The Search for Sustainable Markets: The Promise and Failures of Fair Trade

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Abstract

Fair trade promises to transform small-scale coffee farming by ensuring a fair price to producers, improving market access for small producers, and creating closer ties between producers and consumers. However, as the fair-trade market has grown from a small social movement to a substantial niche market, the relationships between producers and consumers have become less personal and the market more demanding of producers. By examining the experience of COOPABUENA, a coffee cooperative in southern Costa Rica, the ways in which these changes have discouraged producers can be seen. Here, fair trade has never become more than a small outlet for higher-priced coffee, whereas other alternate markets and institutions play the role of increasing small-producer incomes, helping to develop sustainable agricultural systems, and building links between Costa Rican producers and U.S. customers. For at least some producers, fair trade has failed to carry out its promise. [Keywords: Costa Rica, fair trade, coffee, small producers, cooperatives]

The fair-trade market has been praised as having the potential to transform small-scale coffee farming by ensuring a fair price to producers, improving market access for small producers, and creating closer ties between producers and consumers. Although the roots of the fair-trade movement date back to the 1940s, the first clearly branded fair-trade coffee appeared in the 1970s and 1980s. Coffee has for many years been one of the most the most widely traded food commodities in the world, with a well-developed international market. Because 50 to 70 percent of the world's coffee is produced by small producers (Lines 2003; Transfair USA 2005a), the coffee market was an obvious early target for fair-trade organizers. Today the fair-trade coffee market is large and well developed, with clearly delineated standards and prices. Since that time, the fair-trade coffee market has grown from a tiny social movement to a significant segment of the world market.

However, the success of fair trade has made it difficult for organizations selling fair-trade coffee to meet the movement's goals of "build[ing] a more equitable and sustainable model of international trade that benefits producers, consumers, industry and the earth." (Transfair USA 2005b). As the volume of coffee sold has grown from a few thousand pounds to over 60 million pounds and as vendors of fair-trade coffee have shifted from small cooperative groceries to large chain grocery stores and Starbucks, the closeness of relationships between producers and consumers and the degree of collaboration between producers and purchasers of coffee have deteriorated considerably. The experience of a medium-sized cooperative in southern Costa Rica over the last decade illustrates the challenges that face the movement as both production and consumption of fair-trade products continues to grow.

Studies of the impact of fair trade have largely focused on a handful of the most successful coffee cooperatives, including studies by Laura Raynolds and her group at Colorado State University (Murray et al. 2003; Raynolds 2000, 2002) as well as others (Boot et al. 2003; Hudson and Hudson 2003; Lyon 2005; Nigh 1997).

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Mixed experiences with fair trade have been investigated considerably less frequently (although see Martinez 2002; Moberg 2005). The cooperative of COOPABUENA in southern Costa Rica was not selected for its fair-trade experience but rather for a different study; as such, it serves as an example of the difficulties that many cooperatives experience as they enter the fair-trade market. In addition, this case study demonstrates that the fair-trade movement has, at times, functioned essentially as any niche market, rather than transforming relationships between producers and those who buy their coffee.

Growth of the Fair-Trade Coffee Market

The fair-trade system for coffee is fairly straightforward. "Smallholders organised in cooperatives or other organisations with a democratic, participative structure" (Fairtrade Labelling Organizations International [FLO] 2006) can apply to the FLO for certification as fair-trade producing cooperatives. To be certified and to retain certification, cooperative members must avoid using certain agrochemicals, refrain from farming practices that could damage the environment, and work toward sustainable agricultural systems. Once certified, cooperatives may sell coffee through the fair-trade market. The FLO also certifies buyers of coffee, who are given contact information for a variety of certified cooperatives. To retain certification, buyers must pay at least $1.21 per pound of conventional coffee plus a $0.05 per pound fair-trade adjustment and an extra $0.15 per pound for organic coffee. When the price of coffee rises above $1.21 per pound, the buyer must pay the market price plus the adjustments (Transfair USA 2005).

The FLO, as well as country-based fair-trade organizations, serve as matchmakers between sellers and buyers, rather than directly buying and selling products like coffee. The intent of these fair-trade organizations was not to focus on the economics of the deal. Instead, the fair-trade movement aimed to create strong links between producers and consumers, by encouraging both sides to perceive the relationship as a collaborative one. However, as the fair-trade market has grown from a small social-justice driven movement to a broad niche market, these relationships have often diminished, and only the economic deal remains.

The growth of the fair-trade market has been truly astounding. According to Transfair USA (2006), the volume of fair-trade coffee sold in the United States has grown at 45 percent or more each year since its introduction. World trade has grown more slowly, as fair-trade coffee has a longer history in the European market, but market volume from 2003–04 grew nearly 26 percent (FLO 2005). In 2004, the fair-trade coffee market grew to 84 million pounds (Transfair USA 2006:3). In the United States, two percent of all coffee sold is fair-trade coffee; in some European countries, fair-trade coffee has exceeded four percent of coffee sold (Transfair USA 2006:4). Although the U.S. fair-trade market will likely continue to grow rapidly for a considerable time to come, this remains a tiny fraction of world coffee production.

The number of producers in certified cooperatives has increased rapidly, from 374,077 in 1999 to 684,077 in 2004 (Transfair USA 2005a:5). This growth has kept pace with the growth in consumption, so although the amount of fair-trade coffee sold per producer has increased, it remains under 90 pounds. To put these numbers into perspective, one hectare of coffee can produce thousands of pounds of coffee. Ninety pounds of fair-trade coffee generates less than $110 of income per producer in a fair-trade certified cooperative. If this income was distributed evenly, fair trade might slightly improve the lives of hundreds of thousands of producers. Of course, sales are not evenly distributed. Instead, some cooperatives have been highly successful, selling the vast majority of their coffee through the fair-trade market (Murray et al. 2003:16), whereas others have struggled to find any access to fair-trade markets.

The unevenness of impact is not intentional but results from the way the fair-trade market works. Fair-trade organizations only certify producing cooperatives and purchasing companies, and leave producers and purchasers to contact one another. Not surprisingly, this allows more experienced fair-trade producers to continue to dominate the market. They are more aware of, and hence responsive to, the concerns of U.S. and European vendors and have already developed effective communication strategies with them. In turn, the vendors are more likely to be familiar with the experienced fair-trade producers and their track record, whether through other vendors, through fair-trade websites, or through direct communications.

Massive growth has not been the only change in the fair-trade market; the ways in which coffee is sold have changed as well. In the early days of the fair-trade movement, coffee was largely sold through alternative food markets, such as cooperatives and small stores specializing in organic food. Today, Starbucks is the largest seller of fair-trade coffee in North America (Starbucks 2006) and much of the remaining fair-trade coffee is now sold through chain grocery stores. In addition, the distinctiveness of fair-trade coffee has been reduced by the variety of alternative coffee products. Fair-trade coffee is now found next to organic coffee, bird-friendly coffee, and shade-grown coffee, all implying support for the environment and small producers.

This change in markets also altered the relationship between buyers and sellers. Instead of small-scale purchasers traveling personally to arrange the sale of small amounts of coffee, the most important purchasers of fair-trade coffee today are buyers for large chains like Starbucks. Given the large quantities of coffee they are purchasing from many parts of the world, these buyers generally prefer relatively large cooperatives with an established track record of delivering a consistent and high quality product over a smaller cooperative new to fair-trade production. In turn, consumers are led to identify with a generic "fair-trade producer" rather than the actual producers of the coffee that people are buying. All of these factors reduce the interaction between producer, buyer, and consumer.

The market for fair-trade coffee has also grown more demanding. Increasingly, fair-trade coffee is expected to meet the standards of specialty coffee, where specific varieties of coffee are carefully managed to produce a high-quality product. Although consumers are willing to pay high prices for coffee, to compete with specialty coffee in locations like Starbucks and grocery stores, fair-trade coffee must be of the same high quality (Giovannucci 2001; Roseberry 1996). In addition, even though pests such as *broca,* an insect that lays its eggs in the developing coffee bean, are growing in virulence in Costa Rica (Borbón Martínez n.d.), fair-trade coffee must increasingly be organically produced, instead of simply in transition to sustainable production, to be marketable at all. In the past three years, between 87 and 100 percent of fair-trade coffee sold in the United States was produced organically (Transfair USA 2006).

The combination of demands puts strain both on producers who have continued to grow coffee using traditional methods and those using more modern production. Traditional methods produce a relatively organic coffee, but mix varieties of coffee and often lack some quality control, whereas modern production methods integrate pesticides and fertilizer along with higher yields and more consistent quality. The demand for organically produced, high-quality coffee comes at a time when fair-trade organizations and purchasers are providing less technical assistance and support to fair-trade producers. The FLO (2006) has chosen to support its increased costs by asking farmers to pay part of the costs of their certification as fair-trade coffee producers. The fair-trade market is growing both more demanding and more expensive for producers, acting more like other specialty coffee markets.

At the same time, vendors such as Starbucks argue that they find it difficult to find adequate supplies of high-quality fair-trade coffee (Howley 2006). These vendors want more producers certified as fair-trade producers, so that they can more easily find a broad selection of high quality coffee to offer to consumers. Programs to increase the quality of existing fair-trade producers are moving too slowly to please them. The sense that many fair-trade certified cooperatives do not produce world-class premium coffee continues to be an issue, which makes it more difficult for newly certified cooperatives of unknown quality to convince U.S. and European sellers to take a chance on them. This challenge is made worse by the fact that some cooperatives, poorly organized and inexperienced in dealing with international markets, have found themselves unable to complete contracts (Martinez 2002).

The Fair-Trade Experience of COOPABUENA

Some of the problems with the developing fair-trade market can be seen in the experience of COOPABUENA, a cooperative of mostly small-scale coffee farmers in southern Costa Rica, founded 42 years ago in a newly colonized zone near the Panamanian border (Cole Christensen 1997; Smith 2001). This area, located in the Pacific highlands of southern Costa Rica, was developed after WWII through two means: small-scale settlers claiming homesteads by occupying government-owned land and large-scale farmers who had been granted large farms by the government out of those same lands. Although these two groups generally interacted peacefully, their interests and land claims often came into conflict. This discussion is based on two periods of fieldwork in the communities of Agua Buena district, the first conducted for 14 months in 1997–98, the second conducted for six weeks in the summer of 2005. Research included participant-observation, interviews, and archival research.

The center of what would become COOPABUENA was one of these large coffee farms, owned by André

Challe, a wealthy developer from the capital. After clearing land for the production of coffee and cattle, bringing in large numbers of workers, and building a coffee processing plant *(beneficio),* he found that the considerable undeveloped parts of his farm quickly became overrun by squatters seeking unoccupied land to develop as homesteads. After multiple unsuccessful attempts to remove the squatters, Challe gave up, defaulted on the mortgages on the farm, and allowed the bank to take the farm.

The debt was held by the national bank, whose representatives approached the local producers on and around Challe's farm, encouraging them to take on the property as a new cooperative—the first in the zone. In 1963, COOPABUENA was formed with a mix of medium-sized and small producers. Taking on the property and the debt left behind by Challe left the new cooperative with both substantial assets and a substantial debt. The *beneficio,* a state of the art wet processing facility, could easily process over a million pounds of coffee a year. Prime land, some of which was eventually sold to reduce the debt, remained in the possession of the cooperative. However, the bulk of the land that the cooperative had just acquired was occupied by squatters, many of whom were now new members of the cooperative.

The bank and cooperative formed a plan to reduce the debt: the land reform agency would take over the occupied parts of the farm, give title to the squatters living on it, and reimburse the cooperative for the land. This solution had been standard policy for squatter-occupied properties in the Costa Rican highlands. However, here it failed. Some squatters refused to pay for land they said had never legally belonged to Challe, but had been legitimately claimed as homesteads from government land. Others depended on the fact that Instituto de Tierras y Colonización (ITCO, now IDA—Instituto de Desarrollo Agrario), the land reform agency, would not actually force them from the homes they had occupied for many years. In the end, they were right. The land reform agency and the cooperative admitted defeat; many land titling issues in the area remain unresolved to this day. This left the new cooperative responsible for the value of this land as well as the equipment they were using.

Although the founders of COOPABUENA intended to function as the main coffee cooperative for the new canton of Coto Brus, the government had other plans. COOPABUENA was quickly followed by two other cooperatives, COOPROSANVITO and COOPESABALITO, which formed in the central and northwestern parts of the new canton. As many members of COOPABUENA lived these areas, the two younger cooperatives left COOPABUENA with fewer producers and less coffee than anticipated. Moreover, COOPROSANVITO and COOPESABALITO essentially limited the area in which COOPABUENA could recruit new members, as the Costa Rican government encouraged the cooperatives not to compete directly.

Despite this setback, COOPABUENA managed to largely pay off their debt by the early 1980s, although they were forced to take on new debt in the early 1990s to improve their infrastructure and to meet changing environmental regulations. By the early 1990s, the cooperative had over 400 members delivering nearly two million pounds of coffee to the cooperative annually, significantly smaller than the other two local cooperatives that processed five million pounds or more (Smith 2001). Ten years later, it would grow to 800 members and process over three million pounds of coffee (ICAFE 2005).

These small farmers developed diversified production systems that included beans and vegetables sold in the internal Costa Rican market, meat for local consumption, and occasional forays into export crops such as *tiquisque* and *caña india* (the same strategy is described in other parts of Costa Rica by Sick 1997, 1999; and Barlett 1982). However, none of these crops replaced coffee. Export markets were small and undependable; each crop went through a brief boom before prices collapsed or the market dried up entirely (Conroy et al. 1996). Internal markets were more dependable, but the prices of these crops too rose and fell unpredictably. It was sometimes hard to find buyers for them as well. Therefore, coffee remained the dominant crop in the area, although its price too sometimes dropped.

Much of the literature on fair trade emphasizes the increase in small-farmer income made possible by cutting out middlemen and brokers within the exporting company, who often leave little income for the producers. However, the Costa Rica coffee production and marketing system had essentially accomplished this from the 1940s to the 1960s. The government encouraged small-scale coffee farmers to form cooperatives at that time, offering financial and logistical incentives (Hall 1976:163–165; Seligson 1980:74–78). COOPABUENA was formed as part of this program, as were its competitors. The quantity of coffee they produced allowed them to sell directly to exporters, ensuring that the bulk of the world market price of the coffee would go to COOPABUENA. In addition, the government of Costa Rica enacted laws that regulated the level of expenses and profits that coffee processors and sellers can deduct from the price paid to coffee producers. Even before fair trade entered the lives of the producers of COOPABUENA, they faced a relatively just situation in terms of how the world market price of coffee was distributed between producers and sellers. This serves as a reminder that, although democratically organized cooperatives are an important part of the fair-trade model for coffee, there is nothing about this sort of cooperative that depends on fair trade.

Although cooperatives like COOPABUENA had many advantages for their members, their democratic organization did not protect them when the price of coffee dropped. In response to the low coffee prices of the early 1990s, the now professional management of COOPABUENA began to seek out opportunities to sell coffee through alternative markets. They moved into the fair-trade market by joining COOCAFE, which at that time was the only fair-trade certified consortium of cooperatives in Costa Rica (COOCAFE 2006). Joining an established organization of fair-trade producers seemed likely to offer quick access to markets, as COOCAFE had an established product. COOCAFE took coffee from its member cooperatives, roasted and packaged it, and sold it as Café Forestal in European markets. Over time, in response to the demand for more differentiated coffee for the specialty market, COOCAFE began to sell less of the generically Costa Rican Café Forestal and to specialize more in coffee from single areas. This left COOPABUENA largely out in the cold. They were the "odd man out" in COOCAFE, as the other cooperatives were located in the northern part of the country, where the coffee and growing conditions were radically different from COOPABUENA's. Even worse, COOPABUENA coffee was graded lower, a medium-hard bean, than the more desirable hard bean or strictly hard bean found in the north. COOPABUENA's somewhat lower quality coffee was largely because of the high rainfall, 100 inches or more annually, although the medium altitude of 900–1,200 meters also contributed to the lower-quality product. This meant that, although their coffee was of quite good quality, it was not compatible with the product (single location coffee grown at high altitudes) that was becoming most profitable for COOCAFE as a whole. So, as some cooperatives increased their sales of fair-trade coffee through the late 1990s, COOPABUENA lagged behind. They would never catch up. The same factors that had led the producers of COOPABUENA to be reasonably successful in the world market doomed them in the new fair-trade market, with its increasing demands for organic coffee and higher-quality coffee. Farmers were too dependent on agrochemicals to easily switch to organic coffee. In addition, the large-scale processing equipment owned by the cooperative made it difficult to process single varieties of coffee separately, a basic requirement for specialty coffee (for further discussion of this issue, see Smith 2006).

Despite their lack of success, the management remained enthusiastic about the long-term prospects of fair trade, encouraging cooperative members to experiment with organic coffee and sustainable-production methods. At the small-scale experimental level, producers responded enthusiastically and creatively. With the assistance of government agencies and volunteers from the United States, farmers began to experiment. Early successes focused on the creation of erosion control systems and the use of nitrogen-fixing trees in coffee fields. Others experimented with the use of organic fertilizers such as compost, *bocashi* (a Japanese fermented organic fertilizer utilizing chicken manure, rice hulls, and molasses that could be made in 10–15 days), and products made from the organic waste left after coffee processing (for discussions of bocashi see Maine Organic Farmers and Gardeners Association 2007; Sustainable Harvest International 2007). Scientists from the United States carried out experiments regarding a variety of cover crops, both in coffee and in tradition slash and mulch production systems, in the area (Rosemeyer 1994; Rosemeyer and Gliessman 1992; Schlather 1998). Experiments with an entirely organic coffee were largely unsuccessful, probably because of problems with fungal disease and relatively exhausted and eroded soils. Little support for this sort of experimentation came from COOCAFE or other fair-trade sources; although COOPABUENA collaborated with the government on some projects, most of this experimentation was supported by private individuals and community-based organizations.

Through the late 1990s, as the price of conventional coffee remained high, the failure to make significant progress either alone or through COOCAFE in the fair-trade market seemed unimportant to the producers of COOPABUENA. In 1998, the manager presold nearly the entire harvest through the conventional futures market when the price reached $3 a pound.

The fair-trade contract, however, was based on a lower price, so that the cooperative members earned less from the small amount of coffee sold through the fair-trade market than from coffee sold through the conventional market. However, as the price of coffee began to slide below a dollar a pound in 1999, the continued inability of COOPABUENA to develop a substantial fair-trade market became a liability. As the price of coffee slipped under the costs of production, farmers felt betrayed by the failure to find a position in the fair-trade market.

Many farmers felt that they had worked hard to develop sustainable methods of growing coffee, with the understanding that the effort would be rewarded with access to a market with better, or at least more stable, prices than those of the conventional coffee market. As prices slumped lower and lower, some began to say that they regretted the undertaking, although others argued that the effort had been worthwhile for its environmental results, even if there were no financial rewards. But even the most enthusiastic began to let their efforts to develop more sustainable-production systems slide. In extreme cases, coffee was ripped out of fields, leaving bare earth vulnerable to erosion. Some farmers were able to sustain some enthusiasm for sustainable production methods, shifting their efforts to other crops, such as vegetables and tubers. However, the cooperative, with millions of dollars in assets intended for coffee processing, storage, and sale, was in no position to shift to these markets. In any case, none of these markets were large enough to produce income for all the members of the cooperative. Moreover, earlier failures with crops such as macadamia nuts left the cooperative management convinced that sticking to what they knew was prudent. Although individual farmers diversified production, the cooperative remained committed to coffee.

A bright spot emerged in 2001, when a group of agricultural researchers at University of California, Santa Cruz (UCSC), who had previously done research into sustainable agricultural systems in the area approached COOPABUENA about setting up a direct marketing system, exporting first to the university community, then by mail order throughout the United States. Although this involved only a few hundred pounds at first, it offered a price nearly three times greater than fair-trade markets offered. It also offered things that fair-trade systems had failed to deliver to COOPABUENA: direct contacts with U.S. business owners and consumers, technical support for the development of sustainable agricultural systems, and a sense of partnership in setting prices and goals. The Santa Cruz group was formalized as the Community Agroecology Network (although I am in touch with this group, I was not part of the organization, which was led by agronomists who had worked in the area in the 1970s and 1980s).

Although these kinds of connections encouraged individual producers and revitalized movements toward sustainable coffee, the extra income was not enough to save COOPABUENA. From 2000 to 2004, the cooperative fell deeper in debt. Managers came and went; the last made an aggressive effort to increase both the volume and the quality of COOPABUENA coffee, hoping to build on their direct marketing success by making their coffee more attractive in the larger fair-trade market. However, it was not to be. In 2004, the banks that held COOPABUENA's debt refused to finance the next year's harvest, forcing COOPABUENA into bankruptcy. The banks took over the assets of COOPABUENA, leaving many members shortchanged, as they had not been paid for all of their coffee. Despite eight years of concerted effort to build a fair-trade market, COOPABUENA had been unable to sell enough coffee through that market to make a real difference to its producers, or to its survival.

Direct marketing with the assistance of their U.S. partners had been more useful. Although the financial impact remained small as well, the other forms of assistance clearly made a difference both to farmers and to the cooperative. Shortly after it became clear that the cooperative would be forced into bankruptcy, faculty and students involved with CAN—as the UCSC group was known—started encouraging local producers with whom they had collaborated to consider forming a new cooperative, for the explicit purpose of continuing to sell coffee in the United States. In the end, 50 producers out of the 800 members of COOPABUENA, agreed to form a new cooperative, COOPUEBLOS, for the sale of sustainable coffee. Income from the direct marketing system with CAN continued through the organizing period. In late 2005, the producers were still formalizing the legal organization but expected to be once again selling fair-trade coffee through COOCAFE soon. Students affiliated with CAN provided assistance with financial matters and encouraged the development of a more open organization and leadership style. COOCAFE, however, has offered little assistance, whether financial, technical, or organizational, as this group has worked to get off the ground.

The problem of volume still remains. In 2004–05, COOPEPUEBLOS has sold less than 10,000 pounds through direct marketing; in 2005–06, they expect that they might sell as much as 15,000 pounds through direct marketing and another 15,000 pounds through the COOCAFE fair-trade market. Even the 30,000 pounds they hope to sell represents only a small fraction of the production of the 50 current cooperative members, as each producer might produce 3,000 pounds of coffee or more. In comparison, COOPABUENA processed almost two million pounds of coffee through the 1990s and topped out at over three million pounds in its last year of existence. After a decade of seeking out fair-trade markets, the cooperatives have never sold more than one percent of local production through alternative markets. Realistically, alternative markets will remain a tiny percentage of sales from this area for years to come. The question is whether it will be sufficient to encourage farmers to continue investing in coffee.

In the summer of 2005, the failure of COOPABUENA weighed heavily on the community, leading many people to a deep pessimism. People muttered darkly about how cooperatives could not be trusted when the money owed them seemed unlikely to emerge. They described themselves as disillusioned and not likely to try cooperativism again. One producer standing in his now-empty coffee field swore he would never grow coffee again.

This disillusionment was largely driven by the fact that the members of the cooperative were financially hurt by the bankruptcy. Costa Rican coffee processors, both privately owned and cooperatives, pay producers through a complicated system, developed to comply with Costa Rican laws about coffee sales and the distribution of the proceeds from coffee sales. In it, producers are paid a fraction of the final sale price of the coffee the week that the coffee is harvested and delivered for processing. Then a series of "adjustments" are paid through the year, with the final payment only being paid about the time of the next harvest. In its last year, COOPABUENA allowed the value of the initial payment to vary: as the harvest progressed and more coffee was sold, more was paid out to producers. Thus, producers who waited until late in the harvest to collect their payments were paid more than farmers who collected their payments weekly. In addition, some farmers were rumored to have made "special deals" to receive more of the final payment on delivery. If all had gone well for the remainder of the year, these differences would not have mattered. But the cooperative was forced to begin liquidation before the producers were paid their adjustments, leaving many farmers feeling that the payments were handled unjustly. Although all may still be paid eventually, the payments were delayed sufficiently that people doubted that the cooperative would make good on its obligations.

The sense of disappointment ran deeper as well. Although the cooperative's financial difficulties were nothing new, it had been a local institution for over 40 years and had seemed indestructible. The coffee processing plant occupied the center of town. The cooperative's failure seemed to some the end of coffee production in the area: if the catastrophically low prices of the previous five years had been too much for the cooperative, perhaps it was too much for local farmers as well. Rumors of corruption of both the manager and the local directors circulated through the community. In this crisis, the fair-trade movement had no help to give.

However, a small group of farmers, many of whom had come to leadership roles through COOPABUENA, continued to work with CAN. In response to the low prices of coffee after 1999, they had made agricultural diversification as a local priority. New projects focused on growing vegetables under roofs during the rainy season to sell in the neighboring lowlands, raising pigs for the market, and the revival of traditional household production, which had declined sharply across the 1980s and 1990s. They also experimented with new ways to reuse farm waste, most impressively the use of pig manure to produce cooking gas. Some early successes from these experiments are helping to build a new sense of optimism about the future. CAN further helped to build a sense of optimism by making it clear that they wanted to continue working with local farmers despite the failure of COOPABUENA.

The case of three producers helps to illustrate the range of responses to the situation in the community (all names are pseudonyms). All are small farmers with farms of less than five hectares. Carlos had been a leader in COOPABUENA, working as an inspector of members' fields. He had also been involved in some of the mid-1990s experimentation in organic agriculture, producing bocashi, the Japanese organic fertilizer, for his fields as part of an experimental group. His father and brothers went further and were involved in an unsuccessful attempt to grow organic coffee. The failure of these experiments and of the cooperative did not discourage him, in part because he was closely mentored by government agronomists and the leaders of CAN. His agricultural practice had always been reasonably diversified. In 1997–98, in addition to coffee, Carlos grew maize and beans as well as a variety of fruits and vegetables for family use. A return visit in 2005 found the diversification vastly increased. A roof made of plastic sheeting over a wooden frame protected a sizeable plot of vegetables, up from the handful of plants in 1997–98. A pen contained pigs being fattened for the market, while sugarcane to feed them grew nearby. Carlos had taken on a leadership position in COOPEPUEBLOS as well, and was eagerly pursuing new marketing opportunities for COOPEPUEBLOS coffee. Although he was aware of the many challenges ahead, he saw the formation of the new cooperative as an opportunity for a fresh start, developing smaller-scale processing methods that would be more sustainable and more flexible, making it easier to process organic coffee and other specialty coffees separately. From his perspective, the future was bright. Although his production was considerably diversified, coffee was still his mainstay. He expected that the new cooperative would soon be selling fair-trade coffee through COOCAFE.

Luis, however, had not been deeply affected by attempts to create a more sustainable coffee production system. He saw the new cooperative only as a pale shadow of COOPABUENA. He blamed corruption for the death of COOPABUENA and pointed to the continuities in leadership as evidence that the new cooperative was no better than the old. He had little hope that cooperativism on the large scale would be reborn here, although he was interested in the possibility of affiliating with one of the other large cooperatives in the canton. His farm was only moderately diversified in both 1997–98 and 2005, with vegetables and a small amount of maize for household use. However, nonfarm income from a series of business ventures was more important to his family than their declining coffee income. He was concerned about the way that CAN and COOPAPUEBLOS were favoring certain farmers, and had no intention of joining the new cooperative. From his perspective, the future of coffee production was bleak. He did not blame fair trade. From his point of view, it simply had never been important to local coffee production and marketing. Although he personally was well situated because of his investment in nonagricultural businesses, he saw the failure of coffee production as very detrimental to the zone and feared that nothing would develop to take the place of coffee.

Ernesto falls somewhere between the two. He has been interested in farm diversification for some time: in 1997–98, he was producing coffee but was also a leader in growing vegetables and marketing them in neighboring lowlands. In 2005, he had shifted his farm entirely away from coffee, and said in disgust that he would not grow coffee again. However, his farm was otherwise diversified in many of the same ways as Carlos's farm. He was growing vegetables under a roof of plastic sheeting to protect them from rain and sun; he was raising pigs and even breeding them; and he talked about managing the waste from the pigs to both fertilize his fields and provide cooking gas for his house. He spoke eloquently about the issue of sustainability, but thought that the future of the area lay somewhere other than coffee. The promise of fair trade to provide a sustainable price for coffee seemed to him simply impossible. Ernesto is a clear example of the failures of other market crops to displace coffee; although he still produces vegetables, he grows fewer than he did five years previously. His coffee fields now stand empty.

As the new cooperative rises from the old, optimism—about the future of coffee in southern Costa Rica, about the value of working toward sustainable agricultural systems, and of the long-term promise of alternative markets—is rising again. The manager of the new cooperative, a local producer, talked enthusiastically with all visitors about efforts to bring local coffee to wider attention and how visitors could help. This optimism was contagious. Three weeks after swearing he would never grow coffee again, Ernesto said that he thought he would plant coffee next year—just a quarter of a hectare, but he might try organic coffee this time.

Implications of the Changes in Fair Trade

Fair-trade literature has focused on improving the lives of small-scale farmers, emphasizing the creation of democratically organized cooperatives that allow farmers to deal in the marketplace on favorable terms. This includes payment above market value but especially the establishment of a floor price, below which payment will not drop, as well as empowerment of Third World producers through collaboration, education, and exchange. However, fair trade did not succeed in fulfilling these promises for COOPABUENA. The first was a reality long before fair trade in coffee began. The second failed in two ways: (1) when coffee prices were high, fair trade failed to offer a better price than conventional markets, and (2) when coffee prices were low, fair trade was not a large enough percentage of sales to substantially improve small-scale farmers' incomes. Finally, fair-trade networks did not contribute significantly by assisting the producers of COOPABUENA with technical problems, by enabling direct contacts between COOPABUENA and sellers, or by providing support when COOPABUENA entered its final crisis or as the new cooperative emerged. Although fair trade was not responsible for the demise of COOPABUENA, it did little to ease the blow or to forestall COOPABUENA's demise.

Instead, for COOPABUENA, the direct marketing system with CAN played the roles that fair trade was originally intended to, building relationships between producers and consumers while supporting efforts to create more sustainable production systems. It even supported local producers as they created a new cooperative to take the place of the old one. The fair-trade market, however, functioned essentially as just a place to sell coffee at a higher price. Moreover, it was a market that was hard to enter, whose demands (for higher quality and single variety coffee) changed over time with no warning or assistance to producers to help them meet these demands. From their perspective, the promise of fair trade as something more than a market for coffee has not been fulfilled. The producers of COOPABUENA found other resources to help them develop sustainable-production systems, improve the quality of the coffee they produce, and even seek out new resources when the cooperative failed. However, this was in large part owing to luck, for example, a U.S. farmer living in the area and former Peace Corps volunteers turned academics recruited researchers and students into the zone.

It might be easy to dismiss this case as an exception or aberration. Some cooperatives have certainly had very positive and lucrative experiences with fair trade. However, the scale and structure of the fair-trade market, with its low demand per certified producer and its move toward more conventional retail outlets, guarantees that these experiences are not unusual. For many farmers around the world, fair trade remains a promise rather than a reality, revealing itself not as a supportive community, but as a demanding market.

Some producing cooperatives are big winners, selling the lion's share of their coffee in the fair-trade market, whereas others remain on the outside looking in, trying to break into this lucrative and promising market. Those big winners do receive the benefits that the fair-trade literature claims and that fair-trade buyers expect, although the outsiders find themselves excluded not only from the market but from all those other benefits that the fair-trade movement publicizes. If this were just any alternative market, this outcome would not matter—all markets have winners and losers. But in a market whose conceptual base and justification is support for small producers and cooperation between people in wealthy and poor countries, this outcome is troubling. It is even more troubling as the costs of certification are increasingly borne by producers (the basic cost for certification is now $2,000) without guarantees that the producers will have real access to buyers in the developed world.

To some extent, a shift away from building relationships between producers and consumers was inevitable as the fair-trade market grew to over two-thirds of a million producers and over 80 million pounds of coffee (not even considering other fair-trade crops). However, the implications of these shifts and how the movement might respond to these issues seem to have not been seriously considered. As fair trade continues to grow, grappling with what these changes mean for producers, consumers, and fair-trade organizations will occupy more time and attention. Whether it will become simply another specialty market, if one in which the producers and their workers are guaranteed a fair price, or whether it will continue to strive to be something more, is something that only time can tell.

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