a nearly insignificant amount—before it reaches the places and the people who produced it, (Talbot 2004).

### **C. Organic Coffee**

Despite the growing popularity of organic foods and support for organic markets, many consumers are not fully aware of what the technical terms mean. By definition, organic foods are foods that are “produced using methods that do not involve modern synthetic inputs such as pesticides and chemical fertilizers, do not contain genetically modified organisms, and are not processed using irradiation, industrial solvents, or chemical food additives” (Webster 2011). In regard to coffee, the term organic refers to just that. Coffee is typically cultivated in one of three ways; natural—sometimes known as passive—organic, intensive chemical, or certified organic. Natural cultivation relies on the process of natural regeneration of soil fertility, utilizes the traditional local technology and shade grown methods. Intensive chemical cultivation relies on the use of chemical fertilizers in combination with sun tolerant, high-yield seed varieties. The lack of shade trees increases weed growth therefore causing the need for more herbicides and more manual labor. This type of coffee cultivation can be viewed as modern or technified. The increased technical nature of the coffee production process spread in the 1970’s to ensure quantity of the product and consistency of taste—rather than quality. Producers and manufactures alike were eager to adopt the technologies to increase their yield and profits and to survive in the growing market. Characteristics of this include land clearing for monoculture, high inputs of fertilizers, herbicides and insecticides; and rapid spread of plant diseases among densely planted coffee trees. The disruption of the natural ecosystem creates a cycle of soil exhaustion that requires more chemical additives. Other serious consequences to the increased use of chemical additives are nitrate runoff into ground water and streams from fertilizers and

exposure to highly toxic chemicals from pesticides. Although this process does increase yield to a large degree in the beginning, the environmental degradation can be devastating to production potential in the future. “While this type of chemical intensification is environmentally destructive, organic, like natural cultivation, is considered a stable and ecologically sound agroforestry system,” (Elena 2006:19). An ecologically sound alternative to intensified cultivation is organic cultivation. (Talbot 2006: 197-200).

Organic cultivation utilizes natural environments, substantial shade and an intensive use of organic inputs and human labor rather than the agrochemicals in other intensified methods. Shade grown organic coffee is planted under the shade of trees such as banana, plantain and other fruits that not only protect it from too much sunlight, but also provide additional ecological benefits. The leaves shed from shade trees increases ground cover which helps prevent weed growth and also acts as a natural fertilizer by adding organic matter back into the soil from decayed leaves. Tree cover also acts as a habitat for birds that help fend off insects, reducing the need for insecticides. Organic coffee production also benefits from biodiversity rather than monoculture when planted amongst leguminous trees that fix nitrogen—further reducing the need for chemical additives. Farmers who interplant their crops are also able to simultaneously grow food for subsistence or to sell in place or in addition to their coffee crop during periods of decreased prices—thus providing some insurance against market fluctuations (Talbot 2006:197-202).

Another differentiating characteristic of organic cultivation is the certification. In order to receive the price premium, organic farms must be certified by the International Federation of Organic Agriculture Movements (IFOAM) through accredited local certifying organizations. To



obtain this certification the farm must meet the agreed upon agro-ecological requirements. (Elena 2006).

Another term that is commonly associated with the benefits and goals of organic agriculture is sustainability. While the definition of sustainability has been long debated, for this context its basic meaning is that sustainable coffee is such that is produced in a way that is the most beneficial to the environment, the people involved in its production, and the overall quality to the coffee itself. According to the Coffee Research Institute, “[a sustainable coffee farm] seeks independence from non-renewable resources, using renewable resources when possible, minimizes pollution, takes steps to care for the environment, and cares for its employees” (CRI 2006). Some examples of techniques to ensure sustainability include minimizing clean water consumption, filtering and reusing water from fermentation tanks in irrigation, implementing solar coffee dryers, using coffee husks as heating fuel, using composted coffee pulp to replace soil nutrients in the land, which has proved to not only increase yields over time but also increase the quality and durability of the soil (CRI 2006).

Organic and sustainable farming seek to protect what is known as natural capital, while still maintaining a high quality product. Natural capital is used to describe “productive resources like soil, water, forests, fisheries, genetic stocks of crops and livestock, and biodiversity; the ecological processes that link them; and the environmental services they provide” (Elena 2006:3). In rural areas, where the world’s coffee is grown, these things are crucial to the very livelihood of the people they support. Any type of farming has an ecological impact on variables such as soil fertility, erosion and biodiversity; “Not only are these aspects of the environment important from a purely ecological or conservative point of view, they may also have significant implications for the sustainability of production in the future,” (Elena 2006:120). It is because of

this that investments in organic practices are not only ecologically beneficial but also lead to economic benefits in the future.

### **Case Study: Mayan farmers in Chiapas Mexico**

One example of the lasting benefits of organic farming, both ecologically and economically, is that of Mayan coffee farmers in the southern Mexican states of Chiapas and Oaxaca. By making use of the sustainability of organic coffee production, small-scale farming communities in this region combine traditional farming techniques with cooperative commercial activities to compete in the world market. In the 1980's and 1990's they became the most organized sector of Mexico's revitalized peasant movement and one of the world's leaders in organic coffee production.

After the breakup of the International Coffee Agreement (ICA) farmers in Mexico were forced to change their production processes to survive the coffee crisis. The Mexican Coffee Institute (INMECAFE), which was set up to support poor farmers of the region, broke up and disappeared as well due to budget cuts; "The organization provided farmers with technical assistance and credit, guaranteed purchases, provided transportation to market, and collaborated with the ICA in order to sell the coffee on the international market," (Equal Exchange Inc. 2011). These reforms had serious consequences, and without the help of these organizations the small farmers were sent into a desperate state of poverty.

The coffee producing region of Chiapas is located in southern Mexico along the northwest to southeast mountain ranges; "The prime areas for coffee production in Chiapas—the Soconusco, Los Altos, the Sierra, the north and the jungle—demonstrate a rich diversity of microclimates and biological habitats," (Elena 2006:49). This region is an example of how

investments in social and natural capital can be beneficial to the population as a whole. This area is made up mainly of indigenous Mayan populations, which is why social capital is so important; “Social capital refers to those aspects of social structure that facilitate actions of individuals or groups who are part of the same social structure, namely social relations and norms,” (Coleman 1988). Several organizations have been built around ethnic identity as a way to increase social capital and promote internal cohesion. Natural capital, according to environmental economists David Pearce and R. Kelly Turner, is a complex category that performs three distinct environmental functions: provision of resources for production (raw materials), absorption of wastes from production (either positively, as recycling or fertilizing, or negatively as polluting or eroding), and environmental services (like tree cover that moderates climate, or watersheds that provide drinking water) (Elena 2006:56). The farmers combine the use of traditional farming practices with cooperative commercial activities to compete in the world market. They are organized into cooperative units made up of several families and governed by committees of elected members. The larger coops such as Lazaro Cardenas, Majomut, and the Indigenas de la Sierra Madre de Motozintla (ISMAM), have had the most success in the world market than the smaller family sects. It is through the success of these coops that the farmers have been able to obtain Organic certification and generate profits from price premiums that coincide with their certification.

One ecologically sustainable technique utilized by Chiapas organic farmers is to use shade diversity to promote coffee growth. The presence of shade trees not only essential to protect the growth of coffee beans but it also provides biodiversity, rather than monoculture which increases yields. The leaf litter from the trees increases organic matter and improves the health and durability of the soil; “What the data demonstrates most clearly is how investments in

natural assets—via conversion to organic production, the introduction of shade biodiversity, and the buildup of leaf litter and humus—have paid off in both productive (yield) and economic (gross income) terms, and in terms of ecological indicators of the future sustainability of production (erosion prevention, future soil fertility, etc),” (Elena 2006:4). The effectiveness of the organic coops in Chiapas are not only ecologically sound but are economically beneficial as well. Because organic farming is cash cheap and labor intensive, it is conducive to the poor communities that are common in the area where unemployment is high and the opportunity cost is low; “A key advantage of organic farming under the conditions found in Chiapas is that it provides a Chayanovian mechanism to turn underutilized family labor into income—a factor that might even provide an alternative to out-migration and the community breakdown that it generates,” (Elena 2006:127). The certified organic farming in Chiapas is therefore beneficial to the environment—with the protection and generation of natural capital—and also in economical ways with the increase of monetary gains due to price premiums and increased job opportunities within indigenous regions.

#### **D. Fair Trade**

Fair trade, though it has grown in popularity in recent years, is not a new concept. After the coffee crises of the 1980’s and 1990’s, however, the implementation of fair trade and the legal policies that go along with it have been increasingly important. According to the Fair Trade Federation, fair trade can be defined by the following:

Fair trade is a system of exchange that seeks to create greater equity and partnership in international trading system by creating opportunities for economically and socially marginalized producers, developing transparent and accountable relationships, building

capacity, promoting fair trade, paying promptly and fairly, supporting safe and empowering working conditions, ensuring the rights of children, cultivating environmental stewardship and respecting cultural identity (FTF 2011).

In short, the goal of fair trade is to create a trading environment that is safe and beneficial to all parties involved. In order to do this, organizations have outlined the criteria that must be met for a product to be certified under the fair trade label. These conditions include monetary regulations as well as requirements that govern environmental and social impact. Fair trade is therefore not merely an economic strategy but it is “simultaneously a social movement and an alternative market structure,” (Jaffee 2007:1). While fair trade is widely accepted as having a positive effect in the coffee world, there is speculation as to how effective it is in relieving the hardships caused by the coffee crises. In order to draw conclusions on that matter, it is first pertinent to examine the basic components of fair trade and the benefits as well as limitations that go along with it.

Coffee, which was the first commodity in the fair trade system, continues to be the most valuable and the most widely traded (Jaffee 2007). In 1988 the Dutch development organization Solidaridad created the Max Havelaar label for coffee, which certified that the farmers who produced it had received a fair return. Comparable to modern day fair trade label, it was offered to distributors who agreed to comply with the requirements that ensured fairness of trade between parties. The labeling phenomena quickly spread throughout the market and fair trade coffee could be bought in grocery stores all over the Europe. Organization such as Cafédirect, Equal Exchange Coffee, Fair Trade Federation (FTF) and International Federation for Alternative Trade (IFAT), were formed with similar goals. In 1997, the Fairtrade Labelling Organizations International (FLO) was created to unite their efforts into one worldwide fair trade certifier (Jaffee 2007). Currently, FLO is the non-profit organization that sets the fair-trade

standards. FLO-CERT, owned by FLO, is the certification company that inspects producers for certification and Fairtrade labeling initiatives, of which there are currently nineteen, market fair-trade in twenty-three countries around the world (FLO 2011).

The standards for fair trade labeling are broken into two sections. One applies to smallholders in organizations or co-operatives with democratic structures and the other to workers. The workers are guaranteed livable wages, safe working conditions, and the right to join trade unions. Fair trade standards also determine a prime minimum to be paid to farmers for their goods based on the average cost of sustainable production. Buyers pay the market price for coffee unless it falls below the minimum in which case they would pay the minimum. This prevents farmers from being highly vulnerable to market fluctuations. Another source of protection derived from the fair trade system is that of contracts and interest; “The buyers must provide credit, up to 60 percent of the value of the contract, at low interest, to the growers at the beginning of the season. This is an important requirement, because the grower incurs most of his or her expenses in the maintenance and harvesting of the coffee, before it is sold,” (Talbot 2004:206). Buyers of fair trade coffee are therefore contractually bound to commit to long term trading relations with co-op suppliers. This not only ensures a steady income for farmers in the future but also helps prevent them from being forced to sell their crop at bargain prices and from taking out personal loans to cover production costs.

The price premium is an additional sum of money that is paid to producers to improve infrastructure;

“The use of this additional income is decided upon democratically by producers within the farmers’ organization, or by workers on a plantation. The premium is invested in education and healthcare, farm improvements to increase yield and quality, or processing

facilities to increase income. As many projects funded by the premium are communal, the broader community, outside the producer organization, often benefits from Fairtrade,” (FLO 2011).

The benefits are therefore not only realized in monetary terms but also include the creation of social infrastructure in local farming communities.

Although the benefits of fair trade are noble in theory and have made a difference in some communities, there are limitations to its success. First, there is the issue of oversupply. Since coffee with the fair trade label sells at higher prices, the growers have an incentive to want to break into that market; “Simply raising the prices paid to growers without doing anything to control the amount of coffee being produced is an ultimately self-defeating strategy, as the history of the ICA’s during the 1980’s demonstrated,” (Talbot 2004:208). To help correct this problem, activists have directed their efforts toward increasing supply for fair trade coffee in consumer markets. Secondly, fair trade coffee is a niche product aimed for a particular group of consumers, because of this it will always be priced higher than standard coffee blends. It will continue to be a luxury item that is not purchased by the majority of consumers and will not ultimately threaten the profitability of regular coffee. Since fair trade is likely to remain a marginalized market, it is not in itself a plausible solution to the coffee crisis, but rather a step in the right direction.

### **E. Coffee Culture & The Starbucks Controversy**

As stated previously, coffee is the second most traded commodity in the world behind petroleum. The coffee craze has been present in the daily lives of people in the westernized world for over a hundred years. After the coffee crises and the advent of specialty coffees, a coffee culture has arisen in both the United States and Europe;

“On the consumer side, coffee drinkers put away nearly half a trillion cups a year, and coffee rivals tea as the world’s most popular beverage other than water. While the highest coffee consumption per capita is in Northern Europe, U.S. coffee drinkers account for one-third of all the coffee consumed worldwide,” (Fellner 2008:50).

This social aspect of coffee has created a space for multimillion dollar corporations such as Starbucks to thrive. Howard Shultz, CEO of Starbucks, saw an opportunity to capitalize on this phenomenon; “[Shultz] was captivated by Italy’s coffee bars and by their function as centers of comfort and community; and he thought that Americans, portrayed as increasingly isolated in their homes and cars, alienated at their jobs, and adrift in existential angst, would feel the same way,” (Fellner 2008:22). Shultz aimed to build a successful company while maintaining high standards not only for their products but also for their employees and the growers in producing countries. Whether or not Starbucks has remained true to those original promises is a matter of debate.

Since Starbucks opened its first store in 1971, the company has prided itself on providing great tasting coffee without compromising the environment or the people involved in its production. Over the years it has grown into a multinational conglomerate, generating huge profits and controlling a large portion of the specialty coffee sector. Its closest competitor, Caribou Coffee, is only 1/25<sup>th</sup> the size of Starbucks; “With \$7.8 billion in annual revenues, forty million customers a week, and more than thirteen thousand stores, Starbucks is no fonduesque fad. It’s a new American institution,” (Clark 2007:9). The Starbucks controversy refers to the corporations struggle between its raise to power as a multimillion dollar enterprise while attempting to maintain an image to social justice advocates. It has become a cultural icon in the westernized world and represents not only a cup of coffee and a modern trend but also the maximization of corporate profits and consumerism. There has been some skepticism as to



whether or not the corporation attains its wealth at the expense of the global community and if forced gentrification and the homogenizing of our communities is worth the comfort and convenience that Starbucks offers.

Being such a large public enterprise, Starbucks has been targeted by activists who challenge whether or not the corporation is true to their promises. In efforts to protect their image and appease protestors, Starbucks began buying Fair Trade Certified coffee in response to that claim that Starbucks helps to impoverish the world's coffee farmers; "Starbucks' purchase of Fair Trade Certified beans rose from 4.8 million pounds in 2004 to 11.5 million pounds in 2005, making the company the largest purchaser of Fair Trade Certified coffee in North America," (Fellner 2008:45). While this may sound impressive, it only represents a very small fraction of Starbucks total purchases with fair trade beans constituting less than five percent (Talbot 2004:207). Starbucks has been known to pay over market price for coffee to maintain trading relationships with suppliers by protecting them from market fluctuations in times of low prices. This is meant to ensure continued business and sustainability for the farmers, the consumers and for the corporation as a whole. Starbucks can essentially pay more or less for the same thing based on what they can afford and what the farmer needs; "The company walks a fine line between being profitable enough to please Wall Street and principled enough to please social justice advocates," (Fellner 2008:182). Starbucks continually straddles the realm of capitalism and that of social activists in attempt to exist in both. The endless task of balancing these two aspects that are often in direct opposition is a prime example of the predicament of living in the United States under a constant pressure to conform and trying to be a conscious consumer of products shipped in from a world away. Since Starbucks is such a large and powerful entity, it is

in a position to be able to promote change and achieve goals that have real world effects on the lives of many people.

### **Chapter 3: Methodology**

To supplement the examination of the many aspects of the coffee world a survey was conducted regarding basic consumer knowledge. The research methodology employed in this study was based on a survey of thirteen questions assessing the respondent's general tendencies in coffee purchasing as well as their knowledge about Fair Trade and organic coffee (see Appendix A). The purpose of this study was to examine whether or not the respondent population knew what the terms fair trade and organic meant and if they made purchasing decisions based on that knowledge. Furthermore, the study examined what types of things dictate their purchases and how important aspects such as personal health, cost, environmental impact and quality are in influencing their decisions. The sample included 75 respondents, 35 of whom are currently undergraduate students attending California Polytechnic State University, San Luis Obispo, and 36 of whom are California residents living in various parts of the state. The subjects who identified as students were derived from all class levels, ranging from freshmen to seniors, as well as all six colleges at Cal Poly. There was a fairly equal amount of representatives from the Colleges of Agriculture, Liberal Arts and Science and Math and slightly less from the Colleges of Business, Architecture and Engineering. The majority of the respondents were of college age, 78.7% identified as being between the ages of 18 and 24. The remaining 21.3% identified as being age 25 or older. These subjects were selected using convenience sampling methods in order to draw conclusions on tendencies of Cal Poly students and others.

The instrument used to conduct the study was an online questionnaire administered via the electronic survey program, SurveyMonkey. The survey measured demographics - age,

college, and class level. It then measured how often respondents drink coffee and where they purchased it from. Finally it measured basic knowledge and importance ratings of fair trade and organic coffee. The survey included only close ended multiple choice questions. No names were asked for, recorded or used in anyway so the respondents remained anonymous. Respondents were sent a link to the survey via Facebook, which they could complete at their leisure.

Participation in the survey was completely voluntary and an informed consent letter to participate in the study was included with the survey (see Appendix B). This letter made the subjects aware of the purpose for the study, how long the survey would take to complete, and assured them of their privacy and anonymity. The survey and the informed consent letter were reviewed and approved by Cal Poly's Human Subjects Review Committee (see Appendix C).

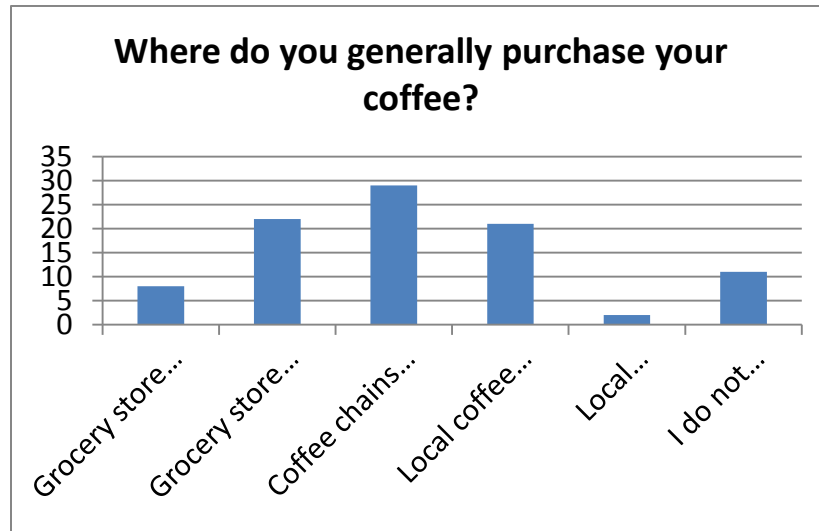
## **Chapter 4: Analysis**

### **A. Results of the Survey**

After conducting the survey I found that the sample of respondents were primarily of college age, 78.7% were between the ages of 18-24, and many were avid coffee drinkers, 65.3% of respondents answered that they drank coffee either every day or a few times a week. To get an idea of where this coffee is purchased respondents were asked to identify with one of the six options as depicted in Figure 4.1. 10.7% chose grocery store brewed coffee, 29.3% chose grocery store beans to brew at home, 38.7% chose coffee chains such as Starbucks or Peets, 28% chose local coffee shops, only 2.7% chose local distributors or roasting companies and 14.7% do not purchase coffee in general.

**Fig. 4.1**

Where coffee is purchased

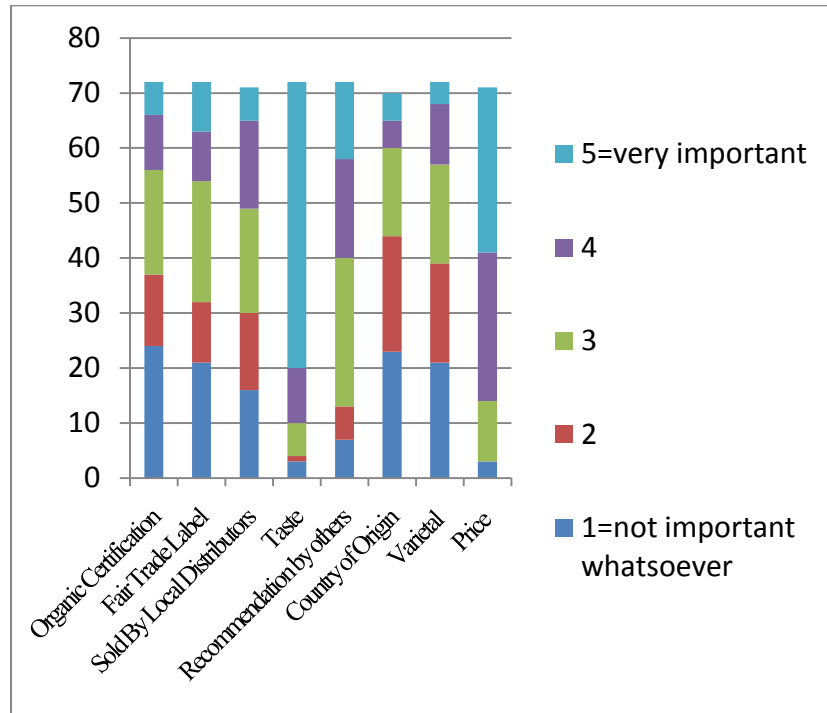


Respondents were asked if they knew ‘Fair Trade’ meant in terms of coffee. 50.7% answered yes, 22.7% answered no and the remaining 28% answered maybe—have heard of it but not certain. Respondents were then asked if they knew what ‘organic’ meant in terms of coffee. 48% answered yes, 18.7% answered no and the remaining 34.7% answered maybe—have heard of it but not certain.

In order to examine the motivations behind respondents purchasing decisions they were asked to rate the importance of a list of coffee related attributes on a scale of one to five (see Figure 4.2). The highest percentage of respondents rated organic certification as not important whatsoever and Fair Trade Label as a 3, indicating a neutral importance. The attribute of being sold by local distributors and recommendation by others also had a majority of neutral 3 ratings. The most important attributes for the sample was taste—for which 86.1% of respondents rated with either a 4 or a 5—and price—for which 80.3% of respondents rated with either a 4 or a 5.

**Fig 4.2**

Ratings of the importance of the following items when it comes to making purchasing decisions regarding coffee on a scale of 1 to 5.

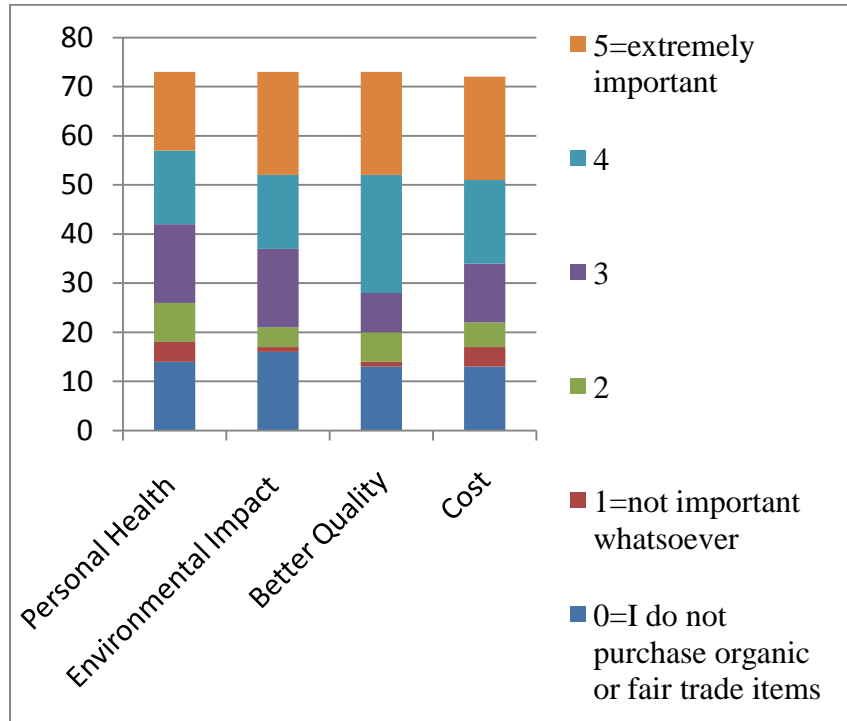


To further analyze the respondents reasons for their purchasing decisions they were asked to rate the importance of a series of items that relate to coffee in a broader sense than the first matrix rating. There was a 0 choice for those who do not purchase organic and fair trade items and a rating scale from one to five—one indicating that the attribute is not important whatsoever and five indicating that it is extremely important (see Figure 4.3). *Personal health* was rated with a 3 or higher by 64.3% of the respondents; *environmental impact* was rated with a 3 or higher by 71.2% of the respondents; *better quality* was rated with a 3 or higher by 72.7% of the respondents; and *cost* was rated with a 3 or higher by 69.5% of the respondents. Lastly, respondents were asked if, given the option, they would be more likely to purchase fair trade and

organic coffee if it were readily available with no added cost. In response to this 78.4% answered *yes* and 17.6% answered *don't know* and the remaining 4.1% answered *no*.

**Fig. 4.3**

Ratings of the importance of each item when buying organic or fair trade items from 0 to 5.



**B. Discussion of Results**

The group of respondents in this survey is representative of each college and class level at Cal Poly. However, since it is a small sample the results generated are not necessarily indicative of the general population or the university as a whole. Also, because San Luis Obispo is a relatively health conscious and environmentally responsible community, consumer knowledge differs from national averages. Nonetheless, the results from the coffee consumer knowledge survey indicate that the sample population is aware of organic and fair trade coffee and would purchase more items of the sort if they were available without the added cost. Not

surprisingly, the majority of respondents buy their coffee at chains such as Starbucks and Peets - yet another example of how coffee culture is deeply embed in our society and how widely known corporate conglomerates are. The importance of price could be skewed because the sample surveyed is primarily college students who are often not financially independent. On a broader level, awareness about the benefits of fair trade and organic coffee has increased in recent years. Activist groups has turned their focus towards consumer consciousness and generating support in consumer countries:

“Polls show that consumers at least say they care about Corporate Social Responcibility (CSR) and give it some weight in their buying preferences. According to a 2005 survey by Fleishman-Hillard and the National Consumers League, 52 percent of interviewees said they actively sought out CSR information at least some of the time; and an astonishing 35 percent said that, product quality being equal, CSR was the primary factor in creating customer loyalty, greatly outranking availability and price,” (Fellner 2008:40).

Despite this, not all consumers have the luxury of buying what they want based on their moral standards alone. Financial constraints often dictate purchasing decisions without regard to social justice.

## **Chapter 5: Conclusion**

### **A. Summary**

The previous chapters provide a brief history of coffee and its place within the world’s market. By examining the evolution of coffee as a commodity and the structure of the chain which connects consumers in the global North with producers in the global South, we can see how important the policies that affect it truly are. The governing structure of the chain is important because whoever controls it politically also has control over the shares of profit it generates along the way. There is no shortage of impressive statistics on how many people

around the world are affected daily by coffee. Whether they are the small scale farmers in developing countries, everyday consumers in the U.S. and Europe or the CEO's of multimillion dollar conglomerates like Starbucks, the coffee sector is a huge part of our global economy;

“It has been estimated that the growing and processing of coffee in the producing regions provides employment for as many as twenty million people. The level of the world market price for coffee and the way that price is divided up amongst the various participants in the coffee chain within producing countries , have a significant impact on these people's lives,” (Talbot 2006:41).

Throughout history there have been numerous waves of disruption and change in the world of coffee. The ICA and other organizations of the same nature have come together and fallen apart several times, leading producers to band together in cooperatives and agencies both large and small in efforts to protect their livelihoods. Collective action has been a legacy of virtually every successful coffee producing region and it is because of their insistence on maintaining fair prices on exports that they have managed to salvage the coffee industry from repeated bouts of devastation.

The coffee crises of the late 1990's that plunged coffee producers into devastating poverty, paved the way for new specialty markets to arise.

“While many of the changes hurt small scale farmers, they simultaneously have generated new opportunities for those peasants who produce high quality coffee—especially those who produce organically—and thus many peasant coffee cooperatives have entered the growing market segments created by the differentiation of the once monolithic coffee market into specialty and gourmet markets” (Elena 2006:2).

Naturally, this only works when the co-op is well organized and produces quality coffee. The case study in Chiapas Mexico is an example of how organic agriculture seeks to solve some of



the markets problems by cultivating a high quality product without compromising the environment. Furthermore, it shows how sustainable development is a tool to fight against rural poverty; “Development that is sustainable should not be exclusionary but rather should minimize social polarization and provide opportunities for the poor to make a decent living in ways that do not degrade long term productive resources like soil” (Elena 2006:2). By protecting the environment in which coffee is grown, these organic farmers protect themselves economically speaking, in the long run.

Another important aspect of the coffee world examined in this study was that of the Fair Trade movement. The basic goal of fair trade is to create a system where all the parties involved in the trade are treated fairly. This ensures that buyers obtain quality products and growers are paid fair prices and receive just compensation. Price minimums as well as price premiums seek to achieve this goal and in turn protect producers from market fluctuations. Although fair trade is becoming increasingly popular, it is widely agreed upon that its advent is simply not effective enough in solving the problems of the coffee crisis; “Fair trade makes a difference, but not a transformative difference,” (Jaffee 2007:246). Instead of a solution, fair trade can be seen as an improvement and as the beginning of the restructure of the coffee commodity chain.

To further understand the world of coffee, a study was included on how coffee culture came to play such a large role in western society and how that created a niche for multinational corporations to prosper. In particular, the examination of Starbucks as a whole illustrates how the big players in manufacturing are in a constant battle to balance principled profit generation with social justice. After exploring the world of coffee on a global and national level, a study was conducted on coffee consumer knowledge in the San Luis Obispo community in an effort to understand the activity within the coffee sector on a local level. The study employed the use of

an online questionnaire, which surveyed a small sample of respondents and their basic knowledge and opinions regarding organic and fair trade products as well as general tendencies in purchasing decisions. The results of the survey indicated that respondents knew what the terms fair trade and organic meant in terms of coffee but did not necessarily show tendencies to buy them based on that knowledge or based on attributes in correlation with them. Respondents tended to value taste and price as more important than its organic certification, its fair trade label, its country of origin, and its' varietal.

### **B. Moving Toward a Solution:**

Despite efforts to relieve the effects of the coffee crises, the unequal exchange from consumers to producers within the coffee sector still exists to a large degree. The advent of organic farming in some regions has allowed some cooperative communities to keep their head above water by breaking into the specialty coffee markets, however, instances such as these represent only a small minority of coffee producers. Furthermore, fair trade has also attempted to solve the markets problems by protecting famers and has had some success but it too remains to be a marginalized sector of the market and is not likely to bring about large scale change. It is only through a restructuring of the coffee commodity chain that real world solutions can be reached:

“While these [organic, shade-grown and fair trade] are welcomed developments, they will not significantly affect the organization of the chain through which most of the world’s coffee is sold. I argue that a properly managed world coffee market is the best way to produce high quality coffee that is good for the environment, at a fair price for consumers and to ensure that the workers who set the whole chain in motion are justly compensated for their efforts.” (Talbot 2004:2).

The effects of free market trading examined in chapter two illustrate how a lack of regulation of the coffee sector led to the coffee crises. The cyclic pattern of supply and demand imbalance and price fluctuations dooms the market to crash again. Limitations on production can prevent this.

A more complex problem of imbalance is one that refers to power and thus the inherent conflict of global injustice. The current structure of the coffee commodity chain, including intermediary linkages, sets transnational corporate manufactures directly against small scale coffee producers; “The TNC coffee manufacturers are, on the one hand, oligopolistic suppliers of coffee to the major consuming markets, and, on the other, oligopsonistic buyers of the coffee being produced by the small growers,” (Talbot 2004:214). This all knowing position of the manufacturers widens the exchange gap allowing them to manipulate the market to their advantage; increasing coffee prices in consumer markets and driving down world market prices for green coffee. The International Coffee Agreements (ICAs), which outlined collective regulation, had previously stabilized world market prices and protected small farmers from TNC manufacturers. States regulated production of coffee and enabled growers to receive fair, steady prices while meeting the obligations to the ICA . There were, however, issues of corruption which led to the disappearance of the ICAs and the entrance into the free market and, consequently, the coffee crises which led to the unequal exchange seen in today’s coffee sector.

In order to find real, lasting solutions to the coffee crisis and the injustices within the world of coffee, some sort of market regulation is needed. In addition to that, there is a need for global understanding of the purpose making changes in the coffee commodity chain; “The market alone will not deliver social or economic justice. Such substantive change will require concerted action by states and global institutions - pushed by organized civil society - to re-regulate trade and economic activity” (Jaffee 2007:35). This can be accomplished by consumer

activism, education, and an increase in advocacy of social justice through the expansion of movements such as Fair Trade and the transition to organic farming. By further exploration of the potential positive outcomes of restructuring the coffee sector we can help to ensure a system exists where benefits from the production of coffee is shared equally by both consumers and producers.

**Appendix A. Coffee Consumer Knowledge Survey:**

1. Please choose which option best describes you currently:

A. Student at Cal Poly State University

B. Faculty at Cal Poly State University

C. San Luis Obispo Resident

D. None of the above

2. Please indicate your age range:

A. under 18

B. 18-24

C. 25-34

D. 35+

3. Please indicate your college:

A. College of Agriculture

B. College of Liberal Arts

C. College of Math and Science

D. College of Engineering

E. College of Business

F. College of Architecture

G. None of the above

4. If you are a college student please indicate your standing, if not please select: F. None of the above

A. Freshman

B. Sophomore

C. Junior

D. Senior

E. Graduate

F. None of the above

5. How often do you drink coffee?

A. Everyday

B. A few times a week

C. A few times a month

D. A few times a year

E. Never

6. Where do you generally purchase your coffee?

A. Grocery store (brewed coffee)

B. Grocery store (beans to brew at home)

C. Coffee chains such as Starbucks, Peet's etc

D. Local coffee shops

E. Local distributors or roasting companies

F. I do not purchase coffee

7. Do you know what "organic" means in relation to coffee?

A. Yes

B. No

C. Maybe (have heard of it but not certain)

8. Do you know what "Fair Trade" implies in terms of coffee?

A. Yes

B. No

C. Maybe (have heard of it but not certain)

9. Do you make your coffee purchasing decisions based on this knowledge?

A. Yes

B. No

C. I do not purchase coffee

10. Please rate the importance on the following items when it comes to making purchasing decisions regarding coffee on a scale of 1 to 5.

(1=not important whatsoever) (5=very important)

Organic Certification	1	2	3	4	5
Fair Trade Label	1	2	3	4	5
Sold by local distributors	1	2	3	4	5
Taste	1	2	3	4	5
Recommendation by others	1	2	3	4	5
Country of origin	1	2	3	4	5
Varietal	1	2	3	4	5
Price	1	2	3	4	5

11. Please rate the importance of each item when buying organic or fair trade items from 0 to 5.

(0=I do not purchase organic or fair trade items) (1=not important whatsoever)



(5=extremely important)

Personal Health	0	1	2	3	4	5
Environmental Impact	0	1	2	3	4	5
Better Quality	0	1	2	3	4	5
Cost	0	1	2	3	4	5

12. Given the option, would you be more likely to purchase organic coffee if it were readily available with no added cost?

A. Yes

B. No

C. Don't Know

13. Given the option, would you be more likely to purchase Fair Trade coffee if it were readily available with no added cost?

A. Yes

B. No

C. Don't Know

## **Appendix B: Informed Consent Letter**

### **INFORMED CONSENT TO PARTICIPATE IN A STUDY OF COFFEE KNOWLEDGE AND CONSUMPTION**

A research project on coffee knowledge and consumption is being conducted by Lillie Lamm as a senior project in Social Sciences under the direct supervision of Dr. Benjamin F. Timms. The purpose of this research is to examine basic knowledge of Organic and Fair Trade coffee and consumption and purchasing trends.

You are being asked to take part in this study by completing an online questionnaire. Your participation will take approximately 3-5 minutes. Please be aware that you are not required to participate in this research, and you may discontinue your participation at any time without penalty. You may omit any items you prefer not to answer.

There are no risks anticipated with participation in this study.

Your anonymity will be protected through an anonymous questionnaire. Please ensure anonymity by not writing your name on the questionnaire.

If you have questions regarding this study or would like to be informed of the results when the study is completed, please contact Lillie Lamm at [llamm@calpoly.edu](mailto:llamm@calpoly.edu). If you have questions or concerns regarding the manner in which the study is conducted, you may contact Dr. Steve Davis, Chair of the Cal Poly Human Subjects Committee, at 756-2754, [sdavis@calpoly.edu](mailto:sdavis@calpoly.edu), or Dr. Susan Opava, Dean of Research and Graduate Programs, at 756-1508, [sopava@calpoly.edu](mailto:sopava@calpoly.edu).

If you agree to voluntarily participate in this research project as described, please indicate your agreement by completing the online questionnaire. Please keep this form for your reference, and thank you for your participation in this research.

## **Appendix C: Statement of Purpose and Methods**

### **Statement of Purpose, benefits and hypotheses:**

For my senior project I plan to explore the world of coffee and its many economic and political implications. First I will start by defining and differentiating between organic versus regular coffee—how each are grown and harvested—and examine consumer supply and demand for each. Next I plan to include a study on the fair trade industry and trace its affect on the world of coffee. There is a huge disconnect between producers and consumers not only in general knowledge of where their coffee is coming from but also in the unequal exchange between producing countries that grow and harvest beans versus countries that distribute and roast. This project will examine how consumption of different types of coffee in the western world affects local communities in which beans are grown. This survey in particular will examine a small sample of respondents in San Luis Obispo and their knowledge about as well as consumption of Organic and Fair Trade Certified coffee. The ultimate objective of this project is to highlight the best ways coffee can be bought and sold with the most positive outcomes for both producer and consumer countries.

### **Methods:**

- *Subjects:* Source: online survey via Facebook and SurveyMonkey. Prospective subjects are not members of a vulnerable group. Expected age range=18-35+
- *Experimenter:* Lillie Lamm
- *Materials and Procedures:* questionnaire attached, location of the study: San Luis Obispo CA.
- After I gather the results of the survey I will aggregate the data into graphs, charts and tables.

## **Bibliography:**

- Clark, Taylor. *Starbucked: a Double Tall Tale of Caffeine, Commerce, and Culture*. New York: Little, Brown, 2007. Print.
- Coffee Research Institute. "Coffee Sustainability." *Coffee - CoffeeResearch.org*. n.d. Web. 30 May 2011. <<http://www.coffeeresearch.org/politics/sustainability.htm>>.
- Coleman, James. 1988. Social Capital in the Creation of Human Capital. *American Journal of Sociology*. 94 (supplement) S95-120
- Equal Exchange Inc. "Fair Trade Coffee." *Fair Trade Coffee*. n.d. Web. 20 May 2011. <<http://equalexchange.coop/history-of-coffee-in-mexico> >.
- Fair Trade Federation. "Fair Trade FAQs: Expert." *Fair Trade Federation* . n.d. Web. 20 May 2011. <[www.fairtradefederation.org](http://www.fairtradefederation.org) >.
- Fellner, Kim. *Wrestling with Starbucks: Conscience, Capital, Cappuccino*. New Brunswick, NJ: Rutgers UP, 2008. Print.
- International Coffee Organization. "News from the ICO." *International Coffee Organization - News from the ICO*. N.p., n.d. Web. 15 May 2011. <<http://www.ico.org>>.
- Jaffee, Daniel. *Brewing Justice: Fair Trade Coffee, Sustainability, and Survival*. Berkeley: University of California, 2007. Print.
- Martínez-Torres, Maria Elena. *Organic Coffee: Sustainable Development by Mayan Farmers*. Athens, OH: Ohio University Center for International Studies, 2006. Print.
- Scholer, Morten. "Coffee Consumption ." *World Mapper*. N.p., n.d. Web. 2 May 2011. <[www.worldmapper.org/posters/worldmapper\\_1038\\_coffee\\_consumption\\_ver2.pdf](http://www.worldmapper.org/posters/worldmapper_1038_coffee_consumption_ver2.pdf)>.
- Talbot, John M. *Grounds for Agreement: the Political Economy of the Coffee Commodity Chain*. Lanham, MD: Rowman & Littlefield, 2004. Print.
- Webster-Merriam. "Dictionary and Thesaurus - Merriam-Webster Online." *Dictionary and Thesaurus - Merriam-Webster Online*. N.p., n.d. Web. 30 May 2011. <<http://www.merriam-webster.com/>>.