

**“Face to Face with the Farmer:”
Narratives of Production and Consumption in Specialty Coffee Value Chains
Between the United States and Guatemala**

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Abstract:

Significant numbers of coffee consumers have demonstrated their willingness to pay upwards of \$4 for a latte, yet most coffee producers around the world live lives of grinding poverty. This project will situate and explore Fair Trade and Direct Trade coffee value chains, which seek to ameliorate these inequalities while providing consumers with consistently high quality coffee. Based on interviews with actors in the specialty coffee industry in both the United States and Guatemala and a narrative analysis of Stumptown Coffee Roasters' Direct Trade marketing materials, this project will argue that relationship-based Direct Trade coffee value chains arose to resolve the contradictions of Fair Trade certification, but that Direct Trade value chains face their own set of contradictions.

Introduction:

It is a drizzly February day in Portland, but I'm cozy in the back corner of the coffee shop near my house. I am drinking a cup of coffee-- a Guatemala Finca El Injerto Bourbon. According to Stumptown Coffee Roasters, this coffee has a "fragrance of jasmine [that] evolves into flavors of dutch chocolate" before finishing with "chamomile tea like grace." I don't know about the jasmine, but I *do* like that I can know exactly where my coffee comes from. The coffee cost \$2.50, which I am happy to pay because I know that the money is supporting a local coffee shop, a local roaster, and is "sustaining a coffee farming community." The Stumptown website shows both the exact geographic location of this farm and the coffee farming community that your purchase of Stumptown's Guatemala Finca El Injerto supports.

Imagery promoting Finca El Injerto on Stumptown's website.

I am *also* eating a banana, which could very well be from Guatemala, although it

carries no special label. I would say that it has a fragrance of banana that evolves into the flavor of banana, and even though I am very hungry at the moment, I am still a bit resentful that I had to pay a dollar for it. After all, it's just a banana; in the grocery store I could get almost two pounds of bananas for the same price.

So what's going on here? Why do I crave a story with my cup of coffee, but I rarely think about the face behind my banana? How are the seemingly millions of little coffee shops in Portland always full, even on a Wednesday afternoon? And how strange has specialty coffee culture become when its adherents can describe a cup of coffee as tasting like jasmine or Dutch chocolate with a straight face?

The first section of this thesis will examine the origins of what has come to be known as the “third wave” of specialty coffee, a niche market in the coffee industry that focuses on telling the story of the places that coffee was grown in order to signify the material quality and the moral integrity of that coffee. A major characteristic of the “third wave” of coffee, which began in the early 2000s and gained steam in the later half of the decade, is an emphasis on direct relationships with growers.¹ This section will argue that the rising emphasis on origin stories was born out of a fundamental contradiction in the specialty coffee industry: many consumers felt uncomfortable paying a price premium for luxury coffee while growers toiled in poverty. It will begin by exploring how coffee was transformed from a commodity to a status symbol and affordable luxury. It will argue that the contradiction of luxury coffee consumption amongst socially-conscious consumers in the United States in the midst of a global coffee crisis set the stage for market-based regulatory arrangements to take off. Though there are a myriad of private regulatory arrangements in the coffee industry, this project will focus primarily on Fair Trade coffee certification and Direct Trade coffee relationships.

The second section will explore both Fair Trade and Direct Trade value chains between the United States and Guatemala in more depth. It will argue that the contradictions of Fair Trade coffee gave birth to Direct Trade coffee, which meant to resolve these contradictions through long-term relationships based on trust. It will explore how these “origin stories” are shaped by Direct Trade coffee roasters in Portland. By

¹ John Hartmann, “Starbucks and the Third Wave,” in *Coffee: Philosophy for Everyone: Grounds for Debate*, ed. Scott Parker & Michael Austin, (Malden, MA: Wiley-Blackwell, 2011).

comparing the narratives of Portland-based roasters about Direct Trade in Guatemala with a historical analysis of Guatemalan coffee production, I will argue that Direct Trade coffee, when the relationship is between roasters and a single farm, faces its own set of contradictions.

The final section will examine the implications of these contradictions, and argue that if coffee is to be successful as a development project, actors within the specialty coffee industry must get comfortable with “stories with shades of grey.”

Telling the Stories of Coffee: Notes on Methodology

Significant numbers of coffee consumers have demonstrated their willingness to pay upwards of \$4 for a latte, yet most coffee producers around the world live lives of grinding poverty. Coffee, thus, presents an interesting development opportunity. Consumers are willing to pay high prices for coffee, but only a minuscule percentage of what the consumer pays trickles down to growers. This makes it theoretically possible to significantly increase producer incomes without noticeably impacting consumers. In fact, coffee prices for unroasted coffee are incredibly volatile. The average price per pound received by growers in Guatemala was above \$1.00 in 1998, fell to below \$0.50 in 2001, and reached nearly \$1.50 in 2010.² This means that the average coffee grower saw his or her income cut in half between 1998 and 2001, and few consumers even noticed. Stabilizing producer incomes at a sustainable level could improve the viability of rural livelihoods around the world, stem the tide of rural poor flocking to cities, and make education possible for many of the world’s most vulnerable youth.³

This project compares coffee value chains exhibiting either Fair Trade certification or Direct Trade relationships between Portland, Oregon and Guatemala. Though both of these places are shaped by their own unique histories, cultures, and identities, I believe that both sites have something to tell us about larger global trends. For example, specialty coffee depends upon a consumer base with a disposable income and a general interest in

² International Coffee Organization. “Historical Data.” Accessed March 14, 2012.

http://www.ico.org/new_historical.asp

³ OXFAM. “Mugged: Poverty in Your Coffee Cup.” Accessed March 14, 2012. <http://www.oxfam.org.uk/resources/policy/trade/downloads/mugged.pdf>

responsible and/or luxury consumption. Though there tend to be fairly high concentrations of such consumers in Portland, it is certainly not the only place where they are found. The Guatemalan countryside is highly dependent on coffee exports as a source of income, and this has been the case ever since coffee was introduced to the region by colonial powers several centuries ago. Though the story of coffee in Guatemala has much to tell us about global trends, this project is not intended to replace a more thorough global story about coffee origins. Because specialty coffee origins are so diverse, ranging from Indonesia to Kenya to Brazil to Guatemala, I do not intend for my findings about specialty coffee production to be completely transferable across origins. In particular, different countries have different land distribution patterns, so the scale of production that garners most specialty coffee partnerships will vary by region.

The most significant reason behind my decision to situate this project in Guatemala is that I lived there. Beginning in January 2011, I spent four months living in a small coffee-producing community in the Lake Atitlan region of Guatemala, and volunteering in the coffee nursery of a community development organization in the town. During this time, I gained hands-on experience in coffee production as well as the opportunity to get to know Guatemalans who depended on coffee for their livelihoods. I was not doing research in the sense of “collecting data,” during this time, because my focus was on building relationships and on working in the coffee nursery. However, my time in San Lucas gave me several larger insights that put later findings into context. For example, spending time in San Lucas gave me a sense about what residents could actually buy with wages, which is important it is otherwise very difficult to get a sense of what the numbers actually mean when talking about incomes in developing countries.

I spent May 2011 traveling around the Guatemalan highlands, interviewing coffee growers and representatives from the cooperatives, nonprofits, and government organizations that worked on their behalf. I found these organizations mainly through social networks I’d developed as a volunteer in San Lucas and as a coffee consumer and barista in Portland. Throughout this experience, it became clear to me that the coffee trade could hold the promise of a better life for growers, but also that the story of production and consumption was never going to be accurately captured by a single sticker on a bag. The

intent of this project at the time of my research in Guatemala was to do a sort of organizational profile of the strengths and challenges of different types of organizations working to improve coffee producer livelihoods, including cooperatives, nonprofits, larger growers, and government organizations. Much of the research I completed during this time is no longer applicable to this project in its current iteration, with the exception of insights I gained surrounding Fair Trade cooperative management in the region. Though I did not come home from Guatemala with a complete understanding of the complexities of the specialty coffee industry, the experience did give me a sense of *what questions I needed to be asking*. Instead of attempting to write a well-informed critical analysis of an organization's work based on a single seventy minute interview, I opted to focus on aspects of specialty coffee that I could take more time to wrap my head around.

In fall 2011, I researched both global trends in the coffee industry and the development of the specialty coffee industry within the United States. During winter 2012, I began a process of semi-structured interviews with Portland-based roasters and importers to get their perspective on these trends. I also began a narrative analysis of promotional materials for specialty coffee in order to get a sense of the story that roasters were sharing with consumers. This project, thus, combines three fundamentally different perspectives: the stories that Guatemalans have told me about growing and trading coffee, the stories that Portland-based coffee roasters tell me about sourcing and selling coffee, and an analysis of how international economic and political changes have shaped these stories.

Contradiction in Your Cup: A Brief History of Specialty Coffee

The defining feature of coffee is that it is grown primarily by poor people and consumed primarily by rich people. Growing coffee is estimated to be the primary source of income for about 25 million people around the world, and more than 70% of global coffee is produced on family plots of fewer than 10 hectares.⁴ Though coffee is considered one of the more expensive items at the grocery store, most coffee growers live in poverty. With all

⁴ John Talbot, *Grounds for Agreement: The Political Economy of the Coffee Commodity Chain*. (Lanham, MD: Rowman & Littlefield Publishers, 2004)

of this potential in a cup of coffee, how is it that coffee so often fails to provide an adequate income to growers? There are many stages of processing between the coffee that grows on trees and the coffee that consumers drink. The following chart outlines the major stages of production of coffee.

I want to highlight a few important components of this figure: coffee is exported from producing countries and into consuming countries at the green coffee stage. The price of green coffee is set on international commodities exchange markets, located primarily in New York and London.⁵ These markets are extremely volatile. The International Coffee Organization composite price for green coffee, which is calculated based on weighted averages of different types of coffee traded in different international markets, was as low as 41 cents/lb of green coffee in 2001 and as high as \$2.24/lb in 2011.⁶ Though many coffees are traded on a differential to these markets based on quality, the fundamental basis of the price of coffee is based on international markets and is not directly negotiated between buyer and seller. Though market actors, such as exporters and importers, do play some role in determining the price of coffee on these markets by supplying and demanding coffee, in the past 30 years financial speculators outside of the industry have come to play an increasingly dominant role.⁷

The vast majority of coffee is roasted in consuming countries. This is partially a function of the shorter shelf life of roasted coffee but is primarily due to the high capital requirements of roasting and the importance of marketing and branding roasted coffee.⁸ Roasting coffee has the highest margins in the coffee commodity chain, which makes it an extremely lucrative industry. Four major corporations (Nestle, Phillip Morris, Sara Lee, and Proctor & Gamble) dominate roasting, and control approximately 60% of the market share

⁵ Talbot, *Grounds for Agreement*

⁶ International Coffee Organization, "Historical Data"

⁷ Talbot, *Grounds for Agreement*.

⁸ Benoit Daviron & Stefano Ponte, *The Coffee Paradox: Global Markets, Commodity Trade, and the Elusive Promise of Development* (New York: Zed Books, 2005)

in major consuming markets.⁹

The canned coffee sold by major roasters does not taste very good, for several reasons. There are two main types of coffee: arabica and robusta. Arabica coffee needs to be grown at high altitudes and is extremely susceptible to a range of pests, diseases, and weather events. Robusta coffee can be grown at lower altitudes and is more resilient, but it often has an unpleasant astringent flavor. Because of this, robusta coffee is significantly cheaper than arabica coffee. In 2005, for example, a pound of unroasted robusta coffee traded at around 50 cents a pound, while a pound of unroasted arabica cost between \$1.00 and \$1.20.¹⁰ Large-scale roasters looking to cut costs have been increasing the ratio of robusta to arabica in their blends for years, so coffees have gotten increasingly bitter. Additionally, large coffee plantations (particularly in Brazil) use mechanical harvesters, which pick coffee cherries whether or not they are ripe. The inclusion of unripe coffee negatively impacts the flavor.¹¹

The specialty coffee industry tries to compete with the dominant roasters by positioning itself as the higher quality and more ethical alternative to conventional coffee. Most specialty coffee is 100% Arabica. Roasters and importers that are part of the Specialty Coffee Association of America control about 30% of coffee volume in the United States.¹² The following section will discuss the birth of the specialty coffee and examine how Starbucks in particular tapped into broader cultural phenomenon to create a market of consumers who *cared deeply* about their coffee.

Starbucks and the Invention of Coffee as an Affordable Luxury

Though Starbucks, Peets, and other purveyors of specialty coffee had begun selling freshly-roasted whole bean coffee as early as the 1960s, it wasn't until the late 1980s that Starbucks began to try to peddle Italian espresso bar culture to Americans. Although enthusiasm for pure espresso was limited, it turns out that Americans really loved to drink coffee with their milk. By the 1990s, the latte had become the unofficial drink of the

⁹ Talbot, *Grounds for Agreement*.

¹⁰ International Coffee Organization. "Historical Data."

¹¹ Daviron & Ponte, *The Coffee Paradox*.

¹² Talbot, *Grounds for Agreement*.

yuppie class.¹³ Starbucks reinvested its profits on rapid expansion and marketing, and the brand grew from six stores in 1987 to 1,412 in 1997. By 2007, Starbucks was operating over 15,000 stores around the world.¹⁴

Starbucks was so successful because they popularized the idea of coffee as an affordable luxury. Unlike a high quality meal prepared by an expert with the finest ingredients, a high quality cup of coffee is an affordable luxury for the middle class. In his essay “Starbucks and Third Wave,” John Hartmann argues that the purchase of a latte is a textbook example of self-gifting, which Hartmann describes as “a way of signaling one’s worth in a world that seems to revolve around market fundamentalisms and the profit motive. Your purchase of a fancy drink is an investment in oneself, an affirmation of self-worth in an age of relentless consumerism.”¹⁵

Though the neoliberal ideology of self-gifting was established before Starbucks’ meteoric rise, Starbucks worked incredibly hard to funnel the ability and impulse for self-gifting into the purchase of specialty coffee drinks. Starbucks is such a branding powerhouse that a cursory Google search reveals at least five books centered around Starbucks’ marketing strategy. Starbucks made the foundation of a specialty coffee market, the idea of drinking coffee because it *tastes good* and *makes you feel good*, accessible to mainstream America. They accomplished this by essentially inventing a continuum between a coffee flavored milkshake and espresso, so that no matter how little experience you had with enjoying the intensity of coffee you could find something on the Starbucks menu. The result of this expansion was a broad consumer base willing to pay four dollars for a cup of coffee. Though Hartman claims that “hating on Starbucks is trendy for coffee snobs,” he argues that it was only Starbucks’ “costly fashioning of an appreciation for a specific coffee aesthetic and image of corporate responsibility that shaped the market in which independent coffee shops and quality-driven roasters have flourished.”¹⁶

¹³ Taylor Clark, *Starbucked: A Double Tall Tale of Caffeine, Commerce, and Culture*, (New York: Little, Brown 2007).

¹⁴ Starbucks, “Starbucks Company Timeline,” accessed March 17, 2012 at <http://assets.starbucks.com/assets/aboutustimelinefinal72811.pdf>

¹⁵ Hartman, “Starbucks and the Third Wave.”

¹⁶ Hartman, “Starbucks and the Third Wave.”

Neoliberalism and the Coffee Crisis

At the same time that dominant neoliberal ideologies were fueling the growth of the luxury coffee market in the United States, they were causing a crisis around the world. The period between 1945 and 1989 was characterized by significant government interference in the global coffee trade. International coffee prices were maintained relatively high during this time period by the International Coffee Agreements, through which major producing and consuming countries worked together to limit and stabilize supply. These agreements maintained prices for green coffee between \$1.20/lb and \$1.40/lb, which is the same as the range for the Fair Trade minimum price today.¹⁷ However, these prices were paid to exporting governments rather than to coffee producers themselves. This was problematic because exporting governments directed a high percentage of the coffee prices they received away from poor rural producers and towards the local urban elite.¹⁸

In the late 1980s, the United States withdrew support for the International Coffee Agreements, which collapsed almost immediately afterward. An in-depth analysis of the causes of the collapse of the International Coffee Agreements is outside the scope of this project, but it was indicative of a broader ideological shift that took place in the 1980s away from governance-based solutions and towards market-based solutions to the economic problems of poverty and underdevelopment faced by coffee producers. The breakdown of the International Coffee Agreements, combined with increasing financial speculation in the international commodity markets that set prices for coffee, ushered in a period of extremely volatile coffee prices.¹⁹

IMF structural adjustment policies pushed Vietnam to invest massively in low-quality robusta coffee exports to service their external debt,²⁰ and between 1990 and 2000 Vietnam went from producing less than 2% of the world's coffee to overtaking Columbia as the second-largest producer.²¹ Brazil increased mechanization of coffee harvesting, which

¹⁷ Talbot, *Grounds for Agreement*.

¹⁸ Robert Bates, *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies*, (Berkeley, University of California Press, 1981).

¹⁹ Talbot, *Grounds for Agreement*.

²⁰ Talbot, *Grounds for Agreement*.

²¹ International Coffee Organization, "Historical Data."

drastically decreased production costs.²²A price spike in 1994 prompted many countries to increase production, particularly Vietnam, which nearly doubled the number of coffee trees that year. By 1998, oversupply put downward pressure on the international price of coffee,, and by 2001 coffee prices (adjusted for inflation) had reached their lowest level in 100 years.²³

Scholars and activists started to talk about a “coffee crisis” and raising public awareness of the plight of global producers. Poor coffee producers, claimed activists, were actually losing money by harvesting their coffee. They were pulling their children out of school, going hungry, and even leaving their farms because they couldn’t make ends meet with such low coffee prices.²⁴ The era of government interference to stabilize coffee prices was over, so if consumers were concerned about the livelihoods of coffee growers around the world they needed to do something about it themselves.

Fair Trade: Resolving the Contradiction of Luxury Coffee Grown by Poor Producers?

The concept of fair trade coffee, much like the concept of coffee that tasted *really* good, started in the 1960s. As with specialty coffee, the early adopters were motivated by extra-economic sentiments. The first fair trade coffee and handicrafts were sold through churches, nonprofits, and small-scale “World Shops.” However, the impact of Fair Trade coffee remained quite small until the late 1990s.²⁵ There are several possible reasons that Fair Trade took several decades before it reached critical mass.

Fair trade may not have gained traction during the 1960s and 1970s because coffee prices were maintained at relatively high levels during this time period by the International Coffee Agreements. The International Coffee Agreements stabilized the the price for green coffee in the range of \$1.20-\$1.40 a pound, which (adjusted for inflation) is actually higher than the Fair Trade price today. ²⁶ The plight of coffee producers during this time may not have been dramatic enough to attract a more widespread movement.

²² OXFAM, “Mugged: Poverty in Your Coffee Cup.”

²³ International Coffee Organization, “Historical Data.”

²⁴ OXFAM, “Mugged: Poverty in Your Coffee Cup.”

²⁵ Laura Reynolds, “Mainstreaming Fair Trade Coffee: From Partnership to Traceability.” *World Development*. 37 (6): 1083-1093.

²⁶ Talbot, *Grounds for Agreement*

Fair Trade may have also remained small because the idea of individual action as a *consumer* rather than as a *citizen* may not have been ready for the mainstream. The period between the 1950s and 1980s demonstrated, at least according to many analysts, that heavily regulated coffee markets were inefficient and often corrupt, but the coffee crisis of 1999-2003 shows that completely unregulated global markets can have a brutal impact on communities. In an era of rising cynicism surrounding government's ability to act in the best economic interest of the majority of their citizens, citizens were increasingly encouraged to vote with their dollar. This remains the dominant paradigm in both the coffee industry to this day.

"Every Purchase Matters" is the tagline on Fair Trade USA certification materials, and Fair Trade marketing is based on the premise that consumers can make the world a better place by returning dignity and viability to family farmers in developing countries. According to Fair Trade USA's web site, "Fair Trade Certification empowers farmers and farm workers to lift themselves out of poverty by investing in their farms and communities, protecting the environment, and developing the business skills necessary to compete in the global marketplace." Zizek puts his finger on why Fair Trade and similar forms consumption are so appealing, because they bring two conflicting tendencies together—the desire to be greedy, and the desire to redeem one's guilt for greed. "When you buy something," claims Zizek, "your anti-consumerist duty to do something for others is already included."²⁷

Though Zizek critiques the fundamental validity of such labeling schemes, consumers seem to respond to them; coffees marketed as being responsibly produced are the only segment of the coffee market to experience considerable growth over the past 20 years. Nearly five times as much coffee was sold as Fair Trade certified between the beginning and the end of the coffee crisis, increasing from 11,662 metric tons in 1998 to 52,007 metric tons in 2006. In 2007, Fair Trade coffee made up approximately 3% of national sales in both the United States and Britain, a small but significant percentage.²⁸

²⁷S. Zizek. "First As Tragedy, Then As Farce." *The Royal Society for the Encouragement of the Arts, Manufactures and Commerce*. Accessed December, 2011 at: <http://www.youtube.com/watch?v=hpAMbpQ8J7g>

²⁸ Raynolds, "Mainstreaming Fair Trade Coffee."

Though consumers were responding enthusiastically to Fair Trade certification, some within the specialty coffee industry were beginning to have their doubts. The next section will investigate why.

Postcards from Guatemala: Real and Imagined Places in Specialty Coffee Production

Definition Debates: Trademarks and Trust in Coffee Labeling

Though Fair Trade and Direct Trade coffee both appeal to a market of consumers willing to pay a premium for coffee they can feel good about, Fair Trade and Direct Trade are significantly different. The Fair Trade label has been trademarked by third-party auditing organizations, and roasters cannot apply the Fair Trade label to their product without meeting specific criteria and paying a licensing fee. The value of Fair Trade derives from the existence of these third-party certifiers, who are meant to be independent from roasters and thus more trustworthy.²⁹ Direct Trade, in contrast, is a concept that is not controlled by any central organizing body, and so can be used by many different roasters to mean many different things.

An international labeling organization, Fairtrade International (FLO) coordinates and sets standards for national certifying organizations (ie. Fairtrade Lithuania), which certify and market products sold in each country. FLO standards for coffee state that: coffee must come from democratic cooperatives of smallholders, the minimum price paid to the cooperatives for washed arabica coffee is \$1.40 for a pound of green coffee, roasters or importers must make annual contracts with cooperatives, cooperatives can request up to 60% pre-financing, and buyers must pay a 5 cent per pound social premium to the cooperative that is to be used for community projects or product improvement.³⁰

Up until 2012, Fair Trade USA complied with the international standards for Fair Trade set through FLO. However, beginning in 2012, Fair Trade USA withdrew from FLO and announced that it would be revising its standards for Fair Trade labeling. Most

²⁹ Raynolds, "Mainstreaming Fair Trade Coffee."

³⁰ Fairtrade Labeling Organizations International, "Fairtrade Standard for Coffee for Small Producer Organizations." Accessed online on March 12, 2012 at: http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/2011-05-06_new_EN_Coffee_SPO.pdf

significantly, it announced that it would begin certifying both estates and small farmers who are not associated with cooperatives.³¹ This decision has been very controversial, with many producers organizations and 100% Fair Trade roasters protesting the decision on the grounds that bringing estates in the mix would undermine the ability of Fair Trade to help smallholder producers.³² One prominent Fair Trade roaster even announced “Fair Trade is Dead.”³³ Because Fair Trade USA’s new definition is still in the pilot phase, and because all of my research was conducted under the old standards, when I refer to Fair Trade in this thesis I am referring to the FLO standards, unless stated otherwise.

Unlike Fair Trade, the term “Direct Trade” has no formal industry-wide regulations in the coffee industry. Each Direct Trade roaster generally publishes their own definition of Direct Trade, and some avoid the term altogether in favor of terms such as “Farm Friendly,” “Relationship Coffee,” or (my personal favorite), “we just call it ‘buying coffee.’”³⁴ In many cases Direct Trade is a bit of a misnomer, because importers provide logistical support and financing for a fee. In these cases, the word “direct” is usually referring to direct communication and price negotiation between roasters and producers, rather than a completely unmediated relationship.

In practice, a wide variety of relationships between roasters and growers is marketed as “direct,” from close long-term working relationships to improve coffee quality and settle on a fair price, to roasters asking importers for pictures of the farm where their coffee comes from to highlight in promotional materials.³⁵ To add to the confusion, actors outside the specialty coffee industry frequently collapse all ethically-sourced coffees, whether they are Fair Trade certified or Direct Trade, under the heading of Fair Trade.³⁶ Though Counter Culture Coffee uses a third-party certifier to audit Counter Culture’s

³¹ Fair Trade USA, “Are You Changing the Fair Trade Standards?” Accessed online on March 13, 2012 at: <<http://fairtradeforall.com/q-and-a/vision/are-you-changing-the-fair-trade-standards/>

³² Fairtrade Labeling Organizations International, “Q&A on Fairtrade International and Fair Trade USA.” Accessed online on March 13, 2012 at: <http://www.fairtrade.net/897.html>

³³ Matt Earley, “Fair Trade is Dead,” Accessed online on March 13, 2012 at: http://www.justcoffee.coop/blog/%5Buser%5D/2012/01/13/fair_trade_is_dead

³⁴ Personal Interview with a Coffee Roaster, 2012.

³⁵ Personal Interview with a Coffee Importer, 2012.

³⁶ See, for example: Mara Altman, “The Messiah Hails from Portland,” *New York Magazine*, April 19th, 2009. Accessed March 14th, 2012 at: <http://nymag.com/restaurants/features/56145/>

compliance with the Direct Trade standards set by the company³⁷, most Direct Trade roasters eschew independent auditing and hope that the quality of the coffee, as well as detailed promotional materials compiled by the roasters, will satisfy curious customers.

Terms such as Direct Trade or Relationship Coffee can refer to the type of relationship that roasters form with either a cooperative, a mill, or a single farm. A cooperative is a union of smallholder farmers who grow coffee separately but process and market the coffee collectively. The mill is where coffee is processed, and some private owners of coffee mills export their coffee directly to roasters. The vast majority of Direct Trade coffee from Central America comes from single farms, rather than from cooperatives or mills. The term “farm” in this context is a bit ambiguous, because it masks the size of the farm, but most of these farms could properly be considered estates, or larger farms passed from generation to generation. Though 70% of the coffee around the world is grown by smallholders on plots of fewer than 10 hectares,³⁸ every Direct Trade relationship I profiled with a mid-sized regional roaster in Portland occurred with a larger farm, rather than with smaller farms or cooperatives of smallholders.³⁹ It is more common to form Direct Trade relationships with communities of smallholders in other regions, such as East Africa. Because my project is geographically situated in Guatemala and focuses on mid-sized roasters, however, when I refer to Direct Trade I am referring to Direct Trade relationships with farms unless I state otherwise.

Fair Trade Coffee in Guatemala: Beyond an Idyllic Peasantry

Sarah Lyon, who did several years of ethnographic research on a single Fair Trade certified cooperative in the Guatemalan highlands, argues that Fair Trade promotional

³⁷ Counter Culture, “Direct Trade,” Accessed on March 17, 2012 at: <http://counterculturecoffee.com/direct-trade>

³⁸ Talbot, *Grounds for Agreement*

³⁹ Regional mid-sized roasters I surveyed include Stumptown, Coffee Bean International, Portland Roasting, and Boyd’s Coffee. The smallest farm size I came across in these Direct Trade relationship was 60 hectares, but several farms were upwards of 500 hectares. Stumptown Coffee does source coffee from smallholders through a mill in Antigua, but since the relationship is with the owner of *the mill* rather than with the smallholders themselves, I am excluding it. Smaller independent coffee roasters, including Oblique Coffee roasters and Coava Coffee, are sourcing coffee from communities of smallholders in Central America through value chains based on relationships.

materials “sanitize the messiness of small-scale farmer collaboration and help to prop up the market fantasy of idyllic peasant coffee growers laboring together to create a better world for their families and northern consumers.”⁴⁰ This is not to say that Fair Trade, does not have the potential to improve producer livelihoods in meaningful ways. It absolutely can. However, making a living as a coffee producer is challenging on many levels, with or without a Fair Trade seal. Though I read Lyon’s work after I completed my own semi-structured interviews in the Guatemala, the insights she gained from spending so much time in a single community greatly informed my interpretation of my own research.

Fair Trade coffee claims to improve producer livelihoods by cutting out “middlemen,” such as mills and export companies, who are seen as exploiting coffee producers by taking a cut of the coffee commodity price. Fair Trade guarantees cooperatives a higher price for green coffee than is found on the international commodities market, but it also shifts responsibility for financing, processing, export logistics, and negotiating prices with importers to a rotating board of directors elected democratically from a community of smallholder producers.⁴¹ The tasks of these “middlemen” involve a high degree of proficiency with accounting and international trade, however. For example, well-run cooperatives must secure financing to pay their growers for coffee cherry during the harvest, even though the cooperatives themselves won’t get paid until several months later.⁴² This presents a great opportunity for smallholders to take a more active role in international markets than they could as individual, atomized producers, but it can also present difficulties.

According to Lyon, 60% of the cooperative members she surveyed completed fewer than three years of school, and many of those members were either illiterate or had poor Spanish skills. At the same time, “The cooperative faced increasing pressures to meet market demands for certification and quality, and as a result service on the board of directors now involves regular contact with foreign buyers and certifiers, a mastery of Spanish, and understanding of contractual obligation, and familiarity with financial

⁴⁰ Sarah Lyon, *Coffee and Community: Maya Farmers and Fair Trade Markets*, (Boulder: University Press of Colorado, 2011).

⁴¹ Fairtrade Labeling Organizations International, “Fairtrade Standard for Small Producer Organizations.”

⁴² Personal Interview with a Coffee Importer, January 2012.

accounting.” In short, in a cooperative where most of the members had little formal education, formal education was important to successfully complete the tasks associated with the many responsibilities borne by cooperatives through Fair Trade. It is no wonder, then, that the term used for service on the governing boards of these cooperatives translates to “burden” or “heavy load.”⁴³

In this context, it makes sense why so many of the organizations I surveyed cited lack of education as one of the biggest problems facing coffee producers and their organizations. The leader of one Guatemalan NGO I spoke with, who had been working on a project in three coffee growing communities to roast and market their own coffee, explained the challenges of the project: successful project management involves a solid understanding of accounting principles, but “90% of [the] members hadn’t even finished elementary school.” I also interviewed a representative from Coffee Livelihoods, which works to improve the economic viability of cooperatives through capital investments and trainings. He maintained that weak administration and poor accounting practices were two of the three biggest challenges facing cooperatives (the third being lack of capital). Coffee Livelihoods worked to train leadership in these organizations to improve these practices, but in order to fulfill the requirements of participatory democracy within cooperatives, boards faced 100% turnover every two years. Thus, nobody that Coffee Livelihoods trained would be sitting on the board three years later. This shows the tension between the logic of democratic empowerment and the logic of fiscal responsibility in this context.

Given the difficulties of rotating management in this context, it is understandable why both outside organizations and cooperatives would prefer to work with a dedicated cooperative manager in addition to the rotating board. According to Lyon, the market partners of the cooperative she researched preferred to build a business relationship with one person over time, a hired manager, instead of dealing with a rotating and often poorly-trained board of directors. However, the presence of a manager, who was educated outside of the community and who was not a full time farmer, caused tensions within the community: “In addition to contributing to emerging stratification within the group,” observes Lyon, “the emergence of a managerial elite could potentially threaten the

⁴³ Lyon, *Coffee and Community*.

cooperative practices and participatory democracy that collectively form the groundwork for the group's success."⁴⁴

The regional director of ANACAFE, Guatemala's national coffee association, in the region where both Lyon and myself conducted the bulk of our research was more blunt: "Fair Trade is a big hoax. Farmers only make a little bit more, even when the Fair Trade price is double. The premium goes to pay 'administrative costs,' which is to say 'robbery.'" He claimed that only a small percentage of smallholders in the Atitlan region were active in cooperatives, and that more producers were leaving than joining. This lines up with a trend highlighted by my contact at a Portland-based importer that works primarily with cooperatives, who claimed that most well-run cooperatives in Central America had buyers, but that the vast majority of smallholders were either not in cooperatives, or not in well-run cooperatives.

"Decades of research on cooperatives reveal that virtually every organization at one time or another suffers from internal power struggles," claims Lyon.⁴⁵ My observations support this trend. Of the four cooperatives I visited, two were either in the midst of or were recently recovering from crises. One had recently split into two groups because of serious disagreements about management, and another had recently lost Fair Trade certification because the manager had been accused of selling coffee from outside the cooperative as Fair Trade. However, the other two seemed to be weathering the challenges faced by all cooperatives well, and one even claimed that one of their biggest challenges was concern over whether the children of cooperative members, many of whom were attending high school or college outside of the community, would return to the community.

Within the coffee industry, few are blind to the challenges faced by cooperatives in Central America as well as the inability of Fair Trade minimum standards to adequately support cooperatives of smallholders. According to Fair Trade USA, the cost of sustainable production in Central America, or the amount that cooperatives need to receive to break even, is between \$1.55 and \$1.85. The Fair Trade minimum price at this time was \$1.40, with a 0.20 premium for community development projects, which together is on the low

⁴⁴ Lyon, *Coffee and Community*.

⁴⁵ Lyon, *Coffee and Community*.

end of their estimate for the price cooperatives need to receive to break even.⁴⁶ Thus, it is problematic to assume that simply meeting the minimum standards of Fair Trade is enough to promote rural development.

Many of the pioneers of Fair Trade certification are committed to long-term relationships with cooperatives, negotiating directly with cooperatives to determine higher than Fair Trade prices, and working with cooperatives to improve coffee quality and yield, which are the major tenets of Direct Trade. Many Fair Trade pioneers are frustrated with recent changes to Fair Trade USA's labeling standards, because they feel that Fair Trade USA is abandoning smallholders.⁴⁷ Though working with cooperatives can be difficult, Dave Griswold of Sustainable Harvest believes that cooperatives need to be strengthened rather than avoided, because they are an important way of accessing smallholder producers. He is frustrated by elite specialty coffee roasters, who he says would rather circumvent cooperatives entirely than work with them to achieve their goals.⁴⁸

"Some of the Poorest Farmers I've Seen in My Life were Fair Trade Farmers:"

Elite Roaster Perspectives on Cooperative Management

Elite specialty coffee roasters promoting Direct Trade would have you believe that the biggest difference between Direct Trade and Fair Trade is that Direct Traders pay higher prices. An Entrepreneur magazine profile of Stumptown, for example, claimed that the company paid "two or three times more than fair trade prices to ensure real sustainability and structural improvements at partner farms."⁴⁹ But another major difference is that many Direct Trade roasters form many of their relationships with larger farms rather than cooperatives of small farmers, which was a requirement of Fair Trade certification until 2012. It wasn't always this way-- as recently as 2003, the majority of Stumptown's offerings from Central America came from Fair Trade certified cooperatives.⁵⁰

⁴⁶ Fair Trade USA, "FAQ: Changes to Fair Trade Standards, April 2011" Accessed March 12, 2012 at: <http://fairtradeusa.org/sites/default/files/FAQ%20FLO%20Standard%20Changes%20Coffee%20Final.pdf>

⁴⁷ For example, Thanksgiving Coffee & Just Coffee.

⁴⁸ Michaele Weissman, *God in a Cup: The Obsessive Quest for the Perfect Coffee*, (Hoboken, NJ: Wiley, 2008).

⁴⁹ Jennifer Wang, "Stumptown's Duane Sorenson, the Coffee Connoisseur," *Entrepreneur*, June 21, 2011.

⁵⁰ Stumptown Coffee Roasters, "Coffees: Latin America" Accessed June 18th, 2003 at: <http://www.stumptowncoffee.com/coffees/latin.html>, via www.wayback.org.

So what changed?

Prominent Direct Trade coffee roasters, including Intelligentsia, Counter Culture, and Stumptown, have been critical not only of the inadequate minimum price for Fair Trade but also of the cooperative system itself: Peter Guliano of Counter Culture sums up his frustration with working with cooperatives: “This is an old, sad story. Once the money starts to flow, the people who are running the organization are not equipped, and then mismanagement and outright theft become rampant.” According to Weissman, Geoff Watts of Intelligentsia “no longer believes that cooperatives necessarily protect the interest of poor farmers.” Rather, Watts believes that most cooperatives are poorly run. “Elected officials within cooperatives,” Watts claims, “rarely have the training, temperament, or sophistication to manage large sums of money.”⁵¹ For his part, Duane Sorenson of Stumptown is critical of the ability of cooperatives to ensure adequate returns for members: “Some of the poorest farmers I’ve seen in my life were Fair Trade farmers,” he claims. “The cooperative managers were living well, but not the majority of the farmers.”⁵² In light of these critiques of Fair Trade, it is worthwhile to examine how Direct Trade operates differently.

“Face to Face with the Farmer:” The Direct Trade Narrative

“A really spectacular cup of coffee is a story,” reads the first line of Stumptown’s coffee zine, “about the person who grew, picked and processed it, about the person who roasted it, about the person who prepared it.”⁵³ This section will critically analyze the story that Stumptown tells you about the coffee they sell, particularly the story they tell you about Direct Trade in Guatemala. I have selected Stumptown because in many ways they typify the “third wave” of specialty coffee in the Pacific Northwest. Examining the archived websites of Portland’s regional coffee roasters, I found what I consider to be a turning point

⁵¹ Weissman, *God in a Cup*.

⁵² Jennifer Goldstien, “Stumptown Coffee Brings the Producer to You,” *Civil Eats*, November 28th, 2008. Accessed online on March 17, 2012 at: <http://civileats.com/2008/11/25/stumptown-coffee-brings-the-producer-to-you/>

⁵³ Mara Altman, “The Messiah Hails from Portland,” *New York Magazine*, April 19th, 2009. Accessed March 14th, 2012 at: <http://nymag.com/restaurants/features/56145/>

in Portland's specialty coffee industry: In 2002, Stumptown's Duane Sorenson stands next to Cristina Gonzales, a "third generation family farmer" in Guatemala's Antigua region on the Stumptown website.⁵⁴ Explicit marketing of the relationships between roasters and growers had begun.

It is true that other roasters around the country, most notably Chicago's Intelligentsia Coffee & Tea and Durham's Counter Culture Coffee were fashioning a similar aesthetic to Stumptown in other markets, and that these roasters played off of one another. It is also true that other regional roasters in Portland had been involved in direct relationships with growers before Stumptown. Coffee Bean International, Portland Roasting, and Boyd's all have direct relationships with at least a few growers that began before 2000, but it was Stumptown Coffee Roasters that first made a concerted effort to utilize these relationships in marketing materials.

"At Stumptown Coffee Roasters, "Direct Trade" means standing face-to-face with the farmer, year-in and year-out." The tagline for Direct Trade featured on the website powerfully conveys the sense of stability, trust, and equality between the roaster and the farmer. Frequent reference is made to "the farmer" throughout the section. Under the heading of "Incentive-Based Rewards," we learn that Stumptown's pricing strategy allows "the farmer" to "achieve greater financial reward for their hard work." Under "Transparency of Supply Chain" we are assured that Stumptown "deals directly with the producers themselves" and that "the buck does stop with them."⁵⁵

Stumptown has worked hard to develop a reputation as a roaster that takes customer and staff education seriously. Any vendor who wants to sell Stumptown espresso must complete a training course complete with a video made on Finca El Injerto, in Guatemala. During the video, a Stumptown trainer "likes to point out a shot of an El Injerto picker bent beneath a 150-pound sack of coffee berries," saying: "That's what I think about when people ask for a free refill."⁵⁶ For all of the emphasis on education, what does the

⁵⁴ Stumptown Coffee Roasters, "Coffee:Latin America" Accessed June 18th, 2003 at: <http://www.stumptowncoffee.com/coffees/latin.html>, via www.wayback.org.

⁵⁵ Stumptown Coffee Roasters, "Direct Trade," Accessed March 14th, 2012 at: <http://stumptowncoffee.com/direct-trade/>

⁵⁶ Altman, "The Messiah Hails from Portland."

education consist of? Much of the staff, vendor, and customer education consists of coffee preparation and flavor profiles, but for more insight into the education of coffee origins, I decided to watch the El Injerto video myself.

In many ways, the image highlighted by the Stumptown trainer typifies the narrative of the video. The voices of Guatemalan campesinos singing a song plays over images of a man peacefully turning drying coffee beans, women picking coffee in *traje* (traditional indigenous clothing), children laughing. There are a lot of slow shots of workers or children standing on the coffee drying patios looking calmly at the camera.⁵⁷

Everything seems slow, idyllic, and from another time. As with most narratives, what is most interesting here is what is missing: the Aguirre family, the owners of the 720 hectare estate on which this video was filmed. The farmers that Stumptown deals directly with at Finca El Injerto are nowhere to be seen.

Arturo Aguirre does appear in another video, however, this one titled “Farm Life.” There are still no images of him, but in clear English he explains the challenge of labor shortages in the Guatemalan countryside. If you want to get coffee pickers who will do a good job, claims Aguirre, you have to pay them well and give them good places to stay with access to clean water. Finca El Injerto has even bought a tortilla machine to provide all workers with tortilla and chile to eat in the fields.⁵⁸ “We are really happy to help them,” he declares, as on screen one of his employees carries a 100 pound bag of coffee on his back. In the same video, another one of Stumptown’s partners sums up the point succinctly: “If Stumptown is paying exceptional prices for exceptional coffee, then everybody is happy. It’s as simple as that, it doesn’t get any more complex than that.”⁵⁹

Another innovative marketing and educational technique employed by Stumptown is their “Meet the Producers” program, which brings coffee growers to the United States to meet staff, vendors, and customers. Matt Loundsbury describes why these events are so

⁵⁷ Stumptown Coffee Roasters, “Finca El Injerto Huehuetenango,” Accessed March 10, 2012 at: <http://stumptowncoffee.com/video/finca-el-injerto-huehuetenango/>

⁵⁸ www.fincaelinjerto.com

⁵⁹ Stumptown Coffee Roasters, “Farm Life,” Accessed March 17th, 2012 at: <http://stumptowncoffee.com/video/farm-life/>

powerful: many producers, he says “had never left their farms, let alone left their country or been on an airplane.” He paints a vivid picture of producers “tearing up when they’re seeing their coffee’s name on a chalkboard in a coffee shop or on our labels and it’s the first time they’ve ever seen their names in writing.”⁶⁰

Trading Directly With Whom? Coffee and Class in Guatemala

Though direct trade marketing, both implicitly and explicitly, tells a simple story of exchange that is good for everybody, Daviron and Ponte want to complicate things: “even relationship coffees raise equity concerns,” they claim, “because they are easier to establish with estates than with smallholders or cooperatives.” Estates have better access to the finance, markets, and infrastructure necessary to meet the exacting quality demands of high-end specialty roasters. Smallholder coffee producers have the potential to grow really great coffee, but it requires a much higher investment of time and resources on the part of trading partners. As one estate owner put it: “It is easier to work with estates than with cooperatives. You just have to deal with one person and one mind; you get homogeneous farming practices, consistent quality, and faster decision making.”⁶¹ Along these lines, my contact at a Portland-based coffee importer that focuses on investing in producer capacity to grow great coffee explains why the first relationship coffee they forged in Guatemala was with an estate: “because it was easy.”

In this context, Matt Loundsbury’s quote about Stumptown’s Meet the Producers program, in which he describes producers who had “never left their farm” or “seen their names in writing” begins to seem a bit incredulous. Though Stumptown may very well work with some producers who have “never left their farm,” those producers represent a minority of the growers Stumptown brings to the United States. The Aguirre family, with whom Stumptown has formed a Farm Direct relationship, speaks English, is extremely market savvy, and even maintains an active Twitter account.⁶² Aida Batlle, Stumptown’s

⁶⁰ Scott Parker, “How Good the Coffee Can Be: An Interview with Stumptown’s Matt Loundsbury,” in *Coffee: Philosophy for Everyone: Grounds for Debate*, ed. Scott Parker & Michael Austin, (Malden, MA: Wiley-Blackwell, 2011).

⁶¹ Daviron and Ponte, *The Coffee Paradox*

⁶² See <http://fincaelinjerto.com/en>

Farm Direct partner in El Salvador, grew up in the United States after moving from El Salvador when she was seven. Her great-grandfather is renowned for introducing the Bourbon varietal to El Salvador-- he got it from his friend, the then-president of Guatemala.⁶³ Though Stumptown does source from cooperatives of smallholders in East Africa, the vast majority of their coffee from Central America comes from estates. Thus, it is misleading to typify Stumptown's partners as naive peasants, because many of them are sophisticated members of a global business class.

Stumptown is not alone in sourcing direct coffees almost exclusively from Central America's wealthier class. I was lucky to be able to visit with Portland Roasting's Farm Friendly Direct relationship in Guatemala, and in addition to patiently and passionately answering my endless questions about coffee production and marketing she told me an amusing story about her father building the road from the town she lived in to her land so that he could drive his BMW to work at their estate. A green coffee buyer for Coffee Bean International proudly shared with me the ways in which their farmer partners in Guatemala support charities in their communities. The hands that coffee roasters shake to form a long-term relationship are not generally the same hands that pick the coffee.

Direct Trade marketing generally obscures the significant race and class distinctions in Guatemala that have an ongoing impact on coffee producers. Though the majority of the rural population is indigenous Mayan, land ownership is concentrated among ladinos, or Guatemalans descended from the Spanish conquerors.⁶⁴ Understanding these land ownership patterns and how they impact the contemporary specialty coffee industry requires understanding a brief history of land in Guatemala.

During the colonial period, the Spanish Crown claimed sovereignty over lands in Guatemala that had been occupied for thousands of years. The colonial government granted conquerors *encomiendas*, or the right to tax land that was farmed communally by indigenous Mayans.⁶⁵ In the latter half of the 19th century, the agricultural sector

⁶³ Stumptown Coffee Roasters, "Farm Life."

⁶⁴ United Nations, "The Integrating Power of Human Development," Updated 2000, Accessed March 2012 at: <http://hdr.undp.org/en/reports/national/latinamericathecaribbean/guatemala/name,3000,en.html>

⁶⁵ Cheryl English Martin and Mark Wasserman, *Latin America and its People* (New York: Pearson Longman, 2008)

shifted to an emphasis on export crops such as coffee and bananas, which caused gross domestic product to rise dramatically. The profitability of coffee “awoke a growing need for land,” among the elite, who pressured the government to formally privatize property in Guatemala.⁶⁶ Indigenous *campesinos* faced direct pressure from the government to give up their land because communal property rights, which organized the distribution of most indigenous lands, were no longer respected. The government claimed that the purpose of privatizing land was to modernize the countryside and increase individual rights, but the government distributed the seized lands to wealthy foreign investors and recent immigrants instead of the inhabitants of the land.⁶⁷

Understanding the history of Guatemala means understanding that many of the family farms that have been passed down for five generations were seized from the indigenous Mayans whose ancestors are the landless peasants who work the land today. The purpose of this isn't to demonize the contemporary owners. At the risk of being glib, I want to point out that my ancestors took part in ethnic genocide against Native American populations, but I'm a nice person. Rather, the idea is to problematize notions of justice that fail to account for historical inequities, because by ignoring historical inequities in this context you are reproducing them. Fair Trade in Guatemala, for all of its flaws, seeks to empower Mayan peasants while Direct Trade relationships with Guatemalan estates can, at best, improve working conditions.

Thus, it is misleading to critique Fair Trade on the grounds that transparency stops at the cooperative level and hold up the Direct Trade model as ensuring that the benefits of the coffee trade accrue to *the producer*. For all of the Direct Trade marketing materials showing Mayan hands picking coffee cherries at the peak of ripeness or Mayan backs carrying 100 pound bags of coffee, these are not the producers that roasters are forming direct relationships with-- roasters are forming direct relationships with *their bosses*. In practice, none of the Portland-based mid-sized roasting companies actively promoting Direct Trade in Guatemala are negotiating directly with the people who do the vast majority of the physical labor involved in specialty coffee production.

⁶⁶ United Nations, “The Integrating Power of Human Development.”

⁶⁷ Martin & Wasserman, *Latin America and its People*.

So, What About the Hands that Pick the Coffee?

Farmers have long held a special place in the American imagination. “Cultivators of the earth are the most valuable citizens,” claimed Thomas Jefferson, because they are independent, self-reliant, and tied to the land.⁶⁸ The “local food movement,” which has taken off in the United States over the past 10 years is predicated on the almost intrinsic virtue of family farmers, as well as the significance of place.⁶⁹ In many ways, the local food movement is as much of an intellectual predecessor of the third wave’s attempt at “linking coffee to community.”⁷⁰ So it is significant that, in their veneration of family farmers, both of these movements downplay the role of non-family labor in bringing food to the table. Seasonal laborers certainly “cultivate the earth,” but their work is far from the yeoman ideals of independence and rootedness in place.

Both Fair Trade and Direct Trade embody these cultural values, as both glorify the role of farmers while simultaneously downplaying the role of landless seasonal laborers in the production of specialty coffee. In this sense, the prospects and pitfalls for Direct Trade start to look very similar to the prospects and pitfalls of Fair Trade. As a regulatory arrangement, Fair Trade is only successful at governing what happens between roasters and cooperatives, but it is difficult for outsiders to accurately assess the strength of the relationship between the cooperative leadership and the smallholder producers who deliver their coffee to the cooperatives. Fair Trade makes no attempt to regulate the relationship between smallholder producers and the seasonal labor they almost always contract to help them bring in the harvest. Direct Trade sets explicit standards for the relationship between roasters or importers and landowners, but not necessarily the relationships between the landowners and the *campesinos* who plant and weed and prune and harvest the coffee.

The ability of both Fair Trade and Direct Trade to benefit vulnerable producers,

⁶⁸ Paul Thompson, *The Agrarian Vision: Sustainability and Environmental Ethics*, (Lexington, KY: University Press of Kentucky, 2010).

⁶⁹ Robert Feagan, “The Place of Food: Mapping Out the ‘Local’ in Local Food Systems,” *Progress in Human Geography*, 31 (1): 23-42.

⁷⁰ To borrow a phrase from Portland Roasting.

defined here as those who own little or no land, depends not only on the ability of roasters and importers to ensure that they are paying cooperatives and landowners a fair price for coffee, but also on the ability to ensure that the benefits of higher prices are accruing to the vulnerable producers that roaster and importers from outside the community have a difficult time accessing. In both cases, it comes down to trust. Can roasters and importers trust the cooperative leadership effectively and fairly manage cooperative finances? Can roasters and importers trust landowners to form relationships with landless laborers in the same spirit of transparency, equality, and long-term commitment that roasters seek to form with landowners? Is it reasonable to expect that farmers involved in Fair or Direct Trade will pass on the benefits of these relationships to the workers who help bring in the harvest? None of these questions are cut and dry, particularly in a country as complex as Guatemala.

Wages and working conditions for seasonal labor on Fair Trade certified family farms are not meaningfully different than they are similar farms that do not participate in Fair Trade. I found significant evidence that smallholders were not likely to pay seasonal labor the legal minimum wage of 73 Quetzales, or about \$10, a day.⁷¹ None of the smallholder producers I spoke with claimed to, and none of the cooperatives I visited required it. Other authors have found that smallholders that are members of Fair Trade cooperatives are not any more likely to pay minimum wage to seasonal laborers, and in fact that seasonal labor working for smallholders associated with Fair Trade cooperatives only rarely make minimum wage.⁷²

What this meant in Guatemala was a typical daily wage of about 40 Quetzales, or \$6.00, for picking 100 pounds of coffee cherry (which becomes approximately 15-18 pounds of roasted coffee). To put this figure in perspective, catching a ride in the back of a truck to the farms might cost 7 Quetzales, so instead of spending a fifth of the days wages on transportation to and from work many laborers would trek 1-2 hours to and from the fields. Replacing a pair of worn out shoes with a pair imported used from the United States would require weeks if not months of careful financial planning, as these shoes would cost

⁷¹ Personal Interview, ANACAFE Representative, May 2011.

⁷² Jeremy Weber, "Fair Trade Enthusiasts Should Confront Reality," *The Cato Journal* 27(1): 109-117.

upwards of 100Q in the market. Five gallons of purified water cost 10 Q.⁷³ A representative of Guatemala's National Coffee Association, in a training session for smallholder producers, critiqued smallholders for their liberal interpretation of minimum wage laws: "On an estate," he said, [paying only 40 Q a day] "is considered exploitation. Why don't we (as smallholders) consider it exploitation when we don't pay minimum wage either?"

Simply put, I have not been able to find good data addressing wages and working conditions for laborers on Direct Trade farms. The single estate owner that responded to my requests for an interview was also the only person I met in Guatemala who claimed to pay minimum wage, but aside from that there is very little data about wages and working conditions on Direct Trade farms that does not come from the roasters themselves. At times, Direct Trade promotional materials will explicitly claim that labor on partner farms receives higher than average wages. For example, a *New Yorker* article discusses the farm of Stumptown's partner in El Salvador, Aida Batlle, who claims to pay the highest wages for coffee picking in the country. The article claims that Aida's practices upset other growers in the region, who were pressured to raise their wages.⁷⁴ However, the Direct Trade promotional material that I reviewed tended to avoid explicit and specific claims about wages or working conditions, but rather emphasized the importance of roaster visits, linking coffee quality to labor relations, and charity projects.

Many roasters focus on projects or charities that benefit workers. For example, Portland Roasting's website features community development projects the company has supported, many of which service communities of farm workers that work on their partner farms. For example, in Costa Rica, Portland Roasting bought computers and paid for computer instruction at the school their partner farm runs for the children of farmworkers.⁷⁵ Coffee Bean International works with the Menses family in Guatemala, who CBI proudly proclaims is very supportive of charity projects in the community, including running a daycare for farm workers kids and donating to Coffee Kids charities. This sort of

⁷³ These numbers are gathered from my personal experience living in Guatemala between January and May 2011.

⁷⁴ Kelefa Sanna, "Sacred Grounds," *New Yorker*, November 11th, 2011

⁷⁵ Portland Roasting, "Projects: Costa Rica," Accessed March 14th, 2012 at: <http://portlandroasting.com/project/costa-rica/>

rhetoric is powerful because it depicts producer partners as having a similar social ethos as consumers, shows concern for the well-being of workers, and sidesteps more difficult questions about wages, transparency, and fairness on partner farms.

A common assumption in the specialty coffee industry is that, in order for a cup of coffee to taste truly great, it must have been produced sustainably and fairly. At a recent talk at a Specialty Coffee Association of America symposium, Kim Elena Bullock of Counter Culture Coffee challenged this assumption. She noted that many of Counter Culture's customers praise the company for sustainably sourcing coffees based only on their knowledge of the way the coffee tastes.⁷⁶ Though coffee quality and the conditions of production are certainly related, not even the most elite coffee tasting professional can accurately discern whether a coffee picker made minimum wage or the grower applied chemical fertilizer when he or she brews a cup of coffee.

Roasters emphasize the importance of visiting partner farms in order to see first-hand what life is like on the farm during the harvest. In one of Stumptown's "Meet the Producer" events, Stumptown founder Duane Sorenson told the audience that visiting farms allowed him to see clearly how workers were treated.⁷⁷ Several roasters I've interviewed expressed similar sentiments, responding to my questions about how they ensured that labor was treated fairly on partner farms with answers along the lines of: "You show up and then you know." This is true in a concrete sense; visitors can, for example, certainly view the conditions of farm-workers' housing and sanitation facilities. Roasters with long-term relationships with growers and good memories can even get a sense for how many farm laborers return each year at their partner farms. However, I suspect that roasters overemphasize the ability of these visits to gauge what life is like for workers on the farm.

Roasters are welcomed guests, but are fundamentally outsiders in these communities, and are unlikely to pick up on complicated or problematic relationship dynamics between their trading partners and the laborers who grow the coffee. During Sarah Lyon's long-term study of Fair Trade farmers in Guatemala, she tells the story of a

⁷⁶ Lily Kubota, "Does Quality Ensure Sustainability?" *Specialty Coffee Chronicle*, October 17th, 2011.

⁷⁷ Jennifer Goldstien, "Stumptown Coffee Brings the Producer to You," *Civil Eats*, November 28th, 2008. Accessed online at: <<http://civileats.com/2008/11/25/stumptown-coffee-brings-the-producer-to-you/>>

film crew arriving from the United States for a popular newsmagazine show, accompanied by representatives from the roaster with which this cooperative had formed a long-term relationship. As the crew arrived in town, Lyon recalls, male cooperative members were scrambling to get home in order to change into their traditional Mayan dress, instead of the jeans and t-shirts they wore on a daily basis.⁷⁸ Though this is sort of a silly example, the lesson is clear: it is very easy to show outsiders what they want to see.

On a more personal level, I spent five months living and working in a coffee producing community throughout the course of my research, and can attest to the fact that the relationship dynamics within that community were far more complex than I ever could have imagined during a short visit. Many of my first impressions of the place were not particularly accurate. Thinking about roaster understanding of farm labor brings to mind a something a priest who had been involved in the community for many years once told me: “Stay for a week, and you can write a book about San Lucas. Stay for a month, maybe a long essay. Spend most of your life here, and you won’t even be able to write a sentence.” What you *feel like* you know about a place after spending a relatively short amount of time there can be misleading, and when you’re throwing around large amounts of cash, that can be dangerous. Proponents of Direct Trade understand this dynamic; many of them have learned about it with Fair Trade. For them, it comes down to the fact that they find landowners easier to trust than cooperative management: “Working with one guy is way easier than working with a cooperative,” claims Geoff Watts of Intelligentsia, “Senor Rosales, he is like a big teddy bear. Just the nicest, warmest guy.”⁷⁹

Concluding Thoughts

When I feel myself reflecting on the role of a globalized business class of specialty coffee growers in the “third wave” of specialty coffee my strongest emotional reaction to them, and I think this is important, is that they seem extremely likable. Aida Battle and Arturo Aguirre Jr. both seem incredibly passionate and knowledgeable about coffee, and they seem like people that I would really enjoy having dinner with. Miguelina Villatoro de

⁷⁸ Lyon, *Coffee and Community*.

⁷⁹ Weissman, *God in a Cup*.

Merida, a grower for Portland Roasting, was the only Guatemalan woman I met that I felt that I connected with, and I lived in Guatemala for five months, of which I spent less than 36 hours with Miguelina. Part of this is about Miguelina-- she's an incredibly warm and welcoming human, and the importance of finding people like that when you are by yourself far away from home cannot be understated.

But a part of it was that sitting in Miguelina's kitchen didn't actually feel so far away from home. Our breakfast wasn't heating up beans and tortillas over a fire stove, as it had been when I'd visited various cooperatives, but rather orange juice and cereal. I got the sense when I was sitting there that her entire kitchen could be transplanted to my hometown without anyone batting an eye. Eating breakfast, there was no real sense of otherness. Though I am American and she is Guatemalan, we were both well-educated and relatively globalized in a world where the privileges you are or are not born with mean a lot. Because we were both well-off, it was easy to forget our privileged position in the coffee value chain.

I've sat in other kitchens with other Guatemalan women as they've boiled beans or worked on their weaving, and we have been able to form genuine human connections. I know that they are strong and smart and hardworking, and they warmly welcomed me into their homes. But it was always an unspoken part of the conversation that when I returned to the United States I would be able to spend the same amount earned by this entire family in a day on a single pound of the specialty coffee they dedicated their entire year to growing. When I sat in these kitchens I could not forget my privilege.

The move to strengthen relationships between individuals in specialty coffee value chains is important and positive, but it should not be treated as a panacea for all of the challenges faced by the industry. If it is, Direct Trade relationships may simply reinforce existing inequality in coffee producing regions. My intuition is that this is because an *exclusive* emphasis on interpersonal relationships and trust as an informal regulatory arrangement will lead roasters to form relationships primarily with growers who have similar backgrounds and experiences as roasters-- in short, with producing countries' cosmopolitan business class. This isn't in and of itself problematic, but it can become exploitative and misleading if it is combined with a marketing campaign that highlights an

image of indigenous peasant farmers.

The fundamental contradiction of the “ethical” coffee industry is that it is a product of the legacies of both colonialism and neoliberalism, even as it positions itself in opposition to colonial and neoliberal practices. Terms like “fairness” and “equitable relationships” are problematic, simply because of the context in which these value chains exist. Colonial expansion created the class divisions in Guatemala that undermine the success of Fair Trade in the region, even as Fair Trade attempts to empower vulnerable producers. Direct Trade relationships with farms in Guatemala tend to reinforce these class divisions, even when workers are treated relatively well. It is because of these complexities that I refer to Fair Trade and Direct Trade marketing as marketing an “imaginary place.” It is not that information that specialty coffee roasters share with consumers about specialty coffee origins is false, it is simply that the information is detached from the historical and cultural context that would make it meaningful.

The rise of neoliberal ideologies centered around reducing government interference in trade over the past 30 years have made it increasingly difficult for coffee producers in Guatemala to make ends meet growing coffee. Instead, the dominance of neoliberal ideals means that there are virtually no enforced regulations surrounding wages and working conditions on Guatemalan coffee farms. At the same time, neoliberal ideologies about the importance of the market over governments have encouraged Americans to increasingly act as consumers rather than as citizens. Faced with a vacuum of governmental regulation, consumers seeking assurance about the conditions of coffee production are left to weigh a myriad of private regulatory arrangements, including Fair Trade and Direct Trade. Though proponents of relationship coffees are in many ways taking a leadership role in the food movement in making some, limited, explicit claims about labor conditions on Direct Trade farms, the fact that there is very little good information about about labor relations on these farms makes it easy to obscure more difficult questions.

Given the potential downfalls I’ve highlighted with third-party regulatory arrangements such as Fair Trade certification and private regulatory arrangements such as Direct Trade, I challenge specialty coffee industry actors to think critically about ways to supplement or improve upon these arrangements. Regulation by producer governments

has fallen out of favor in the neoliberal context, but attempting to regulate the supply side of a value chain from a consuming country is costly and the margin of error is high. In this context, I believe that roasters and importers stand to gain from supporting and strengthening local institutions in producer communities, including: cooperatives, farm labor unions, and other community organizations.

Just because terms such as “Fair Trade” and “Direct Trade” can be problematic doesn’t mean that the concepts aren’t useful, or that the energy behind them isn’t powerful. This project has allowed me to get to know many intelligent, passionate, and caring individuals who seek to use the specialty coffee market as a tool to provide an excellent product to their customers while improving the livelihoods of coffee growers around the world. Peter Guliano of Counter Culture sums up the idealism that fueled the “coffee revolution”:

The revolution was obvious: let’s make coffee delicious. It wasn’t long before the idea that coffee can be delicious fueled a series of aspirations: coffee can be sustainable! Coffee can be fair! Yes, coffee can! This sense of optimism was fueled by real examples of coffee as high-quality, sustainable food production in action: the shaded, organic coffee farm as an ecological buffer; the quality-focused co-op as a prosperous community builder; the artisan micro-roaster as one of the keys to transforming the food scene in a small city.⁸⁰

The passion and knowledge of specialty coffee connoisseurs can lead not only the coffee industry but a wider food industry, where almost nobody is asking questions about labor grown on local farms even though these questions remain relevant, and where the concept of “fairly traded” strawberries and broccoli remains foreign even as conditions and compensation for farm laborers in the United States are troubling. There are significant grounds for optimism about the future of specialty coffee, even as we acknowledge its problematic past. But, continues Guliano, the success stories in specialty coffee also pose a great temptation:

Because these possibilities about coffee exist, it’s tempting to represent coffee as having achieved it all already. It’s tempting to use the best-case scenario as the most representative, and to view the specialty coffee industry through slightly rose-colored glasses. We see examples of this all the time: we talk about “sustainability” even though we may not completely understand it; we use words like “fair” or “transparent” without being completely willing to demonstrate them; we may

⁸⁰ Peter Guliano, “Welcome to the Issues Issue,” *Specialty Coffee Chronicle*, October 17th, 2011.

unwittingly exaggerate the beautiful story of a coffee we find exceptionally delicious or exciting. The truth is, although we have a great opportunity for quality and sustainability in specialty coffee, we will only achieve it by being truly honest about what we are actually achieving in coffee, and what work is still to be done.⁸¹

Actors in the specialty coffee industry are uniquely positioned to take advantage of consumer enthusiasm for “storied coffees” and serve as innovative leaders in a broader food movement. Specialty coffee roasters can charge a price premium because they “add value” to coffee not simply by heating it up for a specific amount of time but also by crafting and marketing its story. The only way there will be a genuine “revolution” in the specialty coffee industry is if roasters are willing to collaborate with growers to *create a story together*, and be willing to equitably divide the price premiums associated with that story. If the story a roaster tells is about an entire farming community, as Stumptown’s marketing of Finca El Injerto tends to be, then *all members* of the community should have a stake in both the creation of the narrative and the economic reward. This is easier said than done, partially because it requires that roasters relinquish their monopoly on one of the most valuable stages of production, but primarily because of the weaknesses of existing regulatory arrangements means that it would almost impossible to put into practice.

Though there has been a significant body of academic literature written about Fair Trade coffee value chains, relatively little has been written about Direct Trade coffee value chains, particularly those that take place between a roaster and a single farm. Though this is understandable in light of the fact that Direct Trade is a relatively new phenomenon, there is much to be learned from filling in this gap. While the “local food movement” harkens back to an idyllic past where everybody knew their neighbor, proponents of relationship coffees are really trying to take this ideology into an increasingly globalized world. Merging the ideals of place-based consumption and interpersonal relationships with international trade between communities with very different cultures and resources is rich ground for innovation in both business practices and scholarly thought. Critically considering how the division of labor is structured within the communities of individual farms could lead to powerful insights about how to strengthen the governance of both quality and ethical conventions along the value chain.

⁸¹ Guliano, “Welcome to the Issues Issue.”

Each community organization or individual farmer that roasters and importers form relationships with has its own complex history and identity, and so the true story behind that organization or individual will always be what Sustainable Harvest founder Dave Griswold calls a “story with shades of grey.”⁸² Every time. The best way for roasters and importers to maintain the trust of a consumer base that is, according to Hartman, increasingly “aware of these kinds of slippages between branding and reality,”⁸³ is to be honest with them about the “shade of grey” in the story of a coffee’s origins. Trusting consumers to understand the challenges and complexities of specialty coffee sourcing, rather than simply painting them rosy pictures, is a truly innovative approach to customer education.

⁸² Weissman, *God in a Cup*.

⁸³ Hartman, “Starbucks and the Third Wave

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