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FROM CROP TO CUP; THE PLIGHT OF COFFEE

By

Dana Lynn Foster

B.S., The University of Montana, Missoula, MT, 2007

Professional Paper

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Approved by:

Dr. Keith Bosak, Chair
College of Forestry and Conservation

Dr. Steven Siebert
College of Forestry and Conservation

Josh Slotnick
Environmental Studies Program

From Crop to Cup; The Plight of Coffee

Chairperson: Keith Bosak

Coffee is in demand across the globe and remains the second most valuable exported legal commodity on earth, only second to oil. The majority of North Americans have a type of ritual with their morning cup of coffee. However only an extremely modest percentage of those people are cognizant of where their coffee comes from or the processes undergone for it to reach their kitchen counters. This paper examines the role that direct trade coffee programs may play in helping to create long lasting, sustainable and mutually beneficial relationships between producers and roasters. The project accompanying the paper is the development of a direct trade coffee relationship between Black Coffee Roasting Company of Missoula, Montana and Finca Buena Vista of El Salvador. Providing examples from previous case studies, as well as an extensive literature review, I will demonstrate the harsh realities facing producer countries and the very distinct relationship between poverty and coffee growing communities. In order to bring this project to fruition and to ensure its success, I examine many characteristics of coffee as a commodity, not just those directly related to trade. I begin with the history of coffee and examine the many certification schemes currently available. I also explain the methods, procedures and activities undertaken to create the relationship between Black Coffee Roasting Company, myself, and Finca Buena Vista. I reflect upon challenges faced, as well as anticipated successes, during the planning, research, and execution stages of this project. I discuss opportunities for expansion of this trade as well as potential future outcomes for this project. Finally, I conclude by reviewing the key issues and suggest how this project can be used as a model for similar trading practices based on building long-lasting relationships with maximum stakeholder benefits. This paper shows that the sustainable development of coffee must acknowledge the economic, social, political and ecological dimensions of development are interconnected and must be understood and addressed collectively (Bacon et al., 2008). By eliminating those people who do not have a legitimate function to play in bringing coffee to the market, it is possible to create a more sustainable coffee trade.

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Introduction

El Salvador, December 24th, 2009. I meet my new friend of about three months, Ana, at her humble home at 6:15 am. Today I am joining her for my first time picking coffee. Ana has already been going out to the finca (coffee plantation or farm) since late November. We grab our baskets (known as canastas), and head out to the area she was assigned to pick. We walk for twenty-five minutes until we reach a relatively flat area and strap our baskets around our waists. Ana is excited that we are on more level ground today because yesterday she was assigned a plot on an extremely steep slope, which took her over an hour to reach.

We are not alone and I begin to recognize familiar faces from the community who have already begun to fill their baskets. Children as young as age four are picking coffee alongside their great grandparents who are well into their eighties. I see firsthand that coffee picking is an equal opportunity employer. I can tell that my community members are surprised to see me and they are wondering why Ana has brought the gringa with her to pick coffee. Ana quickly shows me the essentials of what I need to do. I will look for only the red ripe coffee cherries and pick them off the tree one by one, placing them in my basket, trying hard not to knock loose the green cherries. They are not ripe, and will remain on the tree until they are ready in about one to two months.

We are at an altitude of 1400 meters, and the farm is beautiful. At a distance, we can see the ocean, although it would take us three hours by bus to get there. I am filling my basket as best I can, but it's much more difficult than Ana makes it look. She has already filled and emptied two baskets, and I am struggling to reach the halfway mark on mine. I have accumulated around ten pounds of cherries that, after processing will produce less than two pounds of green coffee beans. When roasted, they will lose an additional twenty percent of their weight.

After four hours of picking coffee, it is time to rest and we gather with other community members to eat a lunch that Ana has packed for me. Today's menu includes a thick corn tortilla, a piece

of cheese, and some black beans that we heat up on a small fire. We eat and laugh and before I know it, we are picking coffee once again. The sun is out now, and the sweatshirt and gloves I needed in the morning are now tucked away in my backpack. Because Ana has been picking fast today, she decides we can finish early around 2 pm. We prepare our large sacs of coffee we have collected (hers embarrassingly larger than mine), because we will need to take them to the weighing station, about a mile away. Ana has one full sack, weighing close to 100 pounds, and she combines her other sack with the measly twenty-five pounds of coffee I have picked. I look down at the large sack I am expected to carry out. It weighs almost 50 pounds and I am more than apprehensive of my ability to haul it out successfully. Ana laughs, and helps me load the large bag onto my head. She then gets help to lift up her own 100 pound sack onto her head and begins walking to the weighing station. I walk for about one minute, before I hurl the bag onto the ground. I can't do it. Luckily, one of the farm supervisors is nearby, and is willing to lend me a much needed hand. I quickly see that I am not on par with the young children and elderly community members hauling out their sacs far ahead of me.

We weigh our bags, and I donate my 25 pounds to Ana. Her total for the day is 150 pounds, and she is noticeably content. The weigh supervisor hands Ana her pay for the day. Six dollars. The current wage paid to coffee pickers on this farm is one dollar for every aroba (25 pounds of coffee) picked. Today Ana has made over twice the minimum daily wage in El Salvador. We walk back to the community and I leave Ana at her home. Her day is not yet over. She has clothes to wash, corn to mill, water to haul, and a fire to get started before dinner. I am off to take a much needed nap.

In the Apaneca-Ilamatepec mountain range of Western El Salvador, the coffee picking season lasts approximately four months. Ana will have steady work from mid-November until February. A very modest percentage of fortunate community members have year round work on the farm, pruning, weeding, fertilizing and tending the coffee trees. For the remainder of the year, Ana relies on her two children, living illegally in the United States to send her money. She receives \$100 dollars from them

monthly that covers her basic necessities. She does not like to talk about her two children abroad because she becomes upset. She has not seen her children in over six years, and knows that she will not see them again unless they are deported, or she illegally immigrates to the United States herself. Fortunately, she has one daughter still living close by whom she sees often. Ana is just one of millions of people around the world who struggle to make a living for themselves and their families. Because of the boom and bust nature of the global coffee market, coffee farmers have a history of being marginalized around the world. Since the inception of the coffee trade in the seventeenth century, the overwhelming majority of coffee farmers continue their labors in poverty and have little economic certainty (Pendergrast, 1999).

Coffee is in demand across the globe and remains the second most valuable exported legal commodity on earth, only second to oil. The world drinks over 2.25 billion cups of coffee per day and throughout the end of the nineteenth and twentieth centuries, the United States zealously consumed more than half of that amount (Pendergrast, 1999). Only a handful of consumer goods have fueled the passions of the public as much as coffee. The majority of North Americans have a type of ritual with their 'morning cuppa joe'. However only an extremely small percentage of those people are cognizant of where their coffee comes from or the processes undergone for it to reach their kitchen counters.

As described by Dicum and Luttinger (1999), coffee may be a drink for sharing, but as a commodity it invites protectionism, oppression, and destruction. It is consumed with great ardor in wealthy and developed countries such as the United States and Germany, but is grown, with few exceptions, in some of the most destitute regions of the world. Coffee is a physical link across space and cultures from one end of the human experience to the other (Dicum and Luttinger, 1999).

This paper examines how our morning cups of coffee connect us to a global industry, and follows the trip coffee takes from the crop to your cup, demonstrating its turbulent and lengthy ride through the unpredictability of international commodity dynamics. The principal goal of this project is

to develop a direct trade relationship between Finca Buena Vista of El Salvador (a farm that is dedicated to improving the lifestyles of coffee farmers through better living conditions and higher wages as well as sustainable ecological practices) with Black Coffee Roasting Company (BCRC), a Missoula coffee roasting house established in 2010. The town of Missoula has an ideal market for this project, as it is an extremely community-oriented and integrated area. There are farmers and crafts' markets, cooperatives, non-profit organizations and businesses offering sustainable products and foods, and Missoulians are passionate about conservation efforts, creating tighter linkages between producers and consumers, and have a commitment to work for social change.

The typical route that coffee takes from the fields to our kitchens is far from straightforward. When you buy a pound of coffee at your local supermarket, you are buying much more than coffee. You are buying the packaging, the transportation, the roasting, the grading and sorting, the processing, and picking that had to take place before you and the beans could meet up (Dicum and Luttinger, 1999). This series of economic linkages is known as the value chain. For coffee, this chain consists of growing, primary processing, export, shipping, distribution, roasting, packaging, redistribution, brewing, and of course drinking. There can be more or fewer links in the chain depending on the specific circumstances of a given bean, and each link can consist of a number of different steps. As I just described, coffee travels a multitude of pathways from grower to drinker. This project seeks to create a closer producer-consumer relationship as well as develop strategies to promote a more equitable distribution of benefits from trade.

In working with the founders of Black Coffee Roasting Company, Jim Chapman and Matt McQuilken, and the family owned Finca Buena Vista of Ataco, El Salvador, I hope to build relationships that will eliminate unnecessary links in the coffee commodity chain and lower the costs for small producers, while providing joint benefits for both Montana consumers and Salvadoran growers. I also aim to persuade readers and consumers at large to become more informed about the

roots of these often 'bitter brews' and provide them with the necessary information to make wiser and more conscientious decisions. My hope is that this project will serve as a field guide and manual that other practitioners can use when developing similar trans-international trades with coffee and other commodities, such as cacao or tea.

This project addresses the needs of the small-scale Salvadoran producer and will create viable trade networks between them and the Missoula community. To achieve this, consumers need to be aware of where their coffee comes from, and who produced it using which practices. To negotiate for better practices, farmers need information about who drinks their coffee and the functioning of the larger coffee market to determine in which ways they can influence it. This paper argues that the sustainability of coffee must acknowledge that the economic, social, political and ecological dimensions of development are interconnected and must be understood and addressed collectively (Bacon et al., 2008). By providing the information so that consumers can become better educated, and creating closer and more direct links, it may be possible to create a more sustainable coffee trade. This project seeks to empower the millions of forgotten people across the world that make it possible for us to enjoy our morning cups of coffee free from the worry of where our next breakfast will come from.

In order to bring this project to fruition and to ensure its success, it is necessary to examine many characteristics of coffee as a commodity, not just those directly related to trade. I begin with the history of coffee and examine the many certification schemes currently available. I also explain the methods, procedures and activities undertaken to create the relationship between Black Coffee Roasting Company, myself, and Finca Buena Vista. I also reflect upon challenges faced, as well as anticipated successes, during the planning, research, and execution stages of this project. I discuss opportunities for expansion of this trade as well as potential future outcomes for this project. Finally, I conclude by reviewing the key issues and suggest how this project can be used as a model for similar trading practices based on building long-lasting relationships with maximum stakeholder benefits.

Background and Literature Review

History of Coffee

We do not know exactly when or by whom coffee was discovered. However, one widely believed legend explains that coffee was first discovered by a young goatherder, Kaldi, in or around the ninth century in present day Ethiopia. He noticed that his goats liked to graze upon berries which produced interesting side effects, leaving the goats highly energetic and in a temporary altered state. After observing the changed behavior of the goats following consumption, Kaldi decided to eat some of the leaves first, followed by the berries, and then chewed the seeds inside. He felt stimulated and was pleased with the effects. After sharing this new magical berry with his village, word soon spread throughout the region (Pendergrast, 1999; Dicum and Luttinger, 1999). The inventive Ethiopians soon began to create new ways to get their caffeine fix. They are said to have brewed the leaves and berries with boiled water as a weak tea, ground the beans and mixed them with animal fat for an energy filled snack, and also made wine from the fermented berries. It is believed that sometime in the sixteenth century someone roasted the coffee beans, ground them and made an infusion. At this time, coffee as we know it was born (Pendergrast, 1999).

Ethiopians began trading coffee with Arabs in the sixteenth century and coffee began to spread east. It is told that the Arabs jealously guarded the coffee plant, and although they traded widely across the Islamic world, all exported beans were boiled to prevent any chance of transplantation. However, the Dutch managed to export the coffee bean to the area of Indonesia in the late 1600's and this is believed to be the catalyst for the worldwide growth of coffee cultivation (Dicum and Luttinger, 1999). In the late seventeenth century, coffee made its way to the masses in Europe and the first coffee houses opened in Italy, Austria and England. The Dutch brought coffee to North America in the late 1600's. The first coffeeshouse in New York opened in 1696, and coffee houses in all major cities were prevalent soon after (Dicum and Luttinger, 1999). By the eighteenth century, coffee cultivation had been

introduced to Martinique by a naval officer of the French government, and by the end of the century, there were between eighteen and nineteen million coffee bushes in Central and South America and the region became an important coffee producer (Pendergrast, 1999).

The initiation of coffee as the American national drink in the late eighteenth century set the stage for a series of developments in the United States coffee trade that took place over the following two centuries; principally the growth of a coffee trade infrastructure that served to smooth the flow of beans and dollars between producing and consuming nations. This infrastructure included the centralization of the coffee roasting industry, technological innovations which facilitated increased yields, increasingly efficient transport mechanisms, and geopolitical developments that favored the growth of relations between the United States and key producing countries. By the end of the nineteenth century, the United States was consuming more than half the world's coffee (Pendergrast, 1999).

Today, coffee is grown on five continents, is consumed worldwide, and remains one of the most important commodities traded on world markets. There are various *Coffea* species, but the two most common are *Coffea Arabica* (originally from highland Ethiopia) and *Coffea Canephora*, (originally from lowland West Africa) commonly known as Arabica and Robusta. Arabica is the most highly prized and valuable, and it accounts for three-fourths of world coffee production. Arabica coffee is grown at higher altitudes (usually over 900 feet above sea level, although this can vary with latitude) and it requires more intensive cultivation than Robusta. Arabica grows in the tropical and equatorial strips of America, Africa and Asia where it is always spring or mild summer. Robusta, as its name suggests, is more resistant to tropical heat and parasites and is grown at lower altitudes at a comparatively low cost. Robusta can prosper in harsh environments such as the equatorial rain forest, where Arabica would succumb to diseases like root nematodes and "coffee rust". Unfortunately, Robusta's greater resistance also increases its bitter and astringent flavor as well as its caffeine content.

Both types of coffee are incredibly labor intensive crops, although full sun Robusta can be a largely mechanized process versus that of rustic Arabica which is primarily harvested using manual labor.

(www.coffeeresearch.org). Coffee provides a livelihood (of sorts) for over twenty-five million people around the world (Jaffee, 2007). In the following section, I discuss the important economic role that coffee has in El Salvador. For over two hundred years, coffee has provided the only source of income for many rural communities throughout the country.

El Salvador and Coffee

The turbulent history of coffee in El Salvador has left a deep imprint on the country's history, politics and development. Since coffee first arrived to El Salvador around 1750, Salvadorans have been exceedingly reliant on it to provide a very modest means of living. For a long time, the coffee economy of the country relied on the forced labor of the indigenous culture. In El Salvador, where the majority of people lived in areas suitable for coffee growing, the disenfranchisement of the native people was widespread. Land expropriation began in 1879, and legislation in the early 1880's eliminated the indigenous system of common lands and communities. The natives revolted as their land was being taken away throughout the decade, setting fire to coffee farms and processing plants. The government responded by creating a mounted police force to patrol coffee sectors and muffle rebellions. A famous group known as the fourteen families (although actually comprised of many more), came to own virtually all of the coffee plantations across the country. Through a well trained militia they maintained an uneasy peace, interrupted by coups that replaced one authoritarian military regime with another (Pendergrast, 1999). The coffee industry grew inexorably in El Salvador after a rather tentative start in the mid 1800's. Between 1880 and 1914, the value of coffee exports rose by more than 1,100 percent. During those years, an average of 58.7 percent of government revenue derived from this source (www.equalexchange.coop).

During the 1920's and early 1930's, coffee accounted for more than three quarters of the

country's exports. However, what seemed a smart strategy during boom years had grave effects during downturns, and the global depression of the 1930's pushed El Salvador to the brink. With coffee prices dropping to one third of their previous levels, coffee producers cut peasants' wages by half or dismissed their workers altogether. Coffee was left to rot in the fields, and rural unemployment levels skyrocketed. In 1932, rural discontent turned to anger. For three days in January, tens of thousands of peasants organized an open insurrection in western El Salvador. Their actions were met by horrific violence. This ultimately became known as La Matanza (the slaughter), where 30,000 indigenous Indians and political opponents were murdered, imprisoned or exiled (www.equalexchange.coop).

Incredibly, the coffee industry survived and even prospered after the great depression and La Matanza, and El Salvador became one of the most advanced producers of coffee by introducing modern technology on plantations and sophisticated coffee processing systems. Over time, the small number of family groups of the Salvadoran elite began to divide into two factions; the aristocracy who advocated a low wage plantation development model for the country and the modernizing sector of coffee producers and exporters who looked to the global market and sought to industrialize and diversify El Salvador's economy and their control of it (Paige, 1997).

By the 1970's, the country had become the world's fourth largest exporter of coffee, but neither faction showed interest in addressing the poverty or dislocation associated with the coffee trade. Rural poverty and discontent remained widespread. Progressive groups such as the Catholic clergy began to work in rural areas and support workers in organizing unions and self-help cooperatives. The Salvadoran elite opposed these efforts and formed vigilante groups, using the National Guard to violently suppress social movements. Many leaders were killed, and others went underground joining a growing leftist insurgency known as the Farabundi Marti National Liberation Front (FMLN). In the late 1970's, seeking to prevent a communist takeover, the United States became involved and sent military aid and advisors to confront the guerillas (Paige, 1997).

The Salvadoran agrarian reform was originally announced as the central feature of a reorganization program launched by a group of young military officers and progressives who, with the help of the U.S. Embassy, took power on October 15, 1979, and was intended to erode the popular support of the insurgency. The U.S. government required some indication on the part of the Salvadorans to carry out social reforms in order to continue giving military aid, advisors, and financial credits to the dominant groups and the army (www.envio.org). Key to the agenda was agrarian reform; expropriating large landholdings, returning land to the tiller and fomenting agricultural cooperatives. In 1979 the reformist Revolutionary Government Junta took power, and under pressure from the U.S. government, El Salvador declared the first phase of an agrarian reform. Virtually overnight, plantation workers were declared owners of cooperatives (with thirty years to pay for the land). Despite this newly acquired land ownership, the former coffee pickers were given almost no technical assistance, bank credits, nor trainings in administration or management. The agrarian reform program was vigorously opposed by the coffee elite and they opposed these measures violently. Although hundreds of coffee cooperatives were established through this program, the agrarian reform came at a high price, marking the initiation of the Salvadoran civil war. Both the extreme right and the extreme left were in disagreement with the government and increased political violence quickly fueled the war. The poorly trained Salvadoran Armed Forces engaged in repression and indiscriminate killings. Hundreds of cooperative members and two U.S. reform specialists were killed by right wing death squads.

Throughout the remainder of the decade, the modernizing sector of the Salvadoran elite, including the processors and exporters, wanted to expand their control of the Salvadoran economy and diversify their holdings. They joined other sectors in urging a negotiated settlement to the civil war. The elite knew the war had to end if they were going to further economic development and implement their policies of corporate globalization. In 1989, the right wing modernist candidate, Alfredo Cristiani, who was a prominent coffee grower and banker, was elected President. In 1992, the government and

the FMLN reached a peace agreement brokered by the United Nations. The war was catastrophic as over 75,000 people lost their lives and over one million immigrated to the United States (www.equalexchange.coop; Paige, 1997).

For a country recovering from war and facing overwhelming poverty, high foreign debt, low education levels and other development challenges, coffee presented an opportunity to reap economic benefits distributed (although not equally) throughout the country. Coffee holds considerable economic importance as El Salvador's leading export crop (PROCAFE, 2001). By the 1990's, 75% of coffee farms and 40% of the total area were in the hands of small producers. Today, the country retains between two and five percent of its original forest cover, and ecologically, coffee (specifically rustic, shade grown systems) holds significant importance as the last place for wildlife, protection of watersheds, as well as a buffer zone for the few national parks (Hirsch, 2005; CCAD, 1998). Coffee has always been a vital, yet exploitive part of El Salvador's history and in many ways has shaped the country into what it is today. In addition to the civil war and overall ecological degradation (outside of rustic coffee forested areas) of El Salvador, the coffee commodity crisis of 1999-2004, brought more hard times to the small Central American country. In the next section, I examine how the coffee commodity crisis has not only affected the coffee growing communities of El Salvador, but virtually all of the coffee producing nations across the globe.

Coffee Commodity Crisis

The coffee crisis of the early twenty-first century, experienced most heavily throughout Central America, is characterized by power imbalances (Bacon et al., 2008) as well as increasing global production (by countries such as Vietnam) and flat consumption. These imbalances work to enrich a few large multinational corporations and compound the devastating consequences of the crisis for small-scale growers and producing countries. However, to describe this issue as global paints a false picture, as these damaging impacts are virtually unknown by world coffee consumers. This has had

serious consequences for coffee growing communities as it threatens livelihoods, leads to greater poverty, malnutrition, deforestation, out-migration and thus family disintegration (Bacon et al., 2008). Beginning after the 1999/2000 coffee harvest, small-scale producers confronted severely depressed export markets not experienced in over a century (Ponte, 2002; Bacon et al., 2008). These historically low prices continued over the following five years. By wide consensus, the origins of the crisis derive from the breakdown of the International Coffee Agreement (ICA) in 1989. The ICA was a set of international agreements that set production and consumption quotas and governed quality standards for most of the industry from 1962-1989. The dissolution of the ICA resulted in the relaxation of supply controls, as well as the cumulative effect of chronic over-production on the price of green coffee in world export markets (Bacon et al., 2008). In large producing countries like Colombia, Ethiopia, and El Salvador, that derive a major part of their receipts from the export of coffee, the damage to national economies was devastating. In many cases, gross national product was halved or worse in one crushing blow. Coffee-dependent economies all over the world saw their incomes drop by billions in a few short months (Dicum and Luttinger, 1999).

In the period between 2000 and 2001, the world price for Arabica beans fell from \$2.50 cents per pound to just \$1.00. The commodity price for Robustas dropped as well to around .80 cents per pound (www.ico.org). This dramatic decrease in coffee prices forced coffee producers in Africa, Asia and Latin America to endure new and devastating adversities. In fact, the drop in earnings from major commodities such as coffee constitutes one of the most important causes of world poverty (Osorio, 2004), as it has the power to destroy livelihoods, threaten ecosystems and alter the cohesion of families and communities involved in the harvesting and processing of coffee. Often described as the “global coffee crisis”, this description conceals the fact that this crisis is not entirely global, but rather highly localized and one sided, with the social, ecological and economic costs falling disproportionately on poor coffee producing countries. In the late 1980’s and early 1990’s earnings by coffee producing

countries in terms of exports were between US \$10-12 billion per year, but in 2004 they dropped to US\$5.5 billion. This contrasts with the continued growth in the value of retail sales in consuming countries from US\$30 billion in the 1980's to around US\$80 billion in 2004 (Osorio, 2004).

The loss in income has had significant impacts on the economic and social life of many developing countries. The governments of member countries of the International Coffee Organization (ICO) have reported on the impact on poverty of the coffee crisis and referred specifically to the economic, social and environmental consequences felt locally (Osorio, 2004). The ICO (2004) details the following impacts observed, and some of the countries who reported them;

Economic Impacts: Abandonment of farms, widespread loss of jobs, reduced fiscal revenue, knock-on effect on other economic sectors, reduced export earnings (Cameroon, Central African Republic, Côte d'Ivoire, El Salvador, Ethiopia, and Nicaragua).

Social Impacts: Migration from the countryside to cities, emigration abroad, less money available for health care and education, increase in households living under the poverty line, increased incidence of malnutrition, increased indebtedness, growth in illicit crop production (Cameroon, Central African Republic, Colombia, Costa Rica, Ecuador, El Salvador, Ethiopia, Nicaragua, Papua New Guinea, and Vietnam).

Environmental Impacts: Abandonment of shaded plantations, often representing small remaining forested areas; cutting down shade trees for timber (Ecuador, El Salvador, and India).

Other coffee producing nations (such as Mexico) also experienced similar impacts although they were not directly included in this study (Bacon, 2008).

Since 2004, coffee prices have been increasing and conditions in producing countries began to see improvements in their national and local economies. Although the price of coffee can change daily, the chart below shows the slow but steady overall annual increase in world coffee exports from the years 1999 through 2010 (www.ico.org).

Table 1: World coffee exports, by value and volume 1999/00 – 2009/10

Coffee year	US\$ billion	Million bags	US Cents/lb FOB
1999/00	8.7	89.4	74
2000/01	5.8	90.4	49
2001/02	4.9	86.7	43
2002/03	5.5	88.2	47
2003/04	6.4	88.8	55
2004/05	8.9	89.0	76
2005/06	10.1	87.9	87
2006/07	12.5	98.4	96
2007/08	15.0	96.1	118
2008/09	13.5	97.4	105
2009/10	15.4	93.4	125

Source: International Coffee Organization (www.ico.org/trade_e.asp)

As the chart demonstrates, we are currently seeing a very different trend in the market, as prices for retail coffee sold in the United States and elsewhere have risen. In January of 2011, coffee prices hit a 14 year high (www.moneycnn.com, 2011). The rising coffee prices are attributed to an increasing demand by emerging markets, lower supplies due largely to inclement weather, historically low coffee stockpiles, an overall commodity rally, and a distinct shortage of the higher quality Arabica coffee beans. Geoff Watts, buyer for Intelligentsia Coffee, explains other factors for increases in coffee prices such as; higher production costs than ever before in history in most places due mostly to increased costs of fertilizer, which have almost tripled in the last few years, along with large increases in labor energy, and transport costs (www.hungrymag.com, 2009).

From 2004 to 2007 the wholesale price of coffee climbed about thirty percent. In April of 2011, trading of raw beans averaged nearly \$3 per pound, just pennies below the peak price in 1977 (www.cbsnews.com, 2011; www.moneycnn.com, 2011). Major companies, as well as small roasters, have recently increased the price of wholesale Robusta coffee beans and in-store purchased beverages. The J M Smucker company, the parent owner of Folgers, Dunkin' Donuts, and Millstone has raised

prices by a total of 38 percent since May of 2011. Its chief rival Kraft Foods has raised prices by roughly 56 percent across all of their key brands during the same time, with its last increase to its Maxwell House coffee brand up a large 22 percent in March of the same year (huffingtonpost.com, 2011). The world's biggest coffee shop chain, Starbucks Corporation, increased the cost of its packaged coffee for the second time in 2011 in its U.S. stores by 17 percent. Although prices have recovered in recent years, due to the extremely volatile market of coffee, small producers are always at risk and fearful of another crisis.

In order to create a successful direct trade program, it is essential to understand how the current coffee commodity chain functions. In the following section, I discuss the commodity chain in detail. As it can often seem like a tangled web, I present the complicated cycle in a manner that is straightforward and easily understood.

Coffee Commodity Chain

Over 25 million people across the globe are directly dependent on coffee growing for a living, with another 100 million indirectly involved, including seasonal or temporary workers (Jaffee, 2007). Under good conditions, it costs a farmer around 30 cents (for the cheapest Robusta in Vietnam) to 80 cents (for ordinary Arabica from Central America; both are included in grocery store coffee) to produce a pound of coffee (Fritsch, 2002; Marsh, 2007). Even though an overwhelming number of Americans spend three to four dollars on their morning lattes, only five to ten percent of the retail price of a pound of coffee goes back to the farmer, leaving them highly marginalized and unable to support their family's most basic needs (Talbot, 2004). This inequity stems from several causes, the most pertinent being the long and complex coffee commodity chain that prohibits producers from having access to the worldwide coffee market.

For coffee, the generalized value chain consists of growing, primary processing, export, shipping, distribution, roasting, packaging, redistribution, brewing, and drinking. For the majority of

import/export trading, middlemen (such as outside processors) and exporters purchase coffee directly from small farmers and gain a larger profit than is earned by growers. Large and well established coffee estates and plantations often export their own harvests or have direct arrangements with a transnational coffee processing or distributing company. Green coffee is then purchased by corporate importers who buy their coffee from the mill in the producing country. Importers hold inventory of large container loads, which they sell gradually through numerous small orders to individual roasting companies. The large importers have the capital resources to obtain quality coffee from around the world that smaller roasters do not have. Roasters heavy reliance on importers gives them [importers] great influence over the types of coffee that are sold to consumers, and can also determine the price for which they want to sell the coffee (Dicum and Luttinger, 1999).

There can be more or fewer links in the chain depending on the specific circumstances of a given bean, and each link can also consist of a number of different steps, but this general model applies in the majority of cases. Nevertheless, there can be great differences, particularly in producing countries, which have a variety of different ways of regulating and administering their coffee sectors. These can range from the relatively open markets of Mexico and Indonesia, through the strong growers' associations such as in Colombia, to government mandated coffee syndicates, as previously experienced in Tanzania, where small farmers have been forced to grow coffee for export, even when their costs exceeded their revenues (Dicum and Luttinger, 1999).

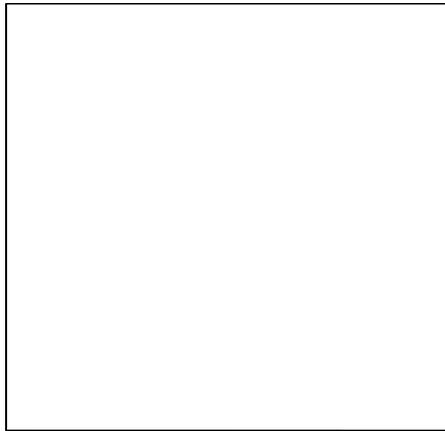
Most commodities, and coffee is no exception, are traded not only physically, but as futures and have specialized markets that coordinate this activity. In the case of coffee, the most important global exchanges are the Coffee Terminal Market of London (for Robustas) and the Coffee, Sugar and Cocoa Exchange of New York (for Arabicas). On these exchanges, participants can agree to a sale of coffee at a set price at a given time in the future. When that time arrives, and if the contract has not been further traded, that price is locked in, regardless of what is happening in the market. In this way, large buyers

can use the futures market to “hedge” or protect their purchases (Dicum and Luttinger, 1999).

As with all commodities, the money that enters a value chain is ultimately all derived from the final consumer. For all other participants in the chain, there is only the consumer’s money coming in for that pound of beans, and they have to allocate it among themselves. The way this is done is through a series of market interactions (buying and selling) at each level of the chain. The factors influencing these interactions include access to capital and information, political and regulatory structures, location and weather. Essentially, when you spend a dollar on coffee, part of that money stays with the retailer, who passes the rest on to the roaster through wholesale roast coffee purchases (Dicum and Luttinger, 1999). The roaster in turn passes some of your money on to the green bean importers, who in turn pass less on to the producers. In its simplest and most straightforward form, the coffee commodity chain

looks like this:

[Figure 1: Basic Commodity Chain](#)

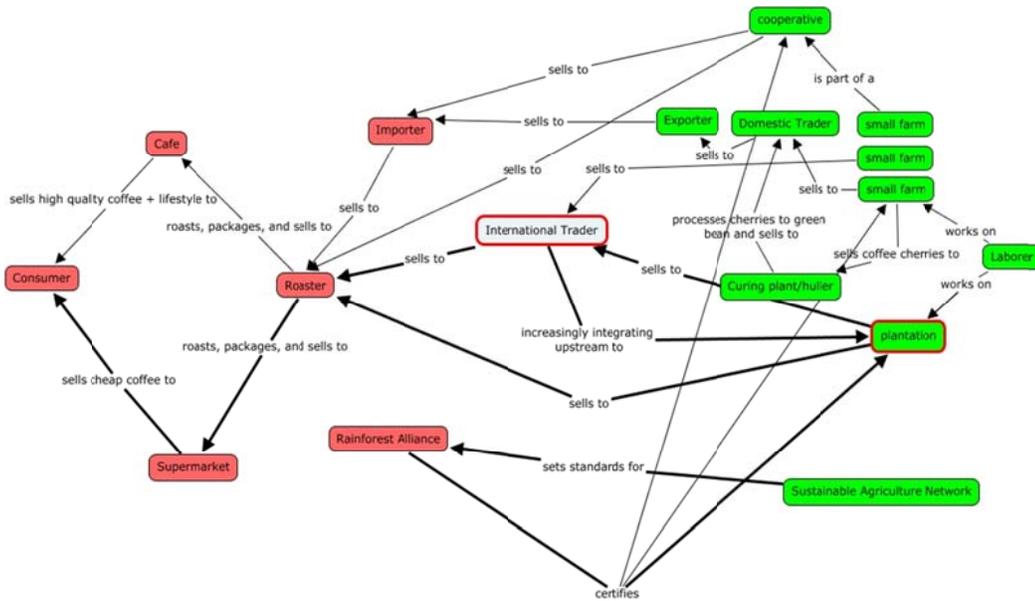


Source: <http://www.ocdc.coop/fairtrade/cooperatives-and-fair-trade.html>

However, as explained above, the roller coaster ride coffee takes from crop to cup is often much more complex and can be seen as a more multifaceted process. The more links in the chain, the more

dispersed your dollar becomes. The following graph is used to illustrate the frequently complex nature of the common coffee commodity chain which can be difficult to decipher;

Figure 2: Complex Coffee Commodity Chain



Source: <http://enviro.lclark.edu:8002/rid=1HYSR65WG-5B04Y5-2PX/RA%20coffee%20commodity%20chain.cmap>

Most small farmers and producer groups do not have the knowledge or capital to see their coffee go from crop to cup. Due to the lack of those essential qualities, countless small and large coffee producers are marginalized in all regions of the globe. To negotiate for better practices, farmers need information about who drinks their coffee and the functioning of the larger coffee market to determine in which ways they can influence it. Keeping the distribution system in the hands of those people directly involved with a specific coffee, may allow growers to have a voice in how their green beans are sold. Depending on the way in which such a program is organized and implemented, there is potential to create closer relationships and greater benefits for both producers and consumers.

One reason why coffee is such an important commodity to the global economy is that it is a major source of income for many poor countries and in particular, poor households within those

countries. This foreign exchange is crucial to poor countries to buy the goods and services of developed countries—products perceived as necessary for improving the standard of living of their countries (Dicum and Luttinger, 1999). One way that seeks to return more money to marginalized coffee producers is through various certification programs. In the next section, I examine the growing specialty coffee industry in United States and how some certification programs try to improve the quality of life for farmers in coffee producing nations.

Specialty Coffee and Certification

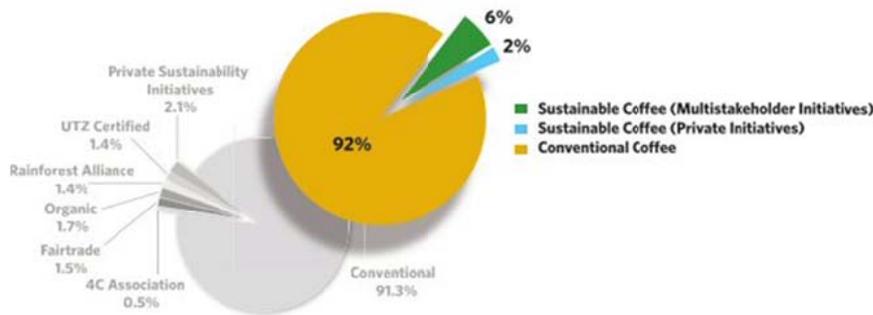
The North American Specialty coffee market grows 5-10 percent per year, and it reached an estimated retail value of \$12 billion in 2006. (www.scaa.org, 2007). This rapid growth contrasts to slow growth for bulk commercial grade coffees. Unheard of thirty years ago, the specialty market segment represents sixteen percent of U.S. coffee imports by volume and forty percent of the retail market by value (Giovannucci, 2010). In 1982, a small number of small-scale coffee roasting companies joined together to form the Specialty Coffee Association of America (SCAA). Their mission is to promote high-quality gourmet coffee and sustainability (www.scaa.org). Their members are primarily comprised of small-scale roasting companies, traders and sellers of coffee-related accessories, but the membership also includes larger companies (Starbucks and Folgers), farmer organizations, and producing company representatives.

The effects of international trade have for centuries troubled many people who have witnessed its human and environmental effects. The terms of trade between producers and consumers – the low prices paid for agricultural products relative to the costs of imports (on a national level) or the cost of living (on a household level) have long been unequal, but they have worsened significantly for the global South since the 1970's (Jaffee, 2007). With the specialty coffee markets developing in the 1970's, as well as the fair trade and organic labels developed more recently, some consumers have begun to educate themselves on the origins and socioeconomic and environmental implications of their

coffee (Bacon, 2008).

There has always been a very distinct relationship between poverty and coffee growing communities. This knowledge and forms of alternative trade are vital to the sustainability and continued livelihoods of small producers and cooperatives throughout the world, and especially in Central and South America (Jaffee, 2007). There are various coffee markets and certifications that seek to better connect Northern consumers with Southern producers, providing more equitable benefits of trade. The pie chart below shows the percentages of certified coffee versus conventional coffee exports as of 2009;

Figure 3: State of Sustainability Initiatives Review 2010 Percentage of Certified Coffee



Source: Coffee and Conservation, 2010

This information was obtained from The State of Sustainability Initiatives Review 2010 which was issued by the International Institute for Sustainable Development (IISD) and International Institute for Environment and Development (IIED). They explain that the supply of sustainable coffee is actually 17% (not 8%) of global production. Due to a variety of factors related to variations in quality, the timing of demand, and the additional licensing, marketing and product costs associated with carrying compliant or certified coffee through the supply chain as sustainable coffee, more sustainable coffee is produced than is actually sold as sustainable (Coffee and Conservation,

<http://www.coffeehabitat.com>).

Small specialty roasting companies pioneered the introduction of organic and fair trade coffees in the United States and helped the specialty coffee market become the most active space for eco-labeling in the food sector. Nearly all eco-labeled coffees are also specialty coffee (Bacon et al., 2008). Today, there are various coffee markets and certifications that seek to better connect consumers with producers, providing more equitable benefits of trade. In the following section, I explore these certifications in detail.

Fair Trade Coffee

The Fair Trade program primarily aims to support small farmers, and only farmers who belong to a farmer-owned, democratically run coffee cooperatives are eligible for this type of certification. The Fair Trade standards stipulate that traders pay a price that covers the costs of sustainable production and livelihoods, provide a premium for social development, sign contracts that encourage long-term planning and stability and help provide pre-harvest credit (FLO, 2003). In the United States, Fair Trade coffee is in compliance with certain guidelines set by TransFair USA. Fair Trade coffee farmers are guaranteed a minimum price for their product and importers are required to purchase their beans directly from the producer group. This bypasses various middle-men and ensures that the farmers themselves receive a higher premium for their crop. Fair trade premiums are reinvested in what the cooperative chooses which can include community scholarship programs, training sessions, or other projects for business skill development. Coffee farms that are Fair Trade certified are required to provide safe working conditions for their laborers as well as reasonable living wages. Child labor is prohibited. Fair Trade certification also aims to sustain environmental health by prohibiting the use of harmful chemicals and pesticides (Jaffee, 2007).

Some critics, as well as proponents of Fair Trade, argue that the certification system is weakened because it does not distinguish between a one hundred percent Fair Trade roaster and a

transnational roaster seeking to burnish its corporate image with one percent fair trade purchases (Jaffee, 2007.) Small roasters are concerned that the large companies only buying one or maybe five percent fair trade have a competitive advantage. They can subsidize the higher prices being paid for fair trade coffee by the other ninety-five percent of non-Fair Trade certified coffee. Since small roasters cannot compete with those lower prices, they lose access to mainstream markets when they are unable to subsidize their prices (Jaffee, 2007).

In 2004, five small 100 percent fair trade roasters announced they were withdrawing from the TransFair Certification. They would continue to buy coffee at fair trade prices and sell it as “fairly traded”, but would no longer pay certification fees or use the TransFair seal. These five small roasters also opposed the lack of transparency with the TransFair seal. The requirements in licensee contracts vary from roaster to roaster, and companies are not required to divulge the percentage of their coffee that is purchased on fair-trade terms (Jaffee, 2007). Expanding Fair Trade to large multinationals is a double edged sword; it offers the possibility of generating more benefits for producers but also provides the corporations valuable opportunities for image-washing. In essence (explains Jaffee, 2007), TransFair USA has slashed the price for admission to fair trade, and the movement is feeling the consequences.

By establishing a precedent for not requiring a minimum level of fair trade purchases for entry, TransFair has set the pattern for future certifications. Consumers need to be able to trust that companies whose products bear the Fair Trade certification have been held to standards that are constant with the movement’s core principals of fairness and social justice (Jaffee, 2007).

Organic Certified Coffee

Certified Organic coffee, just like other organic food products, is certified according to standards developed by national and international certification entities, assuring that it meets a series of stringent criteria. In contrast to the social conditions that form the basis for fair trade certification, the

organic standards are entirely physical, or inputs based (Jaffee, 2007). No chemical fertilizer or pesticides may be used; the organic coffee must be kept separate at all times from conventional coffee and not come into contact with any chemical products; and a strict paper trail must be maintained to document the “chain of custody” of the product at every step between tree and cup. Organic certification is based on an initial inspection by an accredited certifier and regular inspections afterward. Conversion of a traditional farm to an organic one requires that a multiyear transition process be followed to ensure that no chemical residues remain in the soil. Producers who sell organic coffee can receive a price premium of at least twenty-five cents per pound, provided a buyer can be found (Jaffee, 2007).

Although farmers producing and selling organically grown coffee receive a price premium, the organic certification process is anything but straightforward. The most common problem associated with organic coffee is the high cost of inspection and certification (Jaffee, 2007). An additional commonly cited problem is the standards for production and processing of organic products are developed in the home countries of the foreign certification agencies, where there are different cultural and environmental conditions (Jaffee, 2007). Moreover, the costs of labor in producing organic coffee are much more intensive. Organic coffee requires significant labor time in pruning, shade management, maintenance of compost piles, and construction of terraces, thus placing new demands upon the available land, labor and capital resources of small farmers (Bacon et al, 2008).

A common difficulty encountered with the organic certification process is that it’s often viewed as an unfair marketing method that does not benefit the poor farmers. For example, it is estimated that 65% of coffee producers in Mexico are organic farmers, not by choice, but because they do not have the resources to pay for chemical fertilizers. However, they are not certified as organic by the USDA or other international certification entities because the certification fee is too expensive. Therefore, although their coffee beans are passively organic, they are unable to charge a premium for their product

(Bacon et al, 2008). Compounding this problem is a set of 65 norms put forth by the International Standards Organization which hold that organizations cannot self-certify (Jaffee, 2007). The justification behind such regulations is that a strict separation between certifiers and those they certify is necessary to maintain the rigor of the system and thereby sustain consumer confidence in the organic label (Jaffee, 2007). Jaffee (2007) argues that certifiers need far greater sensitivity to the added financial costs and labor burdens that organic standards impose, both on farmer organizations and on impoverished farmers whose family labor is already stretched to the limit.

Bird Friendly and Shade Grown Coffee

Since the 1990's, there has been an explosion of interest – first on the part of scientists and later by consumers – in the role of shade coffee as a refuge for biodiversity (Jaffee, 2007). As the University of Michigan ecologist Ivette Perfecto et al. (1996) explain:

In areas where deforestation is high and coffee is still produced on traditional shade plantations, these plantations are likely to be a critical refuge for the biota. In fact, coffee plantations may already have served as a critical refuge during human-caused habitat bottleneck... By the turn of the nineteenth century, 99% of the original forest coverage of Puerto Rico had been lost, with essentially no second-growth forest replacing it. However, shaded coffee plantations still covered 9% of the island. As the rural economy has been abandoned, forest is returning to much of the island, and the “seed” for regrowth is often the abandoned coffee estates.

Many researchers have cataloged the extraordinary biodiversity that is found in traditional shade coffee plantations (Jaffee, 2007; Bacon et al., 2008). These plots often contain much of the diversity of the original forest, with dozens of plant species, hundreds of insects, and great diversity of soil organisms found in small single plot. More than any other issue, it is the “bird-coffee” connection that has alerted Northern consumers to the importance of the shade-coffee ecosystem and the multiple threats to its survival. Research has shown that in the midst of a decline in migratory songbird populations, traditional coffee plots can provide a vital sanctuary for many of these bird species. Additionally, coffee plantations have been singled out for their ability to support large numbers of forest migrants, those species most likely to be affected by conversion of forest to farmland (Perfecto, 1996).

In the 1990's the Smithsonian Migratory Bird Center (SMBC), which popularized the concept

of “bird-friendly” coffee, pioneered the certification of shade coffee – distinct from organic coffee – as a means of providing farmers economic incentive to protect their plots (Jaffee, 2007). SMBC Bird Friendly coffee seeks to play a key role in the conservation of migratory birds, which find a sanctuary in their forest-like environment. The SMBC is devoted to ensure that coffee plantations remain a healthy haven for birds and other wildlife (Smithsonian Migratory Bird Center, <http://nationalzoo.si.edu/scbi/migratorybirds/coffee/>). Bray et al. (2002) explain that “coffee roasters, conservation nongovernmental organizations and public outreach organizations have rushed to place eco-labeled shade-tree and bird-friendly coffees on the market, trying to capture the consumer interest of millions of declared birdwatchers”.

At one time, all coffee was grown in the shade. The coffee plant (especially Arabica) is intolerant of direct sun and must be protected by a canopy of taller shade trees. However, beginning in the 1970’s new hybrid varieties and methods of production were introduced that allowed coffee to be grown in full sunshine, increasing the number of trees on each hectare threefold or more (Jaffee, 2007). Over half of the area of coffee production in northern Latin America had been converted to sun plantations by 1990 (Perfecto, 1996). This effort was initially supported by USAID through development assistance programs throughout Latin America (<http://www.usaid.gov>). The price crisis described earlier has caused hundreds of thousands of growers around the world to convert their plots to cattle grazing, drug crops and other uses. More than twenty thousand hectares of coffee land have been converted or abandoned in El Salvador and Honduras combined (Jaffee, 2007).

Before the rise in interest in shade grown coffee, almost all efforts to find products that can fuel market-based conservation initiatives had been focused on natural forests, mostly with references to timber logging and non-timber forest products (Crook and Clapp, 1998). Shade grown coffee is the first conservation-oriented market product that focuses both on a broader agricultural landscape and on a major agricultural commodity. Shade grown coffee focuses research and conservation on biodiversity

in managed systems, natural systems, and particularly in agroecosystems (Vandermeer and Perfecto, 1997). Thus, a major world agricultural commodity already being produced by small farmers could be a vehicle for habitat preservation and conservation.

Rainforest Alliance Certified

Many coffee farms are in areas regarded as high priorities for conservation. The Rainforest Alliance and its partner groups in the Sustainable Agriculture Network (SAN) found that traditional, forested coffee farms are havens for wildlife as well. Rainforest Alliance certification aims to maintain biodiversity in the production areas, while at the same time striving for sustainable living conditions for farmers, plantation workers and the local population. The certification asserts that farmers are assisted with improved farm management, negotiation leverage and access to premium markets; farm workers are treated with respect, paid fair wages, are properly equipped and given access to education and health care. By implementing the SAN sustainable farm-management system, farmers can control costs, gain efficiencies and improve crop quality (www.rainforestalliance.org). Implementation and enforcement of these guidelines, however, are variable. For example, one criticism of the Rainforest Alliance standard is that as little as thirty percent of the coffee in a container can be grown under Rainforest Alliance criteria and the coffee can still carry the seal. The buyer doesn't know about the conditions under which the other seventy percent was grown. This can be avoided somewhat by looking for labels that say 100 percent Rainforest Alliance certified (<http://www.ethicalcoffee.net/rainforest.html>).

UTZ Certified

The UTZ Certified Code of Conduct establishes a set of social and environmental criteria for responsible coffee growing practices and efficient farm management, including standards for recordkeeping, minimized and documented use of agrochemicals for crop protection, protection of labor rights and access to health care and education for employees and their families. Coffee producers

who are UTZ Certified are subject to annual inspections by independent certifiers to ensure they comply with the requirements of the Code of Conduct. A web-based track and trace system follows the UTZ Certified coffee through the chain from grower to roaster. This gives buyers insight into where their coffee really comes from (www.utzcertified.org).

Direct Trade

In addition to the above mentioned specialty coffee certifications, direct trade has emerged as an alternative contender for the “ethical coffee” market. Essentially, direct trade refers to creating sustainable relationships with coffee producers rather than a third party certification process. Direct trade is similar to fair trade insofar as it seeks to provide a fair price for small farmers and encourages them to develop sustainable, ecologically responsible practices. A key feature of direct trade is that it eliminates some advantages that middlemen (such as the mill) have over farmers in the traditional coffee market (Meehan, 2007). It means, most simply, that the roasters buy their beans directly from the farms and cooperatives that grow them, not from brokers. Direct trade, which also necessitates significant communication between the buyer and the grower, stands in stark contrast to the old (but still prevalent) model, in which international conglomerates buy coffee in 37,500 pound contracts through brokers, for the lowest price the commodity market can bear.

Geoff Watts, the Director of Coffee and Green Coffee Purchaser for Intelligentsia Coffee (www.intelligentsiacoffee.com), has been a prominent spokesman for direct trade. Watts explains that the problem with middlemen in the coffee industry isn't that they aren't necessarily bad. They can perform valuable functions. Rather, the problem is that in the traditional coffee market, they often take advantage of the farmer's lack of knowledge about the market, lack of access to multiple buyers, and lack of capital resources. Middlemen often use these advantages to extract a greater share of the coffee retail price for the firms they work for. For example, a collector traveling to remote areas to collect the coffee cherries and transport them to mills or exporters, may offer cash to farmers who have little

alternative but to accept the offered price. The farmers do not have the financial resources to buy equipment to mill their cherries or hold them until a better price is offered, and they are not in communication with alternative buyers. So collectors (known as coyotes) often buy the cherries at the lowest possible price, and of course, try to sell at a relatively high price.

Roasters participating in direct trade programs remedy this situation by first negotiating a fair price with the farmers, and then negotiating additional costs to be paid to whichever middlemen have a legitimate function to play in bringing the product to market. Both parties are part of a common contract that stipulates how much will be paid at each stage in the process, including farmers and all other intermediaries deemed necessary. When roasters negotiate directly with farmers on price and assure transparency in contractual relationships with all intermediaries, much of the abuse suffered by farmers in the traditional market can be eliminated.

Direct trade is unique in that unlike other specialty coffee certifications, there is not a uniform set of standards or principals. It is a pledge made by individual roasters regarding their way of doing business, and its meaning may vary from one roaster to the next. Unlike Fair Trade, consumers do not have the option to rely on independent third party certifiers to help them in their purchasing decisions and assure them that the products they are buying meet standards that contribute to the public good. If a consumer reads “direct trade” on a product, the meaning of the phrase will depend upon the individual roaster selling the product. It will then be up to the consumer to determine what “direct trade” signifies by educating himself about the particular roaster using the phrase. The question then is whether consumers will feel that they can trust roasters as much as an independent, third-party organization that such criteria are being met.

Direct trade also represents, at least for many in the specialty coffee industry, an improvement on labels like Fair Trade, Bird Friendly or Organic. Such labels relate to how the coffee is grown and may persuade consumers to pay a little extra for their beans, but offer no assurance about flavor or

quality (Meehan, 2007). Direct trade companies, on the other hand, see ecologically sound agriculture and prices well above the Fair Trade premium both as sound business practices and as a route to better tasting coffee. By visiting the farms and interacting with the people who care for the coffee trees since their inception, roasters seek to offer coffee that is produced as well as it can be, bought responsibly, creating maximum benefits for stakeholders, and roasted carefully.

Understanding the issues both historically and currently involved with coffee are a necessary and important function involved in creating a direct trade coffee link. The previous sections demonstrate that the economic, social, political and ecological dimensions of development of the coffee trade are interconnected and must be understood and addressed collectively (Bacon et al., 2008). By providing the information so that consumers can become better educated, and creating closer and more direct links, it is possible to create a coffee trade that provides socioeconomic benefits to producers.

In the next segment of this paper I explain the methods and procedures used to execute this direct trade project. I discuss the processes involved in selecting a farm as well as a roasting company. I will also explain the importation and exportation procedures and the approach we are using to import the green coffee beans into the United States.

Methods and Procedures

In El Salvador, I lived for two years in a rural, impoverished coffee growing community in the Western department of Ahuachapán. ~~The community in which I lived, My community,~~ Shucutitán, is located in the heart of the Apaneca-Ilamatepec Mountain Range which is home to the largest concentration of coffee plantations in El Salvador. This region includes the departments of Ahuachapán, Santa Ana and the eastern part of Sonsonate. There are more than 30 coffee-producing municipalities in these three departments, and coffee cultivation is the main source of rural employment.

Also known as the “Coffee Golden Belt”, the Apaneca-Ilamatepec Mountain Range is recognized as the birthplace of coffee production in El Salvador. The earliest plantations were located in Ahuachapán, and then extended to the departments of Santa Ana and later Sonsonate. These Western departments were the pioneers in coffee production and this region continues to produce over 50% of the total coffee in El Salvador (Salvadoran Coffee Council, 2011).

Figure 4: Coffee Growing Regions of El Salvador

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Green Area denotes coffee growing area of the Apaneca-Iamatepec Mountain Range

Source: SalvadoranCoffees.com

Due to the ~~extensive and intense~~ extended and heavy precipitation cycles, the coffee harvest period in Western El Salvador can last from October until April. Annual rainfall averages between 1800-2300mm. Coffee in the Apaneca-Iamatepec Mountain range grows at altitudes between 600 to 2365 meters above sea level, with the best quality coffee grown above 1,200 meters. Coffee varieties in this area include Bourbon (a coffee best grown in shaded areas at high elevation), which accounts for 51.8% of beans, Arabica-Pacas which accounts for 22.5%, and various other types accounting for the remaining 25.7% (Salvadoran Coffee Council, 2011). El Salvador classifies its coffee depending on production altitude over sea level:

Table 2: Classification of Salvadoran Coffee with respect to Altitude

Classification	Meters above sea level (masl)
Strictly High Grown (SHG)	Above 1,200
High Grown (HG)	Between 900 - 1,200

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Central Standard (CS)	Between 600 - 900
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Ninety percent of the population of Shucutitán and adjacent neighboring communities are involved in coffee production ([Salvadoran Coffee Council, 2011](#)). ~~(ref/source)~~ Most people are seasonal harvesters and a small percentage work on the coffee farms year-round. While living with and closely integrating myself into this new community, I witnessed the plight of coffee farmers; working long hours on precipitous hillsides to handpick hundreds of pounds of coffee for a daily wage of roughly six dollars. I became immediately fascinated yet dejected by the standards of living these people are forced to endure.

Selecting a Farm

Prior to finding and researching farms, I first developed criteria for the type of Salvadoran coffee finca I wanted to include in this project. I was most interested to work with a smaller farm, with less than 50 acres of total land. After speaking with members of the Salvadoran Coffee Council, I learned that owners of smaller farms would most likely have closer connections with their employees, and smaller farms are more likely to be shade grown as opposed to large sun plantations. Additionally, I hoped to connect with a farm that was located within the Apaneca-Ilamatepec Mountain range. Because I had to rely on bus transportation, I was unable to travel great distances to visit farms outside of my region. Another quality I looked for when finding a farm was that it be managed in an ecologically sustainable manner. I did not limit myself to seeking only organic coffee fincas, but I wanted a farm that was committed to preserving the area's natural habitat and taking all measures to maintain the healthy features of the nearby land, such as using natural fertilizers, minimizing erosion and growing coffee trees under natural shade canopies. The most important criteria I set for finding a farm was that the owners must be completely vested in improving the [lifestyle-socioeconomic conditions](#) of their employees and local environmental conditions. It is not uncommon for some owners to remain completely remote, residing in the capital city without knowledge of what is

occurring on their land. I had a strong desire to pursue this project with owners who were cognizant of the all too often harsh lifestyle of coffee farmers. I sought to find the people who would be most responsive in helping the local people of the area meet their needs.

Once I had set several fundamental standards, I began to research and visit local fincas in the area to learn more about coffee production and operations on small coffee farms. I became very close with the owners of the family farm on which I lived. They are an affluent family of four siblings, two of which live in the United States permanently. Although they do not live near the farm, I met with them frequently when they traveled to the area. They are involved in community activities and

contribute to help meet the local needs of the people who work for them, such as the provision of permanent employment for all families and improved housing. ~~them~~. Their farm, Finca Talnamica, is a large plantation of about 300 acres. Although I ultimately did not plan to use this farm for my project (due to its large size and lower quality coffee), the family provided me a wealth of information on local coffee harvesting, production and exportation, as well as a basis to study and explore other farms. The following table details the criteria I used in selecting a farm for this project;

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Table 3: Criteria Used in Selecting Farm

Criteria	Rationale	Means by which Assessed
Small Farm, less than 50 acres in size	Owners of small farms are more likely to have closer connections to the farm and with their employees	Finca Buena Vista is 22 acres in size and farm employees spoke highly of the owners. I met with the owners every weekend when they came to stay on the farm among employees
Shade grown coffee incorporating forests' natural canopy	Minimizes need for deforestation for agricultural production, helps maintain natural features of landscape	Coffee is grown in natural shade canopy and no trees were cut during the process of planting coffee trees
Located in the area in which I was working (Apaneca-Ilametepec Mountain Range)	I had little transportation access and needed a farm that was in close proximity to where I was living in order to	Finca Buena Vista is located 4 highway kilometers from my home in El Salvador in the Apaneca-Ilametepec Mountain

	visit frequently and gain information on farm processes	Range
No use (or minimal use) of chemical pesticides or fertilizers	Chemical pesticides and fertilizers pollute the environment and can have harmful effects on the people who use them and wildlife alike	Finca Buena Vista is a USDA certified Organic farm and uses natural fertilizers such as leaf litter, humus and pulp from ripe coffee berries
Maintain healthy features of nearby land (no deforestation, adequate spacing and terracing)	This promotes the natural features of the land and causes minimal disruption for the wild animal and bird habitat as well promotes healthy growth of coffee plants	Finca Buena Vista is situated in a natural forest. Coffee trees were planted according to an Organic Farm Planning Control designed by the Organic Agricultural Movement of El Salvador which ensures that the healthy features of the land be maintained
Creation and implementation of projects centered around community development; Proven commitment to and demonstration of improved standard of living for farm employees (access to adequate housing, food, water)	Projects such as electrification, potable water sourcing and access to education help foster the socioeconomic development of small communities; This will ensure that farm employees have access to basic necessities such as housing and that owners are working to improve the standard of living of their employees	The Herrera's of Finca Buena Vista are currently building new homes for the nine families that live on the farm, have provided the children in the community with new uniforms so they can go to school, and are involved in a water project that will make water available directly in the community. Owners are also soliciting for electrification in the community
Owners must maintain close connection and relationship with farm employees	Many coffee farm owners remain very remote with little knowledge of what occurs on their land which contributes to an unhealthy relationship between farm employees and owners	The Herrera's are very close with farm employees and they travel to the farm every weekend to live among the employees and oversee coffee production on their farm
Producers are seeking a reliable export market	The farm must be seeking a reliable export market and must have raw beans available that are not yet spoken for	The Herrera's have long been interested in creating a long term relationship with a roaster and they are in need of a reliable buyer
Owners and producers of farm are dedicated to the production of exceptional coffee	Producing exceptional coffee year after year necessitates that the owners be completely vested in all aspects of their farm and will give the farm access to specialty roasters seeking amazing coffee	The coffee from Finca Buena Vista has recently competed in the Cup of Excellence Competition where only high quality great tasting coffee is judged

In April of 2011, I met 32 international judges from the Cup of Excellence, several of whom would become critical contributors to the implementation of this project. While in El Salvador, the judges were staying in the Apaneca-Ilamatepec Mountain Range and visiting local farms. They visited Finca Talnamica to learn about coffee production, and I was invited by the owners of the farm to meet them and discuss any questions related to my project. The Cup of Excellence (COE) is a strict competition that selects the very best coffee produced in that country for that particular year. The winning coffees are chosen by a select group of national and international cuppers and are cupped at least five different times during the competition process. The final winners are awarded the prestigious Cup of Excellence® and sold to the highest bidder during an internet auction.

Winning farmers are exhilarated to be acknowledged for their dedication to quality. Not only is the farmer given a prestigious award during a national ceremony but the majority of the record high prices at auction go back to the producers who deserve and need it. In addition the farmer is now recognized in the industry as being a quality producer. A winning farm and often the whole region can expect to receive future visits from roasters looking to buy more quality coffee for their companies. The positive impact on the quality of life for a winning farmer and his family is permanent as the auction money will often be spent on farm improvements or family education which can change their economic livelihood for the long term even if they do not win every year. COE currently has programs in the following countries; El Salvador, Honduras, Nicaragua, Guatemala, Rwanda, Columbia, Brazil, and Costa Rica. The highest price paid (to date) for a green pound of coffee through the COE was \$80.20 in 2008 (www.cupofexcellene.org).

In addition to meeting the international judges, through the COE, I was able to connect with many local farmers who I would have otherwise not had the opportunity to meet. During this time, a presentation was given by Margarita and Francisco Herrera, owners of the organic Finca Buena Vista

(Great View Farm) that particularly caught my attention. They are a middle-aged Salvadoran couple who purchased an abandoned coffee farm in 2004. The purchasing process lasted two years (as a result of paperwork and politics) and in 2006 the farm was legally awarded to the Herrera's. Since the farm had been deserted years earlier, the conversion to organic was less difficult than usual. The grace period for conversion from a conventional coffee farm to an organic farm is a three year process in whichs in the farm must be cared for in which the plantation is cared for according to an organic farming plan control (awkward). I met with the owners after the presentation and they invited me to visit and learn more about their farm.

A few days later, I went to visit their farm. Finca Buena Vista is located in the Apaneca-Ilamatepec Mountain range, about three highway kilometers from the community where I was living. The farm is situated in the heart of the most extensive watershed in western El Salvador and is vital habitat to a variety of native tropical plant and animal species, and a seasonal rest stop for migrant birds. In total, the farm encompasses 22 manzanas (approximately 37 acres) 20 of which produce coffee. Finca Buena Vista sits at an altitude of 1400 meters above sea level and the coffee trees grow under plentiful shade from fruit and other natural forest canopy-planted shade or primary forest canopy. The coffee trees cultivated on the farm are of the bourbon variety, and the high altitude of this region in conjunction with soils rich in volcanic ash and organic material are ideal for the production of superior coffee. Finca Buena Vista is the only farm in El Salvador that is Certified Organic by three different Certification programs, USDA Organic, and the BCS Öko-Garantie GmbH certifiers of Japan and Germany. _____The community of Buena Vista is very rural and although it is accessible by 4x4 vehicles, there is no bus access. To obtain basic necessities, such as corn and beans, residents must take a five kilometer trek down a rocky steep mountainside. In this community, there is no electricity or running water and most households are dependent on the collection of rainwater for bathing and laundry washing. There is a community water faucet but it is located over two kilometers

Comment [j4]: So criteria not just natural forest?

away. Currently, nine families live on the farm, all of whom are involved in the production of organic coffee for Finca Buena Vista. Some of the families lived in the area and worked on the previous farm until it was abandoned and they were left unemployed, with little opportunities for outside work. Once Margarita and Francisco purchased the land, they invited and welcomed all community members to work on the farm and the father in each household now has year round employment with the farm. During harvest season, wives are invited to pick coffee for extra income, and the employment numbers increase to sixteen.

After acquiring the land, the Herrera's hired an agricultural engineer from the Movimiento de Agricultura Organica de El Salvador (Organic Agriculture Movement of El Salvador). The engineer helped with the organic certification process and led an intense training for all farm workers on organic agricultural. The principal family involved in the farm maintenance and management has become experts in organic coffee management.

Because there is no water source at Finca Buena Vista, the Herrera's process their coffee at a small mill located two miles from the farm. A wet-processing method is used in which the fruit covering the bean is removed before the beans are dried. The method requires the use of specific equipment and substantial quantities of water. The coffee cherries are sorted by immersion in water. Rotten or unripe fruit will float and the good ripe fruit will sink. The skin of the cherry and some of the pulp is removed by pressing the fruit by machine in water through a screen. After this process, most wastewater goes into pools to evaporate, and a small quantity goes back into the ground. The leftover water is very acidic and foamy and can usually evaporate in about two weeks. The coffee is then left to sun dry on brick patios. If the sun is strong and not blocked by dense clouds, the drying process takes 11 days. However, on more humid days with fog, the drying process can take up to 13 days. As the cherries dry, they are raked or turned by hand to ensure even drying and prevent mildew.

What attracted me to collaborate with Margarita and Francisco of Finca Buena Vista, aside from their sound ecological

practices, is their commitment to providing a better standard of living for the families living and working in the small community where their coffee is grown. Immediately after becoming owners of the land, they began to seek ways of providing community assistance. The first project need expressed by community members was improved housing. The former homes of the nine families were dilapidated one room huts built from recycled corrugated metal. Once the farm began to generate money after the first production year, the Herrera's commenced construction of the first home. The new homes are made from cinderblocks and have several rooms and a kitchen area. They were built with sturdy roofs and a gutter system to quickly collect rainwater. I visited the family who occupied the first re-built home and they were thrilled with their new living conditions. Although they had already inhabited the home for several months, they could not contain their excitement. So far, two families are living in new homes, and the others anxiously await their new living quarters, which are under construction.

The second and third community developments planned for the community of Buena Vista are electrification and water projects. Buena Vista pertains to the municipality of Concepcion de Ataco (Ataco) which is one of the most popular tourist areas in El Salvador, and is considered to be a wealthy "pueblo" by Salvadoran standards. Due to political issues, the vast majority of money stays only in the town of Ataco, and is not dispersed throughout the municipality as is common in other regions of the country. Because of this, many small rural communities in the area remain without basic necessities such as electricity and water. In cases like this, it is up to the community to solicit for funds to make these projects possible. The Herrera's have been meeting with the mayor of Ataco in the hopes of getting Buena Vista "on the map", but because funds are not evenly distributed throughout the municipality, so far their efforts have been fruitless. Alternatively, Margarita and Francisco have been setting funds aside from coffee sales in order to fund the electrification project themselves. They have also been soliciting various organizations for additional funding. Because the community is so remote,

this project will involve a great deal of resources, time and money, but they are optimistic to have electricity in the village soon.

Construction just ended for a large water holding facility on the farm. With the help of an engineer, the Herrera's developed an underground water container that holds three cisterns. Water from the copious rain during winter months fills the cisterns which collectively hold 200 cubic meters of water. Community members now use this water for daily needs, such as washing clothing and bathing.

Uncommon for many marginalized coffee pickers, the community of Buena Vista has a strong and intimate relationship with the owners of the farm. The main commonality I noticed among the other farms I visited was that the owners were very detached from the work that takes place on their land. They live a life of amenities in the capital city and make trips to the farm only when necessary. The Herrera's travel from San Salvador to spend every weekend at their farm, visiting with and living among their employees.

The 2009/2010 harvest brought the first Finca Buena Vista coffee available for sale to the public. The farm had begun to produce organic coffee two years prior, but the owners wanted to ensure they were producing the best coffee possible, and did not sell the first two harvests. Currently, coffee grown at the farm is not being exported to the United States. The Herrera's have completed all necessary paperwork for North American exportation, but they have not yet found access to a market in the United States. Because they are a new farm and offer only small lots of coffee (the highest production yielded just under 6,000 pounds of green beans), and are not part of a cooperative, it is difficult to find buyers. This year, a roaster in Japan bought 2,000 pounds, and the rest of the coffee is sold under the owners Coffee Forest label in eighteen supermarkets throughout San Salvador. Based in San Salvador, the Herrera's have an additional five people in charge of marketing, managing and accounting. In total (including Margarita and Francisco) there are 23 people involved in the coffee processing of Buena Vista. The Herrera's take great pride in their coffee as well their community

projects and they are very interested in creating long term relationships with buyers.

After selecting a farm, the next step was to find a coffee roaster stateside in Montana. In the following section, I explain the process of selecting a roaster as well as developing a long term sustainable connection between them and Finca Buena Vista of El Salvador.

Selecting a Roaster

This project is focused on building and maintaining long lasting relationships to create closer and more sustainable links between producers and consumers. Similar to the way I developed criteria for selecting a farm, I established standards for choosing a roaster. In electing a roaster in Montana, I sought business owners with close community ties, based as locally as possible, and who purchased green beans from responsible reputable importers. There are many cafes and restaurants offering great coffee, but the vast majority of coffee consumed within the community is roasted outside the state of Montana. Currently, there are two local roasting companies; Hunter Bay Coffee of Lolo and Black Coffee Roasting Company of Missoula. The following chart details the criteria I used in selecting a roaster for this project;

Table 4: Criteria Used in Selecting Roaster

Criteria	Rationale	Means by which Assessed
Located in Montana (in Missoula or as close as possible)	I sought to find a roaster as close to or within the community where I lived in the United States. This supports buying local as opposed to bringing in coffee from other states and regions	Black Coffee Roasting Company is located in Missoula, Montana and is the only company that roasts coffee in Missoula proper
Committed to excellence in coffee quality	Quality coffee is often difficult to find and requires that the roasting company know how to roast properly to highlight each coffee's unique flavor	Speaking directly with the owners of Black Coffee Roasting Company about their distinct roasting techniques as well as cupping various coffees offered by them
Micro Roaster with a small operation (under 100,000)	I did not want to create a relationship with a large coffee	Black Coffee Roasting Company is a small operation that

pounds roasted annually)	distributor or roaster as it can often be more difficult to begin a direct trade program as well as create close relationships	currently roasts less than 100,000 pounds annually, and the company is staffed by less than ten employees.
Interest in establishing a direct trade relationship with producers	I sought a roasting company with interest in creating a direct trade program that had not previously sourced beans directly from producers	Although the interest was present, prior to this project, Black Coffee Roasting Company had not been involved in any direct trade program
Buys coffee from reputable and responsible specialty importers	Smaller specialty importers practice more responsible business transactions as they source a large variety of organic as well as fair and direct trade coffees.	Black Coffee Roasting Company purchases their green beans from well known reputable specialty importers such as Mercanta, Royal and Atlas.
Close community ties (involved in activities within the community and have a large loyal customer base)	In addition to creating a relationship with a local roaster, I sought a company who is involved in community activities and is viewed positively within the Missoula community	Since their opening in 2010, Black Coffee Roasting Company has created a large loyal customer base and participates in community activities, such as the local farmers market and free open coffee tastings.

Black Coffee Roasting Company (BCRC) was established in Missoula, Montana in 2010 by Jim Chapman and Matt McQuilken. Because of my involvement in various community activities, I had met Matt several times before leaving for El Salvador, but was unaware that the roasting company had opened while I was abroad. When I returned to the United States for a visit in 2010, I learned more about their small operation and in early 2011 I began to speak with the owners via telephone and discover more about their unique venture. BCRC began as a small-scale business and Jim and Matt are most interested in providing their consumers with the highest quality coffee possible, establishing extended relationships with their customers as well as creating closer relationships with growers. I explained to them that I had spent the previous eighteen months living on a coffee farm in El Salvador, working with small farms and that I was seeking a Missoula roaster who wanted to become involved in a direct trade coffee project. They were immediately interested and together we began to generate ideas on how to make this project possible as well as discuss the objectives we were both trying to

achieve.

Prior to this project, BCRC had not purchased coffee directly from producers. However, the coffee they bought was chosen carefully from reputable specialty importers, and purchased in very small quantities. BCRC currently roasts and sells a variety of premium coffees from the best coffee growing regions in the world. The greater part of coffee sold at BCRC is Certified Organic, but Jim and Matt understand that certification can be problematic. Instead of only purchasing Fair Trade or Certified Organic coffees, BCRC seeks coffee that is ethically and sustainably produced, and do not limit their buying to only certified beans.

Many roasting companies say that they work directly with farmers to find the best coffee possible, but it is ultimately up to the consumers to take the extra step to ensure their claims are true. Creating functional relationships by working with individual farmers is very difficult because it requires money, time, knowledge of the geographic area, and in many cases, an ability to speak the native language. These can be challenging barriers to overcome. For small and young roasting companies, although the passion to work directly with producers may be present, the capital is often not. In most situations, this type of relationship requires traveling to the country where the coffee is grown to meet the people involved in its production, as well as learning as much about the coffee in its growing site as possible.

Because BCRC has not yet reached the level where the owners can go and visit farms themselves, my role in this project is to serve as the liaison between them and Finca Buena Vista. After spending over two years on a coffee farm in El Salvador, I understand a great deal about coffee production, world coffee markets, import and exportation practices and had witnessed first-hand the exceedingly difficult lives of marginalized coffee workers. I created many close friendships with people who have spent their lives working on these farms and am able to communicate with them as well as with those who manage and own the farms.

Once BCRC and Finca Buena Vista were both on board for this project, I sent a sample of their coffee to Missoula for cupping in the BCRC laboratory. I had sent BCRC several samples from various farms I had been visiting and studying, but I was most excited about the prospect of creating a relationship with the Herrera's. Fortunately, Jim and Matt saw the most potential in terms of quality and organic production methods in the coffee sent from Finca Buena Vista, and it was their top choice from the samples they received. At this stage in my project, I had found a farm and a roaster. However, the most difficult challenge of the project remained...finding a way to successfully transport the green beans from El Salvador to Missoula, Montana. In the next section, I detail the complex processes of importation and exportation and explain how I developed a strategy that fits within the direct trade model as well as the goals for this project.

Export/Import Process

This project would not have been possible without creating relationships with some of the coffee experts from the Cup of Excellence. Two notable collaborators are Rodger Owen; former President of The Specialty Coffee Association of America (SCAA), former CEO of Bucks County Coffee of Langhorne, Pennsylvania, and current sales executive for White Coffee, and Andy Newbom; founder and former owner of Barefoot Coffee of San Jose, California, who now lives in El Salvador working to create direct trade programs with small farms through his own company, Finca Coffees.

In order to create a direct trade coffee link, it was necessary that I learn about the functioning of the export/import market of coffee. Through my own research, and more valuably, through talking with Rodger and Andy, I learned about the path coffee takes once it leaves the farm and how it ends up in supermarkets and cafes in North America and around the world. Understanding this process is essential to forming close relationships between roasters and growers. Because Andy of Barefoot Coffee has worked extensively in direct trade, his mentoring and assistance in the project has been invaluable.

After coffee has been picked and processed, it often goes to a warehouse in the mill and waits to be exported to a consuming nation. Farms have contracts with mills in their host countries and once the coffee leaves the farmer, it belongs to the mill. They become the new temporary owners and insurers of the green beans before they become the property of importers. There are many different companies whose sole role is to import coffee into various countries around the world. Coffee is (usually) imported into the United States packed in individual 132 pound burlap sacks that are housed in large shipping containers. The largest size container can hold approximately 300 bags of coffee, totaling 37,000 pounds of green beans. Because shipping container prices are normally based on size, it costs the same to ship an empty container as it does to ship a full one. However, having 200 pounds of coffee in a container versus 35,000 pounds represents a huge difference in the price of the shipped green beans. With a full container, the shipping costs can be (more or less) evenly distributed across all of the coffee in the container. In the United States, coffee arrives at one of several ports, the largest being in New Orleans, although smaller ports (such as those of Oakland and Seattle on the west coast) are more commonly used for specialty coffee.

Small roasters usually work very closely with one or two importers, and select their green beans based on what the importers presently have on hand or are expected to have in the future. Currently, Black Coffee Roasting Company buys their coffee from two Seattle based importers, Mercanta and Atlas, with whom they have formal contracts. Both of these companies have containers leaving Central America (and specifically in this case El Salvador) during the harvest season. Because the coffee from Finca Buena Vista is not currently imported to the United States, getting it to Missoula is a difficult process. A constraint to initiating a direct trade program as a small new roaster without outside consultants is that it's very time consuming and can often be confusing. However, there are ways this can be accomplished.

The simplest way to get coffee to small specialty roasters is by selecting and ordering coffee

that the importer already has on hand or will have in the future. This can be done on a single purchase basis or, once established, roasters can anticipate the amount they will need to satisfy customer needs, and then they can buy coffee in advance. There are two ways in which this generally occurs:

- **Spot Sale:** An on the spot purchase subject to current availability and pricing.
- **Forward Sale:** Once you have identified the key coffees in your line-up and determined your average monthly usage we recommend buying forward. A forward contract between the buyer and Atlas specifies that the buyer will take a certain amount of coffee each month at a guaranteed price. This allows us to more accurately predict and secure the coffees our customers will need throughout the year, allows our customers the assurance that the coffees they need will be available to them, and guarantees stable pricing in an ever-fluctuating market. (Source: Atlas Coffee Imports)

BCRC and I contacted the importers directly to request a specific coffee through our own direct trade program. Because Mercanta and Atlas Importers already have containers coming from El Salvador into the United States, and because BCRC has a contract with those importers, they can buy Finca Buena Vista's coffee and have it combined with other coffees leaving the country at the same time through "consolidating a container". This means that many different coffees from various farms will be in one container traveling to a specific port.

The importer specifies and controls what ship the coffee will leave on. Coffee containers are always sent by sea, and can usually reach the port of entry in North America relatively quickly. Once the coffee leaves the mill and is transported onto the ship, the importer assumes all responsibility. Each roaster has different contracts with their importer, but the importer remains accountable for the coffee while it is in transit. Once the coffee reaches its port of entry, it goes through customs before it is stored in the importer's warehouse.

Once the importer has the coffee stored in country, they notify all roasters who have ordered shipments from that container. Most commonly, a sample is sent to ensure that the roaster is getting the coffee they cupped when deciding to purchase a particular bean. Roasters will keep an original sample they cupped and compare it against the newest sample they received from the warehouse. If they deem

it satisfactory, they accept and are sent their green beans. Although it is not common for specialty roasters to refuse beans after a second cupping, it is possible. What happens in those cases depends upon the individual contracts roasters have with their importers. Below are examples of various contract terms importers have with specialty roasters;

Contract Terms:

1) Subject to Approval of Preshipment Samples

(SAS Preship) Contract is subject to buyer approval of preshipment sample

2) Subject to Approval of Arrival Samples

(SAS Arrival) Contract is subject to buyer approval of arrival sample

3) Subject to Approval of Arrival Samples; Replace

Contract is subject to buyer's approval of sample. If the coffee sample is not approved, we will replace it with a sample from another lot

4) Subject to Approval of Sample; No Approval No Sale

Contract is subject to buyer's approval of sample. If the coffee sample is not approved, contract is void

(Source: Atlantic Specialty Coffee)

It is rare that roasters are responsible for transportation arrangements from the warehouse to their individual locations, and the majority of importers have logistics in place to get the coffee directly to the door of the roaster. When the coffee is ready to be shipped to the roaster, an invoice is sent. When the coffee is shipped, it becomes the property of the roaster and they must pay for their beans. For new customers, roasters generally pay in advance. Once a roaster has established a reliable relationship with their importer, credit terms can be arranged.

Although roasters do not pay until the invoices are sent from the importer, the farm receives the money when their coffee leaves the country. At that point, the importers have paid the mill and the mill can then get that money to back the farmer. Most simply, the importers should be seen as the logistics coordinator and the bank. When a roaster inquires about the total cost per pound for green coffee beans, the importer quotes them a price. This cost includes the price paid to the farmer, price paid to

the mill, export and shipping costs, customs fees, insurance, and the price paid to the importer.

Depending on the various contracts, financing and shipping to door can also be included. The process explained above highlights that although direct trade seeks to minimize unnecessary middlemen, some middlemen are always necessary. However, experienced specialty importers can take on many different roles in bringing the coffee to the roasters successfully and ethically legitimate. Because they have the time and the capital needed to travel to producing regions, they can visit farms directly and monitor the tangible practices occurring in the area. With direct trade programs there is transparency. We know how much each party in this process is earning, and the highest percentage of the total fee goes to the farmer.

Additionally, during the import/export process, direct trade is a way to remove risk and uncertainty for farmers. Through speaking with producers directly, farmers know that a portion of their coffee is already sold and they do not need to look for a buyer (or at the very least, they can look for fewer buyers because a percentage of their coffee has already been purchased).

An excellent example of the importance of having a confirmed buyer can be illustrated in the case of Finca Buena Vista. This past harvest year (2010/2011) the farm produced 6,000 pounds of coffee. Half of that amount was sold to the mill for a certain price. Once the mill has that coffee, they own it and can sell it at whatever price they want. Margarita and Francisco were left with 3,000 pounds of green beans which they kept for themselves. Their idea was to roast and sell a portion of that coffee throughout the supermarkets of San Salvador, and the other portion they wanted to sell themselves hoping to receive a higher price than was given to them by the mill. Unfortunately, they do not have access to the wider market as the mill does, and could not find a buyer for the coffee they had kept.

This is a huge challenge that constrains not just the Herrera's, but coffee farmers around the world. Their limited marketing capabilities also empower mills, which can buy coffee at below market

low prices. Currently, they are left with about 1,500 pounds of coffee and will either have to sell it to the mill (at an extremely discounted price due to the time of year) or lose that money altogether. Essentially, the Herrera's (looking for a better price) took a gamble and lost. For the farmer, direct trade is about selling their coffee. Margarita and Francisco hope that next year they will be able to sell all of their coffee. As noted above, direct trade is about receiving a better price and creating reliable long term relationships. Equally as important, however, it is about eliminating ambiguity and uncertainty as that benefits small producers whose entire existence is at the whim of nature, markets, and governments. For the 2011/2012 coffee harvest, the Herrera's have assurance from BCRC that a portion of their coffee will be bought at a price that is both just and representative of the outstanding quality coffee they produce. Although coffee future prices can vary greatly from day to day, if we were to buy the Herrera's green beans today through a standard coffee transaction, (not based on any certification) the market price would be \$2.38 per pound (www.ino.com). However, through the direct trade program, farmers receive an average of 25-40% price premiums over the market price. Even when the New York Exchange for Coffee, Sugar and Cocoa (CSCE) price was at \$1.00 per pound for green beans (during the commodity crisis), direct trade companies have been paying \$2.50 to \$4.00 a pound directly to the farmer for the last five years (Andy Newbom, 2011). In this way, the CSCE pricing for coffee has very little to do with green bean pricing for direct trade. Established direct trade programs almost always pay based on quality and taste and do not follow the fluctuating market statistics (Andy Newbom, 2011). Although an exact price for the coffee BCRC will be purchasing from Finca Buena Vista has not yet been negotiated (that will happen after a sampling of the 2011/12 late this winter), the Herrera's can expect to receive between \$3.50 and \$4.00 per pound.

In the subsequent section, I discuss challenges and opportunities that arose throughout the implementation of this direct trade coffee project. I address specific difficulties to my situation as well as overall challenges anyone might expect when creating similar programs. Additionally, I explore

future opportunities within this project and offer recommendations for other practitioners.

Challenges and Opportunities

In creating this direct trade coffee link, I faced many challenges while simultaneously building opportunities for the future. This project is one of large and time consuming efforts on the parts of several people, but one that can bring innumerable and extended rewards.

Challenges

Access and Transportation

Initially, the idea of finding an appropriate farm was daunting. After living in El Salvador for over a year, I had gathered information on many coffee fincas in the area near where I lived. Most

coffee in developing countries is grown in rural and remote areas that are difficult to access. Although I had an advantage that a majority of Salvadoran high quality coffee is grown close to my home, I had to rely on unpredictable bus transportation to get me to and from the farms. Buses only run on major roads during certain scheduled times of the day, so arriving at these farms in a timely manner (if at all) often proved challenging. Fortunately, I was able to connect with several owners who provided transportation to their farms, and I was also able to meet owners of other nearby fincas in San Salvador.

Need to Ground Truth

Another challenge arose when after arriving at several farms, I found them not to be what they had claimed on paper or when speaking to their owners over the phone. When I first began communicating with owners via e-mail and telephone, I explained the types of farms I sought to work with. Excited at the chance to sell their coffee to a secure market in the United States, some owners were purposefully misleading. For example, a project goal was to work with a small farm producing shade grown coffee. I spoke with owners of a finca who told me they produced quality coffee on a shade plantation. After visiting that farm, I saw that it was actually quite large and produced only low quality coffee used in blends. During a separate incident, I believed I was visiting a shade farm whose owners used profits to create community projects, but upon arriving quickly realized that it was a full sun plantation with little to offer in the way of ecological services or social justice. I sought owners who were committed to investing the time and energy to create a sustainable long term relationship that would benefit their employees as well as the local environment. This challenge points to the need to have grounded truth and spend time visiting the area and conduct site evaluations. It is vital that roasters seeking to create similar projects visit the farms themselves or send a trustworthy and knowledgeable liaison. This will ensure that farms are actively participating in programs that benefit the local people and mitigate ecological destruction.

I was able to overcome these challenges by making extremely important and much needed

connections when I met the judges from the Cup of Excellence, as well as key members of the Salvadoran Coffee Council. At that time I was able to engage in the valuable networking needed to pursue my project objectives. Without those contacts, my project completion date would have been extended significantly and I would have struggled to find answers to many of the questions I was asking.

Learning Import/Export Processes

The intricate details of how the importation and exportation processes function in the coffee trade was a difficult topic to comprehend. As explained previously in both the literature review as well as the methods and procedures sections, exportation processes can at first glance seem like a tangled web. Trying to understand these processes, specific to coffee and El Salvador took a great amount of effort on my part. Additionally, coordinating the coffee shipment was one of the most difficult tasks I encountered during this project. There are many costs involved as well as strategic coordination to make sure the coffee is in the right place at the right time (for example, at the storage warehouse by March). For this to happen successfully, the course of action for importation (as well as costs) to BCRC will look like this;

- 1) Coordination of transportation from farm to mill (producer's responsibility)
- 2) Transit and freight costs of transportation from farm to mill, then to the warehouse (handled by importer, but buyer's financial responsibility)
- 3) Insurance costs at all points of distribution (handled by importer, but buyer's financial responsibility)
- 4) Custom broker fees (handled by importer, but buyer's financial responsibility)
- 5) Importer/Exporter overhead (handled by importer, but buyer's financial responsibility)

As explained above, there are various phases the coffee will go through that require the involvement of different people at every stage. Through interviews with Andy Newbom and Rodger Owen, as well as authors Dicum and Luttinger (1999) and Jaffee (2007), I learned how most roasters interact with importers in order to receive their green beans as well as the various phases undergone to bring the crop to the cup. Because the focus of this project was on creating a direct trade model, it was

essential that I learn these processes to find out in what ways I might be able to influence them and get a better price returned to the producer. Once I had a strong understanding of how these processes operate, I was able to speak directly with importers and determine the best way to bring the beans from El Salvador to Missoula.

When designing this project, I initially sought to eliminate all unnecessary middlemen as a way to return a greater percentage of profit to the producers, as well as have a more direct path of communication from roaster to grower. This stage in the project became challenging when I realized it was impossible to reduce as many middlemen as I originally anticipated. However, during this stage I learned that many middlemen serve a vital function in the commodity chain and several processes would not operate without them. One of the most significant aspects I discovered about the import/export process is that an importers main role in the coffee trade is to function as the logistics coordinator. This is because most roasters do not want, or are unable to handle the time consuming and costly role of importing coffee. Currently in the United States, only Intelligentsia Coffee is able to import their own green beans for their direct trade coffees and it was an extremely large undertaking that necessitated preparation, time, and most importantly capital. The creation of these relationships with producers took years and required that the company spend time in the many countries where coffee is produced, learning about their specific processes and gaining the trust of the local people (www.intelligentsiacoffee.com).

Through speaking with experts in the field, I realized that it's virtually impossible to completely eliminate all middlemen, and in some cases, we wouldn't want to. It is important that roasters take the time to research various importing companies and learn about the qualities they can offer to small businesses like Black Coffee Roasting Company. A coffee importer plays an important role as a middleman, and finding a reliable and trustworthy importer is a key component when creating a direct trade link. The opportunity to connect and converse with Andy Newbom, a professional specialist in

coffee trading, taught me that certain intermediaries such as an importers, will virtually always be a necessary element in the commodity stage and their role does not have to be a negative one. They play a valuable role as they provide a logistics and financing service. Through this project, I believe it is most important to develop mutual trust and to create a sense of actual partnership where one person's success supports the others. This can be achieved through the direct trade model.

Need to Continuously Monitor

As with any certification or model associated with specialty coffees, there is a need to continuously monitor the program after it has been implemented. With direct trade, this process must take on a slightly different role, as there are no third party certifiers in charge of monitoring coffee farms. Companies such as Intelligentsia Coffee have created their own monitoring schedule for their direct trade coffees, and they make visits to individual farms at least once a year (although they aim to visit the farm three times annually) (www.intelligentsiacoffee.com). Similarly, Counter Culture Coffee, a company that buys most of their beans through direct trade, visits producing nations on a biennial basis (www.counterculturecoffee.com). In the case of BCRC's relationship with Finca Buena Vista, Jim and Matt hope to visit the farm within the next year. In the meantime, my time spent on the farm over the past year allows me to confirm that the farm is operating on an environmentally and socially healthy level. In the future, as Black Coffee Roasting Company develops its direct trade coffee program, they will need to establish their own program and schedule for monitoring, as well as maintain a direct relationship.

Time Consuming

One of the biggest challenges in completing this type of project is that it is immensely time consuming. Over two years will have passed from the implementation of this project until the time when Black Coffee is ready to sell their first batch of roasted beans through this program. The following table shows an overview of the activities involved in this project and the time period needed

to complete them;

Table 5: Time Period for Completion of Project Activities

Time Period	Activity
Months 1-9	Learning about farms, visiting farms
Months 9-12	Researching and selecting appropriate roasting company, dialogue with selected roaster
Months 12-15	Building trust and relationship with owners of selected farm, learning about farm's specific processing
Months 12-17	Learning import/export processes specific to this project (this may vary depending on importer and regulations of country of origin)
Months 17-24	Coordinating logistics of importation of coffee
Months 24-Current	Wait for coffee arrival and sale in Missoula, Montana

Designing a direct trade model (or any kind of international trade based on creating relationships) not only takes a great deal of time, but also motivation and commitment. Additionally, in El Salvador relationships are based on trust and take time to develop, thus no successful project or business interaction is created overnight. Once I had found a farm whose owners wanted to be involved in the project and with whom I wanted to work, I spent the next several months becoming acquainted with them, spending time with their employees and learning about the ecological and social procedures of their finca. When visiting the farm, I wanted to hear about and see first hand how the owners were managing these processes;

Ecological Processes:

- Shade grown coffee with adequate sun exposure (necessary for growth of tree)
- Maintain native tree biodiversity, diverse canopy of shade trees
- Healthy soil, achieved by using natural compost/leaf litter/humus and eliminating harmful pesticides and artificial fertilizers
- Appropriate elevation for type of coffee grown, adequate rainfall
- Removal of only ripe berries from the tree
- Appropriate slope and terracing to prevent erosion; correct placement of coffee trees, adequate spacing between trees

Social Processes:

- Projects devoted to community development and well being
- Adequate housing for farm employees living on the land

- Farm wages that allow local people to meet basic living needs of food and water
- Food availability and minimal level of malnourishment
- Education opportunities available

I became very close with the Herrera's and spent many nights at their home with them both on the farm and in San Salvador. Having the opportunity to pass time with the owners of Finca Buena Vista both on a professional and social level was a great way to build the foundation for a long lasting sustainable relationship. Because I had the chance to live in El Salvador and spend two years with the local people, this was not a challenge for me when developing and completing this project. However, I recognize that this poses a potential challenge for a roaster or a businessperson creating similar projects that do not have an unrestricted time frame.

A key factor in the development and long term sustainability of this project is that I was able to live in the area in which I was working and this was also extremely valuable in allowing me to build trust with the Herrera's. Because this is a relationship-based project, it is pertinent that all parties have the opportunity to voice opinions and come to a mutually beneficial agreement. If one party is dissatisfied, it is necessary to step back and work toward understanding and hopefully solving whatever issues are at hand. Similar projects can be achieved if people are willing overcome the challenges associated with their completion. In the next section I discuss future considerations and opportunities with respect to this project as well as similar endeavors.

Future Considerations and Opportunities

To ensure as much as possible, as successful relationship between Black Coffee Roasting Company and Finca, I present several future considerations and opportunities not just for this project, but for analogous projects as well. I will highlight various scenarios that may provide distinct opportunities for producers and roasters alike. It is important to remember that opportunities must also be met with caution, as challenges (such as market fluctuations, environmental catastrophes and break up of relationships) can sometimes arise.

Better Price?

A future consideration and potential issue is that Black Coffee Roasting Company and the Herrera's have only agreed on a price for coffee harvested during the 2011/2012 season. Although they plan to continue a relationship into the future, no set prices have been established for upcoming harvests. However, BCRC has agreed to buy the coffee from the Herrera's at a price of at least 25% per pound above the market value at the time of sale. Thus, this direct trade program ensures that Finca Buena Vista will receive above average price premiums for their green beans. This will allow them to continue the projects they have organized for the rural community where the coffee is grown. However, this does exclude the possibility that the Herrera's might be offered a better price for their beans in the future. This would be an enormous and exciting opportunity for them, but it could mean they are unable to continue their relationship with Black Coffee Roasting Company. At this stage, they would have at least three potential options. The Herrera's could choose to continue their relationship with BCRC and allow them to purchase the beans at the price they had initially agreed upon. The Herrera's could ask BCRC to match the other bidder's offer, in the hopes to simultaneously continue the relationship and get a better price. Or, they could pull out of the direct trade program with BCRC, and sell their beans to the higher bidder. At this point, these are hypothetical situations, but they are well worth being aware of, especially if Finca Buena Vista qualifies in the 2012 or any future Cup of Excellence. Being awarded a high score in the Cup of Excellence is often the force that puts small unknown farms on the map and allows the farms' coffee to be recognized on a national and often international level.

Quality over Consistency

An additional consideration, particularly for Black Coffee Roasting Company is that once they enter into a direct trade program with a specific farmer, they expect to consistently receive quality beans. Excluding outside influences, such as inclement weather or coffee rust disease, the Herrera's

have a duty to produce coffee of a certain quality. Direct trade seeks not only create relationships with farmers and provide traceability, it also offers assurance about coffee quality. There should never be a situation when a roaster feels obligated to attempt to sell a coffee that simply does meet his or her standards. By making an agreement to consistently sell beans from a distinct farm, roasters are in effect making promises to their customers they that can't keep. Because roasters have no way of knowing what level of quality each harvest year will produce, they cannot be entirely certain that they can provide the same coffee year after year. In this sense, roasters must be careful not to focus on consistency over quality. Telling customers they can always count on finding a particular coffee on their shelf every year encourages lazy consumerism, which is certainly not the focus of direct trade. In order to preserve and protect both small farms as well as small independent roasting companies, roasters should avoid purchasing coffee beyond what they are able to cup. Instead, roasters should take the challenge of explaining to customers why they may not see the same farm name on the shelf next season. When properly executed and honestly explained, this will help build the bridge toward the next paradigm of coffee cultivation, green distribution and customer satisfaction as well as be mutually beneficial for the roaster and producer. For both BCRC and Finca Buena Vista, this is an opportunity to work together and ensure quality for the end consumer. Roasting companies with established direct trade programs such as Intelligentsia Coffee and Counter Culture Coffee have programs in place to help farmers produce the best coffee possible (www.intelligentsiacoffee.com; www.counterculturecoffee.com). These can include workshops on how to access financial resources and microloans, increase technical knowledge at the farm level, and proper planting techniques and terracing to avoid erosion and loss of coffee trees. However, it is important to note that there is no one magical formula for producing outstanding coffee. Every country is politically, economically, and culturally different. Each farm is a unique environment and has its own particular micro-climate, cultivating traditions, and infrastructures and will require different strategies for improving coffee

quality (www.intelligentsiacoffee.com). Additionally, through speaking directly with producers, established roasters can work with each farmer to determine their production costs and begin price negotiations accordingly. Many farmers don't know how to determine or track their production costs, and therefore accept pricing that may not realize a profit. A direct relationship provides an opportunity for a true partnership, where the roaster assists the farmers in calculating, forecasting, and streamlining their production costs. This allows farmers to make a good living, and gives roasters reliable sources of great coffee.

Because Margarita and Francisco Herrera are extremely involved in the production of their coffee, and their finca is managed by experts in organic farming, coffee quality should not be a concern. However, if a poor harvest season occurs, the Herrera's are aware that it might be necessary to wait until the following year to sell their beans to BCRC once again. Although BCRC might not purchase beans during a poor harvest year, Finca Buena Vista can always sell their coffee directly to the mill (albeit at a much lower price). BCRC does not want the reputation of retailing substandard. Equally, because Finca Buena Vista takes great pride in the superiority of their coffee, they would not want to offer low quality beans to any roaster. Although this does not appear to be an immediate cause for concern, it is an important consideration for the future.

Scaling Up

For coffee roasters looking to sell strictly Direct Trade coffee or for a business like Black Coffee Roasting Company looking to create a Direct Trade project with an additional farm, there are always opportunities for expansion. Roasting companies such as Intelligentsia and Counter Culture have focused on sourcing the greatest handcrafted coffees in the world directly from farmers for over fifteen years (www.intelligentsiacoffee.com; www.counterculturecoffee.com). Both companies have built an almost cult-like following with their dedicated customers who admire their approach of celebrating the farms and cultures that create those coffees as well as their skilful roasting.

In scaling up to build sustainable relationships with more farms, a small roaster will need time, capital and knowledge of specific geographic areas. For new roasters, this may be difficult as the first few years after initiation are dedicated to establishing a legitimate and productive company and also requires that the company has sufficient capital. It is important to realize that incorporating additional relationship-based coffees will be a lengthy process and it is something that should not occur hastily. Similar to the way shipments need to be coordinated through a Direct Trade program from a singular coffee finca, the same process will occur when incorporating more farms. Once a roaster has visited farms, cupped their coffee and made relationships (which may not happen quickly), it may be possible for them to go through their same importer to bring these specific coffees into the United States. If a roaster finds a farm that their current importer cannot bring into the U.S., the process will become more difficult as the roaster will either have to find a new importer, take on the role of logistics coordinator and attempt to fit that particular coffee into a container, or find a way to import the coffee themselves in very small amounts.

For Black Coffee Roasting Company specifically, once customers see that they offer one variety of coffee through the Direct Trade program, they may request to see more coffees offered through the same program. Should this occur, BCRC will have to examine the current status of their company closely and investigate at what time that will be feasible. In the future, BCRC hopes to travel to some coffee producing regions where they can meet the farmers directly, select on site which beans they will purchase, and have a direct role in the coffee they are selling to the public.

Improved Conditions for Communities

Participating in direct trade programs creates many opportunities for the communities of coffee producing areas which can foster development as well as conservation in these developing countries. Roasters involved in direct trade programs encourage farmers to produce ecologically sustainable coffee (such as naturally shade grown and minimal use of harmful fertilizers and pesticides), and this

provides conservation value. Phillpott and Dietsch (2003) explain that shade grown coffee in conjunction with a certification program (such as organic or direct trade) conserve a large number and proportion of forest species. Additionally, if farmers are getting a better price for their coffee, they are less likely to convert that land for the production of other agricultural products. Loss of species richness in highly shaded coffee farms is minimal compared with the enormous losses experienced with other forms of agricultural modification (Phillpott and Dietsch, 2003). The price premiums that producers will receive from producing ecologically sustainable coffee will also act as incentive to help foster conservation in their community.

Building closer consumer-producer relationships leads to increased and secure employment opportunities as it provides significantly higher wages for farm workers than coffee sold traditionally. Families can use this extra income to purchase essential items for the home, or as a savings for their children's education. In the community of Finca Buena Vista, these increased price premiums from this direct trade program will be used to further develop electrification and water projects.

There are numerous challenges as well as opportunities to consider when creating a direct trade program or similar project. The most important include:

Challenges:

- Access and transport to remote rural farms is difficult.
- Need to ground truth; visit farms to ensure they are what they claim to be.
- Become comfortable and knowledgeable about exportation and importation processes.

This will greatly help when designing how the coffee will be successfully imported into the United States.

- Need to continuously monitor; scheduled monitoring is essential for a project to maintain credibility and visits to the farm are vital in relationship growth between producers and buyers.

- Time Consuming; it is important to take the necessary (and sometimes lengthy) time period to build relationships with the people involved in the specific project.
- Ensure that farm is adhering to the environmental and social sustainability criteria (detailed in previous section). This will require visits to farm on a predetermined schedule.

Future Considerations:

- Confirm an agreed upon minimum price for future harvest seasons in advance. Direct trade is focused on building lasting relationships and both parties should be in agreement about the price. This will ensure that the roasters can rely on the farm to continuously provide them with quality coffee and will allow the farmers to negotiate for better prices. This will also help protect producers against the volatility of the world coffee market and assure liveable wages for farm workers. If market prices increase, the minimum price should also increase.
- Quality over consistency; roasters must be careful to not to focus on consistency over quality as this encourages lazy consumerism. Specialty roasters have a duty to sell only the highest quality coffee to their customers.

Opportunities:

- Encouraging farmers to produce the highest quality coffee possible creates an opportunity for the roaster and producer to work together to ensure excellent green beans are being produced. This is mutually beneficial for both parties. The specific details on how to improve coffee quality and production will differ from farm to farm, but may include workshops on how to access financial resources and microloans, increase technical knowledge at the farm level, proper planting techniques and terracing to avoid erosion and loss of coffee trees, and helping farmers negotiate for better prices.

- Scaling up; opportunity to work closely with other small farms to ~~improve conditions~~ create direct trade programs.
- Promotes healthy development and conservation, and provides economic, social and ecological benefits throughout small communities. Participating in direct trade programs gives farm owners better access to specialty buyers, contract stability, favorable credit options, publicity, technical assistance and premium markets, which will all foster economic and social benefits. Higher price premiums will encourage producers to adopt (if not continue) ecologically sustainable production of coffee.

Conclusion

The focus of this project and paper has been on creating an alternative coffee trade network. This direct trade coffee link between Black Coffee Roasting Company of Missoula, Montana and Finca Buena Vista of El Salvador is a prime example demonstrating a possible approach to overcoming the limitations associated with mainstream coffee markets. Through almost two years of designing and implementing this project, I have found that breaking down the barriers of trade may be one approach to empower the farmer, roaster and coffee drinker alike as well as providing a more equitable distribution of benefits.

With tens of millions of people around the world dependent on the production of coffee to

support their very modest means of living, it is vital that consumers be aware of the conditions coffee farmers endure to bring them their daily caffeine fix. A main focus of this paper is to shed light on the marginalization of coffee farmers by explaining how mainstream coffee markets operate and illustrate that the overwhelming majority of small producers have no influence in what happens with their coffee after it leaves the farm. In writing this paper, I strive to persuade readers and consumers at large to become more informed about the roots of their preferred coffee and provide them with the necessary information to make wiser and more conscientious decisions.

To create a successful direct trade program, it is important to be aware of the producing country's history as well as statistics related to social, economic and ecological information. This will help when building relationships with the local people involved in coffee production. Roasters seeking to participate in this type of relationship trade should demonstrate that they are knowledgeable about the culture in which they are working, as this will help foster trust and provide opportunities for sustainable business development.

The coffee commodity crisis of the early 21st century confirmed that the sometimes volatile market of coffee can have devastating effects on poor producing countries. Although the price of coffee has recovered in recent years, this unpredictable market means that small producers are always at risk. Farmers in coffee growing communities who become involved in direct trade programs have a guarantee that they can always receive a minimum price (above that of Fair Trade) for their beans regardless of what happens on the worldwide market. [The higher prices paid to farmers through direct trade guarantees producers a livable wage](#), and many programs created with the additional funds generated from direct trade are focused on community development. This is extremely important and it is one way that consumers of direct trade coffee can help to mitigate poverty and minimize economic, social and ecological consequences in developing coffee producing nations.

Although creating a direct trade coffee program can be very time consuming, these efforts will

be greatly rewarded. Personal and direct communication between producers and roasters ensures that consumers will receive the highest quality coffee possible. Additionally, through direct trade roasters can encourage growers-producers to maintain ecologically responsible cultivation methods and social improve the socioeconomic conditions of coffee-dependent households, justice among farm employees.—With direct trade, there is also a guarantee of traceability and transparency that allows consumers access to any information related to a specific program. These qualities encourage consumers to become involved in their choices and hopefully promote smarter decision making.

Comment [j5]: Perhaps be more specific, not just social justice, but improving the socioeconomic conditions of coffee-dependent households.

I have shown that our morning cups of coffee connect us to a global industry that is anything but straightforward. The often political and socially turbulent trip coffee takes from crop to cup is a complex process that involves many people. I have found that while it may not be possible to eliminate all the middlemen involved in the coffee commodity chain, keeping the coffee distribution system in the hands of fewer people results in closer relationships and greater benefits for both producers and consumers. In learning how the coffee market functions as well as becoming involved in the small choices you make as a consumer can greatly change the lifestyle of a coffee producer forever.

Commitment towards smart decision making (such as buying direct trade coffee or initiating a direct relationship with a producer) has the ability to transform the way communities ecologically, socially and economically function. Empowering producers, while establishing more direct, secure and remunerative market links, safeguards livelihoods, and can be a force for change that pulls people out of poverty. Creating projects that bring people together and build long lasting sustainable relationships is mutually beneficial for all parties involved. However, the greatest rewards come when a difference in made in the communities that most need it.

Comment [j6]: And establishing more direct, secure and remunerative market links

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Comment [j7]: Refs are incomplete – e.g., Jaffee (2007) not cited, you need to make sure every ref in the paper is cited and every ref in the references section is actually in the text

Refs need to be current/up to date

A number of important works are not cited and should be: see esp.

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List of Interviewees

Andy Newbom, Founder of Barefoot Coffee (San Jose, California), Owner of Finca Coffees (San Salvador, El Salvador). Conducted on numerous occasions throughout 2011

Rodger Owen, Founder of Bucks County Coffee (Lancaster, Pennsylvania), Sales Executive of White Coffee Company (Astoria, New York). Conducted on numerous occasions throughout 2011