

Tufts Institute of the Environment

Application for Environmental Graduate Student Fellowship
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***Organic & Fair Trade:
Revaluing peasant livelihoods and Mexican coffee in the midst of crisis***

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1. STATEMENT

Coffee prices have fallen to historic lows, with disastrous consequences for small coffee producers in Mexico and elsewhere. Coffee growers in Mexico have organized to have their uncompensated environmental contributions recognized through the fair trade and organic coffee markets, by accessing new forms of credit and exploiting direct marketing opportunities. At the micro level of the peasant economy, this project will study the opportunities and obstacles to promoting this solution for more of Mexico's poor indigenous coffee farmers.

Background

Since the early part of the twentieth century, coffee has been economically and culturally vital to the life of many Mexican highland indigenous communities; today, 320,000 growers produce coffee in twelve states. Mexico is the fifth largest coffee exporter globally, with an estimated 3 million people depending on coffee for their livelihood. In contrast to other parts of the world, the vast majority of Mexican coffee growers are smallholders growing shade coffee with passive organic farming methods; two-thirds of them are indigenous. Shade-grown hillside coffee has numerous uncompensated environmental contributions, including the preservation of topsoil highly susceptible to erosion, enhanced water infiltration, the preservation of habitat for migratory birds and other wildlife, the very limited use or nonuse of toxic chemical inputs, and the preservation of biodiversity through traditional polyculture using native species. In addition, coffee serves as the main cash crop for highly diverse producers who also safeguard and foster native agrobiodiversity in other crops, notably maize.

The 1989 collapse of the International Coffee Agreement, which had kept prices above production costs despite structural oversupply, prompted a free fall in coffee prices which hit historic lows in 2002. Prices that had previously ranged between \$1.00 and \$1.40/lb dropped to between 28 cents/lb for unorganized growers and 41 cents/lb for members of growers' cooperatives. Costs of production vary but average around \$1.00/lb. The crisis has hit rural Mexico hardest: of Mexico's coffee-growing townships, 84% of them register high or very high levels of poverty. The worsening poverty has triggered out migration.

The crisis has affected the production of coffee, with many small growers in the past two seasons unable to afford harvesting their crop. The National Coalition of Coffee Organizations reports that an estimated 20% of last season's crop was left to rot in the fields: in poor indigenous states like Guerrero and Oaxaca, it is not uncommon to find coffee farms abandoned by families that have gone in search of work¹. There is a reported 40% decline in production.

Since the 1989 dismantling of Mexico's national coffee board, producers have struggled with the enormous challenge of taking over former state functions. Faced with huge deficits in all areas of basic infrastructure – transportation, processing, financing and market information – some growers have successfully organized to build strong grassroots cooperatives such as CEPACO, the State Coalition of Coffee Producers of Oaxaca, which emerged out of a national movement to defend the coffee sector. Such organizations can collectively negotiate up to 20% higher prices for their members, process coffee, develop new markets and directly export the product. They can also make important inroads into the fair trade and organic markets that pay valuable premiums. Mexican growers' organizations have pioneered a return to organic production in the country, certifying thousands of small growers in Oaxaca alone in the last 3 years; Mexico now leads the world in the production of organic coffee. Development of fair trade and organic markets could prove lifesaving for the Mexican coffee sector, since growers receive a critical price premium of \$1.26 for organic and \$1.41 for fair trade organic coffee.

The problem to be studied

This research project on the Mexican peasant coffee economy will be based in the primarily indigenous coffee-growing states of Chiapas, Oaxaca and Puebla, situating itself broadly in the area of peasant strategies to protect livelihoods. Mexico is said to have a comparative advantage in sustainable coffee due to the special nature of the sector: primarily small scale, shade grown, and passive organic, with organic and fair trade markets providing substantial premiums². Yet production is dropping and rural

¹ Carlsen, L. and E. Cervantes. *When the Coffee Crisis Hits Home*. Americas Program, Interhemispheric Resource Center, February 2004.

² Bartra, A., R. Cobo, M. Meza, and L. P. Paredes. *Sombra y algo más: Hacia un café sustentable mexicano*. Instituto Maya, 2003, mimeo.

migration from coffee-growing areas is on the rise. This project will focus on household-level decision-making in an effort to identify both the various obstacles faced by small producers in accessing fair trade and organic markets as well as their relative importance. It will seek to increase our knowledge about potential areas of improvement in the supply side of the market. Of course, developing demand for fair trade coffee in importing countries is also critical to the success of this enterprise.

2. APPROACHES, METHODOLOGY AND DATA ANALYSIS

- Tim Wise at Tufts GDAE will serve as mentor on this project.
- Armando Bartra at Instituto Maya, a Mexico City-based group whose work is centered on sustainable livelihoods and revaluing peasant production, will provide primary oversight. Instituto Maya has already completed extensive background work on Mexico's comparative advantage in sustainable coffee; fieldwork is now needed to empirically ground the research. I will be participating as part of a yearlong study on the coffee economy in the states of Oaxaca, Chiapas and Puebla.
- On-site collaboration will take place with local grower organizations and cooperatives in those states, such as CEPCO.
- Collection of survey data will take place through field interviews with a sample of farmers in several yet-to-be-determined communities. (I speak Spanish.) The survey data will allow me to:
 - a. quantify additional costs faced by smallholders in organic or sustainable production (labor, certification)
 - b. identify other obstacles to access to fair trade and organic markets, such as: credit, information, grower cooperatives, crop quality, market saturation.
 - c. assess their relative importance
- Data analysis will take place as part of the larger 3-state project. The Global Development and Environment Institute (GDAE) at Tufts has a long history of collaboration with Instituto Maya and several of the Mexican grower organizations, and is also pursuing its own research on sustainable coffee. Once back on campus, I will be participating in the analysis of the data as part of this larger collaborative research effort, with the end goal of writing and distributing a paper that identifies opportunities for improving the Mexican peasant economy in coffee.
- Preliminary arrangements have already been made with CEPCO and Instituto Maya for project structure and oversight; Tim Wise will be meeting with both groups in Mexico the week of Mar 8

3. ANTICIPATED RESULTS

Growing migration and declines in production suggest the presence of obstacles in producer access to fair trade and organic markets. Since access to these markets exists almost exclusively through cooperatives, unorganized areas may be at a disadvantage. Saturation or near-saturation of fair-trade markets due to narrow consumer demand may further reduce access. In addition, the absence of credit and/or the increased costs of converting to and producing sustainable coffee could represent other obstacles. Finally, low-quality production and inadequate information may also reduce access. I anticipate that the research will also uncover various other obstacles to gaining market access.

4. LONG-TERM GOALS

I am broadly interested in international agricultural development and sustainable rural livelihoods in a changing global economy, with special interest in how current developments in the global liberalization and integration of economies affect the sustainability and diversity of the agricultural sector worldwide. I'm concerned with how the ongoing structural readjustment of rural economies affects food security and food access issues on local and national levels in both the short and long term. After receiving an M.S. from Tufts in Food Policy and Applied Nutrition with a specialization in Food Policy and Economics, I plan to apply my skills in the international arena in the economic analysis of local and regional agricultural markets and food systems.

This project directly contributes to my knowledge and experience in the areas of rural economy and peasant livelihoods. It will allow me to develop skills in survey research and data analysis; it will also allow me to think critically about the role of the state and the role of markets in the case of the Mexican coffee farmer, and about the sustainability of the sector as a whole.