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Characters in Coffee

PETER LONGO'S PORTO RICO

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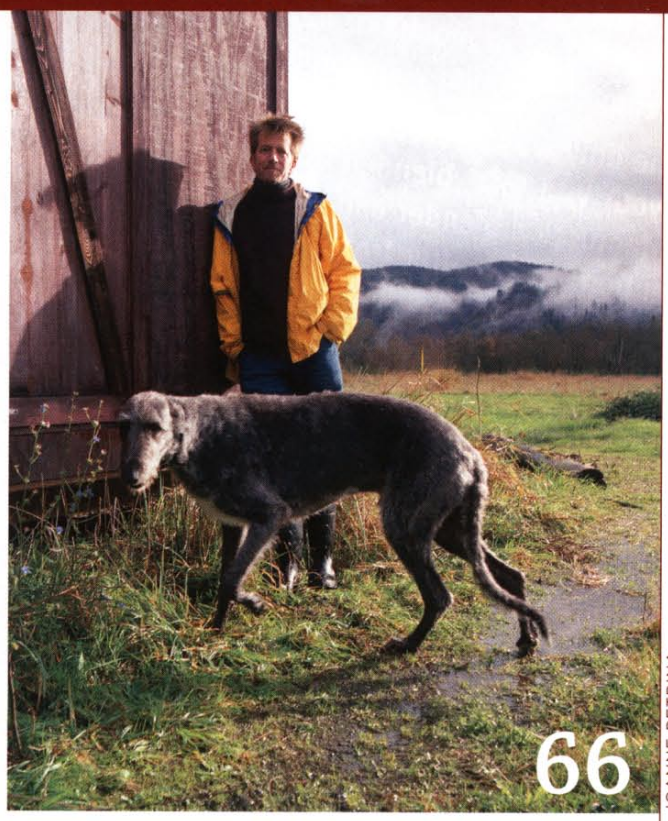

JOANNE PETRINA

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THE GREEN CAFÉ

COFFEE FROM THE ECONOMIST'S PERSPECTIVE • BY LOIS MAFFEO

Matt Warning would not look out of place in a photo from the Roasters Guild Retreat, with his flannel shirt and goatee. However, he has never come near a Probat and isn't interested in discussing bean defects. Warning is an economist whose specialty is international political economy. So what does this have to do with coffee? Quite a bit, as it turns out.

Warning is an associate professor of economics at the University of Puget Sound in Tacoma, Wash. His current research focuses on the contracts between peasant producers and exporters, emphasizing the economic and social impacts of contracts on agrarian communities. His current field work is done in the Oaxaca region of Mexico, and he has worked closely with the farmers of the La Trinidad cooperative in Las Plumas.

JOANNE PETRINA

MATT WARNING: With his dog, Fredi, on a farm on the North Fork of the Stillaguamish River in Snohomish County, about an hour from Seattle

Warning's economic perspective on coffee concerns the credibility factors and cost of information to the consumer. Although he is not a consumer researcher, he studies what it takes for individuals to feel confident that the coffee they are buying has the social attributes they require. He has familiarized himself with the major coffee codes such as certified organic, Rainforest Alliance, Smithsonian Bird Friendly and Utz Kapeh, but he has most closely analyzed the independent, third-party certification of fair trade.

Warning effectively articulates the reasons the model succeeds and what it means for the future of coffee farmers, but he also voices concerns about the stumbling blocks that a global initiative like fair trade can run into. "People are increasingly concerned about the social conditions of production and increasingly willing to express that concern in their purchases," Warning says. "Once they get reliable information, they will ask for that product." But the number of product certifications continues to grow, and in the case of the specialty coffee industry, there are as many squabbles about the worth of labels as there are choruses of approval.

Warning begins our discussion with background on the farm movement in Oaxaca, where fair-trade certification of coffee began in the late 1980s. It was a joint effort between the Union de Comunidades Indigenas del las Region del Istmo (UCIRI) and Dutch priest Franz Vanderhoff, who was working with the cooperative. "This effort was driven by a desire on the part of the producers to become independent of local middlemen and sell directly to coffee buyers in industrialized countries," explains Warning. "Initially, the cooperative marketed their coffee through Alternative Trade Organizations. The ATOs ensured that the producers received a 'fair' price for their products and acceptable working conditions through direct interactions with the producers and their communities."

Warning describes the early ATOs as having a relatively small impact on the lives of producers because of the limited number of retail outlets that carried these goods. So UCIRI, working with a Dutch nongovernmental organization, created the first third-party-certified fair-trade seal, known as Max Havelaar. "In essence," Warning says, "the creation of a seal rendered the fairness reputation of the ATOs portable: The product could be sold anywhere, rather than just in the ATO outlets, and the seal, rather than the place of sale, would guarantee the social attributes of the product."

This portable seal is the basis for the fair-trade certification offered in the United States by TransFair since 1999. The 10-cent premium paid by roasters to TransFair on each pound of coffee purchased from a fair-trade cooperative allows the seal and its accompanying logo to be attached to the coffee. This logo is recognized by consumers as representing the equity that is being offered farmers in countries of origin. The logo and fee also have become touchstones for roasters and importers that have taken issue with the sales tactics of TransFair and the fact that the organization is not creating incentives for the production of quality coffee. Many have begun to offer alternative labels and programs that stress the qualitative improvements that their purchases make on the lives of the farmers they work with. These programs do not feature third-party certification but instead promote the traceability of each purchase.

Warning acknowledges that U.S. roasters are entitled to express their dissatisfaction with TransFair and the fair-trade model. "TransFair needs to be more transparent," he says. "[Roasters] shouldn't buy bad coffee just to abide with fair trade. It has to work for everybody." But Warning is firm in his belief that fair trade is far better than the next best option. "Farmer-friendly 'seals' muddy the water," he says. "For one thing, they wouldn't exist if there wasn't the fair-trade model. They are riding on the consumer conscience. Fair trade created a movement

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rather than a relationship between an individual roaster and farmer." Warning stresses that roasters paying a good price for their coffee is a positive thing, but the economic model that TransFair has created in the United States is more than that. "It is making consumers care about fairness and pay for it. So not only farmers benefit, but the market expands to benefit a great many more farmers."

As for complaints about the 10-cents-per-pound premium that TransFair charges for operational and marketing fees, Warning sees the need for additional dialogue to take place between roasters and TransFair to create solutions. "Roasters that see it as 10-cent extortion on the pound should be requesting independent audits so they can see that this money is being used wisely," he says. "It is legitimate for roasters to see where the money goes. But it's not legitimate to say it is extortion. It is building the market for their coffee. This is the informational infrastructure that economists call public goods."

Warning acknowledges that this is not the only bump in the road that leads to equitable trade between coffee producers and the rapidly growing U.S. specialty coffee industry. "It's not like organic certification, which is simply a matter of regulating a bunch of physical processes," he says. "That's easier than discussing equity or fairness. Fairness as defined by whom? In 40 to 80 countries [where the Fair Trade Labeling Organization operates], what is the living wage? People have different ideas of what constitutes a living wage."

He also recognizes that there is a

problem in tracking the progress of the farmers. "Not only do farmers live far away [from the U.S.], they live far away in their countries," he says. "It is a real undertaking to get to them."

Warning relates that when he journeys to the farms of Oaxaca, as he has been doing annually for more than a decade, he sometimes hears complaints about and conflicts with the fair-trade model. "But what I've heard isn't fundamentally about the system itself," he says. "It's about the floor price being too low and the fees being too high. I hear that there is too much record keeping required."

And Warning admits he doesn't believe that the fair-trade requirement for a democratic cooperative is being faithfully met, and he isn't really sure that it should. "The whole democratic thing is used as a selling point, but it doesn't bother me if it isn't being used," he says. "You can't visit a community for a couple of days and say that it is democratic. There is consensus building in cooperatives, but majority voting isn't the way the whole world works."

Even while acknowledging that these issues are affecting the dialogue on farmer equity, Warning sees the success of the fair-trade model as inevitable. "Consumers are moving this program forward," he says. "Roasters don't have to believe in it for it to work. It's more mainstream than that now. But consumers need to believe in it to work, and I assume that TransFair is going to continue to be a central player in that."