

Union of Indigenous Communities of the Isthmus Region

*Francisco VanderHoff Boersma**

Background

In March 1981 a group of indigenous peasant coffee farmers met with a mission team from the Diocese of Tehuantepec, Oaxaca, Mexico, to discuss their problems. They decided to launch an organized effort to improve the way in which they sold their coffee, for which they were receiving unfair prices. A group of farmers from the communities of Guevea de Humboldt and Santa María Guienagati decided to sell more than 35 tons of coffee that year through the Asociación Rural de Interés Colectivo (ARIC, the Association of Rural Collective Interest) in Misantla, Veracruz. The good prices that they received encouraged them, and for the 1982-1983 harvest the farmers of Santiago Lachiguiri, San José el Paraíso, Santo Domingo Petapa, Guadalupe Guevea and San Pablo Topiltepec were organized under the name of the Union de Comunidades Indigenas de las region del Istimo (UCIRI).

Municipalities with Active UCIRI members

Municipality	Level of Marginality
Santa María Guienagati	Very High
Santo Domingo Petapa	High
Guevea De Humboldt	High
Santiago Lachiguiri	High
Santiago Ixcuintepec	High
Santiago Atitlán	Very High
San Lucas Camotlán	Very High
San Juan Lachao	Very High
San Juan Mazatlán	Very High
San Juan Guichicovi	Very High
San Juan Cotzocón	High
Santa Catarina Juquila	High
San Juan Juquila Mixes	Very High
San Carlos Yautepec	High
Nejapa De Madero	High
San Miguel Quetzaltepec	Very High
San Pedro Huilotepec	High
Santa María Alotepec	High
Santiago Camotlán	Very High
Santo Domingo Tehuantepec	Medium

* A Dutch missionary, co-launcher of Max Havelaar, the first Fairtrade label in 1988.

Geographical Area: UCIRI works in the following municipalities and communities of the Sierra region and the northern zone of the Tehuantepec isthmus.

Structure: Each community group that is part of UCIRI names a board of directors, a monitoring committee, representatives and committees for the different local work areas. All of the members of these bodies serve for one or two years. The representatives and one member of the board meet as the Ordinary Assembly on the 29th and 30th of each month in Lachivizá, Guienagati, to study the problems of the organization and make plans. A written report of the issues discussed in the assembly is then taken to each community for discussion in the local community meetings. It is the responsibility of all cooperative members, delegates and committees to participate in the meetings and assemblies. Unexcused absences lead to a fine, decided upon by the group. At the central level, UCIRI has an Administrative Council (4 members), a Monitoring Council (4 members), each with its respective auxiliary members. The members of the Administrative and Monitoring councils as well as the community delegates are elected for three-year terms. In the Delegates' Assembly the Central Committees are also elected, which represent the different areas of work that the cooperative does. These committees, along with the Administrative Council, determine the general direction which the cooperative takes and have the responsibility for keeping the members up to date on advances and problems at the assembly meetings.

Activities of the Cooperative: Health, education, TCO (Trabajo Común Organizado, Organized Group Work), organic project, Centro de Educación Campesina, (Farmer Education Center, CEC), transportation (UPZMI SCL), hardware store (Lachinavani, SA de CV), jam and jelly production, women's projects, technical assistance project, credit and savings fund (FAC), manufacturing of clothing (Xhiiña Guidxi SCL) and the national and international marketing of our products, most importantly coffee.

A Short History of UCIRI

UCIRI gained legal status in 1983.

The cooperative began by collecting the coffee of its members in a central location.

In 1983-84 the first coffee warehouse was constructed in Lachiviza.

In 1984 the dry processing plant was installed.

In 1984-85 marketing was begun with the help of an organization in the neighboring state of Veracruz.

In 1986 UCIRI got its export license and began to export directly. Also in 1986 the organic coffee production program was initiated with the first inspection and certification through the German certifying agency, NATURLAND (accredited by IFOAM, the European Union and the United States).¹

In 1988 UCIRI and a Dutch organization, SOLIDARIDAD (Solidarity), together created the first fair-trade seal, Max Havelaar.

In 1988-89 the first ecological certification for a group of small producers was achieved. Before this time, European law had only recognized certifications for individual farmers.

The hardware store, radio-communication capabilities, and the credit and savings fund were established.

In 1989 UCIRI and other organizations formed the CNOOC (Coordinadora Nacional de Organizaciones Cafetaleras, National Directorate of Coffee Organizations), which is a group of independent organizations that represent more than 80,000 small coffee farmers.

A national coffee marketing company was formed to assist small organizations in their exportation of coffee. Unfortunately this initiative failed a few years later due to mismanagement.

In 1995 the education of women began in the Farmer Education Center, which had formerly been for men only.

In 1996, after their needs were evaluated, projects designed specifically for the benefit of women were initiated. The most successful projects have been those aimed at improving the wellbeing of the family. These include small animal projects (chickens, pigs, sheep, fish and others) to improve diets, and housing improvement projects (improved latrines and wood-burning stoves).

In 1994 UCIRI and other organizations created ECOMEX, with the goal of examining the situation of ecological certification in Mexico.

In 1996 the "Farmer Festival", dedicated to women, was celebrated.

In 1997 CERTIMEX, the Mexican ecological product certifying agency, was created.

In 1997, for the first time, attention was given to the situation of the youth in the communities. Many young people from the farming communities are abandoning their communities to seek employment in the cities or to travel illegally to the United States.

¹ For organic coffee to be recognized in the international market it is necessary to undergo external inspections by a certifying agency with international recognition. These agencies confer certification based on the inspections. The first certifier that UCIRI worked with was NATURLAND, based in Germany.

Projects were developed to respond directly to the expressed needs of women and youth.

Two new projects were initiated: the introduction of alternative crops to be used in the production of organic preserves, and the manufacture of clothing.

In 1999 Comercio Justo México A.C. (Fair Trade Mexico) was created as the official organization responsible for the promotion and regulation of fair-trade in Mexico.

In 2000 Agromercados S.A. de C.V.² was formed as an integrated marketing company to market coffee, amaranth, maguey, corn, beans and other products.^{1a}) This is what the cooperative members are defending and what they desire:

The land: Chemical fertilizers are not used because the land, well cared for, does not need them. For the improvement of soil and plants alike, techniques such as organic fertilizers, compost, tree pruning, terraces, cover crops, and shade management are used.

Work and the benefits that it provides: Coffee is not sold to local buyers but to cooperatives in the region or is exported directly. The members do not want to depend just on one crop, so instead of planting more coffee they try to diversify their farms by planting more corn, beans, vegetables and fruit.

Health: The cooperative members want to eat better, with more fruits and vegetables, use herbal remedies and keep their houses clean, so that they can work better, be happy and not have so many worries.

Housing: To live in a dignified and humane house, with a Lorena stove (improved wood stove) in the kitchen, a good bathroom with a sanitary latrine, four rooms and a coffee-drying patio. The farmers want to keep working to get electricity, potable water and communication services in their communities.

To preserve the local culture and knowledge: The farmers of UCIRI want to value the good things that they have learned from their ancestors, and to encourage each other to keep their indigenous languages alive. They also want political leaders who serve and help them, not trick and cheat them.

To be better organized: To always be more and better organized, understanding better the struggles that lie ahead so they can know what they are able to and must do. The members of UCIRI do not consider

² A Mexican company formed by organizations made up of small and indigenous coffee farmers. This company seeks to market processed agricultural products that are produced in the fair-trade and organic systems. It is based in the city of Queretaro.

themselves to be miserable, but they are poor. They are human beings who defend their dignity and have hope and faith in themselves because they believe in the God of Jesus Christ who gives them strength, the light, the heat, the water, the fruit and everything from the earth that they need. The solidarity and care for each other that they are planting in the mountains is the same solidarity and care that God Father has for them.

Successes and achievements: In 1983 the organized communities were legally registered with the Secretary of Agrarian Reform as UCIRI. In 1985 UCIRI got an export and import license, the first independent organization to do so; at this time only the large coffee plantations had export licenses. In the 1986/87 harvest season the first direct exports were made to Simón Levelt in Holland and GEPA in Germany. Next, the cooperative developed an alternative market with consumers who shared the concept of solidarity, including Max Havelaar and Transfair. Little by little the cooperative has been building a market presence in Germany, Holland, Switzerland, Sweden, Italy, France, Austria, Japan, Canada and the United States. The company Agromercados was formed with other organizations to increase coffee sales and support the fair-trade movement in Mexico.

This is how we came in contact with the ATOs (Alternative Trade Organizations), the first fair-trade market. One of the first fair-trade initiatives was that of SOS Wereldhandel (later renamed FairTrade Holland). At first they bought mostly handicrafts, but soon they entered into the coffee market on a small scale. The second important importer with whom we began business in 1985 was GEPA from Germany, beginning with a surprise visit of a representative of the firm Simon Levelt (Hans Levelt, who is the owner of this family business) and some members of GEPA, an ATO. During this visit we agreed to a contract to export 400 bags of coffee. Another member of the group visiting us was a Dutch agricultural engineer working with a German institution promoting organic agriculture. He stayed for two weeks, visiting various communities and coffee farms, and came to the conclusion that the coffee fields were already practically organic due to negligence. He encouraged us to implement new techniques in the coffee farms, and he also put us in touch with a German certifier, Naturland, that soon arrived to carry out primary instructions, and we were quickly certified as organic. At that time there were not so many bureaucratic requirements for certification, just fairly general guidelines; it was up to UCIRI to establish internal rules for organic production. ("UCIRI Organic Production Internal Regulations", modified, expanded and corrected various times.)

In 1987 four members of UCIRI were invited to Holland by a Dutch NGO, Solidaridad, to promote their product, organic coffee. They quickly

realized that the alternative market was not easily accessible to the general public at that time and decided that it was necessary to expand this market into the stores where the public usually purchases its groceries. The hope was that by increasing accessibility and the number of stores where fair-trade coffee was available coffee sales could be greatly increased. A small team, made up of the director of Solidaridad, Niko Roozen, and the UCIRI consultant, Francisco VanderHoff, was formed to investigate the possibilities of expanding the fair-trade market. This effort resulted in the formation of Max Havelaar in Holland in 1989, the first fair-trade initiative in the movement that now works in 17 countries under the coordination of Fair Trade Label Organization (FLO) in Bonn, Germany. Each national organization has a different name, according to the decisions of that country, and they have achieved fair-trade sales shown below:

Fair-trade Coffee Sales (in kilograms)

Country	1999	2000	2001
Trans Fair Austria	283,843	299,484	332,261
Max Havelaar Belgium	477,236	547,853	582,203
Trans Fair Canada	77,600	154,224	258,124
Max Havelaar Denmark	695,361	742,437	697,070
RKE Finland	35,600	90,648	97,000
Max Havelaar France	270,300	495,425	945,000
Trans Fair Germany	3,332,237	3,098,440	3,127,650
Fair Trade Federation GB	1,237,060	1,332,240	1,47,640
IFTN Ireland	40,490	55,000	62,000
Trans Fair Italy	353,347	398,511	457,000
Trans Fair Japan	6,200	6,600	6,569
Trans Fair Luxemburg	69,316	64,129	77,320
Max Havelaar Holland	3,185,513	3,101,923	3,104,681
Max Havelaar Norway	54,700	125,313	178,851
Max Havelaar Sweden	218,005	216,886	253,569
Max Havelaar Switzerland	1,424,584	1,381,860	1,306,415
Tran Fair USA	54,971	707,000	1,263,000
Total	11,816,363	12,817,973	14,396,353

The first phase of the fair-trade movement involved alternative markets in Europe, including export contracts with Gepa (Germany), Cooperazione Terceer Mundo (CTM, Italy) and Sacheus (Sweden). UCIRI bought a 10 percent share in Sacheus in solidarity with that company. With the formation of Max Havelaar the second phase of the fair-trade movement began.

UCIRI in the Fair-trade Network: Motivation and Reasons

What were the motives and reasons for the organization's entrance into fair-trade and what role did ideology play?

Below is a partial list of the various motives for the entrance into alternative markets and the formation of Max Havelaar:

Negative Motives

- The price that we were getting for our coffee was not enough for our families to survive.
- The banks did not want to lend us money for the coffee harvest.
- We sometimes went hungry for lack of money, and the basic necessities were not available in our communities.
- When we got sick there were no health centers or doctors.
- There was no transportation system. All transportation was accomplished by carrying goods and products ourselves or using mules on the mountain paths.
- Many towns did not have access to potable water, electricity, telephones or other forms of communication.
- The education of our children was a disaster, and teachers would be absent from school for weeks.
- Our houses were in disrepair.

Positive Motives

- To learn how the market works and to become involved professionally in it.
- To become independent of the *coyotes* (middlemen), who treated us badly, paid very little, and cheated us on coffee weights, instead dealing directly with the coffee industry.
- The price: when the farmers depended on the *coyotes* and on INMECAFE they were paid much less than the international price in the New York commodity market (which was given the nickname "the lady of the market, who never even sees that the scale is not calibrated" by the members of UCIRI). By selling directly to the coffee buyers the price was greatly improved.
- To undertake community based products supported by the increased incomes: health, community stores, improved production of basic grains and vegetables, housing improvements, construction of improved latrines and stoves.
- To create a community savings and credit bank.
- To create a training school for the organic production promoters in the communities (CEC, San José el Paraíso).

All of this came from the Assembly of Guevea de Humboldt, in March 1982, but only little by little were we able to implement the projects that were most important to us.

Contacts within the Fair-trade System

What agents or contacts contributed to the entry into the fair-trade market?

The first contacts that UCIRI made in the alternative market were, in fact, very casual and came about almost by coincidence. A friend of the consultant Francisco VanderHoff visited UCIRI in 1985, and this friend was the director of a German ATO, GEPA. He had come to Chiapas with a Dutch roaster, Hans Levelt, looking to buy organic coffee from a social group there. They were not able to get any organic coffee, but they came to visit our coffee farms and told us that with very little effort our farms could be converted to organic production. This possibility was discussed in a meeting where they were present, and they explained how the conversion from natural to organic coffee could be done. We were already producing organic coffee through neglect and only needed to implement a few simple management techniques to become certified as organic. So for us the entry into the organic world was very simple. The delegates at the assembly decided to invite an organic inspector/certifier to visit the cooperative, and only one inspector, Richard Storhas from NATURLAND in Germany, was willing to come to Chiapas and do this. After his initial visit another inspector, Bo Elakker, came and stayed with us for a few weeks and gave us many useful recommendations. In that same year our coffee was certified as organic and we were able to offer our production to GEPA and Levelt. With the help of ARIC National we were able to export 5000 bags of organic coffee in 1986, out of a total production of 10,000 bags for that year. Through the help of Francisco, who speaks Dutch, German, English, French and Italian in addition to Spanish and a little bit of Zapotec, we were able to finalize all of the contracts. That is how some of the contacts with the Alternative market were formed. We sold the rest of our coffee that year in the normal, conventional market. But we must not forget that in 1985, 1986 and part of 1987 we were able to get very good prices. The sale that was made through ARIC National, although it is an organization that we did not entirely support because it was involved with the CNC, brought very good prices that were much higher than the *coyotes* were offering at that time. We had to put up with ARIC until we had learned to prepare and sell our coffee for ourselves. The *coyotes* began to cause problems in the

region at this time, killing and otherwise giving us a hard time. But this only made the cooperative stronger.

The original expectations and how they have changed.

The initial reasons for entering into the fair-trade market (in its first stages) were:

- To have access to the coffee markets.
- To create new markets (fair-trade and organic).
- To be independent from both the large and small *coyotes*.
- To learn how to operate in the international market.
- To achieve higher incomes for the cooperative members.

At first prices were not a very big issue. Between 1985 and 1987 the prices were very high. Due to a drought in Brazil, we sold organic coffee in 1986 for up to 320 dollars per 100 pounds. During this period the most important thing for us was that we were gaining experience and learning how to operate independently in the international market. It wasn't very easy. One of the main obstacles was that we did not even have a telephone. Starting in 1986 we were able to sell the major portion of our coffee in the fair-trade market.

Annual sales in the fair-trade market since achievement of inscription

Quantities Organic Coffee Sold (1994-2002)

Year	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02
Kg per gamino	821,400	747,195	908,730	671,811	880,432	930,484	897,448	948,172
Organic, export quality	616,050	552,924	672,460	497,140	660,324	697,863	673,086	694,629
Alternative Market	616,050	552,924	637,960	497,140	660,324	697,863	673,086	694,629
Conventional Organic	0	0	34,500	0	0	0	0	0

We have the data for the previous years, 1986-1993, but it is buried under kilograms of dust in our old archives. We were registered for fair-trade certification in 1989.

Fair-trade Networks

Before beginning this discussion we must define three stages in the development of the fair-trade movement that involved three different markets.

The first stage involved the establishment of Alternative Markets (ATO) in the late 1970s. These groups primarily imported handicrafts and products like honey, sesame, coffee, and tea that were distributed to their stores (Third World Stores) or to social and church groups. This phase did not involve large quantities, but it was an important accumulation of marketing experience and a process of education and awareness-raising for the general public. UCIRI made its first entrance into the fair-trade system through contacts with these ATOs.

The second stage was the establishment of a market with a seal of guarantee, starting with Max Havelaar. The increased demand from the production side for a larger market made the promotion of fair-trade products to a larger sector of consumers in developed countries essential.

A third phase is just beginning, in which the organizations establish direct contact with the coffee industry under conditions very similar to the second phase.

Actors

The most important actors that define the participation of the cooperative in the fair-trade networks are: the state, intermediaries, NGOs, FLO, ATOs, exporters and importers.

The most important actors for the coffee marketing done by UCIRI and similar organizations are:

- CTM, Comercio Terzo Mondo, Italy, an ATO, current member of the European Fair Trade Association (EFTA) and member of Transfair Italy until 2002. A client of UCIRI since 1990, they sell our organic coffee in the Italian market under our own brand, UCIRI Organic Coffee. They buy 5000 bags annually, as well as three containers of soluble coffee, produced by UCIRI in Mexico.
- GEPA, Gesellschaft und Partnerschaft, Germany, an ATO, member of Transfair Germany and EFTA wasw one of the first clients of UCIRI and its largest buyer until 1990, when it was purchasing 7000 bags annually. Since 1990 UCIRI has decided to diversify its market, since GEPA was buying 70percent of the cooperative's production; currently GEPA purchases 1000 bags annually.
- Urtekram, a member of Transfair Denmark.
- Sacheus, from Sweden, is an ATO and a member of Ratvissemarket (Transfair Sweden). UCIRI is a 15percent stakeholder in this company, and it purchases 1500 bags of organic coffee annually.
- EZA, from Austria, an ATO, is a member of EFTA and FairTrade

- Austria (500 bags).
- Equal Exchange, USA, an ATO, is a member of TransFair USA and IFAT (International Federation of Alternative Traders) (1300 bags annually).
- Café Campesino, USA, Fair Trade (500 bags).
- Just Us, Canada, FairTrade Canada (350 bags).

UCIRI exports coffee to at least twelve companies, large and small roasters who are all members of FLO in at least nine countries, through the Van Weely firm.

Although the ATOs and FLO are two different markets, they do not represent a great difference for UCIRI. The prices that they pay are the same, and in both markets much depends on the relationship between the individual buyer and the cooperative. Traditionally, the majority of the ATOs that UCIRI has interacted with are also members of FLO, although CTM, for example, is no longer a part of FLO. We have learned much about how to position ourselves in the organic and specialty coffee markets from GEPA, CTM and Equal Exchange. Currently the cooperative is learning a lot from Van Weely, which is a coffee buyer for a number of FLO member roasters, and the firm Malongo, which has a long tradition in the gourmet coffee market. Although in the past many ATOs have not had coffee specialists on their staff, many are now beginning to employ on-staff experts.

UCIRI sells all of its export quality coffee in the fair-trade market, whether through ATOs or FLO, and this fair-trade coffee is sold in various supermarket chains as well.

Relationships (marketing, information, training, etc) that shape the participation of the cooperative in the fair-trade networks

One important relationship is the mutual learning through apprenticeship that takes place about the proper way to market the coffee: the permits, paperwork, import and export licenses, and the organic certification process.

It is also important to understand how to manage the first few steps in the determination of prices in the New York market, using the mechanisms of inlay and futures.

Financial organizations that offer credit and their credit process

It was a very tortuous and ever-changing process to obtain financing for the harvest and for the marketing of our coffee before we achieved a stable system through relationships with local banks. The first attempts at obtaining finance were made through loans from an alternative bank

(EDCS, Oikocredit). We took out a ten-year loan for US\$500,000 with a fixed rate of 10percent annually. The final payments were made in 1997.

After the creation of Max Havelaar Holland, the cooperative was offered up-front payments of 70 percent of the value of minimum fair-trade price, paid at the beginning of the harvest, with the loans to be repaid through crediting them to the final value of the coffee sold. Credit was also received through programs from the Mexican government, such as the Fondo nacional para Empresas Sociales/Secretaria de Desarrollo Social (FONAES/SEDESOL). Currently we operate through a Mexican bank, Banamex, and a program called Fidecomiso Rural (FIRA). Through this arrangement we receive loans at the beginning of the harvest and repay them every year in July, so as to avoid increased financing costs. Each year we renew these contracts.

UCIRI also has its own funds, which are used during the harvest as well. The cooperative members are able to open savings accounts in an internal bank, FAC (Fondo de Ahorro y Crédito, Savings and Credit Fund), which provides added capital to which UCIRI has access.

Comparison of sale of coffee in the different markets in terms of price, marketing relations and market size

Starting a few years ago, UCIRI has been able to sell almost all of its export quality organic coffee in the fair-trade market, and in the national market it has well-established clients (Royal Café of Monterrey, and later Agromercados and UCIRI's own stores and cafeterias). The prices at the international level are more or less the same for all markets (some clients pay an organic premium that is higher than that mandated by FLO). The clients that are not ATOs or members of FLO in general offer prices that are equal to the prices that FLO offers. The coffee that is produced by farms that are in the process of converting to organic is also sold in the fair-trade market; this represents 10 percent of the production of the cooperative.

Changes in the relationships of actors in the fair-trade networks

Sometimes new market alternatives created or proposed by the producer organizations are not well received by the fair-trade initiatives. It is important to retrace the history of the organizational and parallel growth of the fair-trade market:

The first stage was the creation of alternative markets by such organizations as Gepa, SOS Wereldhandel (now FairTrade), Oxfam, Twin, CTM, EZA, etc. All of these organizations are still in operation. The second stage begins with the formation of FLO. It was Max Havelaar Holland that was first able to expand the market beyond the scale

achieved in the first stage. Some groups in the Alternative market have made special arrangements to be able to use FLO products in their own markets.

The third stage is in formation now, with the large companies and supermarkets. The producer organizations have entered into this negotiation with much caution. The groups that want to enter into the fair-trade market are very diverse: Starbucks, Sara Lee, Phillip Morris, the Neumann Group, Carrefour, etc. Complete confidence in all of them does not exist. For now UCIRI has only made arrangements with Carrefour to sell organic coffee in their stores with fair-trade prices (FLO). UCIRI made this contact with Carrefour during a conference on Sustainable Markets in Marseille, France. UCIRI has also opened an important new line of sales with Malongo, a roaster in southern France. They roast the coffee from UCIRI for sale in the supermarkets of Carrefour, with the same pricing conditions that FLO uses. This agreement between UCIRI, Malongo and Carrefour, and the enlargement of the market that it represents, is of great importance for UCIRI and other Mexican organizations, but it must be noted that this move has been questioned by many member organizations of FLO. The majority of fair-trade producer organizations only are able to sell a small part of their production in the fair-trade market, a market that is stagnant and not growing enough to absorb more coffee. The ATO and FLO markets are not growing very much, and in some countries are completely stagnant. The goal of capturing five percent of the national coffee market for fair-trade coffee has not been reached in any country. The highest market share so far achieved is three percent, but in most countries it has not reached even one percent; in the United States, a very large market, the share of fair-trade coffee is not even .03 percent. The largest danger is that the fair-trade price premium may be turned into a subsidy for the very low conventional market prices (on the New York commodity market, for example). It is of the utmost importance that the producer organizations search for alternatives in the conventional market without negatively affecting the ATO/FLO market.

As a founding member of Max Havelaar and FLO, UCIRI has been inscribed in the Producer Register since 1989. From 1989 to 1992 UCIRI was a member of the Administrative Council of Max Havelaar/Holland, as a representative of the producers. With time and the restructuring of the fair-trade system at the international level, the representation of the producers has been greatly reduced. Currently there are only two representatives from registered organizations on the FLO Council.

In general, the fair-trade system has not been very democratic, and for part of the history of this movement the producers did not participate

in the important decision-making processes. In the IFAT (International Federation of Alternative Trade, representing the ATOs), the producers are able to participate more effectively; UCIRI is not a member of IFAT. In practical and economic terms it is not easy to participate in all of the organizations that administer the fair-trade networks. We are urging the ATOs and FLO to work together more to simplify the situation. But it is not easy to make changes. Overcoming individual interests to form a common front is an ongoing task, with the goal of improving the market. Sometimes the ATOs and FLO are present in the same market, making competition useless.

The formal leadership role of the organization in the fair-trade networks is, broadly speaking, minimal and marginal. At the informal level, relationships of information exchange and critical discussion are maintained throughout the fair-trade system.

At the national level, the producer organizations play a much more active role in the fair-trade system in both formal ways (active and democratic representation) and informal ways through meetings, consensus building and information sharing. The creation of AGROMERCADOS has permitted the broad democratic participation of the organization in the fair-trade system.

Organization of the Cooperative with respect to participation in Fair-trade

Leadership pattern

What is the leadership pattern (formal and informal) of the organization? Are the patterns voluntary or is there competition?

The decisions related to fair-trade and the distribution of prefinancing or available credit:

At the organizational level decisions related to fair-trade are made by the board of directors and the delegates through the work of a marketing team. Prefinancing and credit are distributed through advances that are determined based on the quantity of coffee that is to be delivered to the cooperative. When the coffee in pergamino is delivered to the cooperative the producers receive an upfront payment of 60-70 percent of the current market value.

Because the credit offered by the coffee buyers is currently more expensive than that offered by local banks, UCIRI has decided to seek credit with low interest rates each year from these banks and from Mexican national government organizations like SEDESOL and FONAES.

Decision making process

Each month the General Delegates Assembly of UCIRI meets for two days to discuss important topics that affect the cooperative. This assembly is made up of two delegates from each community. Often in this assembly there is an opportunity to discuss the recent accomplishments and concerns of the fair-trade market, at both the national and international level. This information is put into the report that all the delegates receive at the end of the Assembly, and each delegate is responsible for sharing this report with all the cooperative members in his or her community at a local assembly meeting held after the General Assembly.

The board of directors has more responsibility with regard to fair-trade, and is kept more up to date by the marketing team. Members of the board also participate in the state and national meetings that deal with the fair-trade system.

Information dissemination

Each month there is a Delegates Assembly, made up of at least two representatives elected from each community, which meets for two days. One day is for study and the other for the General Assembly, in which information about the accomplishments and problems in marketing and about the different projects of the cooperative is shared. With respect to merchandising the current prices, dynamics of the market and awareness-raising in consumers are discussed. Current strategies, such as Fair Trade Mexico and Agromercados, to place more products in the market niches of fair-trade and other similar markets are also discussed. The community meetings that follow the General Assembly are held so that the community delegates can pass on the information they received in the assembly through the informational bulletins and the community technicians who are also present at the meetings.

The technicians who work for the organization, both those trained at the Farmer Education Center and others, also receive special training courses about fair-trade, so that when they are working in the communities they can reinforce the understanding among the membership about fair-trade.

The board of directors and the cooperative's advisors discuss the fair-trade market in their regular meetings as well, revising the strategy to be used to consolidate this market. Former board members and other leaders are often present at these meetings as well.

Price determination

The basic minimum price for coffee sold in the fair-trade market is 121 dollars per 100 pounds arabica coffee. An additional five dollar social premium is added for all coffee, and certified organic coffee receives an additional 15 dollar premium. The 121 dollars goes to the producers (minus operating costs), the five dollar premium goes to social projects (the nature of the projects is decided by the delegates, and usually is used locally for housing improvement projects like improved latrines and stoves), and the organic premium is divided between the organic producers and the organic production programs of the cooperative, which include the CEC (Farmer Education Center) and technical assistance programs.

Changes in the distribution of the price premium

In the past ten years there have been no changes in the distribution of premiums. Each year in January the Programming and Budget Assembly is held, and here it is decided what type of projects can be supported with the price premiums. The amount of the premium is never enough to cover the proposed projects, and for this reason resources are also obtained from government programs for some projects, including garden, store and construction projects.

Opportunities and Requirements for New Members

Between the first of April and the end of May new members may join the cooperative. This time frame is stipulated because the new members must meet organic certification requirements before the beginning of the harvest. The members in each community explain the conditions and assist with the paperwork for the new members, and let the technical team know that they are expanding. There are ten requirements, including both rights and obligations:

Basic Rules of UCIRI

“Our organization is open to all farmers that want to work to improve their quality of life and that are dedicated to making the principles and criteria of the cooperative their own.”

Membership Requirements for UCIRI

- Must be active members
- Must attend the monthly meetings and the training courses in the town of Lachiviza or at the CEC
- Must refrain from alcoholic beverages at the assembly meetings and when in town on cooperative business

- Must be completely honest
- Cannot be *coyotes*, do not buy or sell other farmers' coffee.
- Cannot bring coffee to cooperative from any farm but their own, not even from the farm of a brother, uncle or friend
- Do not belong to other organizations where they have responsibilities
- Must be an "authentic peasant", *auténtico campesino*
- Must not be opportunistic, must stick with the cooperative through the good and the bad
- A member that has been expelled from the cooperative for misconduct may not be readmitted
- May not plant marijuana or other drugs, or be involved in drug trafficking in any way
- Cannot own a bar or tavern
- May not use chemical fertilizers or pesticides
- Must commit themselves from the beginning of the harvest to prepare their own organic fertilizer
- Must promise to put into practice any recommendations made by the technicians
- Must be prepared to serve others in the areas where they are assigned
- Must accept the objectives of UCIRI, which is not solely concerned with coffee, but with the fight for life, including health, housing, organic production, schools, families and communities
- All new members must sign an agreement with the cooperative and request technical assistance and an initial visit in order to enter the organic production program. In accordance with the General Assembly, all new members must pay 2,800 *pesos* for the establishment of an account which forms the basis for the new members' access to credit and other types of assistance. The new members have five years to fill this requirement
- When an entire community wants to join the cooperative at the same time, the board visits the community and talks with the perspective members to evaluate why they want to join UCIRI. The board members also explain the rules of the cooperative. In the General Assembly all new membership petitions are considered, and a list of approved individual and community memberships is agreed upon.

Certification and Quality Systems

What has the organization done to acquire and maintain its fair-trade certification? What changes have been made to fulfil the fair-trade requirements? What problems has it had with certification?

We have had no problems with the certification process as carried out by the FLO inspectors. We appreciate the opportunity the visits give us to explain where we are and what difficulties we are having. There have been few great changes required of us to remain in the FLO market. We do have some problems with the certification system of FLO: there are no clear and punctual criteria that are sufficient for simple inspection. The producer organizations also have had no voice in the formulation of the certification process, although they are the ones that have to deal with the criteria that are decided. For this reason UCIRI has developed its own set of standards for admission, organic production, and quality control. Because the standards of FLO lack transparency and credibility, the inspection often depends much on the inspector and how he or she goes about the inspection. We have never received any feedback from the inspection that would allow us to make improvements or changes to facilitate the inspection process. Our experiences with the inspection process for organic certification have taught us much about how inspections can be more objective and transparent. We know that FLO and IFAT are working to improve their systems. In Mexico, CERTIMEX (the organization for control and certification of organic production) includes fair-trade standards in its inspections, so that only a single inspection is needed for both certifications. But this is only an advantage for organizations that are in both markets, fair-trade and organic.

The relationship between fair-trade and other markets

From the beginning UCIRI has emphasized the importance of organic production and of the quality of the product, always working to improve quality over time. Our experiences in the Alternative market helped us to enter into the fair-trade market (Max Havelaar, FLO). We are currently working to establish direct sales to the industry, in this case with the supermarket chain Carrefour. Although we do produce shade coffee, we have not entered into this specialty market, which is most prominent in the United States. The certification processes for organic and fair-trade are parallel and could easily be consolidated into one inspection. IFOAM and FLO could merge their certification standards so that inspections could be done that would complement the requirements of both systems. This unification of systems is only possible for organic producers, but it

would be beneficial because the majority of fair-trade certified coffee is also organic.

The relationship between fair-trade certification and quality

Until very recently the inspection and certification for the fair-trade market did not take into account quality considerations. But now the market is demanding quality, and organizations like UCIRI have instituted technical assistance programs that improve quality from harvest through the processing of the bean. It is for this reason that UCIRI began a sustainable coffee program six years ago. Through the renewal of coffee plantations, the increased diversity of shade trees and technology renewal (providing tools, solar driers, and electronic graders for the producers) the improvement of quality has been facilitated.

To give the producers an incentive to improve quality, a system has been established that grades the coffee by quality and pays higher prices for higher quality. There is a difference of 50 cents per kilogram between one grade and the next.

Views of the producers about fair-trade.

“For us it means we can sell our coffee at a good price. It allows us to have a good income, which permits us to survive where we choose to live [the rural villages].”

“It is where we export our products, like coffee, and they pay us a more considerate price than the others do.”

“It is a close relationship between the producer and the consumer, where the producer offers a quality product and the consumer pays a just price to improve the living conditions of the small producers.”

“It is a market where the interaction is beneficial for both sides. For the producer, the sale of coffee is able to pay for the labour put into it, and the consumer is able to buy a high quality coffee that has been well cared for [in its production].”

“It is the promotion of products from small farmers that, whether in regional, national, or international markets offers more just commercial conditions that allow the producer to receive a dignified income and the consumer a quality product.”

“Fair-trade is where we as producers sell our product and they sell it as the coffee produced by small farmers.”

Differences producers see between the networks of fair-trade and the markets for conventional, organic, shade-grown and direct sale coffee

1. What differences do you see between the fair-trade and conventional markets?

In fair-trade family incomes are improved while at the same time a quality product is offered to consumers.

With fair-trade there is a more just payment for the products, and in the conventional market products produced using chemicals are sold by the large capitalist and plantation owners.

In conventional production agrochemicals are used, and in fair-trade only organic production is used.

The differences are in the quality of the product - in fair-trade a higher quality product is offered and in conventional production the quality of the product is not guaranteed.

In fair-trade there are higher quality products and in the conventional market the produce is contaminated and at the same time sold at lower prices.

In the conventional market it is the intermediaries and industrialists that make higher profits. In fair-trade, a balance between those who produce and those who consume is established; the marketing is more direct and there are no intermediaries.

2. What differences do you see between fair-trade and the organic market?

There is no difference, because the products sold in the fair-trade market also have to be organic, they both mean a higher price for the product.

There is a price difference because a fair-trade product gets a price of 121 dollars for 100 pounds of coffee, while if it is organic coffee a premium of 15 dollars is offered for working in harmony with nature.

The difference is that to produce organically means more work, which is rewarded with a price premium.

3. What differences do you see between fair-trade and the shade-grown coffee market?

Some producers did not answer this question because they do not know about shade-grown coffee.

In the shade-grown market there is a relationship between producers in that that we conserve and increase the diversity of shade species.

Fair-trade offers stable prices and shade-grown coffee also offers incentives to the small producers who maintain diversity in their coffee shade trees, so that the coffee fields can serve as a habitat for migratory birds.

4. What differences do you see between fair-trade and the direct sale of coffee?

In the fair-trade market all purchases and sales are made directly to the consumers; there are no intermediaries, and there is a direct producer-consumer interaction. In this way a better price is obtained for the product.

The network of direct sales functions through intermediaries who buy our coffee, and they sell it to others and these to others still, until it arrives to the consumer and the prices are lower.

In fair-trade the incomes we receive are favourable, while for direct sales the price is lower and the sale is through intermediaries.

Benefits for the producers, their families, organizations and communities. The principal benefits are:

- More direct access to the coffee market
- Creation of individual marketing channels (Max Havelaar, FairTrade, Carrefour, Fair Trade Mexico, etc.)
- Improved quality, organic production, and collaboration in the creation of CERTIMEX, the Mexican certifying agency
- Higher and more stable incomes than are achieved through traditional markets
- Access to credit through banks and credit funds, and the ability to negotiate with local, regional and national authorities
- The development of alternative service projects (in health, housing, transportation, etc.)
- Infrastructure improvements, including local and central warehouses, processing plants and preserves and textile factories
- Improved transportation through a public bus service.
- Distribution of basic household necessities (Trabajo Comun Organizado, TCO)
- The organization is able to negotiate more effectively and forcefully with other organizations
- The creation of organized projects for women and youth
- The creation of a training and education center (CEC)
- The creation of organizational networks and the participation in regional, national and international forums
- The training of cooperative members benefits the communities as well as the organization: various members have served as president of their municipality
- The campaign against local *coyotes* has been successful and all members are able to market their coffee without using

intermediaries

- The recuperation of pride in being indigenous, not in a romantic way but as ancient residents of their land and country
- The creation of technical teams that assist the coop members in production, organization and administration.

Social and economic benefit for producer families

In spite of the increased incomes achieved through the sale of fair-trade coffee, it cannot be said that these incomes are adequate to secure the survival of the families of producers. Access to education in the zone of influence of the cooperative is very poor and inadequate. The standard of living has improved, and there are no indications of extreme misery among the member families, although poverty still persists.

In the past two years the income received from coffee has decreased considerably. The income received from fair-trade sales is not sufficient, and in part the premiums become a subsidy for the coffee that is sold in the traditional market.

To invest in activities not directly related to coffee production, the cooperative has to look for funds from federal government programs which offer credit with very low or no interest rates.

The services provided throughout the 20 year history of UCIRI are extensive:

- Public transportation service
- The CEC school
- TCO, organized work group
- Community basic foodstuffs and necessities stores
- House improvements for many members (improved latrines and stoves, adequate roofs, cement floors, etc.)
- Medical and dental clinics
- Creation of employment (in the clothing and preserves factories).
- Cleaner and improved natural environment.

UCIRI made organic production its official policy. In 1985 the delegates decided to change from traditional to organic agriculture. Beginning in 1986, the majority of members were inspected and certified as organic. UCIRI is actively participating in national and international organizations that promote organic agriculture, and the cooperative is a co-founder of the Mexican Sustainable Coffee Council.

The Fair-Trade Network: Problems and Solutions

Problems

We have encountered various problems with the fair-trade system, although they are mostly of little importance. Some examples:

- Late payments from clients both in the Alternative market and in FLO
- Lack of communication with the representatives of the fair-trade market (FLO)
- Decisions made without input from the producer organizations.
- For some time there was no democratic participation in the system, which has only recently been partially resolved. There is a pyramid decision-making structure, where the top often does not communicate with the base
- The fair-trade market lacks flexibility because a true alternative market has not been promoted or consolidated. There is a danger that the fair-trade seal will just become another brand in the market.

Solutions

Through pressure we have been able to get our clients in the fair-trade market to finally pay their debts (after five months!). Now the relationships have improved considerably because more direct communication with the importers has been created. Communication with FLO has improved substantially.

The producers take part in discussions about policy in the fair-trade market more often. The problems have not greatly affected the organization, but rather the producers through loss of confidence in the organization.

The Weaknesses of the Fair-trade System

Growth in the fair-trade market is slow, and in some large countries it is still insignificant or has stagnated and is not growing at all. This is the greatest weakness, and it creates tension within the organizations that are starting to compete with one another. For this reason we are attempting to create a single market for the Mexican organizations to use to sell their fair-trade coffee.

Through its active participation in the founding, growth and regulation of the fair-trade market, UCIRI has gained enough valuable experience to permit it to negotiate in the traditional coffee industry. This has resulted in sales contracts in the conventional market for organic coffee under conditions very similar to the fair-trade market.

An economic principle: the integral calculation of costs.

We have been little by little defining the concept of Fair Trade. There are three components that need to be developed further.

Fair Trade means efficient production and marketing from an economic point of view: the efficient production of a high quality product is primary. With respect to the relation between price and quality, Fair Trade should conform itself to the market.

Behind these words there is a reality that is more difficult, given that the market is unbending and rigid. It is unyielding when confronted with a product that does not meet the quality demanded by the market or that is produced at a cost that is too high. As in the case of Fair Trade, what makes a client choose a particular product to purchase is a flavourful cup of coffee, a well ripened banana or pants that fit perfectly. A high quality product is one of the basic conditions to be able to compete in the market. Closely related to the quality issue is the price that must be paid to receive a certain quality. The relation between the price and the quality is a determining factor. The price should be competitive with respect to other brands. This means that the producer constantly feels the pressure of the market. In the permanent process of productivity growth, technological innovation, and restructuring, the market always pushes towards the lowest price. The producer must be constantly analyzing her or his production process, looking for possibilities of producing a better product at a lower price; this is more important still if the international market demands it.

The Fair Trade movement seeks more favourable commercial conditions for the producers, and part of this is the attempt to provide improved access to financial assistance for investment in the development of a higher quality product. Making new technologies available, along with the facilitation of the exchange of experiences between producers, are important functions that the network of Fair Trade initiatives has been constructing. International development organizations can be very useful in this respect, especially when they work towards strengthening the position of small or marginalized producers. In this case, financial and technical assistance is aimed at eliminating the deficiencies in productivity and efficiency from which production suffers.

The requirement for a more efficient production is also valid with respect to the marketing of products in the consumer market. The Fair Trade movement will have to offer a marketing structure that permits transaction costs to be minimized. Inefficiency in this area will result in increased costs and finally in the loss of market share.

Fair Trade is sustainable production from a social point of view: this second component in the definition of Fair Trade refers to the integration of the real costs of production. In this regard Fair Trade introduces an important correction in the market reality.

The costs of a socially responsible production are included in the price of the product in the Fair Trade market. The competitiveness of a product does not depend on the level of exploitation that goes into the production of the product.

The market is situated in a context that allows the price of labour to be determined. This means, in the first place, that the right of the workers to organize themselves is recognized. The fact that the struggle for the right to organize still provokes much resistance in many parts of the world emphasizes the importance of this right. Real work conditions should be determined through negotiations with unions, even in situations of conflict, if need be. The cost of a collective labour agreement forms part of the true costs of the product.

Fair Trade is sustainable production from an ecological point of view: this third component refers to the incorporation of environmental expenses of production. Here also Fair Trade introduces a fundamental correction to the current practices of the market economy.

The costs of a production that respects the environment are expressed in the final cost of the product. Competitiveness is not achieved at the expense of the environment.

There are five elements relevant to the agronomic aspect of Fair Trade production: the costs of biodiversity conservation; the prevention of erosion and water contamination; the control, reduction and eventual prevention of the use of pesticides and chemical fertilizers; and, finally, the reduction, recycling or conversion of organic wastes to compost. Although some of these elements are also applicable to the industrial sector, it is important to interpret them based on the particularities of each case.

Summary

Fair Trade is a commercial practice based on economic efficiency, and social and ecological sustainability. The integrated price is the tool that is required for the realization of these standards. Based on this analysis, Fair Trade is consistent with the relevant economic laws.

It is also important to explain what Fair Trade is not. A list of common misunderstandings follows:

- Fair Trade is not *development aid*, not even in its best possible form

- Fair Trade does not *disturb* the market by offering artificial commercial conditions
- Fair Trade does not replace the businessman with the *preacher*.
- Fair Trade is not a *capitulation* to the ideology of the market
- Fair Trade does not maintain inefficient production in the market by offering a *protected market*
- Fair Trade is not limited to *disadvantaged producers* whose marginalized position justifies *price protections*
- Conceptually, Fair Trade does not represent a *niche market*
- Fair Trade anticipates a sustainable economy, not only an effective economy but also one that is sustainable from a social and ecological point of view. The social and ecological aspects of production are defined and focused in their economic dimension. Precautionary measures have become fundamental for the survival of humanity, the environment, and with them the economy as well. The economic costs of the impoverishment and marginalization of the majority of the world's population are always increasing. The conversion to a sustainable economy is urgent, and our concern should extend to the whole global economy. There can be no more delays in the integration of social and economic costs. There are only two options: a sustainable economy or no economy
- Fair Trade makes use of consumer choice to implement the integration of the social and ecological components into world economic policy. Consumers now can choose products whose prices represent the real cost of their production. In this way a partial market is formed whose structure is more advanced than the conventional market. The Fair Trade movement should deliberately seek confrontation with the dominant market. Our objective of sustainable production is not limited to a small part of the world. We want to see Douwe Egberts, Chiquita, Levi's and Nike moving towards a sustainable production as well
- A Sustainable Market: If Fair Trade is conceived as a model that is going to provide the basis for the complete restructuring of the market as a whole, it must be asked if a model based on consumer power has enough potential to accomplish such a radical change. Could it be that the power of the consumer is being overestimated?

In the final analysis, the volume and economic impact of the Fair Trade market depends on the number of consumers who consciously choose to

buy “clean” products. Up to this moment, this segment of the market has been quite modest, too modest to have much influence outside of its out area. With market shares ranging from three percent in Holland to eight percent in Switzerland, Max Havelaar is too limited to pressure the large coffee corporations to implement Fair Trade elements in their businesses, even if it were only to prevent the future expansion of “just” coffee. Fair Trade bananas, on the other hand, have a greater chance of success. The market share that Fair Trade enjoys in this product is much greater; and it seems to be increasing as well. There is no doubt that the results would be even better if it were not for the restrictions caused by European regulation of this product. Switzerland is a promising example, with a 15 percent market share for Fair Trade and ecological bananas. It is possible that, in a reasonably short time, the market for Fair Trade bananas in Switzerland could reach a 30 percent share of the total market. If this happens it is inevitable that much attention will be given to Fair Trade by the conventional market. Neither Chiquita nor Dole will be able to continue ignoring this new competitor in the market. Dole is investing in the “biological” production of bananas and at the same time investigating the possibility of a social certification for its bananas based on the Social Accountability Initiative (SAI) program. Chiquita has developed a program to improve its bananas, introducing a series of social and ecological production improvements. As a consequence of this process, Chiquita has for the first time accepted an increase in costs. The modest character of this increase – only \$0.10 per kilo of bananas.– demonstrates the limited character of the changes made. However, the important issue is that this small change represents a radical change in the corporation’s policy. As far as the introduction of the new brand Kuyichi, it is not known how much it will be able to influence change in the status quo. Like all the rest of these changes, the influence of this change will depend largely on how much of the market the new brand can conquer.

Although the complete potential of the Fair Trade movement has not been realized yet, it is evident that the support of the conscientious consumer will not be enough to achieve a sustainable economy.

Fortunately we do not depend solely on this model. There are other sectors of civil society which will be able to play an important role as well. The labor unions form a central force in the struggle for more humane working conditions. The groups that can make human rights a priority are the NGOs; they must exert pressure on governments so that human rights are included in the legislation, judicial system and codes of conduct that govern labor conditions. Environmental NGOs also can exert pressure on governments, industry and commerce so that more responsible environmental policies can be put in place. In this context,

Fair Trade is only one of a wide range of tools that can make social and environmental sustainability an important issue. Thanks to the contributions of all these organizations, an important theme of conversation in today's world is how to conduct business with a sense of social responsibility. It is clear that social organizations should intensify their work so that social issues come to be one of the fundamental considerations in economics.

The pyramid (below) is from a recent document used for internal training by one of the most important supermarket chains in Holland. According to this document there is no doubt that the producer-consumer chain represented by this pyramid will be realized. As for the different development phases shown in the figure, it is confirmed that the integration of social and environmental aspects into the market has begun.



The Fair Trade Market and New Markets

After ten years of the Max Havelaar/Transfair market, new markets, some incipient and others more advanced, are emerging under conditions that are the same or similar to FLO. In general, they are not using certification seals or relying directly on the FLO system. This is a new development but is related to the history of the current FLO participants (producers, distributors, and industry).

Before moving on we must recount in part the history of the FLO market. When the representatives of UCIRI travelled to Holland in 1987 with the goal of proposing an alternative market with more direct connection to the consumers, there were three possibilities:

A company owned by the producers that would import, process and distribute coffee in the European market. This project would have required considerable funds to achieve a significant position in the market, and we didn't have a cent!

An open discussion with the coffee industry to invite them to buy a minimum of 12 percent of their coffee directly from small producers under conditions that would incorporate in the price not only the costs of production but also the social costs and, in the case of organic production, the environmental costs. There were long, intense and heated discussions that did not go anywhere at the time.

The third option, parallel to the first two, was the development of a model that used a seal of guarantee; this resulted in the formation of Max Havelaar in Holland and later in other countries under different names. Max Havelaar was going to control the nature of the product through a guarantee seal, prices, quantities and above all else the product's origin from small organized producers. This system is functioning now with varying degrees of success in 17 countries, coordinated by FLO.

Recent developments in the coffee industry demonstrate that option number two is resurfacing under slightly different conditions. Large corporations are attempting to buy coffee, mostly organic, with more or less the same conditions as FLO. This is not just a discussion in the FAO: at this point the IFOAM is leading a serious effort to create criteria for the organic market that would incorporate social and environmental costs into the final cost of the organic product. It was a long process, and now new labour and commercial codes are being implemented. The corporations are making their own rules.

These new efforts are challenges that we cannot ignore or attack as deceptive inventions by the large corporations. It is of the utmost importance that small producer organizations keep up-to-date on these developments and that they begin open and healthy dialogues about these new market trends. These trends cannot be understood independently of the work of all the participating organizations of FLO. The fruits of the Fair Trade movement are broader than the defence of the seal, although it continues being very important for the moment.

In fact, a market is emerging where important elements of production and marketing are coming together in a sustainable system: Organic production, certified with an "organic" seal or the equivalent.

Quality production, which is determined by the market and which the producers take very seriously in order to maintain or improve their position in the market.

Shade-grown coffee and the production of coffee that is friendly to birds and other animals that share their habitat with the production of coffee.

Fair Trade integrates production costs. Costs already mentioned, such as the social costs for the producer, the costs of improving the environment and the investments necessary for the improvement of

quality and homogeneity of the coffee. The FLO system is an important segment and a point of reference (under Fair Trade conditions, with or without the certification of the system) in this chain, but a part of the industry is also interested in this system. The motivation behind this interest is not the same for all: some see it as a way to improve their image and others see it as good in and of itself.

At this time producers are faced with a long period of prices significantly below the cost of production. There is a great risk that the prices that Fair Trade offers will become a subsidy for low prices. If 25 percent of production is sold in the Fair Trade market and the remainder in the conventional market, the final price for 100 pounds of coffee is US\$67.60. With 50 percent of production sold in Fair Trade, the price would be US\$94.30 per 100 pounds. But the Fair Trade market has not developed in such a way as to allow the producer organizations to sell 50 percent of their production in the market.

For this reason it is essential that the organizations look for new markets. One of these markets is the sustainable market, as mentioned above. The pricing conditions that the organizations are proposing and defending are the same as those in the Fair Trade system, but the labelling and marketing refers to "sustainable coffee" instead of Fair Trade coffee.³

Five conditions for sustainable production in general and for the production of coffee in particular.

All forms of economy should be required to maintain, in an ecologically sustainable manner, an acceptable standard of living for all of this earth's inhabitants. This includes the promise of reasonable employment, security with regard to the material standards of living for all families, community viability, and environmental conservation. Economic policies can be designed that meet these goals based on the principles of sustainability, democracy, equality, and efficiency.

1. *Environmental Conservation.* The environment is being continually more and more degraded. We are playing the violin while Rome is in flames. If the current conditions continue, we may find ourselves in a position where it is too late to save the earth from ecological deterioration. It does not work now, nor is it going to work in the future, to continue trusting in current market mechanisms, as the majority of economists prefer. If we continue contaminating and exploiting the planet today, our children and grandchildren, who have no voice in

³ See Francisco VanderHoff Boersma UCIRI, Mexico, March 2002/July 2002

today's decisions, will have to deal with the consequences. Nor can we presume that the needed environmental regulations will be without cost. We cannot maintain the separation of the economy and the environment in our thinking. Neither life nor liberty nor happiness is possible in a sick and agonized world.

2. *The democratic control of the economy.* Money is the principle that dictates economic decisions. This is true for the corporations that relocate their factories in an instant while forgetting about the communities where they are operating. It is true that with its purchases and financing charges the financial sector rapidly destroys productive companies while the corrupt people who are responsible escape without punishment. And it is now common for the rich and powerful to purchase politicians so that they promote an economic policy in their favour. "Money talks" is no longer a scandalous principle for the simple reason that it is effective. The influence of the labour unions has almost completely been eliminated. In spite of all these concessions, economic performance continues to worsen. If the economy is to serve the people, it must be controlled by the people.

3. *Egalitarianism.* The economy, in general, is based on a structure of hierarchy and inequality. In the labour market, the arbitrariness of rapidly changing models of employment has created new sources of inequality and insecurity through the reduction of salaries or work hours. The global distribution of wealth and resources greatly favours the industrialized North, which has a much higher standard of living than the South. These poor countries have been net exporters of capital for more than a decade, causing incalculable misery and degradation among the poor. This cannot be called a sustainable economy.

In the end we all lose from these inequalities. We believe that a truly sustainable economic policy should have as its highest priority the elimination of inequalities.

4. *Efficiency.* Another element of a sustainable economy is efficiency. The Keynesian theory of the large government that redistributes the benefits of growth is no longer credible. We need to abandon the old equivalency of efficiency and equality for a new vision of economic activity. We should begin to restore the natural environment instead of plundering and destroying it. We need to promote a new commercial paradigm that is based on responsible, flexible, and current participation in the economic and social spheres. We have to identify and articulate new forms of efficiency that will truly make work itself a democratic and economic act. We need a more democratic control of government expenditures and a re-regulation of the financial sector. We need to resolve our current social problems in a cost-effective way.

5. *Freedom.* In these new times and circumstances there exists an urgent demand for the reconsideration of the freedoms that have been granted to the market, including the social and cultural implications these freedoms have for agrarian policies. The dominant neo-liberal model of the market speaks religiously of the concept and ideal of freedom. Liberalism is a catchphrase that takes in all measures that are supposedly favourable for the free market. The problem is that the rules of the market have been changed but the freedom of the market has not been increased. A truly free market is necessary for the creation of a sustainable coffee and agricultural economy. Freedom can only exist in a sustainable form when there is complete respect for the freedom of others. The current resistance to neo-liberalism is not only an internal criticism that asks the question: for whom is there sufficient freedom and for whom is there not? Mutuality is essential. There is a price to be paid for continuing present arrangements, and it is not just a political one but one that is also economic, cultural, and social.
