Assessing the Potential of Fair Trade for Poverty Reduction and Conflict Prevention: A Case Study of Bolivian Coffee Producers

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Executive Summary

This study addresses the question of whether Fair Trade – and in particular Fair Trade coffee – has the potential to be used as a comprehensive tool for poverty reduction and, if so, whether it is plausible that it will have a positive impact on conflict prevention. To do so, we assess the effect of Fair Trade in a specific region in Bolivia, and examine not only small-scale Fair Trade coffee producers, but also producers not participating in Fair Trade.

Our main findings are presented in detail in our concluding remarks in chapter 9. We can summarise them as follows:

(1) Positing that horizontal inequalities (defined as inequality between culturally defined groups) are biased against indigenous peoples in Bolivia and have particular relevance for explaining political violence, we found that Fair Trade, through its poverty-reducing impact, may have a positive influence on conflict prevention by contributing to a reverse of these inequalities.

(2) By providing competition at the level of the intermediaries, Fair Trade has the potential to reduce poverty. One major reason for low prices paid to small-scale coffee producers is the lack of competition amongst intermediaries. While it is well known that creating a Fair Trade cooperative makes those joining it better off, the subsequent pro-competitive effect in the local market may, under certain circumstances, also benefit non-Fair Trade producers.

(3) By enabling capacity-building, Fair Trade has a poverty-reducing impact. Through regular training in relevant topics such as organic production, management and financial issues etc., producers have the opportunity to constantly acquire new skills, which in turn allow them to improve the quality of their coffee. In this sense, the cooperative is an ongoing learning centre where producers are encouraged to become small entrepreneurs.

(4) By having influenced trends in the non-Fair Trade market, Fair Trade may have indirectly reduced poverty for some non-Fair Trade producers. Our case study analysed a company that sells mostly in the non-Fair Trade market, but which adopts a number of principles similar to Fair Trade. On a more general level, increased consumer awareness with respect to social and environmental issues, and as a result, greater consumer demand for certified coffee, has led to large multinational companies increasingly offering Fair Trade coffee as well as promoting various forms of bilateral or multilateral cooperation with farmers outside the FLO

system. Although we cannot say for sure, it seems likely that increased consumer demand for higher social and environmental standards has stemmed at least in part from the inroads Fair Trade has made into the coffee market and the public debate.

(5) If Fair Trade's excess supply lowers the world market price of non-Fair Trade coffee, poverty levels of non-Fair Trade producers may potentially increase. At present, Fair Trade seems too small relative to the world market to have much of a negative impact. Nevertheless, if Fair Trade intends to grow and increase its relative size of the world market, the issue of excess supply will need to be addressed. Fair Trade leaders are aware of this and often publicly state the need to invest into training and diversification, for instance, rather than simply expanding production.

Preface

“Fair Trade” has become a notion that is increasingly used by various institutions to convey information about certain principles of doing business, concrete characteristics of the goods offered in a market, or the effects the business may have on those who generate the goods to be sold. Research has only recently started to analyse whether Fair Trade indeed lives up to its many expectations. The following study contributes to this research in four particular ways. Firstly, it brings together two strands of knowledge, i.e. the field of political science and economics. Secondly, it focuses on the question of how Fair Trade affects not only those “lucky” producers who belong to a Fair Trade cooperative, but also those producers who voluntarily stay outside or who may not be allowed to enter the cooperative. Thirdly, it considers these effects from the perspective of “conflict proneness”, i.e. whether Fair Trade has the potential to reduce the likelihood that countries or regions enter a violent conflict. Fourthly, the study focuses on a specific market, i.e. the coffee market, and a certain region of production, i.e. the Yungas region in Bolivia.

The study is also motivated by the fact that the relationship between the economic environment and conflicts has increasingly gained importance in the fields of development and peacebuilding over the last ten years. Commodities - especially natural resources -, trade regimes, corporate behaviour and other elements of economic life are being increasingly analysed with respect to their social and political impact. In conflict-prone regions, these impacts are seen as closely linked to the roots and triggers of potentially violent conflicts. In the field of economics, international trade can usually be shown to increase average income and thus is often considered to have a positive impact on economic development. However, international trade is also known to have distributional effects within countries that may well create conflicts.

In our view, Fair Trade provides a challenging opportunity for the two disciplinary perspectives to cooperate more closely: This is all the more valid if we look at the conflict and peace effects of Fair Trade schemes as well as at the distributional effects on Fair Trade and non-Fair Trade producers. For this reason, we brought together experience found in the Swiss Peace Foundation (swisspeace) and in the area of economics at the University of Basel to carry out this research.

Many studies have already been undertaken on Fair Trade. Our approach allowed us to introduce specificities which contributed to the study's originality: We made the overall social and economic impact of Fair Trade our central issue, thereby including the effects of Fair Trade on non-participating economic actors into the scope of the study. This was done at the

conceptual and theoretical level as well as, of course, in the empirical work. The inclusion of these actors not participating in Fair Trade schemes was interesting from an economic perspective, but also necessary in order to look at conflict and discrimination issues from a political perspective and to give meaning to the concept of horizontal inequalities, which played an essential part in the implementation of our research.

The undertaking was to some extent an adventure: we had little knowledge about the availability of field data, we realised that our research focus might be perceived as slightly exotic by established scholars and practitioners, and we had no idea to what extent the lenses of economists and political scientists would be compatible in the daily research work. In view of these initial framework conditions, we were (and remain) extremely grateful to the State Secretariat for Economic Affairs (seco), for having enabled us to start this undertaking, but also for having supported our field activities in Bolivia with its networks and infrastructure. The Secretariat has done so with a complete openness regarding the results of our study. This was necessary, as we ourselves were completely uncertain and curious about the outcomes. We owe special thanks to Hans-Peter Egler, head of the section for trade promotion. Also, we gratefully acknowledge support by the local members of seco, Thomas Hentschel and Christian Robin, as well as by Virginia Gimena Choque Loaiza and Lisa Petermann who contributed to the field study in Bolivia.

Of course, the bulk of responsibility for the study's success does not lie with us as the initiating and enabling environment, but with the researchers themselves who authored this study: Sandra Imhof, a political scientist from swisspeace, and Andrew Lee, an economist at the Europainstitut of the University of Basel, have attempted for more than a year to come to grips with the topic. Given the time and resource conditions, they have more than succeeded, and we are extremely grateful to them for the work they have accomplished – including lengthy exchanges across disciplinary boundaries. Danielle Lalive d'Epinay, a research analyst at swisspeace, was important in helping us to assemble a project proposal and Ulrike Joras, an economic geographer at swisspeace, gave concise and appropriate comments to several drafts.

It is not the function of the preface to present all the results of the study. But let us point out two issues which convinced us that it was right to launch this undertaking and that show the importance of the contributions of Sandra Imhof and Andrew Lee in this study.

Firstly, the target of the project was, as stated above, to include the behaviour of firms that are not Fair Trade cooperatives. The field research actually showed that these firms are important to examine as they take the role of what may be called, "competing intermediaries". These

relatively new actors are intriguing as they apply certain elements of Fair Trade cooperatives (i.e. socially and environmentally responsible production) but operate outside the Fair Trade market. These competing firms may have the potential to reach out to more producers than the ones targeted by Fair Trade. Alternatively, large firms have started to implement their own schemes of "fairness", which partially also operate with higher prices paid for coffee beans. Though the study could not prove this, there seems to be a positive diffusion effect of certain Fair Trade practices to economic agents not primarily occupied with social aspects of trade. In other words, the success of the Fair Trade label may well lead to the fact that other firms develop their own differentiated products within the general field of Fair Trade. The final outcome of this expansion is, of course, open.

Second, the authors of the study show that there is a potential issue of excess supply, as mentioned by some researchers in the past. The effect of this increased supply may well be negative, at least for some producers. In particular, the authors show that Fair Trade producers typically sell a considerable amount (for one firm it is more than 50% of production) in the traditional non-Fair Trade market. Thus, with some probability consumers of traditional coffee may well buy Fair Trade coffee without knowing it. The excess supply of Fair Trade producers in response to the creation of the Fair Trade cooperative and the associated higher price of Fair Trade coffee is an issue that will become more of a challenge with the success of Fair Trade as such. As described by Imhof and Lee, it seems that the Fair Trade organisations are aware of this problem.

The study has, of course, not answered all questions. It would be highly interesting for future research to be able to look deeper into the economic and social effects of specific trade and exchange schemes in the field of commodities or even services, be it coffee, cocoa or something else, and be it in Bolivia or elsewhere such as in Côte d'Ivoire or countries in the Horn of Africa— to name but a few. The co-existence of social norm-setters, such as Fair Trade cooperatives or governments, and regular profit-maximising firms may, on a global scale, promote a socially more even distribution of benefits from trade than would be the case without the presence of such normative pace-makers. It is with respect to this issue that the study presents some interesting conceptual and empirical insights into this important field of research.

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Chapter 1

Introduction

Fair Trade is a well-known concept that intends to improve the livelihoods of small-scale producers in developing countries. Consumers in developed countries voluntarily choose to pay a higher price for Fair Trade products, which are produced under certified socially and environmentally sustainable conditions. Market growth in Fair Trade has been very impressive since the 1990s and European markets have shown steady expansion in Fair Trade products, albeit with demand for certain products seemingly stagnating.

Switzerland is a major market for many Fair Trade products. According to TransFair USA (2005), it accounted for 12% of total world retail value (US dollars) of Fair Trade products in 2005, the third-largest share behind the USA and UK. On a per-capita basis, it commands the highest market share in the world. Fair Trade coffee has a market share of 6% in Switzerland, the second highest market share in the world behind the United Kingdom.[1] Fair Trade organisations such as Max Havelaar, Claro, Gebana and 'Weltladen' have been active in the Swiss market for many years, and the two biggest retailers, Migros and Coop, are promoting Fair Trade products in a focused and consistent manner. For many years, the Swiss State Secretariat for Economic Affairs (seco) has been promoting and supporting the Fair Trade concept. For instance, it provided financial support enabling Max Havelaar to be founded in 1992. By implementing its strategy of, amongst other things, enabling producers in developing countries to enter market niches, it has led from the front by promoting production quality as well as high social and environmental standards. In seco's own words, Fair Trade has been a success story as a result of its impressive growth rates (seco (2005)).

One of Fair Trade's major product lines is coffee. To fully understand Fair Trade and its role in the coffee market, it is essential to understand the context in which it emerged as a trading alternative for a limited number of small-scale coffee producers in developing countries.[2] The collapse of the International Coffee Agreement in 1989 turned coffee into a primary commodity subjected to free market forces and volatile price fluctuations. As most developing countries rely heavily on primary commodity exports for their earnings,

[1] http://www.fairtrade.net/fileadmin/user_upload/content/FairTradeinEurope2005.pdf

[2] The study will use the terms "coffee producers" and "farmers" interchangeably, depending on which term makes most sense at any given moment.

coffee being second only to petroleum (Levi and Linton (2003)), the liberalisation of the coffee market led to unstable export earnings due to strong price variability. Furthermore, chronic excess supply pushed prices down, a situation which became even worse with the entry of new low price competitors such as Vietnam. As a result, Fair Trade finds itself confronted with a daunting challenge that goes well beyond its core ambition to offer a lifeline to coffee producers. The interesting question is therefore whether Fair Trade can be something more than just a niche market with little prospect for further expansion and whether it could become a tool for poverty reduction.

This is without a doubt the central question that preoccupies most Fair Trade organisations and producers, but it is difficult to come up with a conclusive answer. Two scenarios for the future development of Fair Trade coffee can feasibly be envisaged:

- It remains a functioning parallel niche market for a limited number of 'lucky' producers.
- Fair Trade principles are mainstreamed into the non-Fair Trade sector of the coffee market, because consumer demand for coffee produced under socially and environmentally friendly conditions will outweigh demand for conventional coffee.

Interestingly, this latter scenario is becoming more plausible with multinational corporations such as Starbucks and Nestlé increasingly marketing fairly traded coffee. Although these companies have preferred to develop their own labels and initiatives instead of using established Fair Trade channels, this is doubtlessly an interesting development.[3] The Common Code for the Coffee Community (4C) is one such example where standards are very similar to the ones developed by FLO, 'covering 30 social, environmental and economic principles in the green coffee supply chain'.[4]

This study will address the central question of whether Fair Trade – and in particular Fair Trade coffee[5] – has the potential to be used as a comprehensive tool for poverty reduction. To do so, we employ a two-pronged approach: while assessing the impact of Fair Trade on small-scale coffee producers in Bolivia, it also analyses the way in which

[3] While these labels do not seem different at first sight, it would be interesting to assess their effectiveness and differences as well as their impact on consumers. This however will not be the major focus of this study.

[4] http://www.sustainable-coffee.net/code_of_conduct/index.html

[5] The cocoa industry is another interesting sector, especially with regard to Swiss imports. However, we refrain from analysing this market in more depth in this study due to difficulty in data collection for our case study, and due to its similarity to the coffee market in terms of market structure. The conceptual insights we gain from looking at the coffee market can be therefore be used to examine the cocoa market.

producers not participating in Fair Trade are affected. By focusing on income distribution issues, it broadens the scope of conventional analyses of Fair Trade.

The study additionally proposes to explore the Fair Trade-conflict nexus. Through its poverty-reducing impact, it hypothesises a potential positive impact of Fair Trade on conflict. This assumption rests on the argument according to which factors such as economic stagnation, low income levels per capita and widespread inequalities tend to influence the likelihood of conflict within a country (Collier (2000)) while sustainable development is deemed to contribute to conflict prevention (UNDP (2003)).

Most previous studies of Fair Trade have examined Fair Trade cooperatives as opposed to local profit-maximising coffee purchasers. However, while undertaking work for our case study in Bolivia, we came across a company, Anditrade, whose stated aim is to integrate social and environmental principles into its business of purchasing and processing coffee. Selling the majority of its coffee in non-Fair Trade markets, it makes for an interesting enterprise to analyse: rather than solely comparing Fair Trade with local profit-maximising companies, the discovery of a business model which combines different elements of the two (Fair Trade principles in the non-Fair Trade market) has enabled us to broaden the analysis of Fair Trade.

With this study, three main objectives have been achieved:

- Conceptually, we analyse the link between Fair Trade and income distribution[6], showing the way in which Fair Trade cooperatives affect the behaviour of the non-Fair Trade coffee purchasers, and therefore the price-quantity decisions made by them. Furthermore, we tighten up the link between inequalities and the potential influence of Fair Trade on conflict by developing a conceptual framework within which this is analysed.
- Empirically, we look at the impact of Fair Trade on both Fair Trade and non-Fair Trade farmers in a detailed case study, focusing on a number of variables that were deemed important by the theoretical work. This complements the conceptual work and gives us a fuller picture of the way in which Fair Trade impacts poverty reduction and conflict prevention.

[6] We focus solely on income generated from coffee growing and processing and ignore income effects arising from other productive activities.

- An interdisciplinary approach is taken in order to carefully look into the two areas of income distribution and conflict prevention. By applying research methods and concepts used by economics, development studies and political science, the study chooses a differentiated method to analyse the issues involved.

The study is structured as follows: after this introductory chapter, chapter 2 first gives a working definition of Fair Trade, before exploring scholarly insights into the topic.

Chapter 3 examines the coffee market, both internationally and specifically in Bolivia. We look at price developments, market structures and participants, as well as demand and supply developments and perspectives, all of which will help us to comprehend later observations and concepts in the study.

As the case study is on Bolivia, chapter 4 provides an overview of history, politics and economic development in Bolivia and highlights its key characteristics, laying the foundation for the conceptual framework presented in chapters 5 and 7.

Chapter 5 looks at the influence of poverty, and particularly, inequality on conflict and briefly discusses some major scholarly contributions in the field. It then builds on the insights gauged from chapter 4 and examines whether Bolivia is prone to conflict by arguing that horizontal inequalities (defined as inequality between culturally defined groups), which are biased against indigenous peoples, are particularly relevant for explaining political violence.

Chapter 6 concentrates on the effects of Fair Trade on income distribution between Fair Trade and non-Fair Trade farmers. Developing a simple framework, we attempt to assess the economic impact of Fair Trade on non-Fair Trade farmers, thereby evaluating its effect on poverty reduction in local coffee markets.

Chapter 7 additionally explores the potential influence of Fair Trade on conflict and proposes a framework for this purpose. Based on the concept of horizontal inequalities, it serves as a backdrop for analysing empirical data in the next chapter.

Chapter 8 depicts the case study undertaken in Bolivia. We describe the fieldwork and look at the empirical results, showing the impact of Fair Trade on various aspects introduced in previous chapters. A careful evaluation and discussion of the results provides a more rounded picture of Fair Trade's impact.

Finally, chapter 9 brings together the various findings of the study and provides conclusions.

Chapter 2

The concept of Fair Trade

In order to lay the foundations for our analysis of Fair Trade in the Bolivian coffee market, we wish first of all to give a workable definition of Fair Trade before briefly discussing scholarly contributions in the field.

2.1. Definition of Fair Trade

The most widely used definition of Fair Trade was introduced in October 2001 by the informal umbrella network 'FINE'[7] and states the following:

'Fair Trade is a **trading partnership**, based on dialogue, transparency and respect, that seeks **greater equity** in international trade. It contributes to **sustainable development** by offering better trading conditions to, and securing the rights of, marginalised producers and workers - especially in the South. Fair Trade organisations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.'[8]

As an alternative trading partnership, Fair Trade's strategic intent is:

- 'to work deliberately with marginalised producers and workers in order to help them move from a position of *vulnerability to security and economic self-sufficiency*
- to *empower* producers and workers *as stakeholders* in their own organisations
- to play an active and wider role in the global arena to achieve *greater equity* in international trade'.[9]

This study will attempt to verify whether Fair Trade promotes economic self-sufficiency for coffee producers and whether it gives them the means to become empowered stakeholders in their own organisations. As regards the last objective of Fair Trade, i.e. to achieve greater equity in international trade, this goes well beyond the scope intended here and will therefore not as such be addressed.

[7] FINE comprises following organisations: Fairtrade Labelling Organizations International, International Fair Trade Association, Network of European Worldshops and European Fair Trade Association.

[8] http://www.eftafairtrade.org. Emphasis added.

[9] Idem. Emphasis added

2.2. The aims of Fair Trade

Fair Trade encourages consumers in developed countries to pay a higher price for a primary commodity produced under socially responsible and sustainable conditions in developing countries. The higher price stands for an improvement in producers' livelihoods and should in times of depressed coffee prices at least cover production costs. Besides the higher price, Fair Trade encompasses a series of principles that are key to its philosophy, such as ensuring decent working conditions for producers or hired labour, preventing exploitative child labour, promoting participative democracy in producers' organisations and women's rights while encouraging environmentally sustainable production methods. Over the years, Fair Trade principles have increasingly been codified as standards and translated into different national labelling initiatives, such as Max Havelaar, Transfair and Fairtrade Foundation.

The Fair Trade Labelling Organisation International (FLO) is the main certification body for Fair Trade on the international level. It is divided into two different units that perform complementary tasks:

- *FLO International* is a non-profit multi-stakeholder association involving FLO's 20 member organisations (or Labelling Initiatives), producer organisations, traders and external experts. It develops and reviews standards while assisting producer organisations.
- *FLO-CERT GmbH* coordinates all tasks and processes related to the inspection and certification of producers and traders. It operates independently from any other interests and follows the international ISO standard for certification bodies (ISO 65).[10]

FLO has developed standards both for 'Small Producers' Organisations' or for 'Hired Labour Situations' where different requirements apply. Thus, before being accepted into the Fair Trade network, small producer's organisations have to comply with a series of requirements that are codified in the 'Generic Fairtrade Standards'.[11] These standards have been developed according to the three dimensional concept of sustainable development, namely economic, social and environmental development. For each, there are 'minimum requirements' to comply with and 'progress requirements', which are important guidelines for FLO inspections.

[10] http://www.fairtrade.net

[11] http://www.fairtrade.net/fileadmin/user_upload/content/Generic_Fairtrade_Standard_SF_Dec_2005_EN.pdf

With respect to democracy, participation and transparency, the standards for example state that 'The organisation must […] have a democratic structure and transparent administration, which enables an effective control by the members and its board over the management, including the decisions about how the benefits are shared. Furthermore, there must be no discrimination regarding membership and participation.' In the case of environmental development, we can read the following in the standards: 'The producers' organization ensures that its members protect the natural environment […] The organization is expected to facilitate the development, implementation and monitoring of producers' operational plans with the aim of establishing a balance between environmental protection and business results through the use of a combination of measures including crop rotation, cultivation techniques, crop selection, careful use of inputs such as fertilizers and pesticides and, as relevant, shade production.'[12]

Fair Trade clearly strives to achieve gender equity in producers' organisations. According to the International Fair Trade Association (IFAT), 'Fair Trade means that women's work is properly valued and rewarded' and that 'Women are always paid for their contribution to the production process and are empowered in their organizations.'[13]

With respect to conflict however, a careful analysis of the standards reveals that FLO does not address this important aspect. Furthermore, we were unable to find any Fair Trade project where conflict-sensitiveness has played any significant role or has at least been deemed an important issue.

[12] Idem, p. 4 - 6.

[13] http://www.ifat.org

The Fair Trade price

FLO has also drafted different requirements for different products. The specific standards for coffee for example give details about pricing and access to pre-financing and credit. [14] According to the European Fair Trade Association (EFTA), the price covers the full costs of production, including social and environmental costs. For primary commodities such as coffee, where the price is determined on international commodity exchanges (stock market), Fair Trade thus pays the world market price plus a social premium. A minimum price is however guaranteed, offering protection against price fluctuations (EFTA (2001)).

FLO sets a variety of minimum prices in the coffee market according to the region and the type of coffee. The most well-known minimum price is that of the washed Arabica produced in Central America, Mexico, Africa and Asia.[15] The non-organic type sells for a minimum of $1.21, with certified organic Fair Trade coffee selling for at least $1.41 per pound (i.e. paying a premium of 20 cents).[16] Additionally, a so-called 'Fair Trade premium' or 'social premium' of 10 cents is paid per pound, which is earmarked to finance projects benefiting the whole community.[17] Fair Trade non-organic coffee therefore sells for at least $1.31 and Fair Trade organic coffee for $1.51 per pound.[18] If the world market price for non-organic coffee rises above the minimum price of $1.21 per pound, the Fair Trade price is the world market price plus any premium involved.[19] Non-organic Fair Trade coffee would then sell for the world market price plus 10 cents per pound (Fair Trade premium), whereas a pound of organic Fair Trade coffee would receive the world market price plus 30 cents (organic premium plus Fair Trade premium).

2.3. Present state of research

In this sub-section, we wish to summarise the findings of both theoretical studies as well as empirical case studies already undertaken for the Fair Trade markets. To facilitate understanding, we have divided the studies into three main thematic sections:

[14] http://www.fairtrade.net/fileadmin/user_upload/content/Coffee_SF_Dec_05_EN.pdf

[15] See chapter 3 for more information on the various types of coffee.

[16] We use the term $ to denote US dollars.

[17] Prior to June 1st, 2007, the Fair Trade premium was 5 cents per pound, with the organic premium being 15 cents. Note that as our case study was undertaken in the second half of 2006, these premiums were of relevance to our findings.

[18] Note that in South America, where our case study takes place, prices are 2 cents per pound lower.

[19] The reference market price depends on the type of coffee. For Arabicas the reference market price is based on the New York 'C' contract. For Robustas the reference market price is based on the London 'LCE' contract. Chapter 3 deals with market prices in more detail.

2.3.1. Different perspectives on Fair Trade

In the literature, Fair Trade is envisioned as an alternative form of trade that aims to improve producers' social and economic conditions, while encouraging environmentally sustainable production patterns (Paul (2005)). In a report published in 2000, it was argued that Fair Trade is both a movement and a set of business initiatives: a movement based on a critique of conventional trade policy and practice and a business initiative that seeks to operate in a sustainable manner within the environment (Oxford Policy Management (2000)).

Some scholarly contributions view Fair Trade as an alternative trading solution both to conventional global trade and to conventional development policy through its underlying philosophy of 'trade-not-aid' and highlight its potential as a development tool. According to this strain of analysis, Fair Trade is a 'market-based poverty reduction initiative' (Tiffen (2002: 391)) with a strong development rationale (Raynolds (2002); Paul (2005); Utting-Chamorro (2005); Levi & Linton (2003)).

From a Neo-Marxist point of view, Hudson & Hudson (2003: 414) interestingly note that 'alternative trade offers a starting point for the erosion of commodity fetishism'[20] and that Fair Trade 'is actually attempting to foster an alternative structure of ownership […], away from larger scale farms with their attendant relationships between landless labourers and landowners and toward an industry in which those who produce are those who own'. Taking a slightly different perspective, Johnston (2002: 11) argues that the Fair Trade discourse 'tends to rely on individualistic notions of choice and consumer sovereignty […] and belies the collective environmental implications of individual free choice in the market place'. In other terms, he criticises Fair Trade because it fully adheres to the ideology of consumerism without seriously challenging it. In doing so, it does not address the real problems that Third World producers face in the global market, nor does it promote a more sustainable economy.

Lindsey (2004:1) adopts a diametrically opposed view. While he expresses solidarity with poor coffee farmers in the South, he holds that 'however well-intentioned, interventionist schemes to lift prices above market levels ignore those market realities. Accordingly, they

[20] In Capital, Marx described the notion of commodity fetishism that would become so characteristic of contemporary capitalism and where there is a relation between things rather than between people (Hudson & Hudson (2003: 414)).

are doomed to end in failure—or to offer cures that are worse than the disease'. In his view, the low prices induced by the free market should act as an incentive for inefficient producers to either improve the quality of their coffee or to exit the market. He further argues that high-cost-suppliers such as those in Fair Trade are artificially shielded from market signals, thereby hindering the necessary adjustment of supply to demand. In other words, Lindsey holds that while making other farmers worse off, Fair Trade promotes the well-being of the most inefficient ones.

Levi & Linton (2003) argue in response that a major difference between free trade and Fair Trade is that the former pushes farmers to sell their coffee beans at the lowest possible price (most of the time without even covering production costs), while Fair Trade encourages farmers to organise sales cooperatives, enabling them to improve the quality of their product and to establish prices that support a living wage.

2.3.2. Impact of Fair Trade

While most studies on Fair Trade focus essentially on monetary benefits induced by Fair Trade, others tend to emphasise the numerous non-monetary benefits that contribute to improving producers' lives. We distinguish between benefits that accrue to producers and benefits for producer organisations.

Material benefits

There seems to be a general consensus among scholars that the guaranteed floor price paid to producers through Fair Trade results in more stable incomes and consequently, is one of the most important direct benefits that accrue to coffee producers (Hopkins (2000); Raynolds (2002); Murray et al. (2003); Pérezgrovas & Cervantes (2002); Milford (2004); Fend (2005)).

In her impact assessment on Costa Rican coffee farmers, Ronchi (2002) computes that during 1989 and 1995, when coffee prices started plummeting, farmers engaged in Fair Trade enjoyed coffee incomes that were, on average, 39% *higher* than farmers who were not involved in Fair Trade. Over half of her respondents were able to identify improvements in their lives: one third repaid long-standing debts, one third prolonged the time in education provided to their children and another third could buy a car to transport

their coffee to the roasters when five years earlier they did so only by horse or by foot. González-Cabañas (2002) and Utting-Chamorro (2005) find comparable results in their case studies. In more econometric approaches, Bacon (2005) and Becchetti and Costantino (2006) calculate similar (statistically significant) results for Nicaraguan and Kenyan farmers respectively.

Others have questioned why the higher incomes of Fair Trade do not necessarily accrue directly to producers, but are often retained at the cooperative level to be then reinvested into local community projects (Hopkins (2000)). The question whether the benefits of Fair Trade are directly distributed or invested in funds depends on the organisational structure of the cooperative. Ronchi (2002) observes that 70% of the Fair Trade premium is invested in a Producer's Fund for distribution to the producers by the cooperative, while 30% accrue to Capitalisation Funds that have been used to invest either in facilities for the production of organic fertiliser or in educational projects. She found evidence that over a ten year period, the cooperative had redistributed $1,260,000 of Fair Trade revenues to some 4,000 affiliated small coffee producers and their families, which doubtlessly meant a substantial increase in their revenues. In her case study, Utting-Chamorro (2005) notes that the premium was used for a number of different local projects, notably an eco-tourism project that contributed to income diversification of the community, a health centre, a potable water well and the renovation of a secondary school.

A number of authors emphasise the local capacity building induced by Fair Trade (Paul (2005); Raynolds (2002); Hopkins (2000)) through the strengthening of local producers' capacities. Institutional capacity building is also strongly encouraged by Fair Trade, which allows producers to improve the quality of their products and to learn about new marketing strategies. The author observed that producer organisations set up a series of important activities and workshops allowing farmers to learn about Fair Trade, new cultivation methods, community development projects and effective marketing strategies. The importance of providing regular training to producers has been highlighted by many other authors (Aranda and Morales (2002); Pérezgrovas and Cervantes (2002); Méndez (2002); Pérezgrovas and Cervantes (2002); Fend (2005)).

In a similar vein, González-Cabañas (2002: 28) finds that for most producers, learning about the export process was one of the most valuable benefits of Fair Trade. In her case study, Fair Trade is further identified 'as a learning subsidy for commercialization'. Areas such as financing, human capital and lack of experience were able to be tackled in the sheltered environment of the co-operative. As quoted in her study, '[t]he atmosphere of

confidence that exists within the Fair Trade relationships allowed us to learn in a low-pressure situation. We got to know the buyers and talk with them directly, and they came to trust us as well.' This finding is confirmed by Ronchi (2002: 18) who states that direct experience with exportation makes cooperative members 'feel better empowered to deal professionally and advantageously with their non-Fair Trade partners'.

Another major advantage for Fair Trade producers is that they enjoy greater access to credit at a lower interest rate. In fact, this is largely due to the requirement within Fair Trade standards that importers offer producer cooperatives pre-financing at world market rates. According to Murray et al. (2003) some cooperatives even get a 60% pre-financing on low interest rate terms. Interestingly, González-Cabañas (2002) reports that participation in Fair Trade enhanced the credibility of many cooperatives and facilitated their access to credit from conventional banks and to financing from government agencies. Ronchi (2002) finds similar results.

An interesting aspect is mentioned by Ronchi (2002) who talks about the 'ratcheting effect' of Fair Trade. Benefits seem to accrue to those who are not part of Fair Trade. She mentions the example of road maintenance, which the cooperative finances by saving a certain amount of money per unit of coffee and which ends up benefiting the community at large.

Non-material benefits

Some case studies have highlighted a number of non-material benefits induced by Fair Trade, notably an increase in self-esteem and enhanced family stability (Murray et al. (2003); Pérezgrovas and Cervantes (2002); González-Cabañas (2002)). Farmers in these case studies reported that the increased attention to their farming – including the visits of Fair Trade and organic inspectors, buyers, and in some cases even Northern consumers - have renewed their pride in coffee farming, which had been seriously undermined by the increasing degradation of traditional lifestyles and the growth of rural poverty. The authors note that in communities where Fair Trade cooperatives exist, families more frequently remain intact since Fair Trade-sponsored organic production helps generate sufficient additional income and labour opportunities, allowing more family members to stay in coffee production.

Aranda & Morales (2002) show that participation in Fair Trade has increased employment opportunities for family labour, especially for those engaged in organic coffee production, which requires nearly twice the working days relative to conventional production. The

authors find that families involved in Fair Trade are less likely to migrate from rural to urban areas, as their livelihood becomes more sustainable. While Fair Trade cannot reverse migration trends, from a rural development perspective, this is doubtlessly a promising aspect.

Utting-Chamorro (2005) stresses the positive impact of Fair Trade on the environment through the adoption of environmentally friendly farming techniques. Aranda & Morales (2002: 19) note that Fair Trade's emphasis on organic production has contributed to 'improved soil conservation and water management practices' while promoting increased consciousness about the importance of conservation issues. Ronchi (2002) points to the outstanding environmental record achieved by some cooperatives. In fact, some of these activities include the conversion of over 1,200 producers to more sustainable agricultural practices (using less herbicides and fertilisers) and the conversion of over 500 hectares to certified organic production. Moreover, respondents highly praised educational activities related to environmental issues, which were considered extremely useful.

Whereas in most cooperatives women are not directly engaged in coffee production, often considered a strictly male domain, Utting-Chamorro (2005) observes some encouraging developments towards women's empowerment. Murray et al. (2003) however argue that their participation needs to be further strengthened and their economic role acknowledged. According to EFTA (2001), women's role largely depends on the permeability of local customs and thus needs to be assessed on a case by case basis.

González-Cabañas (2002) additionally shows that where women are excluded from decision-making and leadership in the cooperative, they can organise themselves in women's groups and enhance the overall success of the cooperative, for example by setting up local bakery projects that supplement the sale of coffee beans.

Ronchi (2002) finds that while women were rare in decision-making positions within management, they seem to play a more active role in younger and poorer households, although her data also revealed that many women were members on paper only in order for the family to access greater credit from the co-op or to increase voting rights. She explains the low level of female participation by the general reluctance on the part of women to take a general lead in the male-dominated cooperative. Women's participation is further hindered by the fact that they have to take care of their children and often cannot regularly attend and participate in key meetings.

2.3.3. Challenges and problems of Fair Trade

Pérezgrovas and Cervantes (2002) and Méndez (2002) observe that the co-operative they analysed was unable to sell all the coffee on the Fair Trade market and therefore faced problems of over-supply. This issue is picked up by many other studies, shifting the analysis to a global market perspective (Oxfam (2001); Lindsey (2004); Lewin et al (2004); Booth (2004)). These show that excess supply is a significant problem for the global coffee market, with the resulting fall in prices hurting all coffee producers. Fair Trade coffee faces the challenge of supplying a product at a higher price in a market where there is too much supply and downward pressure on prices.

A number of authors look at the demand side of the coffee market, where Fair Trade coffee also faces many challenges. Demand for conventional coffee is sluggish, translating into very low growth. Peluppesy (2001:7) states that 'in the main importing countries it is practically impossible to increase the per capita demand of coffee significantly due to market saturation and other factors'. Lewin et al (2004), Fend (2005) and Gibbon (2005) also make this point. However, demand for higher quality and specialty coffee (for instance organic coffee) is growing (Peluppesy (2001); Lindsey (2004)) with the challenge for the Fair Trade organisations seeming to be to reduce the supply of conventional Fair Trade coffee, where demand is sluggish, and instead focus energy on increasing the supply of specialty, high-quality coffee, where demand is solid.[21]

Linton et al. (2004) are optimistic about the potential of expanding Fair Trade's share of the coffee market. They have suggested a number of strategies to overcome the challenges for Fair Trade, such as continuing to target businesses to adopt socially responsible schemes by marketing Fair Trade products. If Fair Trade really wants to expand its market share, the movement needs to target consumers and companies that at present are not active as consumers or producers in Fair Trade markets.

Milford (2004) shows that the Fair Trade cooperatives are at an economic disadvantage to private exporting companies, especially multinational companies. One main reason was the lack of liquidity available to a cooperative, meaning that delays in payment were inevitable. This is a real problem for the Fair Trade cooperatives and is a challenge for its future viability as an alternative trading outlet.

[21] In Bolivia, all Fair Trade cooperatives have already switched to organic production methods.

Mendoza and Bastiaensen (2003) look at Fair Trade in Nicaragua and show that although the Fair Trade premium has increased income for small coffee producers there, volumes were very small. They argue that on the whole, the benefits of Fair Trade are limited and that structural factors will ensure that the volumes traded will remain small, thereby only prospering a minority of producers, with the majority not benefiting at all. A major factor is the inefficiency of the Fair Trade value chain, especially in areas such as processing, trading and marketing. This inefficiency translates into a higher mark-up for the consumer and therefore limits the growth of the market and with it the volumes that can be sold. A vicious circle is created in which small scale leads to high costs, which leads to a non-competitive brand with a high price, which limits demand and therefore keeps scale low. They suggest focusing efforts on the creation of a high-quality specialty coffee which can be sold at a mark-up as well as increasing co-operative efficiency and accountability, which they found in their case study to be rather low. Poncelet et al (2004) come to a similar finding. Their conclusion is to implement policies to ensure diversification of Fair Trade production, given the weak demand for products that are 'just' Fair Trade. In other words, the challenge for the Fair Trade movement is not to see itself as a means to an end but to launch the producers to higher-quality sectors of the world market, which exhibit a higher sustainability of demand.

To conclude, the diversity of findings is testimony to the fact that there is currently no consensus regarding the economic impact of Fair Trade. We have however highlighted numerous aspects where Fair Trade seemingly improves producers' livelihoods through higher incomes, increased training facilities and knowledge acquisition, as well as facilitated access to credit. These positive impacts therefore seem largely verified. Another positive contribution of Fair Trade, often underscored in the case studies, is the social premium which gives communities the means to collectively decide about allocating money to local development projects, the promotion of environmentally sustainable production patterns and the intention to strive towards more equity for women. On the other hand, others have pointed to the constraints of such a concept, with Fair Trade's future success and reach depending on its scale and its ability to influence demand. Furthermore, with the coffee market being in a state of excess supply, Fair Trade's own production decisions may, according to some strands of analysis, negatively impact conventional small-scale producers in developing countries. Our case study on Bolivia in chapter 8 will pick up on a number of these points, focusing on the poverty-reducing effects of Fair Trade and analysing its potential contribution to conflict prevention as well as its impact on the income levels of non-Fair Trade farmers.

Chapter 3

The coffee market: an overview

This chapter wishes to provide an overview of the coffee market, both generally and also specifically in Bolivia.

Coffee is one of the most traded commodities in the world, alongside oil, wheat, aluminium and coal (Kaplinsky (2004)), with a total value of $9.24 billion being traded in 2005.[22] According to Lewin et al (2004), about 20-25 million families in more than 50 developing nations produce and sell coffee. The livelihoods of many of these families are dependent on the price they receive for the coffee beans they produce. Kaplinsky (2004: 8) points out that '[c]offee has a particularly large 'footprint' in poor countries, and amongst poor producers in these countries. For many African countries, coffee has long been the major export, and it also plays an important economic role in Latin America and Asia. Moreover, the lower the level of per capita income, the more dependent producing economies are on coffee exports'. According to Milford (2004), the majority of production – namely 70% - takes place on farms smaller than 10 hectares.

Types of coffee beans

There are two types of coffee bean grown, namely Arabica and Robusta. Arabica beans are milder and are segmented further into Colombian Milds (grown in Colombia, Kenya and Tanzania), Other Milds (grown in Middle and South American countries including Bolivia, as well as a few African countries), and Brazilian Naturals (grown in Brazil, Ethiopia and Paraguay). Robusta beans are grown in many African countries as well as a number of Asian countries.

Figures from ICO (2006) show that in 2005, the Robusta coffee bean provided 34% of global coffee export volume, making it the most significant bean as far as volume is concerned. Brazilian Naturals had an export market share of 30%, with Colombian Milds and Other Milds enjoying shares of 14% and 22% respectively. In terms of value, Brazilian Naturals command a market share of 34%, with Other Milds exhibiting 28%. Both Robustas and Colombian Milds exports comprised 19% of total value.

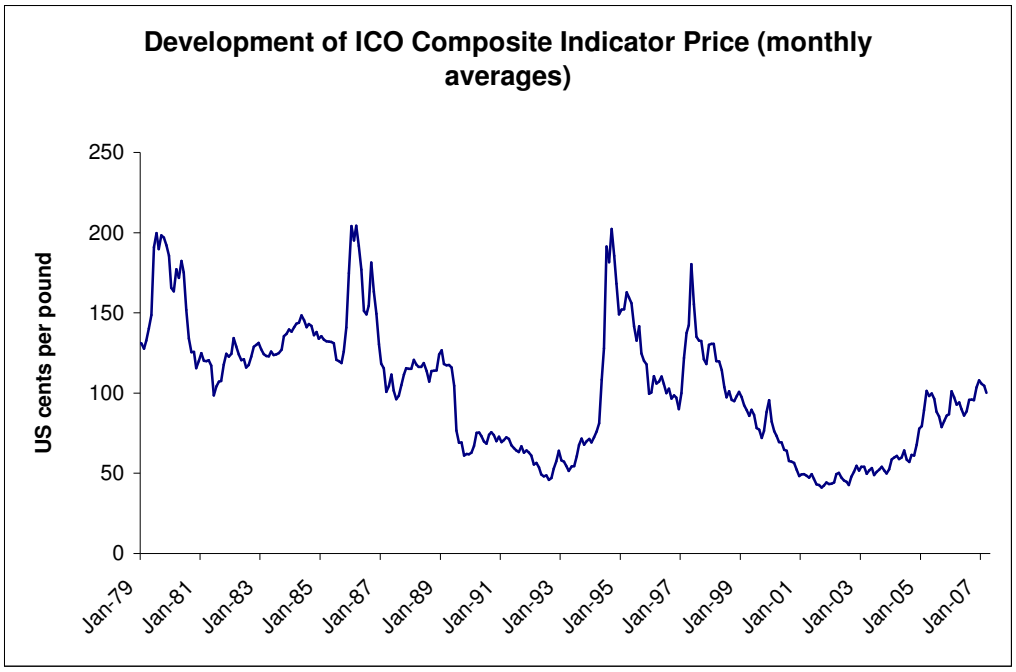
[22] Data provided by the website of the International Coffee Organisation (ICO), http://www.ico.org.

Coffee export volume steadily declined from 2001 to 2003, picking up again in 2004 but falling in 2005. Global export earnings, however, have steadily increased from 2002 to 2005, with 2005 earnings 80% higher in dollar terms than in 2002 even though exported volume was actually lower.[23] This positive development is due at least in part to the increase in prices, to which we now turn.

Price of coffee beans

Export earnings are of paramount interest to the economic development of coffee producing countries. Obviously, they are closely linked to the price of coffee beans in the global market, also known as green coffee.[24] Figure 3.1 shows the development of the ICO Composite Indicator Price.[25] As can be seen, a steady price slump took place between 1997 and 2003, with prices picking up since then.

Figure 3.1: Development of ICO composite indicator price



Source: http://www.ico.org

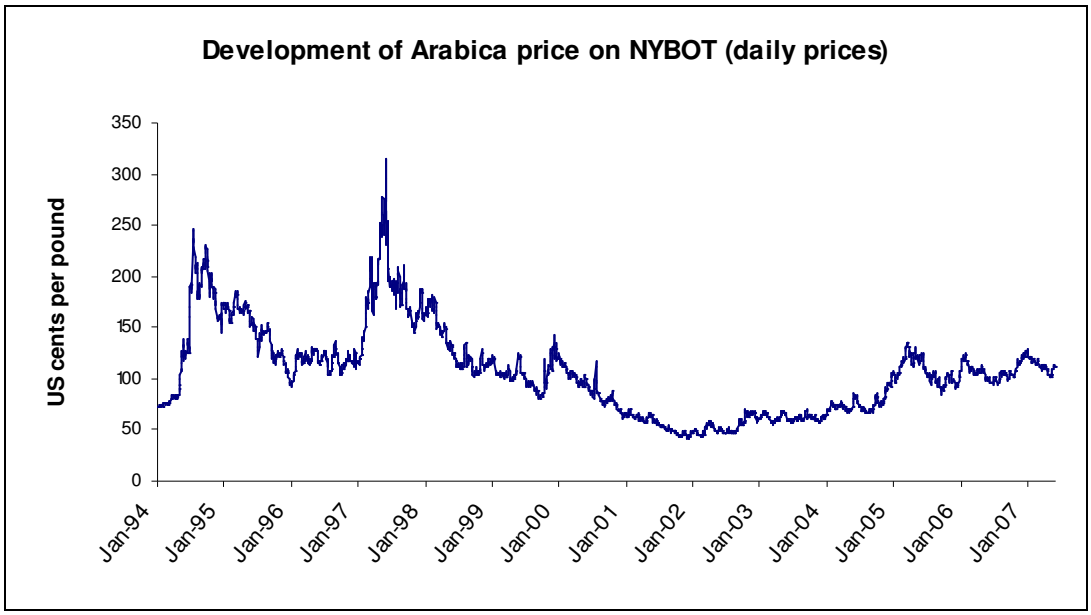
[23] Actual earnings in local currency may differ depending on the degree to which the value of the dollar against the local currency has changed over this time period.

[24] Green coffee is used by roasters to grind coffee and is the result of a number of different processing stages. This chapter provides more information on these steps.

[25] The ICO Composite Indicator comprises the four major coffee market segments and is weighed as follows: Colombian Milds 15%; Other Milds 30%; Brazilian Naturals 20%; Robustas 35%.

As Bolivia grows Arabica coffee, figure 3.2 below is of particular interest, showing the development of this price on the New York exchange (NYBOT).[26] Recall that this is the reference market price for the determination of the Fair Trade price. Similar to the ICO composite indicator, it has picked up from the slump between 2001 and 2003.

Figure 3.2: Development of Arabica price



Source: http://www.nybot.com

Coffee supply chain

An important part of any study of the coffee market is to analyse the way in which the coffee supply chain is set up. Milford (2004) remarks that a coffee bean, on its way from being grown to being consumed as coffee, can change hands as many as 150 times. A simplified structure of this supply chain shows the following stages.[27]

Growing: A coffee tree can take between three and five years from being planted to reaching its full potential of coffee berries. After that, it yields coffee berries for up to twenty years. Coffee quality is generally higher, the greater the altitude at which coffee trees are grown, but another important factor is the extent to which unripe or overripe berries are picked.

[26] This price is based on the 'nearby contract' on the so-called Coffee 'C' contract market, which is used as the benchmark for coffee pricing.

[27] This section draws on information provided by Fend (2005) and Consumers International (2005).

Primary processing: this occurs in the producer countries in two different ways, either by dry or by wet processing. In general, this takes place on the farm but in some cases, the unprocessed berries are sold to the local trader. Dry processing involves removing the skin and the pulp of the coffee bean either by hand or with machinery to release the coffee bean. After this has been done, the beans are then dried in the sun. There is an optimal degree to which the beans are dried: either too much or too little will lower the quality. Similar to the dry method, wet processing involves the removal of the skin and the pulp. As the name suggests, however, this separation is done with the help of water and requires specific equipment. After having been fermented and washed, the beans are then dried, again either in the sun or mechanically. The final outer layer of the bean is known as parchment, giving us the term 'parchment coffee'.[28]

Secondary processing: the dry berry or the washed parchment is then sold to a processing mill. Farmers either do this directly or via a local middleman. The mill then undertakes what is known as 'hulling', which is basically removing the outer layers of the dried berry or the parchment. The end result of this is the green coffee bean. A number of steps then take place, for instance cleaning, sorting, polishing and grading.

Local trader: after having been processed, the green coffee beans are then sold to a local trader. Sometimes, such a trader will already be active in an earlier part of the supply chain, purchasing the unprocessed berries, dry berries and/or the parchment coffee (after the primary processing), paying the mill to undertake the secondary processing step, and collecting the green coffee beans when they are ready.

Local exporter: the local trader arranges transportation to a local exporter, who then takes care of the shipment of the green coffee beans to the export markets. In some cases, the local trader himself arranges the export.

International trader: once the coffee beans arrive at their destination, the international trader takes delivery of the goods. In some cases, these traders will grade the coffee beans further by unmixing and then remixing the coffee beans received. Note that in some markets, the local exporter and the international trader are vertically integrated, meaning that they are one and the same.

[28] Note that wet processing is used for Mild Arabicas of the sort produced by the Bolivian farmers.

Roasters: the international trader sells the shipped beans to the roasters, who further process them, for example by blending various beans. Roasters thereby produce ground and roast coffee as well as instant coffee.

Retailers: the final part of the supply chain is taken up by the retailers, who sell the final product to the consumer.

This structure of the supply chain has crucial implications for the price received by the local farmers. Let us take a look at this in more detail. The local trader market, the international trader market and the coffee roasting market are highly concentrated. Consumers International (2005) mentions that the five largest international trading companies have a 40% market share of world green coffee bean volume. An analysis of the coffee roasting market shows the top five companies combining to capture 50% of the market (Lewin et al (2004)), making it even more concentrated. This market concentration is based mostly upon product differentiation (in other words, brand power) and economies of scale, making it very difficult for effective competition to occur (Mendoza and Bastiaensen (2003)). Finally, Zehner (2002) points out the fact that local coffee markets are characterised by many farmers facing very few local traders, again indicating a high level of market concentration.

The effects of this structure are explained succinctly by Milford (2004: 6-7): 'Thus, the coffee chain is characterised by more concentration the further down the chain one goes, making it a buyers' market at each linkage. The roasters consist of a few big companies, purchasing coffee from the more numerous international traders, and also to some extent from local exporters. The international traders, in turn, can choose to buy from a large number of local exporters from all over the world. This means that the local exporters are price takers when selling coffee on the international market, but in the local markets where they purchase coffee, they are limited in number and therefore powerful in relation to the numerous local farmers who cultivate the coffee. *At the far end of this chain there is a large number of small-scale coffee farmers, usually living in remote areas in poor countries. They are faced with a complicated international trading system of which their knowledge is very limited*.' (emphasis added).

The structure of the market as described above gives rise to a number of market failures, demonstrated by various studies:

- oligopsonistic price setting by intermediaries (Pelupessy (2001); Zehner (2002); Oxfam (2003); Fend (2005); Ronchi (2006))

- asymmetric information[29] (Oxford Policy Management (2000); Lewin et al (2004))
- high interest rates on credit[30] (Pelupessy (2001); Fend (2005))

In a similar vein, Lewin et al (2004) and Gibbon (2005) show that coffee farmers and producer organisations rarely enjoy any access to instruments that could effectively manage price risks such as financial derivatives. An employment of such devices would help farmers and organisations to plan ahead more efficiently and provide them with the means to deal more effectively with price variability.

Supply and demand characteristics

A view widely held by various coffee market observers is that excess supply is a key structural characteristic of the coffee market, at least over the past decade (Oxfam (2001); Zehner (2002); Lindsey (2004); Lewin et al (2004)). Starting from 1962, coffee prices were supported by the so-called International Coffee Agreement, which was a system whereby export quotas were set, therefore governing supply. In 1989, this system broke down and since then, prices are set by market supply and demand.

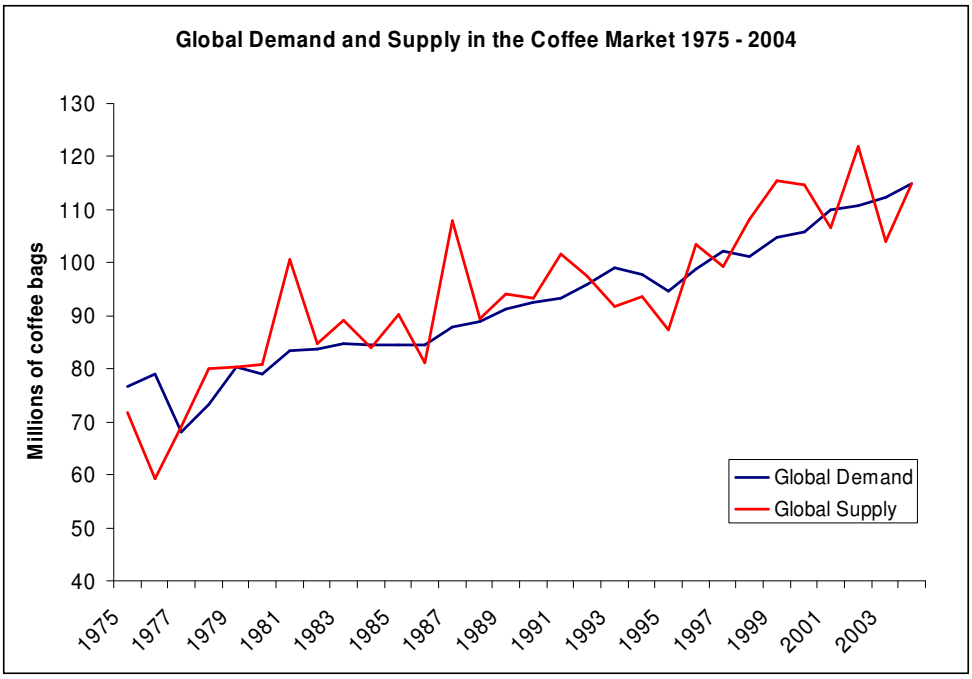
Figure 3.3 shows the development of global supply and demand since 1975.[31]

[29] Zehner (2002) mentions the problem of asymmetric information facing purchasers wanting to enter a local market. For instance, in Tanzania, purchasers were often not able to determine the quality of coffee berries. Consequently, they offered a price that reflected average quality, and in a textbook example of adverse selection, farmers reacted by stopping the production of high-quality beans, lowering average quality.

[30] This can also been seen in the light of asymmetric information and adverse selection. If financial institutions are not able to differentiate between farmers with good and bad creditworthiness, they respond by offering credit at an interest rate that reflects poor credit quality. Farmers who have solid credit quality find that they are not able to take out credits at rates that reflect their standing.

[31] Note that when we talk about a situation of oversupply, we do not mean that supply is always greater than demand in every given year. If the weather is not favourable, for instance, supply could well be lower than demand in a given year, as was indeed the case in the mid 1990s when frost and drought in Brazil led to a sharp reduction in the supply. This, however, is a cyclical event. Rather, we mean that from a long-term structural point of view, i.e. ignoring the cycles of supply due to the influence of the weather, production is greater than consumption.

Figure 3.3: Global demand and supply in the coffee market



Source: http://www.ico.org

As can be seen, global demand has been steadily growing whereas global supply has fluctuated strongly over the years. The problem for the global coffee market is not one of fluctuating supply and demand – this takes place in every market – but rather of the adjustment to the imbalance. The nature of the coffee market is such that any adjustment accentuates future surpluses.

Consider how farmers react to demand outstripping supply: as prices rise, more coffee trees are planted on aggregate in order to benefit from the higher price. However, it takes several years until the coffee beans can be harvested and as a result, the adjustment of supply to higher prices takes a long time. In other words, supply is inelastic in the short run.[32] Therefore, a price increase which is only temporary, for example due to drought conditions in a large producing nation such as Brazil, will lead to an excess supply of the market a few years down the line: assuming normal weather in the future, supply of coffee beans should return to a normal level, but the coffee beans harvested from the trees planted as a reaction to higher prices are additional supply, above and beyond the 'normal' level. This then is known as a structural excess supply and explains why we can

[32] Branchi et al (1999) quote an empirical finding of 0.23 for sub Saharan African supply elasticity in the short run. Pelupessy (2001) finds short-run supply elasticity of no more than 0.2 and even the maximum estimated long run elasticity is only 0.6. Lewin et al (2004) calculates an average of 0.15 for Latin America.

observe such sharp increases in supply several years after a period where demand is greater than supply. This can be seen very vividly in figure 3.3.

The inelasticity of supply means that it does not adjust much to falling prices. For many families, coffee is their only livelihood and as long as their long-run marginal production costs are covered, they will stay in business. As harvesting is characterised by high fixed costs and low marginal costs, farmers continue to produce until the price is very low. Furthermore, diversification into other crops is often not a viable option either due to the unsuitability of the land or because of the infeasibility of growing crops which cannot be exported to protected markets in developed countries.[33] In short, therefore, the slow adjustment of supply to falling prices puts even more downward pressure on prices.

Demand for coffee is also said to be inelastic and does not react much to changes in price.[34] After a production shock and a consequent rise in price, demand does not fall by much, leaving the price relatively high. The combination of short-run inelastic supply and demand is the reason behind the strongly fluctuating prices.

What can be said about future conditions in the coffee market? ICO (2006) notes that the predictions for 2007/08 crops suggest that world supply will be below world demand, putting downward pressure on stocks and upward pressure on prices. However, as Lewin et al (2004: xiv) mention, '[w]hile conditions for producers will certainly improve as [convergence of supply and demand] happens, it will not signal an end to their problems because the economic causes of these cycles suggest that they are likely to continue to repeat themselves regardless of the actual levels at which supply and demand would actually converge. Price recovery then, given the inherently cyclical nature of current coffee markets, is likely to be only temporary, while other issues of social, environmental, and economic sustainability will remain.'[35]

[33] Anderson et al (2006) calculate that liberalising international trade – especially in agriculture - under the Doha Round (excluding reform in services) would bring forth global gains of $95 – 120 billion per year, with the developing countries gaining a disproportionately high share. Crucially, the poorest people in developing countries would benefit the most from such a trade liberalisation, for instance farmers and unskilled workers.

[34] See ICO (2004). Lewin et al (2004) estimate a demand elasticity of -0.1 in the United States.

[35] The argument that downward pressure on prices of agricultural commodities is inevitable in the long term is known as the Prebisch-Singer Hypothesis. See Prebisch (1950) and Singer (1960).

Bolivian coffee industry

Now that we have explained a number of aspects concerning the global coffee market, let us now turn to the Bolivian coffee market. Bolivia produces only the Mild Arabica version. According to the ICO, it exported a total of 93,278 bags of Arabica coffee in 2004, giving it a 0.43% volume share of the world market for Mild Arabica.[36] It is therefore a small producer in the world market. In 2004, Bolivia consumed roughly 20% of its total coffee production, with 80% being exported (Eberhart (2006)). Total export value was 6.2 million US dollars. There is a total of 23,000 acres of coffee plantation, 95% of which is in the Yungas, roughly 150 kilometres northeast of the capital city La Paz. In this region, Arabica coffee trees grow at an altitude of 200 to 1600 metres above sea level.

What about the importance of coffee for the Bolivian economy? According to the Bolivian National Institute of Statistics, the export of Bolivian coffee amounted to 0.41% of total Bolivian exports in 2004. Of the coffee exported in 2004, 28.18% went to the USA, 18.3% to Germany, 16.58% to the Netherlands, and 13.15% to Russia. Switzerland is a very small export market for Bolivian coffee, making up only 0.56% of total coffee exports in 2004.[37]

While the development of the coffee market is not of paramount importance to the Bolivian economy as a whole, this is not to say that it does not matter in specific regions and for individual farmers. Similar to the production structure in the global market, the Bolivian coffee industry comprises a great deal of smallholder farmers. Roast Magazine (2005: 76) mentions that 'these small farms, which range in size from 3 to 20 acres, now produce the majority of coffee (estimates range from 85 to 95 percent), despite the fact that often, only a small percentage of the land is dedicated to coffee'. Eberhart (2006) notes that there are 21,000 families growing coffee in the Yungas, with farms ranging from 0.5 to 2 acres in the provinces of North and South Yungas, and between 3 to 6 acres in Caranavi. There are approximately 8,000 hired labourers.

An important organisation working in the Bolivian coffee industry is the Bolivian Federation of Coffee Growers and Exporters (FECAFEB), which was set up in 1991 specifically to assist inexperienced small-scale farmers. It provides political representation, local and international market promotion, and negotiates above-average export prices received by the 4,000 producers who are at present affiliated (Eberhart (2006)). It accounts for 38% of

[36] http://www.ico.org

[37] http://www.ine.gov.bo

total Bolivian export volume (and 52% of its total value). There are at present 20 producer organisations and cooperatives affiliated to FECAFEB and all are certified for biologically friendly production. In fact, all producers in Bolivia who are bio-certified belong to a producer organisation affiliated to FECAFEB. It is at present working with the Common Code for the Coffee Community (4C) to promote sustainable ways to develop the Bolivian coffee market.

Fair Trade organisations are also present in Bolivia. There are 16 producer organisations that have been certified by FLO, 75% of which are affiliated to FECAFEB. 75% of FLO certified organisations export more than 30% of their total production to the Fair Trade market. There are nine Fair Trade importers from Europe and North America that account for 100% of all export contracts. Furthermore, 77% of all Fair Trade exported volume is biologically-certified. (Eberhart (2006))

Another interesting group is the Specialty Coffee Association of Bolivia (ACEB). This group was formed in 2002 with the aim of making Bolivian coffee well known in the market as one of high standards and quality, as well as improving the competitiveness of the sector. Its members are individuals or organisations that are part of the Bolivian coffee market in its various guises, for instance in areas of production, processing, marketing, export, and retail. One major initiative is the organisation of annual specialty coffee competitions, one of which is the well-known 'Cup of Excellence' (the most esteemed award given out for top coffees). This aims to promote the quality of Bolivian coffee to purchasers in industrial countries.

A number of observers (Luxner (1998); BBC News (2002); Hellin and Higman (2002); Roast Magazine (2005)) mention that Bolivian coffee in the past suffered from poor quality and that it was difficult to get consistently good coffee. However, hard work in the Bolivian coffee industry is now leading to a more consistent quality, with a number of farmers being rewarded for their efforts by seeing their coffee beans sell in niche markets such as organic and Fair Trade, where a premium is received. Indeed, the Tea and Coffee Trade Journal reported in its January 2005 issue that the price received for the winning coffee at the very first Bolivian Cup of Excellence stunned the farmers, stating that never had a coffee from Bolivia fetched a price anywhere close to the one received. This is a good indication of improving quality.

Various types of buyers of coffee beans can be observed in the Bolivian market. They range from the traditional local trader through Fair Trade cooperatives to companies

selling mostly in the non-Fair Trade market. Increasingly however, some companies are implementing Fair Trade principles in their business strategy by ensuring that environmental and social standards are respected while offering above-market prices to the farmers. One such company we came across in our field work, described in more detail in chapter 8, is Agricabv (Agricola cafatalera Buena Vista), also known as Anditrade. It is one of the major coffee exporters in Bolivia and, according to its website[38] its mission is to promote value-added coffee crops as a socio-economic alternative within foreign markets, adhering to an economic, financial and self-sustaining framework. It sees itself as a company with social responsibility and buys a whole range of quality of coffee beans, ranging from conventional to gourmet (highest quality organic production). It sells a small proportion of its coffee to the Canadian Fair Trade organisation Level Ground, which enables it to provide two main sources of community help: education (scholarships) and improving access to health services. Therefore, we can see that a group such as Anditrade provides us with an interesting approach that enhances previous analyses of Fair Trade: a purchaser which sells the majority of coffee in non-Fair Trade markets, but which subscribes to Fair Trade principles such as affordable access to funds and provision of community benefits. We will analyse the concept and the company in more theoretical and empirical detail in chapters 6 and 8.

[38] http://www.anditradecoffee.com/

Chapter 4

History, politics and economic development in Bolivia

Bolivia is a land-locked country with a population of 9.1 million people, more than half is indigenous. Bolivia is also one of Latin America's poorest countries with a per capita income of $2,720 (calculated on a purchasing power parity basis) in 2004[39], therefore ranking as a low income country with a relatively high incidence of poverty. UNDP (2006) has calculated that between 1990 and 2004, 42.2 percent of Bolivians lived below $2 a day.

According to World Bank 2002 estimates, 65 percent of the population lives in poverty and nearly 40 percent in extreme poverty. Poverty is concentrated mostly among indigenous peoples as demonstrated by a report recently published by the World Bank (Hall & Patrinos (2005, 4-5)) which states that 'as of 2002, rural and urban poverty rates were much higher among the indigenous than the non-indigenous population (86 percent versus 74 percent in rural areas, and 59 percent versus 47 percent in urban areas)'.

Income distribution in Bolivia is among the most unequal in Latin America. From 1997-2002, income inequality rose significantly. According to the World Bank (2005), the Gini-coefficient[40] reached 0.58 in 2002, making Bolivia one of the countries in the region with the highest income inequality, along with Brazil and Chile. In practice, this inequality means that the richest 10 percent of Bolivians consume 22 times more than the poorest 10 percent, with almost two-thirds of the indigenous population being among the poorest 50 percent of the population.

In terms of human development, Bolivia ranked 0.692 on the Human Development Index (HDI)[41] in 2004, meaning that it is well below the regional average HDI of 0.8.
Bolivia scores low in terms of life expectancy, averaging only 64 years compared to 71 years for the whole of Latin America, but reaches an adult literacy rate of 86.7 percent. While the infant mortality rate has declined by 30 percent between 1992 and 2001, Bolivia

[39] The International Development Association defines the world's poorest countries as those whose annual GDP per capita income is less than or equal to $1435.

[40] An econometric value that computes the differences within the national income distribution and then situates a country on a scale ranging from 0 to 1.

[41] The Human Development Index computed by UNDP (United Nations Development Programme) combines indicators of life expectancy, level of education and literacy as well as GDP per capita.
http://hdr.undp.org/hdr2006/statistics/countries/data_sheets/cty_ds_BOL.html

still registers an average of 69 under-five infant deaths per 1000 live births. There is however a huge gap between the poorest 20 percent of the population where the under-five mortality rate is 147 and the richest 20 percent where it is only 32 (UNDP (2006)).

While Bolivia is not on track to meet key Millennium Development Goals (MDG)[42], some progress has taken place in certain areas. Between 1990 and 2004 for example, access to an improved water source rose from 72 to 85 percent, while access to sanitation improved from 33 to 46 percent (UNDP (2006)).

One of the major characteristics of Bolivia's economy is the country's natural resource endowments such as timber, minerals and hydrocarbons. The country is however highly dependent on foreign capital and technology to extract these resources. The spectrum of Bolivia's industrial activity remains very constrained with a limited number of products most often linked to natural resources extraction. Bolivia's heavy reliance on primary commodities, which make up more than half of its total exports, renders the economy vulnerable to external shocks. The only noteworthy growth has taken place in the service sector, which compared to 1984 levels, has jumped from 43.9 percent of GDP to 56.5 per cent in 2003.

In 2004, Bolivia's economy grew at a rate of 3.6 percent with a GDP of $8.8 billion (World Bank (2005b)). Both exports and imports have risen steadily compared to 1990 levels. Exports have further diversified beyond minerals and hydrocarbons to soybeans, coffee, sugar and wood. In 2004, total exports were higher than imports, therefore easing the pressure on the current account. The country however remains severely indebted with a total debt outstanding of almost $6 billion, representing a total debt/GDP ratio of 67.8 percent.[43] (World Bank (2005b)).[44]

The data outlined above give us a broad overview of Bolivia's socio-economic development. In order to deeply understand contemporary Bolivia however, it is essential to briefly analyse key historical events that have shaped the country's political system and largely influenced its economic development. This background information will further help us understand whether Bolivia is a conflict-prone country in Chapter 5.

[42] http://www.undg.org/documents/229-Bolivia_MDG_Report_-_1st_Report.pdf

[43] UNCTAD online statistics http://www.unctad.org

[44] A summary of Bolivia's macroeconomic indicators can be found in appendix A.1.

Bolivia's political history may be divided into four major periods, which will be briefly analysed: liberal elite politics, revolutionary authoritarianism, economic reform and political decentralisation.

4.1. Liberal elite politics after independence

After independence in 1825, political life in Bolivia was dominated by an elite-based two-party system that monopolised politics until the 1930s. The Conservative Party, founded in 1880, and its counterpart, the Liberal Party, which had formed from a split within the Conservatives in 1883, dominated the majority of indigenous peoples (Estellano (1994)) who most often lived in geographically isolated areas.

Bolivia is one of the rare countries where a feudal system of free labour was maintained well into the 1950s. As emphasised by Klein (1968:104), 'the growth of the 'latifundia' system gave the upper classes a social instrument of control' over the rural masses of Indians who were subjected to strenuous working hours for miserable wages. In the words of Klein, this system has therefore greatly contributed to the impoverishment of both the Aymara and Quechua highland Indians, while conditioning their political, social and economic isolation from the national culture.

These cumulated restrictions that precluded indigenous peoples from entering the political scene allowed for the formation of a 'relatively homogenous political class with low levels of ideological differentiation' (Lazarte (1993: 150) quoted in Van Cott (2000)). Rivera (1990) has argued that elite domination over an ethnically distinct subordinate caste greatly facilitates the existence and persistence of a clientelist system, a fact that is corroborated by Van Cott (2000: 159) who hypothesises that the ability of the elite to restrict the size of the political class in ethnically dominated societies 'provides the social conditions and political incentives conducive to the development of clientelism and personalism, which in turn tend to impede the institutionalization of party systems'.

As we shall see later on, this analysis remains valid for contemporary Bolivia where ongoing clientelism has discredited political parties, and continues to do so, to the extent that they are no longer regarded as legitimate actors by the population.

4.2. Revolutionary authoritarianism and military rule

The period from 1952 to 1982 was characterised by disastrous economic management coupled with social and political conflicts that resulted in several military coups.

After winning the 1951 elections, the 'Movimiento Nacionalista Revolucionario', a revolutionary leftist party, seized power in 1952 thanks to the support of the police and a self-trained militia composed mainly of miners and peasants. The revolutionary government introduced major changes in the economic and social structure of the nation: expropriation and nationalisation of most tin holdings and mines and a program of agrarian reform, which broke up large estates to the benefit of small-holder peasant families.[45] One of its major achievements however was the abolishment of the feudal system and the extension of civil rights and suffrage to indigenous people, who had been excluded from electoral participation by earlier governments. As noted by Medeiros (2001: 406), the aim of the revolution was the construction of a modern, democratic, socially integrated and culturally homogenous 'mestizo'[46] nation. Nevertheless state controls over autonomous peasant organisations remained tight and most organisations were subjected to homogenising efforts that posed important 'barriers to autonomous participation and effective representation' (Van Cott (2000: 166)).

By attempting to homogenise the Bolivian nation through state patronage and co-optation of indigenous communities, the Revolution succeeded temporarily in deferring the question of indigenous identity. Thorp et al. (2006: 474) have argued that 'unionisation in rural areas provided direct access to state patronage for campesino and indigenous communities'. This system of clientelist and corporatist inclusion is thus a direct legacy of the National Revolution. A more positive contribution of the revolutionary period was the institutionalisation of a dual form of government, where unions were granted power-sharing and had a say over government affairs. According to Gray Molina (2005), this system of political accommodation, which gives popular movement's access to political power through informal means, further explains why both the formation and the success of indigenous parties remained limited. Ethnic politics therefore evolved continuously in the hands of social movements.

[45] As we will see later on, this reform laid the foundations for small-scale agriculture and for the large migration from the Altiplano to the lowlands. Large landowners in the region of Santa Cruz fear that the current land reform implemented by the Morales administration will lead to the expropriation of their land.

[46] A 'mestizo' person, literally meaning mixed, is a direct descendant of the Spanish colonialists and the indigenous local population.

In 1964, the revolutionary government was overthrown due to economic and political mismanagement. Within 20 years, Bolivia went through a succession of military coups, by leftist and rightist military juntas, and ended up both politically and economically shattered.[47]

In 1982, when civilian rule was finally restored, the government in power was a coalition of leftist parties with different and often opposing visions of democracy, both political and economic. In 1985, the government stepped down under the pressure of the streets. Medeiros (2001) noted that the crisis of these transition years reflects the disintegration of the hegemonic order which had prevailed since the revolution of 1952. However inclusive this populist era had claimed to be through centralised control, the crisis further disclosed that a large part of the population remained excluded from the so called 'mestizo nation'. The indigenous question, which had been silenced by previous revolutions and governments, re-emerged in the late 1970s and came to pose new challenges to the political establishment.

4.3. Economic reforms and political decentralisation

The political turmoil that dominated Bolivia well into the 1980s delayed the introduction of macroeconomic stabilisation policies by the International Financial Institutions (IFIs). From 1985 onwards however, structural adjustment policies (SAPs) were fully implemented with reforms taking place in two stages: the first were aimed at the stabilisation of the economy, private sector development and massive state divestiture. While inflation was successfully curbed and growth stimulated, the unemployment rate, especially in urban areas, rose steadily and an important number of national industries were driven out of business because of their inability to compete with low-cost imports. The collapse of tin prices led to a massive lay-off of 24,000 workers in the tin industry, leaving cities such as Oruro and Potosi abandoned and impoverished. This prompted a second large wave of immigration into the Bolivian lowlands.[48]

The second stage of the reforms took place in the early 1990s and emphasised policies to attract foreign direct investment (FDI), improve the efficiency and efficacy of social

[47] Between 1970 and 1980, public investments in Bolivia accounted for 60 percent of total investments. These were largely financed by foreign aid, which in 1980 resulted in a huge external debt of 57 percent of total GDP.

[48] Some of these ex-miners started working in the coffee business.

programs and public services, strengthen the financial sector, and promote decentralisation to strengthen the country's governance and institutions.

From 1993-1998, the Bolivian economy grew twice as fast as its Andean counterparts, expanding at an average annual rate of 4.7 percent (2.2 percent per capita). However, this growth rate could not be sustained and fell to only 1.9 percent during 1999-2003.

Jimenez (2005) has distinguished four different phases that characterise the Bolivian economy: 1) 1982-1985: Hyperinflation period; 2) 1986-1989: Stabilisation period when macroeconomic policies successfully stopped hyperinflation; 3) 1990-1997: Period when structural reforms were launched and a relatively rapid GDP growth was achieved and, 4) 1998-2003: Period when external shocks (Mexico, Argentina and Brazil) as well as internal shocks (coca eradication) hit the economy and GDP growth decelerated.

Due to the absence of redistributive policies and a weak fiscal sector, the economic reforms mentioned above had only a limited impact on poverty reduction, particularly in rural areas. Though the growth episode of the 1990s seemed to have a positive impact on income poverty trends, this success was short-lived. Income poverty[49] declined slightly from 52 percent in 1993 to 46 percent in 1999, but went back to the level of the early 1990s in 2002. In 2002, both data on poverty and extreme poverty had increased compared to their 1999 levels. Income inequality also increased in the main urban areas from 1997 to 2002. This increase results mainly from a less equal distribution of earnings (World Bank (2005a)).

One plausible explanation for the limited impact of growth on poverty and inequality is that 'capital and skill intensive sectors of the economy grew faster, with limited spillovers to agriculture and manufacturing (which employ over 60 percent of labour)' (World Bank (2005a: iii)). In other words, the economy did not grow in the labour-intensive sectors where most poor Bolivians work. As previously mentioned, the absence of adequate policies further limited the redistributive impact.[50]

[49] Income poverty is poverty measured only in terms of income levels without taking into consideration other dimensions of poverty. UNDP for example promotes the concept of human poverty as a complement to income poverty, emphasising that equity, social inclusion, women's empowerment, and respect for human rights matter for poverty reduction.

[50] The coca eradication program, which reduced production by 80 percent, further drastically reduced the incomes of many Bolivian farmers. This loss was only partly compensated by the increase in soy production and new gas reserves exploitation. It was however insufficient to absorb the displaced agricultural labourers. (World Bank (2005)).

According to Jimenez (2005), the lack of progress in poverty reduction has exacerbated social conflicts, which in turn have had a negative impact on investment and economic growth. This vicious circle illustrates that, in some circumstances, macroeconomic policies alone cannot generate sustained economic growth, but need to be accompanied by selective government intervention and adequate social policies to limit the impact on the poorest sectors of the population.[51]

However, the strengthening of Bolivian civil society also resulted from a much larger reform conducted in 1993 at the level of the state, namely the project of decentralisation, also known as the Law for Popular Participation (LPP)[52]. This law, which was strongly advocated by multilateral and bilateral development agencies, called for the expansion of municipal jurisdiction, transfer of funds and responsibility with increasing power and autonomy for municipal governments, decentralisation of public services such as education, health and infrastructure projects and participatory planning. From the viewpoint of politics, the LPP marks the continuation of the dual power system at the local level and according to Kohl (2003:162) the LPP has simply 'decentralized poverty' by shifting the responsibility for basic infrastructure projects from the central to the local government.[53]

Between 1997 and 2005, large protests and massive mobilisation took place against price hikes, the curbing of public spending and the privatisation of public facilities, particularly in the water sector and the hydrocarbons industry.

[51] Several authors have highlighted the social and political consequences of SAPs in Bolivia. Vanden (2003) has emphasised the social effects of stabilisation policies and linked them to the growing political unrest and the emergence of new social movements. In the words of Medeiros (2001: 408), SAPs not only transformed the economy, but induced 'a radical reconfiguration of social and political arenas' with an important fragmentation of the labour movement and the emergence of new social movements.

[52] With respect to indigenous peoples, the law introduced four measures:
1) 'the legal recognition of ten thousand peasant and indigenous communities throughout the country, 2) the recognition of the traditional governing structures of these communities, 3) the recognition of their territorial rights and 4) the transfer of 10 percent of the national budget allocated to the nine regional development corporations of these communities'. (Kohl (2003: 156)). Whereas before the introduction of the LPP, the three largest cities captured most of the national funds, the new law provided for a channelling of 20 percent of national tax revenues to municipal governments. Furthermore, the law has broadened the scope for local participation in planning and decision making by officially recognising the rights of grassroots and indigenous groups. In some regions however, some tensions erupted as to which grassroots organisations are representative of the local population and should be recognised as such. For further details see Kohl (2003).

[53] While the new law doubtlessly increased the participation of 'campesinos' and underrepresented groups at the municipal level, Medeiros (2001: 413; 419) has argued that the state actually ended up 'enlarging the sphere of its hegemonic control' and that designing a framework for the emergence of a new rural civil society could potentially lead to a 'significant reconfiguration of rural power/ethnic relations'.

Kohl (2002) has provided an interesting explanation for the growing popular discontent that was felt in Bolivia from 1997 onwards. He relates it to a combined effect of capitalisation and popular participation and the resulting contradiction. While capitalisation has opened up the Bolivian market to foreign investors, mainly in the extractive sector, it has failed to generate social benefits to compensate for the losses incurred by the privatisation of public sector companies and price hikes in the water and gas sectors. On the contrary, broader social participation was encouraged at the municipal level, but for most people living conditions further deteriorated. This fundamental contradiction has led to important social tensions of which the water and gas wars[54] were only the most visible sign.

A political shift however occurred in November 2005 when Bolivians elected their first indigenous leader, Evo Morales, who won the presidency with an overwhelming majority. While it is yet too early to comment on his presidency, his coming into power represents a major turning point in Bolivia's political history. So far, Morales has moved swiftly on his campaign pledges. Within the first six months, he revised the salaries of public officials and his own[55], submitted an anti-corruption bill to congress and levied corruption charges against members of Congress, state institutions and even against members of his own party.[56] The government further raised the minimum wage from BS. 440 ($55) per month to BS 500 ($62) per month and removed the principle of employment flexibility[57] from Bolivia's labour market.

Probably the most controversial step taken by Morales came on 1 May 2006 when he placed Bolivia's oil and gas reserves under state control. The state will control 51 per cent of the companies' stock, while collecting 82 per cent of the revenue from the large gas fields. For the government, this decision marks the recovery of Bolivia's sovereignty over natural resources (ICG (2006: 8)). While the nationalisation decree was very popular among social movements in Bolivia, the economic and financial sectors in Santa Cruz heavily criticised this decision. Although Bolivia is not a big player on the international market, it is strategically important to Brazil, which imports 80 per cent of Bolivia's gas,

[54] Numerous popular protests were organised against the price hikes introduced by private sector companies, which had entered into 'Public-private partnerships' with the Bolivian state for the provision of water services and for the extraction of hydrocarbons. The gas war in 2003 led to the resignation of two presidents.

[55] The income of congressmen, government and judicial officials was cut by 50 per cent, the president's even by 57 per cent. The savings are devoted to health and education programs. (Crisis Group Latin America Report No 18, 3 July 2006)

[56] The party of the president is called MAS, which stands for 'Movimiento al socialismo'.

[57] This flexibility had been introduced by previous governments and was considered by MAS 'as the epitome of neo-liberalism'.

making up about one-third of the country's export revenue in 2005.[58] So far, all contracts were renegotiated in October 2006.

Another important project of the Morales administration is the constituent assembly (CA), which is bound to address the following key issues: a) regional autonomy; b) a new economic model; c) indigenous groups and social exclusion. But probably the most controversial issue at present is the land reform, where the government intends to seize 77,000 square miles of land deemed unproductive or illegally owned[59] and redistribute it to landless poor people so as to promote small-scale farming. As most of the land is situated in the Bolivian lowlands, this could lead more small-scale farmers to take their chances in the coffee sector as prices are currently at a record high.

[58] A recent article published in *La Jornada*, reveals that the Argentine companies Pluspetrol and Repsol illegally tap Bolivian gas and have increased extraction since the introduction of the new distribution of profits. « Petroleras argentinas sacan gas a diestra y siniestra, nadie fiscaliza la producción »
http://www.jornadanet.com/noticias/economia/economia2.html

[59] http://www.guardian.co.uk/international/story/0,,1959937,00.html

Chapter 5

Assessing Bolivia's conflict-proneness

Departing from the socio-economic and political description of Bolivia in chapter 4, the aim in this chapter is to analyse where the potential conflict lines are in Bolivia. In other words, we will analyse whether Bolivia has some propensity towards conflict. For such a question to be answered adequately, we first need to understand what actually causes conflict in the first place. We will therefore briefly review the main theoretical arguments that are found in the literature on conflict and pay particular attention to the influence of economic inequality and poverty on conflict. As we are trying to assess the potential of Fair Trade for conflict prevention, we have to first understand how important both inequality and poverty are as triggers for conflict. This question has been largely debated in the literature on conflict and yet remains contentious, as it is never poverty or inequality *per se* which cause conflict, but rather the interplay of a multitude of factors. Therefore, the influence of poverty and inequality on conflict needs to be contextualised.

5.1. Poverty and inequality as triggers for conflict

One of the most frequent arguments found in the literature on conflict is that poverty, inequality[60] and social exclusion lead to grievance formation, which in turn may trigger conflict, particularly if they coincide with ethnic, religious, language and regional boundaries (Goodhand (2001)).

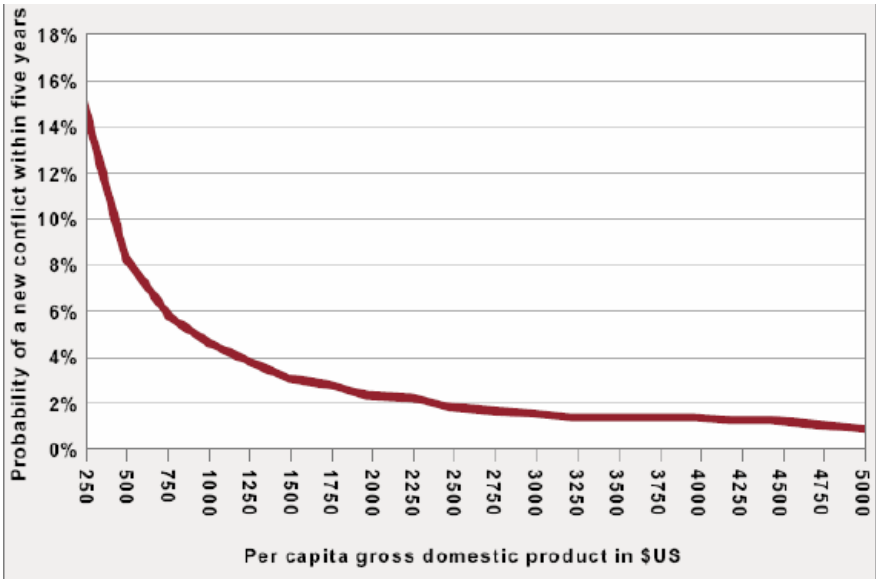
UNDP (2005: 152-155) argues for example that 'violent outcomes are more likely in societies marked by deep polarisation, weak institutions and chronic poverty and that wars most often affect the poorest countries, and the poorest people within them' confirming thereby that poverty has an influence on conflict. UNDP (2003) further notes that of the 34 countries furthest from achieving the Millennium Development Goals (MDGs), 22 are suffering as a result of current or recent conflicts.

[60] According to various dictionaries 'inequality is a disparity in social and economic terms'. In his textbook on Development Economics, Ray (1998) has described economic inequality 'as the fundamental disparity that permits one individual certain material choices, while denying another individual those very same choices'.

Stewart (2003) has further underpinned this argument by showing that the proportion of deaths by war in countries rated low on the Human Development Index (HDI) is ten times higher than in the medium countries and twenty times higher than in countries with a high HDI rating. However, caution is required so as not to infer that poverty automatically causes conflict since the relationship is far more complex. Poor people are in general risk-averse and they clearly lack the resources to engage into conflict. Therefore, while poverty is directly responsible for low levels of education and social exclusion, its influence on conflict is indirect (UNDP (2003)).

The *Human Security Report 2005*[61] has highlighted the potential link between poverty and civil war by arguing that the greater the level of poverty and the lower the state capacity, the higher the risk of war.

Figure 5.1: Poverty and war



Source: Human Security Report, 2005

While the link between poverty and conflict has only recently been explored, the role of economic inequality on conflict has been studied more extensively in econometric analyses. As early as 1968, Gurr demonstrated in a cross-national analysis that a high degree of inequality of wealth and income was positively correlated with civil strife. The potential influence of inequality on conflict was particularly prevalent in studies on Latin

[61] http://www.humansecurityreport.info/content/view/31/66/

America. Boyce et al. (1996) for example explain violent conflict in El Salvador primarily by the role of inequality; in this case however the focus is on unequal distribution of land as a variable for inequality. Binswanger et al. (1995) confirm this correlation in their studies on El Salvador and post-independence Mozambique. Regan and Norton (2005) find mixed evidence as to whether income or land inequalities are determinant factors. Muller and Seligson (1987), for example, consider national income distribution far more significant than land distribution based on the empirically weak assumption that rural populations are difficult to mobilise effectively for political action. In his analysis on political violence in Latin America, Midlarsky (1988) uses a context-specific variable for the distribution of landholdings and finds it to be a far better predictor for political violence than the Gini-coefficient, thus casting some doubt on Muller and Seligson's results. And finally, Lichbach (1989) is not able to find a positive correlation of the economic inequality-political conflict nexus.
This noteworthy diversity in the results found by a variety of scholars seems to imply that the influence of economic inequality on conflict is rather context-specific than clear-cut.

While most studies have focused primarily on economic inequality, political inequality is another dimension that needs to be taken into account when looking at grievances and conflict. Political inequality is doubtlessly less visible and usually more difficult to measure than economic inequality, but there are a number of indicators that may give us more details such as electoral conscription or the percentage of registered voters according to districts/regions and the existence of identity cards. Economists tend to view inequality only from the perspective of a lack of economic resources. While economic inequality certainly provides a powerful explanation for the expression of social grievances, it hardly seems enough to understand large-scale political mobilisation and conflict. Interestingly, social groups that are economically deprived will attempt to use legal political means such as votes to change the pattern of economic inequality. Where people are excluded from any electoral participation however, political violence often turns out to be the only option.

Most studies on inequality have focused on vertical inequality, i.e. inequality between individuals measured by the Gini-coefficient. Besides being often unreliable, national income statistics in developing countries ignore incomes earned within the informal sector, which in most countries represents a larger share than the formal economy itself.[62] One should therefore be careful before drawing hasty conclusions on the basis of the national income distribution.

[62] See for example Harriss-White (2003) on the informal economy in India.

Cramer (2003: 397-403) discusses why the role of inequality has remained so elusive. Highlighting both the weaknesses of distributional data and data on violence and war, he argues that 'there is no obvious regularity in the interaction between income inequality and civil conflict', but does not exclude the influence of inequality on conflict, however with a potentially infinite number of other variables. He therefore posits that it is 'not so much the *extent* as the *kind* of inequality' that matters.[63]

Regan and Norton (2005: 321) differentiate between relative deprivation and inequality and posit that 'the underlying causal mechanisms are profoundly different'. While deprivation is a psychological process where judgment intervenes according to one's own expectations, it is the aggregation of these individual perceptions and frustrations that motivates a social movement to initiate violent political change. The authors argue that inequality in turn 'is judged relative to *others* within society'. This subtle distinction doubtlessly bears some importance.

A slightly different approach to inequality has been proposed by Stewart (2000; 2002) who argues that it is not so much vertical inequality measured by the Gini-coefficient that is relevant for conflict, but much more the existence of severe inequalities between culturally defined groups, which Stewart calls *horizontal inequalities* (HIs). In other words, the powerful economic and political position of some social groups over others is far more relevant an element for understanding the roots of group identity as a source of political mobilisation and conflict. Goodhand (2001: 4) for example has confirmed that 'horizontal inequalities […] particularly when they coincide with identity or regional boundaries may increase a society's predisposition towards violent conflict'.

HIs are multidimensional, because they tend to encompass economic, political[64] and social indicators for a given social group. It is precisely the multidimensional nature of horizontal inequalities where both poverty and inequality play a role that makes the concept so relevant for the analysis of conflict.

Stewart argues that where changing group position is difficult, group inequalities become relevant to social stability. Therefore, they are 'an important source of grievance and potentially of instability, independently of the extent of vertical inequality' (2005: 5). As HIs

[63] Emphasis added.

[64] For our case study on Bolivia, we did not use political indicators as indigenous peoples have different means for political expression.

are a component of vertical inequality, it is thus possible to have low vertical inequality where HIs are important or the other way round.

Stewart (2000) and Stewart et al. (2005) do however point to several difficulties related to the measure of HIs, the most important probably being the absence of clear cut boundaries between groups, which makes it difficult to define them due to changing and socially constructed identities. However, Stewart et al. (2005: 21) argue that 'felt differences seem important enough and clear enough in many societies to make it possible to measure group performance so long as one is sensitive to the possibility and implications of alterations in group boundaries'.

Based on Stewart's analysis, Østby (2004) has developed a theoretical framework for studying horizontal inequalities and civil conflict based on aggregated macro-indicators which he analyses along three dimensions: economic, social and health-related. He measures economic inequality by comparing groups (the two largest ethnic groups) according to household asset ownership, social inequality on the basis of educational opportunities, and health by comparing group inequality with respect to infant mortality. Taking the Demographic and Health Surveys (DHS) as a basis for his indicators, he computes group averages for various welfare indicators and then calculates ratios between the two largest ethnic groups. He finds that social horizontal inequality is positively and significantly related to conflict whereas economic inequality is not statistically significant and health inequality even negatively correlated with conflict. This however does not lead him to reject the relevance of the inequality - conflict nexus.

Finally, it should be noted that neither poverty nor inequality can explain conflict as such. While both are doubtlessly important in any analysis on conflict, Cramer (2001:19) has rightly argued 'only insofar as the economic is considered inseparable from, part of, embedded in the social, political, cultural and historical' and, continuing, that '[w]hat matters most when studying the role of inequality in conflicts, is how inequality is institutionalised and shaped by history and changes in social relations'.

The same in fact is true for the grievance – conflict nexus. While poverty and inequality lead to grievances that may find a way to be socially expressed or not, grievances do not *per se* lead to conflict (Collier (2000)).

Goodhand (2001) has noted three factors that contribute to grievance formation: historical development patterns, the role of the state and its institutional capacity to deal with

conflict, and international policies (e.g. SAP). Grievances are therefore the result of long-term underdevelopment and suffering of particular social groups or as argued earlier, of pervasive horizontal inequalities detrimentally affecting social groups with common ethnic, religious or cultural boundaries. Indigenous peoples are a concrete example of a social group in Bolivia, as well as in many other places in the world, that has continuously suffered from social deprivation and exclusion. Although indigenous peoples have largely mobilised to voice their grievances, these have not led to conflict as such. However, short-term triggers such as an economic crisis or particular state policies may exacerbate existing grievances and jeopardise political stability, as has been illustrated for Bolivia following the introduction of liberalisation policies.[65]

Goodhand (2001: 26) however has argued that it is not so much the chronically poor who would engage into rebellion first, but rather '[g]roups who suffer sudden changes in wealth and status […] particularly when exclusion overlaps with group identity '. In this sense, it is not so much absolute poverty rather than relative poverty that is involved in building up grievances. This requires powerful 'conflict entrepreneurs' with 'an extremely nuanced understanding of community dynamics' who know how to turn latent conflict into violent conflict. For this to happen however, these 'conflict entrepreneurs' first need to secure a lucrative resource base with which to finance their war efforts.

Understanding the economic rationality of such conflict entrepreneurs has been precisely the thrust of another strain of research developed by Collier and Hoeffler (2000) within the World Bank. Their analysis, which is essentially based on rational choice methodological individualism, posits that grievances such as inequality, political repression as well as ethnic and religious divisions provide no explanatory power for the understanding of conflict. While it is admitted that 'they may well generate intense *political* conflict' (2000: 21), grievances do not as such *lead to* violent conflict. In turn, Collier and Hoeffler argue that 'economic characteristics such as - dependence on primary commodity exports, low average incomes, slow growth, and large Diasporas – are all significant and powerful predictors of civil war' (2000: 21). Hence, the availability of natural resources and the possibility for rebel movements to exploit them is an element that fosters rebellion. There are two reasons why primary commodities are important in this model: they generate rents and are liable to shocks due to price volatility on the international market (Collier & Hoeffler (2005)).

[65] See Chapter 4.3.

Key to the authors' thinking is that grievances as such are not sufficient for rebels to engage in long-term military activities. They mainly seem to serve rebel movements to sustain motivation of the troops. Greed and economic calculus are instead considered to be at the heart of rebel movements, which target primary commodities or natural resources because these can be easily looted.

Collier and Hoeffler (2000) measure inequality by using the Gini-coefficient of income distribution or the ratio of top quintile's share of income to bottom quintile's share. The authors find neither measure to be significant. Instead, their empirical results indicate that if natural resource exports make up at least ¼ of GDP, then a country is at acute risk of civil conflict. This has been termed the 'curse of resource wealth' where increases in the value of a commodity are said to increase the likelihood of conflict.

However, for commodities such as cocoa and coffee for example, with which we are primarily concerned here, the correlation remains weak.[66] In their case study on Colombia, Dube & Vargas (2006) have in fact demonstrated that commodities such as coffee and oil significantly differ in terms of their impact on armed conflict, partly negating the general assumption that all resources are cursed. In fact, the authors have studied the impact of commodity price fluctuations on the conflict and have discovered the interesting point that 'the higher value of [coffee] in international markets eases social unrest while a lower value exacerbates politically-motivated violence' (2006: 32). The authors explain that 'the factor intensity of the production technology is a key determinant of whether a price increase exacerbates or mitigates civil conflict' and as price increases in the coffee sector primarily generate a proportional increase in the factor price of labour (wages), this will raise the opportunity cost of supporting a rebel group. In other words, higher coffee prices lead to higher incomes for agricultural producers, making them less inclined to support rebel groups. Interestingly, the authors have further shown that price stabilization policies for labour-intensive primary commodities such as coffee 'can play a role in reducing politically-motivated violence' (2006:33). This finding is particularly relevant for our analysis of Fair Trade.

In short, we will note that a country's dependence on primary commodity exports may be a potential risk factor, particularly in cases where these commodities are in fact natural

[66] Both coffee and cocoa are commodities in excess supply on the international market. While demand remains stable, it is unlikely to grow significantly in coming years, which is why any price hikes will remain limited. Furthermore, while they share some of the economic characteristics of primary commodities, they differ in significant aspects from commodities such as oil, gas, diamonds etc. insofar as no capital-intensive technology is needed to extract them.

resources such as oil, diamonds, and hydrocarbons etc. that require extractive measures and generate important revenues for the state. Second, states which benefit primarily from high revenues through natural resource exports are not inclined to develop strong institutional frameworks and therefore often remain poorly structured, a fact that makes them more vulnerable to opposition movements and rebel groups, particularly when prices on international commodity markets are on the rise.[67]

In conclusion, the greed argument certainly provides some interesting elements for understanding how conflicts may be financially sustained, but to argue that it is the only motive behind rebellions is short-sighted and as further noted by Goodhand (2001: 27) has dangerous policy implications because 'there is a tendency to use greed as an excuse to ignore grievance.' [68]

Rather than framing the debate into either a grievance or a greed approach, any study on conflict should carefully analyse the historical, political and economic context before trying to make sweeping generalisations about the causes of conflict. For example, ethnicity need not necessarily be a problem unless historically rooted economic inequality between different ethnic groups is exacerbated by short-term shocks. Not surprisingly therefore, no single framework can address such complexities, which is why it is absolutely key to undertake case studies that closely analyse the relevant political, social and economic dimensions before concluding that a country is at risk of conflict. This is precisely our intention now for Bolivia.

5.2. Is Bolivia prone to conflict?

Chapter 4 identified a number of horizontal inequalities affecting indigenous peoples and concluded that for most development indicators such as education, poverty, health and employment, this category of the population is systematically worse off than non-indigenous peoples. We therefore posit that in Bolivia, horizontal inequality is far more relevant a factor than vertical inequality for understanding political instability. The reason is that it affects indigenous peoples, Bolivia's largest social group, who attempt to alter this status quo through large-scale political mobilisation. Given this relevance, we will set our

[67] For a general discussion of institutionally weak states ('rentier states') and conflict, please see Humphreys (2005).

[68] For a general discussion of the limitations of Collier and Hoeffler's economic approach to conflicts, please see Regan and Norton (2005); Humphreys (2005); Fearon (2005); Ron (2005); Cramer (2001).

analysis within the framework proposed by Frances Stewart (2000; 2002; 2003; 2005) and regard horizontal inequalities[69] (HIs) as triggers for popular protests[70] and mobilisation.

The aim here is therefore to clarify whether Bolivia has some propensity towards conflict. We will begin by defining conflict-proneness according to Stewart (2000) who has identified a series of characteristics that make a country prone to conflict:

a) A serious conflict has taken place at some point over the previous twenty years
b) Presents evidence of a considerable degree of horizontal inequality
c) Low per capita income
d) Economic stagnation (slow GDP and export growth)

It should be noted that both c) and d) are also put forward by Collier & Hoeffler as well as by UNDP as triggers for conflict. There exists an important consensus regarding the mutual influence of these factors in contrast to the more controversial influence of economic inequality.

a) A serious conflict in the last twenty years

The answer for Bolivia is negative because there has fortunately *not* been a *serious* conflict over the last twenty years. We could however point to the wave of political turmoil that affected the country between 2000 and 2005 and resulted in the eviction of two presidents. These protests are doubtlessly indicative of important political tensions, but have not so far erupted into open conflict.

As we have seen in Chapter 3, the national revolution of 1952 laid the institutional foundations for popular participation by encouraging the formation of peasant and worker organisations, which were key participants in ensuring the social legitimacy of the revolution. As a matter of fact, indigenous peoples were overrepresented in most unions, which gave the impression of a 'rich versus poor' conflict without an ethnic dimension. With the decline of class-based mobilisation and the introduction of the New Economic Policy in the 1980s however, an indigenous consciousness started to emerge. As they were adversely affected by these economic reforms, indigenous movements started to organise collectively to voice their grievances.

[69] Horizontal inequalities are inequalities between groups of people; in our case, indigenous peoples are a social group affected by major socio-economic inequalities. For further details, please refer to Chapter 4.

[70] Whereas popular protest is not a conflict as such, we will consider it as a first stage towards conflict.

Thorp et al. (2006) have noted that although political co-optation was porous to ethnic dimensions, the existence of social movements has facilitated the subsequent development of an ethnic identity and politics. The authors therefore mention the following paradox for Bolivia: the persistence of strong and deeply entrenched socio-economic inequalities along with genuine indigenous politics.

Gray Molina (2005) has suggested that the dual power system[71] has played an important role in keeping the peace in Bolivia as its inbuilt resilience has proven capable of accommodating indigenous social demands. According to the author, by giving a voice to social movements, this particular power-sharing arrangement has acted as a buffer for the violent expression of social grievances and is thus key for understanding why the prevalence of large-scale inequalities has not yet erupted into conflict.

However, in the current context of rising political tensions, this argument could be seriously challenged as the system has not proven to be as flexible as it first appears. While social movements have continuously and actively participated in national politics, their demands have only had a limited impact on the policy choices of the governing elites who maintained very close ties with economic elites in the Eastern lowlands. Although the political system seemed to accommodate indigenous social demands, in reality, the socio-economic situation remained unchanged for the majority of indigenous peoples. As the data showed in Chapter 4, the situation has even deteriorated for this social group.

The coming into power of an indigenous leader through the system's political means, poses a direct threat to the inbuilt economic privileges of the former governing elites. Therefore, in recent months, old conflict lines are dangerously crystallising into a conflict pattern of an economically powerful East, blessed with the country's most precious resource endowments, against a largely poor and indigenous West. The government's policy decisions with respect to land reform, the constituent assembly and regional autonomy as well as recent steps taken towards their implementation are exacerbating tensions.

With hydrocarbons and agriculture, the Eastern part of the country is the engine of the Bolivian economy. Powerful elites in Santa Cruz and Tarija feel directly threatened by the

[71] A dual power system is a power-sharing arrangement in the context of a weak state with low levels of legitimacy. By allowing popular movements' access to political power without holding government positions, they perform the function of checks and balances and thus have a certain control over government affairs.

land reform, fearing that it will jeopardise their land ownership rights. Furthermore, the same elites had largely campaigned in favour of regional autonomy[72] in the July 2006 referendum and are now attempting to push it through, a step that would cut off the government from vital financial flows.

Power-sharing in Bolivia therefore seems to have reached its limits and will thus involve a re-balancing of political and economic interests between the two major social groups, indigenous and non-indigenous peoples. For this to happen however, both political and economic elites first need to feel the urge to negotiate a more balanced social contract.

b) A considerable degree of horizontal inequality

This dimension has striking relevance for Bolivia where not only is the Gini-coefficient high[73], but horizontal inequalities are also deeply embedded in the social structure. Indigenous peoples are affected by widespread socio-economic inequalities, as highlighted by the fact that they make up two-thirds of the poorest 50 percent of the population.[74] Figure 5.2 attempts to group major horizontal inequalities that affect indigenous peoples in Bolivia:

[72] The eastern Departments like Beni, Pando, Santa Cruz and Tarija voted ‚yes' in the referendum on regional autonomy whereas the Morales administration campaigned for a 'No'.

[73] Indicates important vertical inequality (Chapter 4).

[74] For further details, refer to data on indigenous peoples used in Chapter 4.

Figure 5.2: Horizontal inequalities affecting indigenous peoples in Bolivia (percentage)

Indicators	Indigenous	Non-indigenous
Extreme Poverty	34.4	12.8
Poverty	31.3	28.7
Child mortality	75 (per 1000 live births)	52 (per 1000 live births)
Illiteracy	19.61	4.51
Level of education 25+		
– Without education (no level)	20.9	6.6
– Primary school	54.1	38.7
– Tertiary education	10.1	26.4
Years of schooling (women)	4.69	9.62
Labour category		
– White collar [1]	15.2	36.3
– Blue collar [2]	8.8	10.3
– Self-employed– urban [3]	28.3	33.1
– Self-employed- rural [3]	42.4	13.8
Informal market activities	84	67
Infrastructure		
– Running water	56.9	79.6
– Sewer	26.2	39.9
– Electricity	58	75.7
– Telephone	17.7	38.4

Sources: World Bank Poverty Assessment on Bolivia (2005); Gray Molina (2005); Barrón Ayllón (2005)

[1] includes blue collars with a monthly wage; [2] includes household employees; [3] includes non remunerated family workers.

The data illustrates that for most economic and social indicators, indigenous peoples are systematically worse off than non-indigenous peoples, pointing to the existence of deep socio-economic horizontal inequalities[75] in Bolivia. Particularly relevant for our analysis on Fair Trade is the data on illiteracy and on education, where the number of indigenous peoples with 'no level' is three times higher than for non-indigenous peoples. This is easily explained by the fact that indigenous children often quit school early in order to support the parents with farming activities, e.g. in the coffee sector. Some thus hardly learn to

[75] We have deliberately chosen to illustrate the existence of horizontal inequalities in Bolivia by using social and development indicators here. Another way of measuring HIs would be to compute the group Gini-coefficient (GGNI). However, for such a calculation to be valid, data for variables such as education needs to be extremely reliable and precise.

read and write, which explains the relatively high level of illiteracy.[76] Indigenous women are particularly affected by low levels of education.

While the important number of self-employed individuals in the rural sector further confirms that indigenous peoples most often live in rural areas and are involved in small-scale farming activities, the lower standards in infrastructure corroborate this finding, as infrastructure development is limited in rural areas.

Thorp et al. (2006: 474) have confirmed the importance of socio-economic inequalities, which have even become worse in recent years with the widening gap between the rural and urban sector.

Point a) and b) are thus clearly related since indigenous movements mobilised politically around social grievances. One such grievance is the thorny issue of land reform where inequalities are deep and recent attempts of the Morales administration to politically correct these inequalities risk exacerbating existing conflict lines.

c) Low per capita income and d) Economic stagnation

As the poorest country in Latin America, both point c) and d) apply for Bolivia[77] with per capita income being one of the lowest in the region and both GDP and export growth stagnating.[78]

In short, three out of four characteristics, and the first to some extent, are applicable to Bolivia. As we have shown in this chapter, no major conflict has taken place, but in recent years, political tensions have increased due to major social grievances among indigenous peoples who, in contrast to other social groups, are largely affected by horizontal inequalities in education, income, health etc. Furthermore, economic liberalisation has rendered the Bolivian economy more vulnerable to external shocks, leading in some cases to adverse impacts on low-income and labour-intensive sectors where indigenous

[76] Since education is only in Spanish, indigenous children face additional difficulties with learning a foreign language as their parents tend to speak only indigenous languages and few years of schooling are often insufficient for them to be literate. The official recognition by the Morales administration of indigenous languages and their mainstreaming in education will hopefully make it possible to overcome this discrimination.

[77] For details of per capita income and GDP growth rates, see chapter 4.

[78] Recent political events in the country have shattered the confidence levels of foreign investors. Furthermore, both indicators are likely to be negatively affected by the government's policy to nationalise gas reserves, which could prompt foreign investors to leave the country, but it is too early yet to tell. For further details, please refer to chapter 4.

peoples are overrepresented. These short-term shocks have therefore exacerbated social grievances, which have found expression in indigenous social movements. Put differently, Bolivia moves on a relatively thin edge with respect to conflict and according to the four points reviewed above, the country can be regarded as prone to conflict. However, this statement needs to be made with caution and should not induce any hasty conclusions that could have detrimental effects on the country as such. The aim here is solely to identify tensions that are embedded in the social structure and that are likely to cause conflict if the situation were to deteriorate significantly.

The previous chapters have attempted to lay the conceptual foundations for understanding the impact of Fair Trade coffee in conflict-prone Bolivia, firstly by reviewing the existing literature on Fair Trade, secondly by giving a brief overview of the coffee market and prices, thirdly by providing relevant information on Bolivia's historical and socio-economic development and, finally by exploring the literature on conflict in order to find an appropriate framework that allows for a combined analysis of Bolivia, Fair Trade and conflict.

From this point onwards, we wish to develop the analysis further, both conceptually and empirically, by examining the poverty-reducing impact of Fair Trade and its potential for conflict prevention. The next two chapters provide a theoretical framework: While Chapter 6 analyses the area of poverty reduction, focusing on the specific aspect of income distribution amongst Fair Trade and non-Fair Trade farmers, Chapter 7 provides hypotheses for the potential of Fair Trade for conflict prevention. Both analyses form the backdrop for chapter 8, which discusses the case study in depth.

Chapter 6

Fair Trade's impact on income distribution

We now wish to examine the impact of Fair Trade on income distribution. To judge whether or not Fair Trade has a general poverty-reducing impact, the way in which it impacts non-Fair Trade farmers is crucial. This chapter aims to shed some light on this issue, developing a simple framework that will allow us to make some preliminary conclusions, against which we will test our findings in the case study.

Let us begin by defining the three type of purchasers discussed in the framework:

- Firstly, there are the *local profit-maximising traders*. As seen in chapter 3, these often have a degree of market power vis-à-vis the farmers.
- Secondly, there are the *Fair Trade cooperatives*, which buy coffee from its members.
- Thirdly, as pointed out in chapters 1 and 3, there exist companies that - from a conceptual point of view - operate somewhere in-between the aforementioned local traders and Fair Trade cooperatives: whilst selling mostly in the non-Fair Trade market, they follow similar principles to Fair Trade cooperatives. For instance, labour standards are high, environmentally-friendly production is maintained, and investments in social projects are made, to name but a few. At least part of the profits made by these companies is used to improve the livelihoods of the farmers who produce the coffee. For this reason, we talk of a *joint-profit maximising company (JPM).* The expression 'joint' comes from the fact that the production and processing of coffee beans are generally undertaken by two separate entities: the farmers are in charge of growing and picking berries, the purchaser processes the berries into what is known as green coffee (see chapter 3 for more details).[79] Whereas a local profit-maximising trader will wish to maximise its own profit from processing, a JPM will aim to maximise profits accruing from both its own processing and the farmer's production activities.

At this point, it is important to state what joint profit maximizing is and what it is not. It does *not* mean, for instance, that the company earns nothing at all and that the farmers gain all

[79] Many farmers actually undertake different processing steps themselves. Nevertheless, as long as the purchaser engages in some kind of value-added activity, the above principle of joint profit maximisation is still valid.

the profits. A company may decide to pass a certain percentage part of its own profits on to the farmers in the form of social projects and keep the rest for itself. Therefore, various kinds of JPMs exist in reality, all with different profit levels and commitments to social projects. The concept of a JPM does mean, however, that the decision of how much to buy and pay is not related to a company's own profit maximisation but to the maximization of its profits plus the farmers' profits. Appendix A.3 deals with this in more depth. Consequently, a farmer's profits are higher than when simply facing a profit-maximising local trader but at the same time, the company's profits are lower than if it were a profit-maximiser with a degree of market power. Nevertheless, the increase in profits enjoyed by the farmers outweighs the fall in company profits (as it is a joint maximization). Figure A.3 in the appendix shows this graphically. Finally, it must be stated that companies can also purchase in different ways in different markets: while maximising its own profits in one market, it may be a joint profit maximiser in another market.

To look into the impact of Fair Trade on income distribution, we start with the assumption that when a Fair Trade cooperative is created in a local market, some farmers will sell their coffee berries to it. Other farmers will either not be able to join, or decide not to, and will therefore continue selling their coffee berries to the same buyer as before.[80] We analyse how such a development affects the various parties involved. Therefore, when we use the term "income", we are referring solely to that which is generated from selling coffee and ignore other productive activities.

Our framework focuses solely on the interaction between coffee farmers and intermediaries (i.e. purchasers of berries) and leaves roasters and retailers out of the picture. Consumer and roaster demand is therefore taken as given and constant, unless otherwise stated. We proceed as follows:

(i) Pre-Fair Trade:
In a first step, we analyse the relationship between intermediaries and coffee farmers before the Fair Trade cooperative is created. Note that the term 'intermediaries' refers to both the profit-maximising traders as well as the JPMs.

To simplify matters, the framework assumes that the farmers grow coffee berries and then sell them to the intermediary. After the purchase, the intermediary is responsible for the

[80] Not all farmers are able to join the cooperative. Reasons are, for instance, their lack of compliance with Fair Trade cooperative standards, the costs of joining, and restrictions on the number of members.

processing and the transport to the roaster.[81] After successful transportation[82], the intermediary receives the price paid on the world market for green coffee. Based on this price and costs incurred, it will determine the optimal quantity of berries to buy from the coffee farmers and the price to pay for them.

The first part of the framework aims to look at how much and at what price farmers sell to intermediaries before the Fair Trade cooperative enters the local market.

(ii) Creation of a Fair Trade cooperative

In a second step, we assume that a Fair Trade cooperative enters the local market, buying directly from its members. Note that the Fair Trade market differs from the non-Fair Trade market in that the price paid for the delivery of green coffee is the pre-determined Fair Trade price.

Certain farmers who previously sold to the local traders or the JPM will now sell to the cooperative. We wish to analyse the effects this has on them, focusing solely on how quantity sold and price received changes (in other words, looking only at the changes in income). Furthermore, the presence of the cooperative in the local market is likely to affect the interaction between the intermediaries and those farmers who are not part of the Fair Trade cooperative.

The second part of the framework aims to look at how much and at what price non-Fair Trade farmers sell to intermediaries after the Fair Trade cooperative enters the local market, as well as examine the change in price and quantity for those joining the cooperative.

The chapter then develops these initial results further by including other variables that could affect the income levels of non-Fair Trade farmers, such as excess supply and a change in a local trader's market power.

Let us proceed by examining the local market before a Fair Trade cooperative enters.

[81] Chapter 3 showed that there are a number of other parties involved and that farmers often perform primary processing activities on their own farm, but this simplification does not lead to the framework losing any rigour.

[82] For the purpose of this analysis, it makes little difference whether the intermediary is responsible only for the transport to the port/dock or whether it also takes charge of the actual shipping to the export destination.

6.1. Supply and demand in the coffee berry market pre-Fair Trade

We differentiate between two types of products: coffee berries and green coffee. The berries are produced by the farmer, whereas an intermediary 'produces' green coffee by purchasing berries and processing them. The market for coffee berries therefore comprises farmers as suppliers and intermediaries as purchasers.

How does a farmer decide how much to supply? Taking the price paid to the farmer as given, production of berries will be at the point where its additional (or marginal) costs are equal to the price received. Note that a farmer's costs include costs of planting and caring for trees, the costs of cultivating the land, the cost of employing workers on the land or, if he does not employ workers, the disutility from working extra units of time. Quality levels are the same for each farmer (we will later relax this assumption).

How does an intermediary decide how much to purchase and what to pay for it? It will look at how much additional revenue it can make from buying berries and compare this to the additional (or marginal) expenses it incurs to do so. Its profits will be maximised where the two are equal: additional revenue will be equal to additional expenses. The additional revenue it makes can be understood as follows: purchasing further units of berries means that the production of green coffee can be increased (by way of processing). Selling this extra amount at the price on the world market gives us the additional revenue from purchasing berries. Note that this additional revenue is simply the derived demand for coffee berries. If, for instance, an intermediary can increase revenue by 0.15 US dollars by purchasing an extra pound of berries, its willingness to pay will be 0.15 US dollars for this pound.

The expenses incurred by the intermediary consist mainly of acquiring and maintaining processing machinery, of transportation, of employing labour to process, and of buying berries. To reduce the level of complexity, without losing any rigour, we assume that employment, processing and transportation costs are fixed in the short run, meaning that the only variable cost is the purchase of berries. The additional expense is therefore the increase in expenditure resulting from buying a further unit of berries.

As shown by the resulting market equilibria depicted in appendices A.2 and A.3, an intermediary will purchase an optimal amount of coffee berries and pay a certain price for them that is equal to the additional costs incurred by the farmers at this level of

production. Assuming that the profit-maximising local trader faces little if any competition[83] (denoted as a monopsonist – a sole purchaser in the market), its purchasing decision will differ from that of a JPM: the former buys less and pay less, whereas the latter purchases more *and* pays more. The monopsonist is able to use its market power to push prices down to its own benefit to the detriment of the farmers, whereas the JPM is interested in the *joint* profit maximisation of company and farmers. Such a goal will lead to a different market outcome.[84]

6.2. Supply and demand in the coffee berry market post-Fair Trade

We now turn to the situation where a Fair Trade cooperative is created, purchasing berries from local farmers. The price it pays and the quantity purchased is analysed, as is the way that this affects the purchasing decisions made by both the monopsonist trader and the JPM.

6.2.1. Fair Trade cooperative

As shown in appendix A.3, because the Fair Trade cooperative has similar aims to the JPM, we are able to treat it in a similar way conceptually. As the latter buys more from the farmers *and* pays more, the Fair Trade cooperative will do so also. Again, this is due to the goal of joint profit maximisation as opposed to only optimising benefits arising from trading.

As a result, those selling to the monopsonist will see that higher revenues are possible if they join the cooperative. This has to be weighed against costs involved such as membership costs, specific requirements for production and compulsory cooperative meetings (Milford (2004)). It is important to note, however, that if farmers are informed about price and quantities, the choice to join a Fair Trade cooperative will already indicate that they are better off in the cooperative.

[83] As most coffee markets are characterised by imperfect competition (see chapter 3), this is a valid assumption. As shown by footnote 86, the initial effects of a Fair Trade cooperative entering a local market may however be similar regardless of the level of competition assumed.

[84] Appendix A.2 and A.3 show that if the profit-maximising trader were competitive, and all else were equal, the JPM market outcome would be the same as the profit-maximising one.

What about those selling to the JPM? Will they be willing to join the Fair Trade cooperative? This decision also depends on the price offered and quantity purchased by the cooperative relative to the JPM, as well as on the costs involved in switching. We cannot say a priori whether the Fair Trade cooperative or the JPM will buy and/or pay more. This depends on a number of variables such as price received for green coffee and productivity, which are further discussed in section 8.6.

The framework suggests that, all other things being equal, the Fair Trade cooperative buys and pays more than the local monopsonist trader. It is unclear whether it buys or pays more than the JPM.

6.2.2. Impact of a Fair Trade cooperative on a local monopsonist

While section 6.2.3. will focus on the effects on a JPM, this section aims to analyse the impact of a Fair Trade cooperative on a local monopsonist. We allow for two possibilities:

(i) Firstly, the Fair Trade cooperative produces enough to supply its Fair Trade market and no more; there is therefore no issue of excess supply (defined as production that cannot be absorbed by the Fair Trade market).
(ii) Secondly, the Fair Trade cooperative produces more than it can supply to its Fair Trade market and the resulting surplus (excess supply) is sold on the non-Fair Trade market.

Impact of a Fair Trade cooperative on a local monopsonist when there is no excess supply

Section 6.1 discussed the pre-Fair Trade market equilibrium for a monopsonist trader. What happens to this when a Fair Trade cooperative enters the local market? We assume that a fixed percentage of coffee growers that had previously sold to the monopsonist are accepted into the cooperative and that they receive a higher price for the coffee sold. The other coffee growers have to sell their coffee to the monopsonist as before. In other words, there is closed membership of the cooperative.

How does the monopsonist react to the entrance of a Fair Trade cooperative? First of all, it will observe that it has *fewer farmers to buy from in the local market due to the existence*

of the cooperative. This is basically equivalent to the supply curve of berries shifting to the left.

What happens to the monopsonist's demand curve? Assuming no change in production technology or the world market price for green coffee, demand – as given by additional revenue – stays constant.[85]

Appendix A.4 shows graphically that the monopsonist trader reacts by buying less as a total, but that *each farmer produces more on average.* Furthermore, a *higher price is paid to each farmer*. How can this be explained intuitively? A monopsonist trader is faced with fewer suppliers and, as a result, a lower quantity of berries. Imagine that all those joining the cooperative do so at once. Initially, the price paid by the monopsonist stays constant. Those not joining the cooperative supply the same amount as before, but as they are a smaller group, total quantity supplied falls at the current price. However, if demand does not change, this means that there will be greater demand than supply at the prevailing market price: a monopsonist's requirements cannot be satisfied by the remaining farmers. The upward pressure on the price leads to a new equilibrium where a higher price is paid and more is produced by each farmer on average. This can be put another way: in order to entice the remaining farmers to produce more to meet its needs, the monopsonist has to cover the additional costs that each farmer incurs. The increase in production by each farmer has to therefore be compensated by a higher price.[86]

All things being equal, the entrance of a Fair Trade cooperative tends to lower the total amount purchased by a local monopsonist, but increase the average production levels of each remaining farmer, and the price paid to them.[87] Under these circumstances, non-Fair Trade farmers would be better off.

[85] If production technology is constant, the same amount of green coffee is produced from a unit of coffee berries. If world market price remains the same, the revenue received from this amount of green coffee will be constant. Therefore, additional revenue will not change, and the derived demand curve will not shift.

[86] Note that similar results may occur if the trader is not a monopsonist but already faces competition. The entrance of a purchaser that sells output on another market reduces the supply facing the already existing purchasers, pushing up both price and average output in the same way. In this case, non-Fair Trade farmers could be made better off by the existence of a niche market, as long as the price for the final output does not fall sufficiently (discussed further below in the text).

[87] Sexton (1990) and Milford (2004) find similar results. Sexton talks about a competitive yardstick of a cooperative and Milford mentions that the price paid to the non-members will increase because the presence of the cooperative shows the farmers they are being exploited. Our framework suggests that the monopsonists will raise the price even if such effects are neglected. In other words, even if the local monopsonists are not concerned with the farmers knowing they are being exploited, they will find it in their own profit-maximising interest to raise the price paid.

Note that what we are observing here is basically the installation of a competing intermediary offering higher prices for the coffee berries. As the monopsonist faces more competition, it responds by offering a higher price itself.

At first glance, therefore, Fair Trade seems like a miracle cure for all coffee market ills – all things being equal. Unfortunately, all things may not be equal: the world market price may fall, the local trader may find itself with more market power, or the Fair Trade cooperative may require production methods that cannot be fulfilled by the monopsonist's suppliers. Let us now look at these in turn.

If the world market price for green coffee falls, the monopsonist would respond to its lower profitability by reducing its demand for inputs, i.e. coffee berries. Equilibrium in the market for non-Fair Trade coffee berries then depends on the interplay between the supply and demand curves: as both shift to the left, the effect on the price paid to the farmers - and consequently on the average production levels of the individual farmers – depends on the size of the relative shifts. If the fall in demand for coffee berries is greater than that of supply, the resulting market equilibrium will be one of lower prices paid and lower levels of average production.

A sufficient fall in the world market price for green coffee may under certain circumstances lower the price received and quantity supplied by the non-Fair Trade farmers beneath the pre-Fair Trade levels. In this case, non-Fair Trade farmers would be worse off.[88]

Another possibility is that the creation of the Fair Trade cooperative increases the market power enjoyed by the monopsonist vis-à-vis the remaining farmers.[89] How will this affect the quantity bought and price paid? Recall that a monopsonist's purchasing decision is based on additional revenue from purchasing being equal to the additional expense of doing so. When Fair Trade enters a local market, a monopsonist's additional expenses increase for two reasons:
(i) A smaller supply base means that for any given quantity demanded by the monopsonist, the remaining farmers have to produce more on average. To compensate for farmers' increasing additional costs of production, the monopsonist has to pay a higher price, which translates into additional expenses. As discussed above, ceteris paribus, it will respond by buying less in total, although each farmer produces more on average.

[88] This is shown more formally in Appendix A.5.

[89] This is given formally by the elasticity of supply. Appendix A.6 deals with this – and other concepts mentioned in this paragraph – in more length.

(ii) A further effect is found in an increase in market power vis-à-vis the remaining suppliers. Such an increase would come about when the post-Fair Trade percentage increase in supply in response to a given percentage increase in the price paid is lower than it was pre-Fair Trade.[90] To put it another way, a given percentage increase in supply calls for a higher percentage increase in price. For a monopsonist to buy a given additional amount of berries post-Fair Trade, it has to therefore pay a higher price, which in turn means higher additional expenses above and beyond those depicted in (i). The number of berries purchased therefore falls below the level shown in (i). If the increase in market power is sufficiently high, the drop in the number of berries bought could be high enough to ensure falling average production levels by each farmer and, as a result, lower prices paid.

A sufficient increase in the market power of the monopsonist vis-à-vis the remaining farmers could lead to price and quantity falling below pre-Fair Trade levels. In this case, non-Fair Trade farmers would be worse off.

Finally, one crucial assumption that we made was that quality levels produced by farmers are identical. In reality, however, we often observe Fair Trade cooperatives demanding organic production methods.[91] Therefore, if the local monopsonist purchases conventional (non-organic) coffee berries, the entrance of the Fair Trade cooperative will not affect its supply base, as the farmers it buys from will not be accepted into the cooperative anyway. Over time, however, some farmers may decide to obtain organic certification, in which case the number of farmers selling to the monopsonist would fall, leading to the effects derived above. In this case, the effects would be similar, but they would tend to occur in the longer term rather than in the short run.

If the Fair Trade cooperative requires production methods that those selling to the monopsonist do not possess, e.g. organic production, non-Fair Trade farmers are less likely to be impacted in the short run by Fair Trade. If farmers seek organic and Fair Trade certification in the longer run, the supply curve facing the monopsonist would shift to the left, and the price and average quantity in the non-Fair Trade market may thereby increase (assuming constant world market prices and market power of the monopsonist).

Up to this point, we have assumed that the Fair Trade cooperative affects the local market only by taking away supply. However, Fair Trade farmers generally produce more than

[90] This can be a result of lower productivity levels amongst the remaining farmers, for instance.

[91] Our case study in chapter 8 deals with Fair Trade cooperatives producing only organically.

they can sell on the Fair Trade market. Lewin et al (2004), for instance, note that only about 20 % of global Fair Trade production capacity is sold at Fair Trade prices. The rest, the excess supply, often finds it way onto the non-Fair Trade market. We now turn to this case.

Impact of a Fair Trade cooperative on a local monopsonist when there is excess supply

Excess supply results from the demand for Fair Trade coffee being too small to absorb the supply. Subsequently, it is sold on the non-Fair Trade market, which may under certain circumstances push down the non-Fair Trade price. To illustrate this point, consider the following example:

Let us imagine a pre-Fair Trade market equilibrium: we have 1000 consumers, each demanding 1 unit of coffee, and 1000 farmers, each supplying 1 unit of coffee.[92] As Fair Trade is created, let us assume 100 consumers switch from non-Fair Trade to Fair Trade coffee, and are willing to pay more for the same consumption. Therefore, the immediate effect is that Fair Trade demand increases by 100, whereas non-Fair Trade demand falls by 100. To supply 100 units of Fair Trade coffee, 100 farmers are chosen. Initially, both markets are in equilibrium: Fair Trade supply and demand are 100, non-Fair Trade supply and demand are 900 at previous non-Fair Trade market price. This price stays constant, as supply and demand have fallen by the same amount.

Over time, however, it is feasible that Fair Trade farmers have an incentive to increase production levels, as the Fair Trade price is higher than the one previously paid. Demand, however, stays at 100, ceteris paribus. If we assume they produce a total of 150 units, 100 will get sold as Fair Trade, and 50 will be sold on the non-Fair Trade markets. This will increase supply levels of non-Fair Trade coffee and, under certain circumstances (e.g. constant demand), the price could be pushed down, hurting those who sell solely on the non-Fair Trade market, i.e. the non-Fair Trade farmers.[93]

[92] In reality, consumers demand roasted coffee and farmers produce coffee berries or various forms of processed coffee (e.g. parchment). For the sake of this example, it does not matter whether the farmers supply 1 unit of coffee or, for instance, 5 units of parchment (which is then used to produce 1 unit of coffee).

[93] It is true that, as TransFair USA point out (http://transfairusa.org/content/resources/faq-advanced.php), overproduction is limited to the extent that the supply sold on the non-Fair Trade markets is sold at a lower price. Nevertheless, the fact that the Fair Trade cooperatives sell coffee on the non-Fair Trade market at all is a sign that Fair Trade demand cannot absorb its supply, and that the overspill could affect the price received by non-Fair Trade farmers.

There are two markets that serve as the place where excess supply is sold: the local market and the world market. In the former market, local purchasers – most likely to be the monopsonist trader[94] - buys the supply (often for coffee in intermediate stages of processing, if at all). The latter market is the one on which the global price for internationally traded green coffee is determined.

Fair Trade cooperatives with their own processing equipment and with the ability to hook up to the world market often decide to sell their excess supply there rather than to the local trader. Why do they make this decision? Clearly, the price for green coffee on the world market will be higher than the price received from the local monopsonist, as the latter would provide processing and transportation services, and would only pay for the berries. On the other hand, processing and transporting green coffee is costly. As long as these costs are lower than the difference between the world market and local monopsonist price, it will make sense for a cooperative to sell on the world market.

This is likely to have a much more benign effect on non-Fair Trade farmers than if the cooperative were to sell excess supply on the local market. To understand why, assume that 40% of farmers in a region are part of a Fair Trade cooperative. If their excess supply is sold on the local market, it will significantly increase the supply facing the local monopsonist; as a result, it is likely to lower the price paid on all units of coffee berries, thereby hurting the non-Fair Trade farmers. On the other hand, if the excess supply is sold on the world coffee market, the effect on the world coffee price will be minimal as long as it is very small in relation to total world market supply. Therefore, the non-Fair Trade intermediaries will see barely any change in the price they receive. Their demand curve for coffee berries will hardly shift, meaning that cooperatives' excess supply has almost no effect on non-Fair Trade farmers.

A cursory glance would therefore suggest that excess supply can be easily dealt with by ensuring it is absorbed on the huge world market (where its weight is miniscule) rather than on the small local market (where its weight is large). There is a caveat to this finding, however. It is true that for each individual cooperative, the effect of its sales on the world markets is negligible. For the cooperatives in total, however, this is no longer the case. If each cooperative sells its excess supply on the world market, this may contribute to a fall in the world market price, depending on how large the total group of cooperatives is compared to the world market. Assume, for instance, that the size of the cooperatives'

[94] A JPM would tend to buy mostly from the farmers it has formed a co-operation with.

total output is 10% of the world market and that each cooperative sells 90% of its supply on the world (non-Fair Trade) market. This would increase total world non-Fair Trade supply by 9%, which may reduce the price of non-Fair Trade green coffee. If this were the case, the intermediaries selling on the world market (both local traders and JPMs) would find their profitability decreasing, and would respond by lowering demand for non-Fair Trade coffee berries, impacting non-Fair Trade farmers negatively.

A sufficiently large amount of Fair Trade excess supply - sold on non-Fair Trade markets - may contribute to a fall in the world market price, thereby lowering the income of non-Fair Trade farmers.

In reality, the size of Fair Trade coffee's share of the world market is estimated at 0.87%.[95] If 80% of Fair Trade coffee supply is sold onto the world market, global supply will increase by approximately 0.7% due to the overproduction. This is unlikely to have a major effect on the price and therefore on the non-Fair Trade farmers.[96] Nevertheless, the larger the market share of Fair Trade, the more crucial the issue of excess supply becomes. We return to this issue in section 6.4.1.

After now having looked at a local monopsonist, we turn our attention to the impact of a Fair Trade cooperative on a JPM.

6.2.3. Impact of a Fair Trade cooperative on a JPM

At first glance, it seems intuitive that a JPM would be affected by the cooperative in the same way as a local monopsonist. After all, both are faced with a cooperative competing for farmers and both sell on the world market. Indeed, results are similar under certain circumstances:

- If JPM farmers are better off selling to the cooperatives, the JPM will be faced with fewer suppliers, the supply curve it faces would shift inwards, and the same effects may occur as already described.
- If excess supply of the Fair Trade cooperatives contributes to reducing the world market price for green coffee, the JPM's profitability may be negatively impacted and as a result, both price paid to the farmers and quantity bought may fall.

[95] *The Economist*, 'Fair Enough', March 30 2006

[96] The problem is even less acute looking at Fair Trade as a whole. All products together account for only 0.01% of international trade (Surber (2005)).

With regard to the first result, the extent to which a JPM will lose farmers to a cooperative depends on various elements: First of all, in contrast to the monopsonist, it is not at all clear that the cooperative will pay a higher price than the JPM (see 6.2.1). Therefore, if the JPM pays a higher price than the monopsonist, the JPM is likely to lose fewer suppliers to the cooperative than the monopsonist will.

Secondly, similar to the monopsonist, the farmers selling to the JPM will consider the costs of switching. However, note that those selling to the JPMs have additional costs of switching to the cooperative over and above those selling to the monopsonist. A number of JPMs sell certified organic coffee; if a farmer has already gone through the process of (organic) certification, this sunk cost may deter him from moving to the cooperative and being faced with additional certification costs (e.g. Fair Trade certification). Therefore, if the costs of switching to the cooperative are greater for JPM farmers than for those selling to a monopsonist, the JPM may not see less change in its supply base.

Finally, if we take different levels of quality into consideration, a JPM may end up losing more suppliers than the monopsonist. If Fair Trade cooperatives only accept organic production, and if there is a greater proportion of organic production amongst farmers selling to JPMs than amongst those selling to the monopsonist, then the JPM is more likely to lose suppliers than the monopsonist.

Note that these effects are also valid ‘in reverse’, in other words a JPM will impact a Fair Trade cooperative in a similar way if the former enters a market where the latter is present: possible higher prices paid by the JPM may entice Fair Trade farmers to leave the cooperative, but the costs of doing so must also be taken into consideration. Furthermore, if the JPM only accepts organic production, and the organic producers are concentrated in the Fair Trade cooperative, it will tend to lose relatively more suppliers to the JPM than the monopsonist will.

The way in which a Fair Trade cooperative impacts a JPM – and vice versa - will be affected by the interplay between the relative prices paid, the weighing up of costs and benefits of switching, and production requirements.

6.3. Summary of Fair Trade's impact on income distribution

So far, the analysis has shown that by providing competition at the level of the intermediaries, Fair Trade has the potential to make non-Fair Trade farmers better off: given certain assumptions, both Fair Trade and non-Fair Trade farmers may earn more. Evaluating whether Fair Trade farmers earn absolutely more than non-Fair Trade farmers would entail a more formal and rigorous approach that is beyond the scope of this current study. Suffice it to say that even if one group of farmers were to earn more than the others, the fact that both sets of farmers are better off renders it less problematic.

However, the analysis has shown that there are theoretically two major effects that render the above-mentioned benefits for non-Fair Trade farmers less likely:

- Increase in market power: If a local trader's market power vis-à-vis the remaining farmer increases sufficiently, prices and average quantities sold are more likely to fall below pre-fair-trade levels.
- Fall in world market price for green coffee: If Fair Trade's excess supply contributes to reduce the world market price, non-Fair Trade farmers' income may fall.

More broadly speaking, both excess supply and potential increases in market power are problems for the legitimacy of Fair Trade as a comprehensive poverty-reducing instrument: if Fair Trade were to be one cause of lower world market prices and/or an increase in a monopsonist's market power vis-à-vis the remaining farmers, the potentially positive effects of Fair Trade on non-members' incomes are negated. This next section therefore wishes to analyse how these two issues can best be dealt with.

6.4. Dealing with excess supply and market power

6.4.1. Excess supply

As we showed in 6.2.2, Fair Trade's excess supply may, under certain circumstances, have a negative impact on non-Fair Trade farmers. It is important to note at this point that the general tendency to oversupply on the coffee market, as described in chapter 3, is not a direct result of Fair Trade per se, but more a consequence of the adjustment to changes

in prices. Nevertheless, if Fair Trade is to avoid contributing to excess supply, incentives to increase production can be targeted. This can be done in four ways:

(i) Even distribution of profits independent of production level

If the cooperative divides the profit it makes among the members evenly, regardless of the level of production, there is less of an incentive to produce more. The reasoning is very simple: if a farmer invests time and money to produce an additional amount and receives only a very small fraction of the additional profits (with the rest being spread out amongst all the other members), he will be disinclined to produce more. However, while this may solve the issue of excess supply it causes other problems, most notably the incentive to free ride on the back of other's production levels. If profits really are distributed out evenly and are not based on actual production, each farmer produces as little as possible if he assumes that the rest of the farmers continue to produce the same amount. Taken to the extreme, the farmer will exert minimal effort, as the resulting fall in profit is small (as it is spread out evenly). If every farmer thinks this way, the production levels drop drastically and the farmers as a whole are worse off, even though each farmer individually optimises its given situation. This is a classic free-rider problem.

Another problem with even distribution of profits is that there are no incentives to invest in more efficient production technologies and/or to invest in quality-enhancing measures. If the additional benefit does not accrue to the one making the investment, then it is more likely that the investment will never take place, to the detriment of the cooperative as a whole.

(ii) Lump-sum payment for a given level of production

Another way of achieving the same goal is for the cooperative to pay the farmers a lump-sum payment in return for a certain production level. Based on the price received and quantity sold on the Fair Trade market, the lump sum and quantity level can be determined. If farmers produce more than the required level, they will receive the same lump sum. For this reason, the farmer will always produce the amount that is determined by the cooperative, thereby preventing excess supply.

(iii) Increase in marginal costs due to quality improvements

If acceptance into the Fair Trade cooperative is linked to an increase in a farmer's marginal costs, excess supply can be controlled. For instance, if a requirement of entry into the cooperative is that high-quality organic berries are produced, this would mean an

increase in marginal costs for the farmers in question. As a result, the higher price will induce less additional production than if marginal costs were constant. [97]

(iv) Cooperative regulations

Another possibility is for the cooperative itself to set rules on how to invest profits. Instead of ploughing the surplus back into productive activities, it can be used to gain market knowledge, for instance. Furthermore, processing and exporting capabilities can be expanded, diversification programmes set up, or quality of production improved. FLO is very aware of the dangers of excess supply and mentions on its website the fact that many Fair Trade producer groups do indeed invest in areas other than production expansion.[98]

6.4.2. Market power

Recall that an increase in a monopsonist's market power is equivalent to a more pronounced impact arising from any purchasing decision: a given demand for coffee berries will raise the price that has to be paid to the farmers. As Appendix A.6 shows, a sufficient increase could lead the monopsonist to buy (and therefore pay) less than pre-Fair Trade, hurting the non-Fair Trade farmers as a result.

What are some of the factors to consider such that Fair Trade does not increase a monopsonist's market power vis-à-vis the remaining farmers? Note that the whole concept revolves around the ability of the farmers to supply an additional amount; if this can be done at a lower cost, then a monopsonist will have to pay less, and its market power will fall. If this is done only at a higher cost, a monopsonist will have to compensate the farmers by paying them a higher price. The central question is therefore whether Fair Trade leads to a situation where the remaining (non-Fair Trade) farmers have higher or lower additional costs when supplying an additional amount. This will depend on the following three aspects:

(i) Relative productivity

Market power is reduced if non-Fair Trade farmers are relatively productive compared to Fair Trade farmers. If the reverse is the case, namely that non-Fair Trade farmers are

[97] FLO states that this is often the case: 'Fairtrade Producers use their additional income from Fairtrade to for example (…) improve the quality of their existing crop, rather than to increase production' (http://www.fairtrade.net/faq_links.html). It is not mentioned whether this is a decision made voluntarily or whether they are encouraged / forced to do so.

[98] http://www.fairtrade.net/single_view.html?&tx_ttnews[tt_news]=11&tx_ttnews[backPid]=104&cHash=ccfcb32023

initially unproductive relative to Fair Trade farmers, the market power of the monopsonist trader will increase: higher demand will lead to a greater rise in price to be paid (alternatively, a greater increase in marginal costs incurred by the suppliers): prices and quantity produced may therefore fall. This aspect is especially important for potential unintended consequences of Fair Trade cooperatives. If it only accepts farmers exhibiting a certain level of productivity, the inefficient ones will be left behind. Their lack of efficiency in increasing production levels relative to those in the cooperative increases the monopsonist's market power, rendering it more probable that both average quantity and price received will fall.

(ii) Holding stocks

The more stocks are held by non-Fair Trade farmers, the more flexible they will be in responding to additional demand levels. This will tend to lower the cost of additional supply, which in turn makes it more likely that the market power of the monopsonist will actually decrease.

(iii) 'Spare capacity'

A monopsonist's market power can be reduced if the average quantity produced pre-Fair Trade by non-members is relatively low, such that they were able to diversify into other crops, and/or if they have relatively large areas of production. Both enable non-Fair Trade farmers to have 'spare capacity'. Increasing levels of production as a response to greater demand then creates less additional costs: if a farmer has diversified, it may be relatively easy to shift labour from growing other crops to growing more coffee.[99] Furthermore, if non-Fair Trade farmers have relatively large areas of production, they will have the scope and size to increase production at relatively lower extra cost.

[99] This would be the case when coffee trees exist on the farm, which have not been treated due to the low demand for coffee berries. Shifting labour from one activity to another would then be able to increase the number of berries grown. Even if all coffee trees are already used, it may be possible to grow more berries per tree.

Chapter 7

Fair Trade and conflict prevention: a case study on Bolivia

The previous chapter focused on one element of poverty reduction, namely the impact of Fair Trade on income levels. The framework developed enabled us to form a number of hypotheses, which will be tested in the case study in chapter 8. Another objective of this study is to explore Fair Trade both in terms of its impact on horizontal inequalities and its resulting potential to stabilise conflict-prone countries and therefore contribute, in a larger sense, to conflict prevention. As we have demonstrated in Chapter 5, there is some propensity towards civil strife and conflict in Bolivia due to the existence of widespread horizontal inequalities targeting primarily the indigenous population.[100] In the case of Bolivia, socio-economic deprivation thus varies according to ethnicity.

After the focus in chapter 6 on income levels, the aim of this chapter is to conceptualise the potential role and impact of Fair Trade on conflict prevention and poverty-reducing elements other than income levels in a context such as Bolivia. Subsequently, we wish to develop an adequate framework for the analysis of such aspects in the field. Given the absence of scholarly contributions that have explored the link between Fair Trade and Conflict Prevention, our analysis will be framed by the concept of Horizontal Inequalities[101] (HIs), which posits that the existence of severe inequalities between culturally defined groups has relevance for conflict because group identity becomes a source of political mobilisation. As has been previously demonstrated in Chapter 5, this framework bears particular explanatory power in the case of Bolivia. On that basis, we will explore the link between HIs and Fair Trade and assess whether Fair Trade has any discernable impact on HIs, positive or negative, if it targets a culturally defined group such as indigenous coffee producers. In other terms, does Fair Trade in any way improve the group's position relative to others, notably conventional coffee producers and what does it imply? And if so, can we say anything about Fair Trade's impact on conflict prevention? It is however beyond the scope of this study to draw general conclusions on a national level as the geographical concentration of coffee plantations restricts our analysis to the Yungas region.

[100] For further details, please refer to figure 5.2.

[101] Studies have confirmed the pertinence of HIs for Bolivia. See for example Gray Molina (2005) and Thorp et al. (2006). However, none has so far explored the link between HIs, Conflict and Fair Trade.

In the following, we will present the outline of our argument:
It has been shown in chapters 1 and 2 that a major objective of Fair Trade is to target poverty-stricken small-scale coffee producers. By paying a higher price per unit of coffee than the conventional market offers, Fair Trade allows small-scale producers to improve their livelihoods and to cover at least their production costs in times of depressed coffee prices. In doing so, Fair Trade offers producers the possibility to continue farming their land while earning a living wage and has thus the potential to reverse rural-urban migration trends in the coffee sector. We therefore posit that Fair Trade can potentially contribute to rural development through its poverty-reducing impact.

As mentioned in chapter 3, 95 percent of the coffee grown at the national level in Bolivia originates from the Department of La Paz. With 60 percent of national coffee production, the province of Caranavi, also called the capital of coffee, is the largest coffee-producing region in Bolivia. It offers ideal climatic conditions for shade-grown Arabica coffee as the altitude varies between 600 and 1800 meters above sea level. Landholdings are usually small with most families owning around 10 hectares, out of which 2-5 h are earmarked for coffee production.

Most small-scale farmers in and around Caranavi are of indigenous origin, either Aymara[102] or Quechua. Most migrated to the region in the 1980s after the international price of tin collapsed and miner families were forced to find other ways to secure their livelihoods.[103] It is important to note that several land reforms undertaken from 1952 onwards have encouraged many families to migrate from the Altiplano into the lowlands to search for alternative livelihoods such as coffee. Our own data in fact corroborates that the majority of coffee producers in this region originated from the Altiplano.[104]

Caranavi is a small municipality of slightly more than 50'000 people (2001 census) with low levels of development, particularly in the fields of infrastructure, health and education.
Its HDI value is 0.590 compared to 0.687 for Bolivia as a whole. 88.6 percent of adults above 15 years are literate and attended school for an average of 6 years only. Life expectancy is lower than in the country as a whole (59.2 years compared with 64) while the average per capita income ($1058/year) is not even half the average income for the

[102] In and around Caranavi, where we conducted interviews, most are in fact Aymara from the Altiplano.

[103] Within the scope of several land reforms, the state already started to relocate indigenous families in the lower regions of Bolivia from the 1950s onwards and gave each family between 3-10 ha of land. These indigenous 'campesinos' are however still among the poorest peoples in Bolivia.

[104] For further details, see appendix A.7 (raw data).

national territory.[105] Caranavi is therefore a rather poor municipality. This was confirmed further by the 2001 census[106] of the National Institute of Statistics (INE) in Bolivia, which established that 86.6 percent of the people in and around Caranavi are poor. The high prevalence of indigenous peoples and the high percentage of poverty are consistent with the findings of the World Bank's Poverty Assessment on Bolivia (2005), which indicates that poverty rates are higher among indigenous peoples.[107] Poverty and indigenous origin thus also seem to be correlated in the province Caranavi.

We have further seen in chapter 4 that indigenous peoples are socially deprived and excluded. The liberalisation of the economy and its effects on the poorest, most often indigenous, and to some extent, the decentralisation process, have all contributed to the radicalisation of indigenous movements, which often originated in rural municipalities and massively supported Evo Morales in the last presidential election.[108] Ethnic politics were thus clearly a dimension of the large-scale riots that took place between 2000 and 2005.
In short, the majority of coffee producers in the Yungas is of indigenous origin and affected by large-scale horizontal inequalities.

Against this background, we make the hypothesis that if Fair Trade aims to improve the livelihoods of small-scale coffee producers by paying a higher price per unit of coffee, there should be measurable improvements in the living conditions such as housing, access to safe water and health facilities, and higher educational opportunities, and contribute to the development of infrastructure projects by way of the social premium. By doing so, Fair Trade would *de facto* reduce horizontal inequalities for the group of small-scale coffee producers. In our case study on Bolivia, the majority of this group is indigenous and we have been able to establish a link between ethnic politics - grievances and political upheavals.[109]

Taking this argument one step further, by reducing horizontal inequalities, Fair Trade could then potentially be regarded as a policy tool for conflict prevention. In other words, by increasing the chances for indigenous coffee producers to improve their livelihoods, Fair Trade could reduce grievances and appease tensions between social groups with

[105] http://www.enlared.org.bo/2005/cdteca/IndiceDesarrollo/idh.htm

[106] http://www.ine.gov.bo/PDF/PUBLICACIONES/Censo_2001/Pobreza/ALA percent20PAZ.pdf

[107] Unfortunately, municipal statistics, where poverty would be measured according to ethnicity, are currently unavailable.

[108] For further details, see Chapter 4.

[109] It is important to note that for our case study on Bolivia we have found a relationship between ethnicity and poverty, which is not necessarily the case for other countries. However, where the ethnic dimension is not predominant, the unit of analysis would then be the group of small-scale coffee producers as such.

respect to access and distribution of resources within society. As social grievances tend to decline where socio-economic conditions improve, coffee producers might then be less inclined to mobilise politically.

Interestingly, Dube and Vargas (2006: 33) have confirmed that 'price stabilization policies of labour-intensive primary commodities can play a role in reducing politically-motivated violence'. In this sense, it would be interesting to explore whether Fair Trade, which precisely intends to stabilise prices and thus incomes may actually reduce political violence. However, such an analysis can only be thoroughly conducted in a context where political violence has been ongoing and concentrated largely in rural areas[110], and therefore goes beyond the scope of this study.

We will further examine how Fair Trade impacts the group of coffee producers as such, be they Fair Trade or non-Fair Trade producers. While Fair Trade farmers may well be made better off, the extent to which Fair Trade will affect the non-Fair Trade farmers will be crucial for the creation of potential inequalities. In times of high prices where all producers benefit from a flourishing coffee business, as is the case at present, inequality is likely to be too low to affect political stability in any case. Should prices, however, fall again, and poverty levels amongst farmers subsequently rise, then we might find similar evidence as Miguel et al (2004), who observe that income losses due to coffee price declines have spurred civil strife.

[110] Some interesting examples for further research could be Colombia, Nepal, Chiapas (Mexico), Guatemala and Côte d'Ivoire.

Chapter 8

Fieldwork description and empirical analysis

This chapter describes the fieldwork and empirical analysis that was undertaken in the Yungas region of Bolivia in the second half of 2006. Based on our theoretical findings, we attempted to find out the extent to which Fair Trade has had a poverty-reducing impact on both members and non-members and through it whether there is potential for conflict prevention on a broader scale.

After briefly explaining our objectives in the field and methodological approach, we divide the chapter into different segments, looking at Fair Trade's impact on horizontal inequalities (human, financial and physical capital), on landless labourers, on women, on income distribution, and finally on excess supply.

8.1. Objectives in the field

Our analysis in the field had two objectives:

1. To assess the impact of Fair Trade on coffee producers, including non-Fair Trade coffee producers. While it has been largely acknowledged that Fair Trade offers numerous benefits for coffee producers that are affiliated to cooperatives (see chapter 2), it remains largely unexplored how non-Fair Trade coffee producers are affected by Fair Trade. Our analysis in chapter 6 and 7 provided a conceptual framework against which to test results.

2. To measure the potential of Fair Trade to reduce Horizontal inequalities (HIs) for indigenous people on a local level through a comparative analysis of development indicators from both Fair Trade and non-Fair Trade producers.[111]

[111] By non-Fair Trade producers we mean all other coffee producers, including organic and conventional producers.

8.2. Description of fieldwork activities in Bolivia

In order to deepen our understanding of the impact of Fair Trade on coffee producers in the province of Caranavi, we conducted a preliminary field visit of three weeks with the following objectives:

- Contact producer organisations and NGOs in the coffee sector
- Visit cooperatives and coffee plants in El Alto
- Test our questionnaire[112] by interviewing producer families in and around Caranavi, Department of La Paz
- Find local research assistance for the actual data collection

After completion of the test phase, we decided to broaden the scope of our analysis, partly because new facts came up in the field[113] and partly because it was methodologically difficult to compare individual non-Fair Trade coffee producers with cooperatives.[114]

Recent improvements in the world market price of coffee and the growing attractiveness of Bolivian coffee on the international market have increasingly attracted local and international companies, which compete fiercely on the local market to buy high-quality coffee.[115] Besides studying two cooperatives, COAINE and Mejillones[116], we therefore decided to include two companies in our analysis: Anditrade, which is an international company working according to Fair Trade principles and exporting primarily to North American markets[117]; and Copacabana, which is a Bolivian company with non-Fair Trade coffee production destined mainly to regional and local markets. This allows us to test the impact of Fair Trade on the JPMs analysed in chapter 6 (of which Anditrade is one) as well as on the non-Fair Trade producers (which sell to Copacabana).

[112] See Appendix A.7.

[113] During our preliminary fieldwork in Bolivia, we were told by the leaders of the cooperatives that private sector companies were increasingly entering the local coffee market in the Yungas and offering prices similar or higher to Fair Trade.

[114] There are two reasons for that: first, because of higher prices most coffee producers are in transition to organic production and most are part of a producer organisation. It is thus almost impossible to identify single conventional producers. Second, it is problematic to make a meaningful comparison between individual producers and producer organisations, as the latter enjoy a series of advantages over the former.

[115] Note that this does not mean that there is a situation of perfect competition amongst the purchasers. The geographical dispersion of farmers continues to give buyers a degree of monopsony power.

[116] Both cooperatives were selected because their coffee is certified by Max Havelaar and sold in the Swiss market.

[117] See chapter 3 for more details.

8.2.1. Methodological issues

In our study, we used both primary and secondary sources to collect quantitative and qualitative data.

Interviews were conducted with a total of 160 producers on the basis of a semi-directly administered questionnaire, with 40 producers, including both men and women[118], in each unit of analysis.[119] Discussions with presidents and leaders of both cooperatives and with technical personnel of both companies proved another useful information source.

Furthermore, research was undertaken in cooperation with each producer group. This allowed us to identify data that are producer group-specific rather than farmer-specific, for instance price received for green coffee, processing stages, yield per hectare and average costs. This data was provided to us by a Bolivian researcher and we will refer to it in this chapter where necessary.

Secondary sources such as documents from the local government (Caranavi Municipal Government), NGOs (e.g. DED, USAID MAPA project), the Rural Investigation and Promotion Centre (CIPCA), INE (National Institute of Statistics) and the Federation of coffee producers of Bolivia (FECAFEB) were additional ways in which information was collected.

8.2.2. Information about producer groups

The following provides information about each producer group:

a) Coaine

- It was created back in 1981, (the first cooperative in Caranavi) and first started exporting in 1989. FLO certification was granted in 1994 and the cooperative received organic certification in 1995. Export capacity in 2004 was 10 containers of green coffee.[120]

[118] Since our study also has a gender focus, the aim was to interview 20 women and 20 men. However, due to difficulties in accessing women, the number of women interviewed is slightly lower.

[119] See Appendix A.7 for the questionnaire and raw data.

[120] A container holds 280 bags of 70 kg each.

- There are 370 members, of which 166 are active members in the cooperative, 153 are just passive members[121], and 51 are in transition to organic production. There are a total of 266 organic producers.
- The cooperative was decertified in 1998 but was able to re-enter Fair Trade in 2003, being certified by IMO Switzerland.[122]
- It receives a price of $1.39/lb for its green organic coffee, which was the minimum price for Fair Trade organic coffee in South America at the time of the study.
- After subtracting selection and export costs, members receive a net payment of $1.20 per pound of green coffee sold.
- Four containers are exported to the Fair Trade market and the remaining production, around 5 to 6 containers, are exported to non-Fair Trade markets. Its principal markets are Italy, Holland and Russian. In the internal market, it sells primarily to Alexander Coffee.[123]
- At present, it does not provide any education and health services to its members due to the fact that it has lost some markets, thereby not having enough financial resources to invest in these areas.
- The financial institutions FADES, ANEB and Banco Mercantil are its credit partners (pre-harvesting credit, for instance).

Sources: Fecafeb, Loeil (2005), own data.

b) Mejillones

- Founded in 1989, first began exporting in 2001.
- 128 members, of which 86 are active members and 42 are passive.
- Organic certification was obtained in 1998, with Bio Latina certifying the production. Inspections take place twice a year.
- Received Fair Trade certification in 2002 (via FECAFE).
- It receives a price of $1.39/lb of green coffee, which was the minimum price for Fair Trade organic coffee in South America at the time of the study.
- After subtracting selection and export costs, members receive a net payment of $1.20 per pound of green coffee sold.

[121] Active members are very engaged in the social organisation of the cooperative whereas passive members only attend important meetings.

[122] In recent years, the cooperative was poorly managed by its (former) managers which meant that it did not fulfill its goals, e.g. not fulfilling contract terms, losing organic certification due to the failure to observe the coffee export contract. There has since been a change of leadership.

[123] A well-known coffee chain in La Paz

- 8 containers are exported to the Fair Trade market and the remaining production, around 4 to 5 containers, are exported to non-Fair Trade market. Its principal markets are the Netherlands and the USA.
- At present, education and health services are not provided, as the cooperative is investing in training courses for its members and is improving its processing facilities.
- ANEB is its financial partner for credits (pre-harvesting credit, for instance).

Sources: Fecafeb, Loeil (2005), own data.

c) Anditrade

- It has 1,200 (permanent) producers that supply coffee.
- Organic certification carried out by IMO, National US, and Bio Latina.
- It sells mostly 'fairly traded coffee' (coffee produced according to 'fair' standards, but not FLO certified) on non-Fair Trade markets.
- 15 containers of specialty organic coffee and 10 containers of 'normal' organic coffee are exported. The former is sold at a price of $1.50/lb whereas the latter receives the world market price (as determined on the NYBOT) plus between 10 and 15 cents. As our data collection started in June 2006, we take the average world market price of the first six months of 2006 as our starting point. NYBOT figures show this to be $1.06/lb. Adding on an average of 12 cents would give us a price received for non-specialty organic coffee of $1.18/lb.
- The average price received for organic coffee (a weighted average of specialty and 'normal' organic coffee) is therefore $1.37/lb.
- Level Ground, a Canadian Fair Trade organisation[124], purchases one container of green coffee from Anditrade per year, and pays an above-market price. Level Ground stipulates that the surplus must be used for educational or health-improving projects. At present, Level Ground purchases make up only one container of coffee.[125]
- Based on its stated desire to improve the livelihoods of farmers and by way of its selling 'fairly traded coffee', it seems to fit in with the model of a JPM in chapter 6.

[124] Level Ground is member of IFAT International, which in turn is member of FLO International. It therefore follows the standards and guidelines of FLO when purchasing coffee.

[125] It is unclear whether Level Ground buys its coffee from a certain group of the 1200 Anditrade producers or whether it arbitrarily buys one container of coffee assuming that all Fair Trade principles are equally applied by all Anditrade producers. We have no specific information on how Anditrade manages this internally. Furthermore, we have not been able to verify if the surplus is used for educational and health-improving projects, but this would doubtlessly be an interesting point to be further explored.

Note that as we do not have data relating to internal distribution of costs and revenue, it is impossible to state whether it is a JPM or whether it maximises its own profits. For the rest of the case study, we give the company the benefit of the doubt and assume that it is not maximising its own profits.

- It pays $0.15 per pound of coffee berries (unprocessed) delivered.

Sources: own data

(d) Copacabana

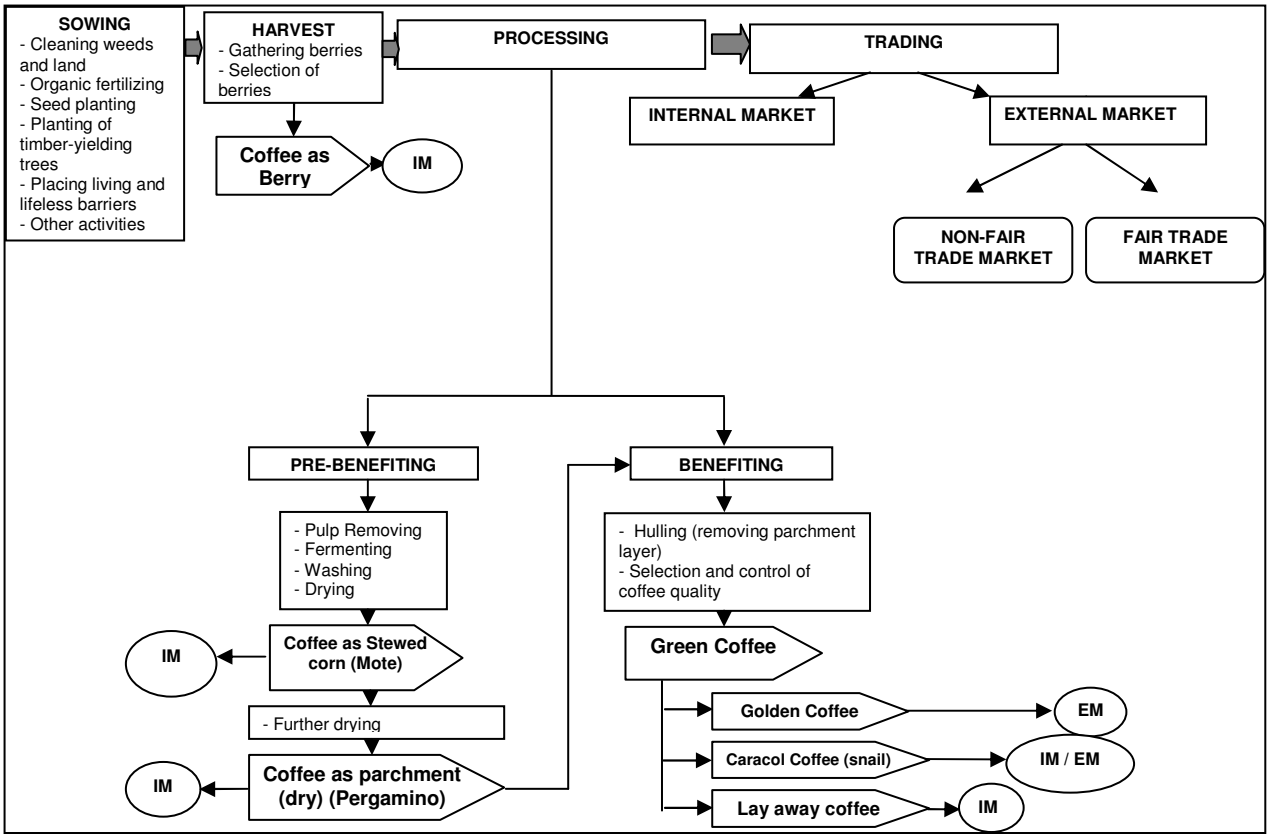
- It has 320 producers supplying coffee.
- It is a profit-making organisation that sells on the non-Fair Trade market. For the time being, it is not involved in any specialty market and mainly exports to Chile and sometimes to Argentina, with the remainder being sold on the internal market.
- The price it receives for green coffee is unknown.
- It pays $0.29 per pound of stewed corn (semi-processed coffee) delivered.

Sources: own data

8.2.3. Structure of the coffee market in the province of Caranavi

Chapter 3 already gave an overview of general processing steps taken in the coffee market. We now wish to complement this by looking at the figure below, which gives a concrete example of how the coffee market is structured in the province of Caranavi.

Figure 8.1: Processing and trading in the coffee market in the province of Caranavi



NB: IM = internal market, EM = external market

After sowing and harvesting, the coffee berries are collected. These can either be sold on the internal market to a trader/processor, or processed further by the farmers themselves. The first step in the process chain is what is known as 'pre-benefitting'. This involves removing the pulp, fermenting, washing and drying. The produce of this step is called 'stewed corn' (or 'mote', defined as coffee beans with high levels of humidity). Again, this can either be sold on the internal market to a trader/processor, or further processing can take place. The next step in the production chain involves a longer period of drying, resulting in coffee parchment (also known as pergamino). Similar to berries and stewed corn, this can either be sold or processed using one's own equipment. Additional processing at this stage involves hulling (removing parchment layer) and selection and control of coffee quality. This provides us with green coffee, which, depending on the quality, is either of 'golden' quality (sold on export markets) or of lower quality ('snail' or 'lay away', sold on the internal market). Note that 'snail' coffee can also be exported to Chile or to Argentina. The external market, finally, consists of either non-Fair Trade (which can be either of the conventional or the organic type) or Fair Trade.

This description is important for the analysis that follows, as the farmers belonging to the different producer groups sell their produce at different stages of the value chain:

- Farmers selling to Anditrade deliver berries
- Farmers selling to Copacabana deliver stewed corn
- Farmers selling to Mejillones and Coaine deliver parchment

We now wish to turn to the impact that the various producer groups have had on coffee farmers.

8.3. Impact on Horizontal Inequalities (HIs)

In Chapter 4, we identified a series of socio-economic HIs that affect indigenous peoples in Bolivia. We then argued in chapter 7 that the majority of coffee producers in the coffee-producing region of Caranavi are of both indigenous origin and poor. We then hypothesised that Fair Trade could reduce socio-economic HIs and thus potentially appease or stabilise conflict-prone countries. In this section, we wish to review the results from the field and present the major conclusions regarding the impact of Fair Trade on HIs. For this purpose, we have identified a number of socio-economic indicators grouped according to **three dimensions** that we will now briefly discuss before moving on to the actual analysis:

- ***Human capital***: indicators are educational level, years of schooling, type of coffee produced (stage of processing), possibility to attend and regularity of training courses. These indicators will allow us to discern any positive impact of Fair Trade on producers' education and on capacity building.
- ***Financial capital***: indicators are income levels, access to pre-financing, assets. This information will provide us with valuable information on the financial situation of coffee producers and allow us to measure whether from a strictly financial perspective Fair Trade producers are better-off than all others.
- ***Physical capital***: indicators are access to water and electricity, quality of dwellings, local infrastructure (roads, schools, and health facilities). These indicators allow us to identify any differences in terms of infrastructure development while gathering important information on the use of the social premium, which is an essential part of Fair Trade.

8.3.1. Human capital

Level of education

The overall level of education of both Fair Trade and non-Fair Trade producers remains very low, with a total of 58% who have not finished primary school. Surprisingly, this number is slightly lower for the women interviewed (56%)[126], but is high for both Mejillones and Anditrade with 58.3% and 71% of women respectively. As illustrated in the figure below, the level of education tends to be similar for both Fair Trade and non-Fair Trade producers alike. However, we note a slow improvement in the children's educational attainments, albeit with no major difference between the two groups.[127] For example, 34.3% of children in the Mejillones cooperative attend secondary school against only 7.5% of their parents, which is a substantial progress. Similar data was gathered for Copacabana (Non-Fair Trade) where the ratio is 21% of children against 4.8% for their parents. In fact, the data indicates that the level of education has improved for all children in the four producer groups whether they belong to a Fair Trade cooperative or not.

While only a small percentage of children are enrolled in tertiary education, our data shows that Fair Trade cannot be the explanatory variable since the percentage of children enrolled is similar for both Fair Trade and non-Fair Trade producers. Against our expectations, none of the Anditrade children in our sample attends any form of tertiary education although they are supposed to receive scholarships for that very purpose. However, this could of course be related to our small sample. It is thus difficult to draw any conclusions regarding the positive impact of Fair Trade on the level of education as the improvement is more likely to be related to the fact that access to schooling has been a major target of development projects in recent years. Nevertheless, it is promising to see that the ratio of children involved in secondary and tertiary education is rising steadily for all producer groups.

[126] However, it must be noted here that in some cases women had serious difficulties answering the questions.

[127] For producers' children, the percentage indicated is for both sexes.

Figure 8.2: Level of education according to different producer groups and their children (percentage)

Level of education	*Coaine*	*Mejillones*	*Anditrade*	*Copacabana*
Producers[128]				
- Primary	22.5	17.5	22.5	22.5
- Secondary	20	7.5	12.5	4.8
- Tertiary	5	0	0	4.5
- No education[129]	52.5	75	65	41
Children				
- Primary	34.8	33.6	36.2	33.6
- Secondary	34	34.3	42	21
- Tertiary	5.2	4.4	0	4.5
- No education	26	27.7	21.7	41

Sources: own data

Capacity building

Fair Trade producers seem to have a broader knowledge of coffee production processes and the coffee market than producers from both firms. They were able to give detailed explanations on each production step, from washing the berries to the principles of organic production. This was confirmed for both men and women and can be explained as follows: First, Fair Trade producers deliver parchment coffee, which is coffee in an advanced stage of processing, as opposed to stewed corn for Copacabana and berries for Anditrade. Once the parchment coffee has been delivered, the cooperative processes the coffee into Golden coffee for export. Put differently, except for roasting, the production process is dealt with and owned by the producers of the cooperative, which is key for capacity building.

Second, cooperatives regularly offer training courses on topics that are relevant to Fair Trade producers (coffee market, organic production and environmental issues, administrative and financial management etc.), which allows them to continuously improve the quality of their coffee as well as their overall efficiency as a cooperative. In the case of Mejillones for example, the fact that producers have a broader understanding of coffee issues is positively related to above average efficiency levels. Whilst this does not by itself explain their higher efficiency, it can be seen as an interesting indicator.

[128] For the purpose of comparison, both men and women are counted as producers.

[129] This category comprises all those who have not terminated primary school as they are without a final diploma.

These training courses are offered 3-4 times a year in both cooperatives and seem to be very much appreciated by all producers. In the past, Anditrade offered its producers training in organic production, while Copacabana offers no such training courses to its producers.[130]

Given that Anditrade and Copacabana producers deliver coffee in a less advanced stage of processing compared to Fair Trade producers, it might be argued that there is no need for them to acquire specific knowledge about quality and processing since they would get no chance of applying it. It is precisely this knowledge gap that prevents producers from breaking the poverty trap and which Fair Trade intents to bridge. In addition to paying a higher price, Fair Trade aims to give coffee producers the means, notably through trainings and access to pre-financing, to acquire the knowledge they need in order to become small and sustainable entrepreneurs.

In the poverty debate it is a widely accepted fact that voicelessness and powerlessness are the most common elements that underlie poor people's exclusion and that any pro-poor policy should give them the necessary resources to negotiate better terms for themselves. In other words, the aim is to empower poor people and through the accumulation of human capital, to give them the means to lift themselves out of poverty.

According to the World Bank's Sourcebook (2002:19) on empowerment, in its broadest sense, 'empowerment is the expansion of freedom of choice and action. It means increasing one's authority and control over the resources and decisions that affect one's life. As people exercise real choice, they gain increased control over their lives.' [131]

As Fair Trade offers producers a sheltered environment where they can learn how to become entrepreneurs, the cooperative may be seen as a learning centre where risks are collectively shared. Therefore, from a development perspective, Fair Trade literally builds up capacities in the rural sector with the aim that in the long-run these producers may be self-sufficient and survive in a conventional market environment. Whether this aim is eventually achieved goes beyond the scope of this study, but would be another interesting theme to explore.

[130] Although the majority of producers at Copacabana stated that they were engaged in organic coffee production, only a minority was able to explain in detail what organic production implies.

[131] http://siteresources.worldbank.org/INTEMPOWERMENT/Resources/486312-1095094954594/draft.pdf

We found in turn that producers' knowledge about the aims of Fair Trade was rather limited. Except for the higher price paid to them, which was mentioned by 56%, they did not seem to fully understand the underlying philosophy of Fair Trade. Non-FT producers[132] seem to particularly know about the higher price paid to producers through Fair Trade. Others however also mentioned 'a better quality of the coffee', a 'means to support one's family' and 'sustainable production' patterns.

8.3.2. Financial capital

Income

Not surprisingly, our data confirms that Fair Trade-producers have higher incomes from selling coffee than non-Fair Trade producers, as shown in figure 8.3 below. This snapshot will be discussed in more detail further below in section 8.6. In the cooperative Coaine however, incomes are significantly lower ($777/ha) than in Mejillones, which section 8.6. shows to be related in part to lower efficiency levels. Therefore, if Fair Trade cooperatives have high efficiency levels, producers can significantly increase their revenues and consequently provide a better living to their families.

Figure 8.3: Net annual profit per hectare ($)

PRODUCER GROUP	Net annual profit per hectare ($)
Mejillones	1231
Coaine	777
Anditrade	665
Copacabana	270

Sources: own data

Our data further shows that the majority of Fair Trade producers have enough income to provide their families with a decent living, whereas this number is smaller in the case of Anditrade and Copacabana. Another compelling fact is that the number of producers involved in other income-generating activities, such as taxi driving for example is higher for non-Fair Trade producers. As regards crop diversification, our data shows that Fair Trade producers are indeed diversified, producing and selling crops such as citrus fruits

[132] This information only applies to Copacabana producers.

and vegetables. Diversification is in fact strongly advocated by FLO to avoid reliance on a single crop such as coffee with its history of excess supply and volatile prices.

In our data, we further found that coffee producers with low incomes from coffee production tend to supplement their incomes by cultivating coca. For example, they are more than one third (36%) in the case of Copacabana producers, 23% at Anditrade against a small 6.5% at Coaine. It is noteworthy that none of Mejillones producers seem to be involved in coca production, at least in our sample. A possible explanation might be that their income allows them to secure a decent living[133] without having to cultivate and sell coca.[134]

Pre-financing facilities

In Bolivia, access to credit is constrained by high interest rates and a lack of policies acting as incentives for the promotion of business activities.

Producers of both Coaine and Mejillones mentioned that they enjoy easier access to financing because of cooperative membership (77% and 100% respectively). On the other hand, neither Anditrade nor Copacabana seem to facilitate financing for their producers.

8.3.3. Physical capital

Living conditions

While it is difficult to identify any differences with respect to housing and infrastructure, 40% of Mejillones producers (men and women) state that with the profits from Fair Trade they have been able to improve their dwellings, buy new clothes and better food, and send their children to school.

As regards electricity for example, families from Mejillones are significantly better off than all others with 70% having electricity in their houses and access to potable water. The

[133] This was the original impetus of the USAID Mapa project, which regarded the development of specialty coffee in the Yungas as a potential barrier to coca cultivation. Its three main objectives were: the eradication of illegal coca in the Yungas, the prevention of new coca plantings, and the creation of licit economic alternatives in the region for coca and other farmers through the development of additional/alternative income earning opportunities. For further details on the Mapa project see the evaluation report drafted by Donald & Wing (2003) on behalf of Checchi Consulting for Usaid.

[134] It is however not clear whether producers would admit to cultivating coca as it is still illegal to cultivate coca as a crop for commercialisation. FLO has no specific policy with respect to coca cultivation and follows national legislation.

same however is not true for Coaine producers, whose living conditions remain far more rudimentary with only 12.5% having access to potable water. While none of the producers officially have 'regular' electricity, 27.5% get electricity from solar panels.[135] In comparison, Anditrade producers fare better in terms of potable water with 42.5% and 19% respectively. In comparison, only 19% of Copacabana families have access to potable water and 14% have electricity in their houses.

Infrastructure

It has proved almost impossible to isolate the effects of Fair Trade on infrastructure development. This is compounded by the fact that in cooperatives like Coaine, producers are spread over several villages and that infrastructure tends to vary greatly from village to village. Most infrastructure development was further sponsored by development agencies and NGOs as was the case in Calama[136] where USAID supported the construction of the local school with recycling bins and solar panels.

The positive impact of Fair Trade on infrastructure could stem from the utilisation of the social premium. Our results indicate that *the social premium has largely been invested to improve production facilities, notably through the acquisition of pre-benefit and benefit plants.* Both Coaine and Mejillones producers have mentioned these plants when asked about major improvements in their villages. While this is doubtlessly positive in terms of capacity building and quality improvement, it remains debatable whether this has 'improved their livelihood' as such. According to FLO standards 'Premium money in this sense is meant to improve the situation of local communities in health, education, environment, economy etc.', which means in other terms that it is up to producers' organisations to allocate the money accordingly. The only requirement put forward by FLO is that the premium be managed transparently and that 'decisions on its use are taken democratically by the members of the cooperative'.[137]

For the two cooperatives under study, most of the money seems to have been invested into a common fund that is used for improving production facilities or serves to pay off the debts of the cooperative.[138] On the basis of the number of exported containers, we have calculated the estimated amount of the Premium that the two cooperatives are likely to

[135] A possible explanation is that in the case of Coaine, producers are dispersed in several villages, which might make it more difficult for the cooperative to concentrate its activities and benefits.

[136] Village where the cooperative Mejillones is based.

[137] http://www.fairtrade.net/fileadmin/user_upload/content/Generic_Fairtrade_Standard_SF_Dec_2005_EN.pdf

[138] Only in the case of Coaine.

receive each year. As Coaine exports only 4 containers to Fair Trade markets, it receives revenue of $8642 from the social premium at cooperative level, which divided by its 370 producers results in an average of $23.36 per producer. Not surprisingly, given its higher productivity levels, Mejillones gets a total of $17,284 which represents an average of $135 per producer.

Although the amount is fairly substantial in the case of Mejillones, so far, the cooperative has not funded any social project nor has it engaged in any partnership with the local municipality as regards infrastructure development.[139] A possible explanation might be that as a relative newcomer, it first needed to establish itself in the coffee market by raising productivity levels and improving the quality of its coffee. The premium seems to be Fair Trade's best tool to reduce Horizontal Inequalities (HIs) and therefore, could potentially make a significant contribution to producer's collective well-being. By giving local communities the opportunity to invest in local development projects such as the building of schools, dispensaries or wells that benefit the entire village community, including non-Fair Trade producers, the Fair Trade premium can make a significant contribution to local development. In terms of poverty reduction, the premium therefore seems to have a larger impact than a simple rise in income at the level of the family where the risk exists that the money be adversely allocated.

Concluding remarks

In short, our data points to a potential contribution of Fair Trade to reduce HIs for indigenous coffee producers, notably through its positive effects both on income and capacity building. As we have seen however, there is no obvious link between the higher price producers receive for their coffee and measurable improvements in their livelihoods, since the cooperative's overall efficiency and productivity levels largely determine producers' revenues and their resulting welfare. Finally, the social premium, which may have the largest impact on HIs, provides communities with a powerful tool to promote local development that responds to collective needs.

[139] Interview with FLO Consultant in La Paz, June 2006.

8.4. Impact on landless labourers

For Fair Trade to maximise its poverty-reducing impact, we initially assumed that the higher price paid to producers would somehow be reflected in the wages of hired labourers, who are by far the poorest ones in the coffee supply chain, since they have no other assets except their labour force.

In its guidelines for small farmers' organizations, FLO points out that with respect to conditions of employment for workers, the ILO Plantation Convention 110 as well as ILO Conventions 100 on equal remuneration and 111 on discrimination apply.[140] Among the minimum requirements FLO states that 'salaries are in line with or exceeding regional average and official minimum wages for similar occupations.' In Bolivia, the minimum wage according to presidential decree 28699 of 1 May 2006[141] is 500 Bs per month (approximately $65).

We found two sorts of hired labour in the cooperatives: seasonal labourers contracted to collect coffee berries and labourers (only women) called 'palliris' hired to manually select the coffee beans (parchment).

We found that daily labourers are paid the same wages whether they are hired by Fair Trade producers or by conventional or organic producers, i.e. on average between 5 - 7 BS per can.[142] Most labourers gather an average of 6 to 7 cans per day, which results in a daily income ranging from 30 - 42 BS ($3.75 - 5). All Fair Trade producers invariably offer food and accommodation to their labourers, which is not necessarily the case for non-Fair Trade producers. It is reasonable to assume that labourers work 6 days a week, which would then result in a monthly wage of at least 720 Bs ($85), which is 44% above the national minimum wage.

The situation however is worse for women labourers. In the cooperatives, 'palliris' are paid between 18-19 BS per bag of 50kg of selected coffee beans. On average, they manage to do 1.5 bags per day working at a fast pace, which results in a daily wage of at least 28.5 BS ($3.5).[143] Working hours however did not seem to be subjected to any type of regulation and working conditions were strenuous.[144]

[140] The text of all three Conventions may be downloaded at http://www.ilo.org/ilolex/english/subjlst.htm.

[141] http://www.mintrabajo.gov.bo/Archivos/Leyes/DS%2028699-28700.pdf.

[142] A can is approximately 5kg.

[143] The wage is entirely dependant on the output per day and is therefore just indicative.

In the case of Anditrade, coffee selection is partly mechanised and women labourers are paid between 24 - 28 BS/day ($3 – 3.5). Women are hired on a temporary basis and they work 6 hours a day during six months. These wages happen to be 36.8% above the minimum wage and are therefore in line with FLO regulations.[145]

The official position of FLO in that respect is that the 'original smallholder concept' did not envisage hired labour as being part of the Fair Trade system. In the meantime, FLO has updated its standards to include hired labour, but this does not yet apply to labour hired by individual smallholders. However, a review process of FLO standards is currently being undertaken and these sorts of issues are seriously reconsidered. The outcome of the review process is expected in mid to late 2007.[146]

8.5. Impact on women

We interviewed a total of 52 women and found a series of noteworthy aspects: women tend to work as much as men in the coffee plantations, working an average of 12 to 15 hours during harvest in addition to their regular household burden. Surprisingly, Fair Trade women tend to work even more, especially outside harvest time, than their female counterparts at Copacabana and Anditrade. While it is known that organic production requires greater care of coffee trees, Fair Trade producers seem to dedicate even more time to their plants. This positive development as such seems however to be borne essentially by women, increasing their already heavy work charges. This might further explain why the majority of women tend to buy their vegetables instead of cultivating them, which would require extra time.

A very encouraging aspect is that Fair Trade women have a broader knowledge about coffee production than the women interviewed at Copacabana for example. This highlights that the trainings provided to producers also seem to have a positive impact on women who sometimes even participate. Furthermore, Fair Trade women perfectly understood the importance of organic production methods and their positive impact on health and the

[144] In both cooperatives, the selection of coffee is an entirely manual process. Our observations showed most women sitting on the floor in a difficult position to select the coffee. In one cooperative however, some women worked on desks and we were told that this would be the case for all women soon.

[145] Copacabana does not employ any 'palliris' as its production is completely mechanised (Personal communication from the Director of Copacabana, February 2007).

[146] Personal communication from FLO (December 2006).

environment. A majority of Fair Trade women for example tend to apply these methods on other produce they cultivate. This number is significantly lower at Anditrade.

In terms of participation within the cooperatives, most women attend the cooperative meetings and a majority stated that they participate in decision-making processes. However, no woman is yet represented in the cooperative's leadership and it is obvious that they are not being considered on an equal basis as their male counterparts. The cooperative Mejillones for example created a women's department to increase the participation of women within the cooperative. This department, headed by a couple of active women, promotes activities such as sewing and knitting with the aim of generating additional income for the family during winter time. However, as we have mentioned above, these activities come in addition to the heavy workload that already rests on women and in these circumstances will have only a limited impact.

In conclusion, we can note that where cooperatives do exist, women tend to be more socially integrated. Cooperatives further specifically encourage women to share experiences and to develop their own activities.

8.6. Impact on income distribution

We assess the impact on income distribution in two different ways:

- Firstly, a static comparison of profits received by farmers: this allows us to identify how much farmers receive, as well as to understand the reasons behind it.
- Secondly, a dynamic development of profits: this helps us to examine whether the entrance of the Fair Trade cooperatives in the Yungas has led to non-Fair Trade farmers earning more or less as a result, and additionally whether inequality has actually increased or not.

8.6.1. Comparison of profits

To be able to compare profits meaningfully, recall that the different producer groups buy coffee at different processing stages from the farmers:

- Farmers selling to Anditrade sell berries
- Farmers selling to Copacabana sell stewed corn
- Farmers selling to Mejillones and Coaine sell parchment

This will clearly affect the amount of processing that the farmers undertake themselves, and will therefore influence the costs they incur as well as the price they receive. Let us now turn to these variables:

Costs

Farmers selling to Mejillones reported an annual cost per hectare of $620. Coaine producers incur costs of $592, Anditrade farmers of $450 and Copacabana suppliers of $400. These are the costs of producing coffee on a given hectare - whether as berries, stewed corn, or parchment -, and include elements such as the cost of machinery, the cost of cultivating the land, and the various costs involved in different processing steps such as removing the pulp, fermenting, washing and drying. The lower costs of Anditrade and Copacabana relate to the fact that there is less processing undertaken than at the Fair Trade cooperatives, as well as the fact that Copacabana produces little – if any – organic coffee.[147]

Price

Mejillones and Coaine both receive $1.39 from the sale of a pound of green coffee. Out of this, they pass on $1.20 to the farmers. The farmers, in turn, deliver coffee parchment. As we show in figure 8.6 further below, Mejillones requires 1.23 lbs of parchment in order to process 1lb of green coffee, whereas Coaine needs 1.37 lbs of parchment. Therefore, farmers selling to Mejillones receive a price of $0.975/lb of parchment delivered ($1.20/1.23) whereas those supplying parchment to Coaine receive a price of $0.876/lb ($1.20/1.37).

Anditrade pays $0.15 per pound of coffee berries it purchases, and Copacabana pays $0.29 per pound of stewed corn. Recall that costs are given on a per hectare basis, with prices depicted on a per pound level. To relate the two, and thereby calculate the income per year of the various farmers, we need to know how many pounds can be produced per hectare.

Yields

The figure below shows the average yields of each producer group per hectare:

[147] Copacabana itself states that its farmers produce organic coffee, but in interviews, the farmers themselves could not explain the basic principles behind organic growing. It is doubtful whether they do actually produce organic coffee or not.

Figure 8.4: Average yields per hectare

PRODUCER GROUP	Berry lbs	Stewed Corn lbs	Parchment lbs	Green Coffee for Export lbs
Mejillones	8500	2833	1898	1548
Coaine	7500	2533	1563	1145
Anditrade	8500	2805	1852	1521
Copacabana	7000	2310	1365	

Sources: own data

To explain the figures, take a look at Anditrade: per hectare of land, its farmers are able to produce 8,500 lbs of berries. From this, Anditrade is able to process 2,805 lbs of stewed corn, which in turn is used to produce 1,852 lbs of parchment. The final processing stage yields 1,521 lbs of green coffee.

As can be seen, both Anditrade and Mejillones have higher yields than Coaine and Copacabana. Therefore, Fair Trade by itself does not seem to explain differences in productivity. Furthermore, the non-organic production of Copacabana produces lower yields than the organic production of the two Fair Trade cooperatives, even though organic production is more time-consuming in terms of labour and does not use inputs such as fertilizers and pesticides. Our field work did not provide us with enough clues as to why this is.

Profits

The annual profits of the farmers were shown above in figure 8.3. Figure 8.5 below shows how we get to these numbers, using the data shown so far on prices, yields, and costs.

Figure 8.5: Revenue and costs per hectare

	(A)	(B)	(C) = (A) · (B)	D	(C) - D
PRODUCER GROUP	**Price per lb ($)**	**Yield per hectare (lbs)**	**Revenue per hectare ($)**	**Costs per hectare ($)**	**Net annual profit per hectare ($)**
Mejillones (Parchment)	0.975	1898	1851	620	1231
Coaine (Parchment)	0.876	1563	1369	592	777
Anditrade (Berry)	0.15	8500	1275	450	665*
Copacabana (Stewed Corn)	0.29	2310	670	400	270

Sources: own data

* The net annual profit of Anditrade includes the subtraction of transport costs incurred by the farmers (equivalent to $0.01875 per lb of berries) which are not included in the costs per hectare. Alternatively, we can think of Anditrade paying a price per lb of $0.13125.

As we can see, farmers belonging to the Fair Trade cooperatives receive an annual profit that is higher than farmers selling to other groups. However, these numbers alone do not say why the profits differ that much. The next section deals with this question.

8.6.2. Explaining differences in profits

What can explain the differences shown in figure 8.5? The following five variables play an important role:

- Price received for green coffee
- Goal of producer group
- Efficiency in production[148]
- Business efficiency[149]
- Position in the value chain

Let us now look at each one in turn:

[148] Efficiency in production measures the extent to which inputs can be transformed into outputs. The more efficient the cooperative, the less inputs (e.g. coffee berries, stewed corn, and/or coffee parchment) it will need to produce one unit of output (e.g. green coffee). Note that we do not include labour as an input in the analysis due to lack of data.

[149] Business efficiency is defined as the manner in which the producer group is run and how costs are managed. Lower business efficiency will translate into higher costs and consequently lower profits.

Price received for green coffee

The higher the price received for green coffee, the higher will be the profits accruing to the farmers.[150] Strikingly, three of the producer groups analysed receive similar prices for their green coffee: Mejillones and Coaine receive the Fair Trade price of $1.39, and Anditrade receives the weighted average price of $1.37. If Anditrade were to receive the same price as the Fair Trade cooperatives ($1.39), and if it were to pass this increase in price on to the farmers – a realistic assumption if processing costs stay the same and if it wishes to improve the livelihoods of the farmers – then it would increase the price paid for the berries to $0.17. This would provide Anditrade farmers with an annual revenue of $1445/ha (=0.17 x 8500) and a profit of $835 (after subtraction of transport and production costs), which is a higher income than Coaine farmers earn, but still lower than Mejillones.

As for Copacabana, although we do not know the price it receives for its sales of green coffee, we can safely say that it will be substantially lower than $1.37 or $1.39, as its sells to Argentina, Chile and the internal market, which indicates lower quality. This also is one explanation as to why its farmers' profits are lower.

Goal of purchaser

A purchaser can have many different goals. For instance, it may wish to maximise profits for itself. Alternatively, it may wish to maximise benefits accruing to its suppliers in the form of income and/or other livelihood-improving services (such as health care provision). The level of income received by farmers depends crucially on such goals. A profit-maximising company facing little competition will tend to force down the price paid to its farmers in order to achieve its goal. Ceteris paribus, this will lead to a lower income from selling coffee and may provide an explanation for the difference in profits made by the suppliers of Copacabana – a profit-maximising enterprise – compared to the rest.

Even amongst those purchasers that wish to maximise benefits to its suppliers – an assumption we have made for Anditrade and the two Fair Trade cooperatives -, the level of income generated by its suppliers will vary according to how much each distributes as income to be used at the discretion of the farmers and how much each keeps behind to provide services such as health care, scholarship funds, etc. This may provide an explanation behind the lower profit levels of Anditrade farmers as opposed to those in Mejillones and Coaine.

[150] Higher prices are also related to higher quality levels, but this in turn could lead to higher costs, which may negate part of the increase in profitability. Here, we assume constant costs.

Efficiency in production

Recall that efficiency in production is measured by the number of inputs needed to produce a unit of output. As stated in footnote 148, a more rounded analysis of efficiency would include data showing labour productivity. As we do not have this data, we define inputs as the pre-processed and output as the post-processed coffee beans (at whatever stage of processing). Figure 8.4 above showed us the average yields of the different coffee types per hectare. From this, we can gauge information about the different processing steps. For instance, we know that Mejillones farmers can produce 8,500 lbs of coffee berries a year. From this, 2,833 lbs of stewed corn are made. Therefore, 3 lbs of berries are needed to produce 1 lb of stewed corn (=8500/2833). Alternatively, 2,833 lbs of stewed corn are used to produce 1,898 lbs of coffee parchment: this is equivalent to 1.49 lbs of stewed corn required for each lb of parchment (=2833/1898). Performing these calculations for all purchasers, using the data given in figure 8.4, provides us with the following data:

Figure 8.6: Production efficiency

	Lbs of berries to produce 1 lb of stewed corn	Lbs of stewed corn to produce 1 lb of parchment	Lbs of parchment to produce 1 lb of green coffee (export)
Mejillones	3.00	1.49	1.23
Coaine	2.96	1.62	1.37
Anditrade	3.03	1.51	1.22
Copacabana	3.03	1.69	

Sources: own data

We can see that Mejillones and Anditrade exhibit greater production efficiency in general than both Coaine and Copacabana. This relative efficiency explains at least in part why profits for Mejillones farmers are higher than that for Coaine farmers. Although both cooperatives receive the same price per pound of green coffee sold, the higher (input) costs that farmers in Coaine bear bite into their profits.

Relative production inefficiencies also describe the low level of profits received by Copacabana farmers; it will produce relatively less than the other groups for any given level of input, which translates into a lower demand for its stewed corn. This will reduce the profitability of Copacabana farmers, ceteris paribus.

Which aspects affect productivity levels? Certainly, the amount of capital (machinery) and technology used will have an impact on efficiency levels: the greater both are, the less inputs will be needed per level of output. The same applies to labour: the more skilled it is, the more productive it will be when processing, lowering input requirements for given amounts of output.

Business efficiency

Another explanatory variable is business efficiency. Note the difference between this and efficiency in production. Whereas the latter deals with the amount of output that can be produced with inputs, business efficiency has an effect on the cost of doing so. Therefore, the more inefficient a business is run, the lower the profit made by each individual farmer.

Take Anditrade: even though its efficiency in production is relatively high, the cost of doing so could also be higher than average: the machinery may cost more to maintain than in other groups, it may have more employees to pay, or the running of the whole business may cost more. If this is the case, this would explain at least in part why its farmers earn less than those in the Fair Trade cooperatives. As we do not have access to Anditrade's cost structure, we cannot verify this point.

Position in the value chain

A final explanation may lie in the different positions in the value chain. It seems to make sense that the higher up the value chain, the more value-added can be captured by farmers. Is it, for instance, possible that Anditrade farmers would receive more income if Anditrade enabled them to have access to processing equipment?

Looking only at the short-term effects on the income levels (and ignoring the long-term positive effects of capacity building mentioned in section 8.3.1), we can show that Anditrade's farmers would actually not earn any more if they were further up the value chain, *under the crucial assumption that Anditrade really is a company that maximizes benefits accruing to the farmers*. To see why, let us see how such a group would operate: from the price it receives for its output, it will subtract only those costs incurred when processing, and no more. Otherwise, the surplus accruing to the farmers – both directly via the price paid and indirectly via the community benefits offered – would not be maximised.[151]

[151] Note the difference to a purchaser wishing to maximise its own profits; if there is imperfect competition, it will subtract more than the cost of each processing step from the price it receives for its output, in this way making a profit.

Now imagine that the farmers move up the value chain and undertake the processing steps “stewed corn” and “coffee parchment” themselves. They will receive a higher price, but unless they are able to process more efficiently than Anditrade itself, they will bear the same additional costs that Anditrade itself previously bore. And in fact, the surplus on offer to them will ultimately not change. The reasoning is simple: if a group such as Anditrade maximizes surplus used for the benefit of the farmers, it will make no profit for itself at each step of the value chain. Consequently, no additional profit will be available for any farmers taking up the position in the value chain.[152]

Note that this is not to say that farmers should not be encouraged to get involved in various processing steps rather than simply growing; such a move would encourage capacity building, which is an important element of poverty reduction. However, mere profitability would not be affected if the enterprise’s aim is to provide maximum benefits to the farmers.

The same statement is not necessarily true if the purchaser is a profit-maximiser, which attempts to make as much profit as possible at each value-chain step. In this case, the profit that would accrue to the purchaser instead goes to the supplier. Therefore, Copacabana farmers may benefit from being able to produce parchment as opposed to stewed corn. However, note that this is only the case if the farmers are able to process at little additional costs. If it becomes costly for farmers to undertake new processing steps – for instance acquiring and maintaining machinery – the additional revenue may not actually compensate for the additional costs and farmers would not be better off by moving up the value chain.

8.6.3. Development of profits

Up to this point, we have seen that profits are higher for Fair Trade farmers than for non-Fair Trade farmers and have attempted to explain the reasons for it. This analysis provided a snapshot, but to explain the effect of Fair Trade on income distribution in more detail, we need to show what has happened to profits over time. Recall that our framework in chapter 6 looked at various possibilities by which non-Fair Trade income could theoretically be affected. This section is therefore interested in the development of

[152] In fact, farmers may actually be worse off if they undertake additional processing steps less efficiently than Anditrade. In this case, the implied increase in costs would reduce joint profits and hence benefits available to the farmers.

absolute profits of non-Fair Trade farmers over time, as well as their change relative to those of Fair Trade members.

Absolute changes in profits[153]

Chapter 6 concluded that the presence of a Fair Trade cooperative could, under certain circumstances, increase the price paid to the non-members. Before looking at our own field work, it is of interest to observe that other authors have shown that this is indeed what happened: Milford (2004), for instance, mentions that in Chiapas (Mexico), where a cooperative had started to offer a higher price, the price paid by the local intermediaries was also higher. Note that this does not automatically imply causation. For instance, the price paid by the intermediaries may have increased as a result of rising world market prices. Milford, however, shows that in Chiapas, the prices paid by the intermediaries tend to be higher in areas with a cooperative than those without. Clearly, this result does not support any clear causation either, but it certainly seems that the presence of a Fair Trade cooperative raises prices for non-members. Milford mentions instances of multinational companies raising prices paid for coffee beans above that paid by the cooperative in order to force the latter out of business.

Another study which analysed the effects of a Fair Trade cooperative on the prices received by non-members is Loeil (2005). It shows that the price paid to the non-members of the cooperatives in the Yungas rose steadily after the creation of the Fair Trade cooperative, *even though the world market price did not always increase during this time*. In other words, it seems that the prices paid by the local intermediaries in the Yungas were de-coupled from the world market price and that the trend instead followed the upward trend of the price paid by the Fair Trade cooperatives. Again, it is difficult to separate causation from correlation – for instance, the cause of the increase in the price paid to non-members may have been an increase in quality. Nevertheless, the study itself states that it is legitimate to attribute the strong increase in the price paid in the local market to the effects of the Fair Trade cooperative. Again, this would support our findings in the framework.

In fact, our own field report shows similar results. In a market where Fair Trade cooperatives are present, 54% of farmers selling to Anditrade report that they receive, on

[153] This section deals with changes in prices. It is implicitly assumed that there have been no changes in costs, which enables us to equate absolute changes in profits with absolute changes in prices.

average, a price that is 133% higher than five years ago. 46% report a price that is on average 233% higher than five years ago.[154] Does this mean that Fair Trade cooperatives have had a positive effect on the price paid to non-Fair Trade farmers? As mentioned above, we must be careful not to confuse correlation with causation. Let us look at some effects that could have caused this higher price:

- *World market price*: An increase in price received for coffee berries could be a result of an increase in the world market price of green coffee. Looking at the development of the world market price of 'Other Arabicas', data from the ICO's website[155] shows that it increased from 62.28 cents per pound in 2001 (annual average) to 112.38 cents per pound in 2006 (average till September, when the data concerning price developments was collected), an increase of 80.44%. Whilst being a significant rise, it does not fully explain the increase in price received by non-Fair Trade farmers in the Province of Caranavi.
- *Certification of the Fair Trade cooperatives*: the certification of the Fair Trade cooperatives in the district in 2002/03 may, as our theory suggests, have served as an instrument to raise the prices paid by Anditrade. The reduced supply base faced by Anditrade would therefore have pushed prices up, ceteris paribus.
- *Existence of the Fair Trade cooperatives*: after this initial certification effect, the fact that the Fair Trade cooperatives continue to operate in the area may have led to Anditrade paying higher prices in order to prevent their suppliers from being lured away. This could be the case if the Fair Trade cooperatives had become more efficient, being able to provide their farmers with more income, for instance.
- *Greater efficiency levels*: If Fair Trade farmers pocketed more income due to an increase in the Fair Trade cooperative's efficiency levels, joining the cooperative would have become more attractive to non-members. This would have created an incentive for a group such as Anditrade to raise prices itself. It is, on the other hand, entirely possible that Anditrade itself became more efficient. If this is the case, the increase in the price received by the farmers may have been than the increase of the world market price, as is suggested by the data. Basically, if a group such as Anditrade were to receive more for its

[154] Unfortunately, we do not have any data on the price development of those farmers selling to Copacabana. This is due to the fact that many do not know the price five years ago, as well as the fact that those supplying to Copacabana now are not necessarily the same as those five years ago, rendering any comparison meaningless.

[155] http://www.ico.org

green coffee (higher world market price), and if it has been able to reduce its costs (greater efficiency), it will be able to pass on all the more to the farmers.

- *Higher quality*: Another possibility is that the quality levels produced by Anditrade have increased, such that the increase in price received for their green coffee is greater than that on the world market. Note, however, that such an increase in quality may have caused an increase in costs, meaning the positive price effect would have been dampened.

Which effect is the strongest? Comments made by Anditrade's suppliers do not provide us with a clear picture. When asked why they were not part of a Fair Trade cooperative, 50% answered that they did not know, 15% that they did not have the means to invest / upgrade to be accepted, 12% that they lived too far away, 12% that they did not trust the leaders of the cooperative, 7% that they were not part of a cooperative, and 4% that growing coffee was only a secondary activity. It is entirely possible that these answers may not carry as much weight if the differences in income were large: those not trusting the leaders of the cooperative may be willing to swallow their distrust if they were getting so much more than staying put. Those not part of a cooperative may decide to become part of one. Those growing coffee as a secondary activity may find it worthwhile to make it their primary activity. Those not having the means to invest / upgrade may find the price differential attractive enough to take the risk of borrowing money at high interest rates in order to be accepted. Therefore, it is feasible that the farmers could have been lured away had Anditrade not increased the price paid to them. This would suggest that the emergence and existence of the Fair Trade cooperative has had a part to play in the higher price received by non-members. However, we must be cautious when interpreting such matters and without more information, it is difficult to make any definite statements.

Relative changes in profits

After having dealt with the absolute changes in profits of non-Fair Trade farmers, we now turn our attention to changes relative to Fair Trade. Those farmers having moved from Anditrade, for instance, to the Fair Trade cooperatives over the past five years would have seen their profit levels rise by a greater amount than those that stayed at Anditrade. Although Anditrade farmers have seen their profits increase, those that switched would have earned even more from sales of coffee over the last five years (given by the fact that Fair Trade profits today are higher than Anditrade income).[156] Note, however, that as our

[156] This assumes that all Anditrade producers were earning similar profits five years ago.

analysis deals only with profits made from the sales of coffee, we are not able to draw general conclusion about the development of income (which depends on a number of other activities besides growing coffee).

What about if the cooperatives in question had already been in the Fair Trade system five years previously? With Fair Trade coffee income being relatively stable over time (given more or less constant cost and efficiency levels), the growth in non-Fair Trade coffee income could have lowered income inequalities between Fair Trade and non-Fair Trade farmers. Can one then say that Fair Trade helps to reduce income inequalities once cooperatives are part of the Fair Trade market? One side of the coin would suggest this to be the case: as described in 8.6.3.1, Fair Trade cooperatives put pressure on non-Fair Trade purchasers to raise their prices. Another side, however, places doubt on this assumption: rising world market prices have influenced the growth in profits over the last five years – in and of itself independent of Fair Trade. One may think that this distinction is solely of theoretical interest, but if we were to find that the rise in world market prices is the main driver behind less pronounced income inequalities – and not Fair Trade as such – then the reverse would also be true: falling world market prices may increase income inequalities between Fair Trade and non-Fair Trade farmers. However, to determine which effect is the strongest needs more theoretical and empirical research.

8.7. Impact of Fair Trade on excess supply

Recall that chapter 7 identified the issue of Fair Trade's excess supply as absolutely critical: the greater its level, the more likely that non-members will be affected negatively by Fair Trade. As mentioned in chapter 2, Pérezgrovas and Cervantes (2002) and Méndez (2002) find evidence of such excess supply in the Fair Trade cooperatives they examined. Our research produced the same results: Mejillones is able to supply approximately 65% of its coffee to the Fair Trade market, with 35% going to the non-Fair Trade segment. Coaine, on the other hand, only sells 40% as Fair Trade, with 60% going to the non-Fair Trade market. Chapter 7 showed why such excess supply is rational behavior for farmers.

While such a static analysis shows the status quo, what about the development of excess supply? Our results show that 41% of farmers at Coaine have increased their production area (by an average of 1 ha) whereas 64% of farmers at Mejillones have done so by between 0.5 and 2 ha. At the same time, 61% of Anditrade farmers increased the size of

their land by between 0.5 and 2 ha, with 88% of Copacabana farmers saying that they only maintained the size of their plantation and did not increase it.

Note that these results on their own do not demonstrate the dynamics of excess supply. Increasing the production area per se does not have to lead to further excess supply if it is a response to greater demand for Fair Trade coffee. In fact, if the additional demand for Fair Trade coffee were greater than the increase in supply, excess supply would actually fall. Without having more information, we are not able to make any sweeping statement about the development of excess supply in the Yungas.

Chapter 9

Concluding remarks

The aim of the study was to look at the extent to which Fair Trade can be a comprehensive tool for reducing poverty and, as a related element, if it can potentially contribute to conflict prevention. From our findings, we draw the following conclusions:

(i) Fair Trade has the potential to reverse horizontal inequalities and therefore may have a positive impact on conflict prevention

Fair Trade doubtlessly improves the incomes of indigenous coffee farmers and we have found evidence of its poverty-reducing impact. However, the extent to which the higher income has measurable effects on the livelihoods of producer's families, and hence on development indicators, is almost impossible to determine at present, and will be measurable only in many years to come. Overall however, we can say that Fair Trade producers are better-off and for some of them, this is reflected in their living conditions, notably improved housing.

A further aim of this study was to examine the Fair Trade - conflict nexus. While our conceptual analysis indicates that Fair Trade, specifically through its poverty-reducing impact, may actually have a positive effect on conflict prevention, we have not been able to find any evidence in our case study, primarily due to the absence of a local conflict in the first place. While tensions are high nationwide, the case study on coffee restricted our analysis to the Yungas region where the national conflict lines are less prevalent. In addition, the small proportion of coffee producers nationwide has further restricted the analysis of the potential impact of horizontal inequalities on conflict prevention.

Having said this, we can still identify potential conflict lines at the local level: the fact that some coffee producers are made better off than others might be a source of tension if the world market price for coffee were to collapse. Also, in the case of a price decrease, the incomes of Fair Trade producers would be less affected thanks to the guaranteed minimum price whereas the income of all other producers would likely drop sharply. As evidenced by Dube and Vargas (2006) for Colombia, this would probably spur tensions

among producers. For the time being, no such scenario seems plausible, but given the volatility of the international coffee market, it is a possible outcome.

(ii) By providing competition at the level of the intermediaries, Fair Trade has the potential to reduce poverty

As the framework developed in chapter 6 showed, the creation of a Fair Trade cooperative in a local market may, under certain circumstances, create a situation where both those accepted into the Fair Trade cooperative and those remaining as non-Fair Trade benefit. The higher price paid by the Fair Trade cooperative increases the income received by the Fair Trade farmers, an assumption that was borne out by our data. The effect on the non-Fair Trade farmers is not as intuitive, however. As a Fair Trade cooperative is created, it accepts farmers deciding to diversify into coffee and farmers who previously grew coffee. In turn, the intermediary is faced with fewer farmers to buy from and, ceteris paribus, may react by paying a higher price and buying less as a total. Nevertheless, each farmer produces more on average. The case study showed that non-Fair Trade farmers have indeed been made better off since the Fair Trade cooperatives were founded in the Yungas region. Although our data does not allow us to separate Fair Trade's impact from other variables, other case studies indicate that it has played an important part.

Interestingly, in terms of the framework used in chapter 6, it is not the Fair Trade model as such that provides these beneficial results but the fact that the Fair Trade cooperative acts as a *competing intermediary*. The framework depicts the beneficial effects of competition amongst intermediaries without reference to the way in which it is set up (Fair Trade or non-Fair Trade). The reason for this is that a major cause for low coffee prices paid to farmers is the monopsonistic conditions that exist, with little if any competition amongst the purchasers. Enabling competition at this level, whichever way it is achieved, eliminates a significant market failure.[157] Whether this could be done more efficiently by a non-Fair Trade enterprise that does not pay a minimum price is beyond the scope of the study, but is certainly an interesting area for further research. Nevertheless, we can state that ensuring competition at the level of the intermediaries seems to be a positive aspect of Fair Trade, and that this in itself has the potential to reduce poverty levels amongst non-Fair Trade farmers.

[157] See Zehnder (2002) for a more detailed analysis of creating competition amongst intermediaries and lowering barriers to entry.

Note, however, that this is a one-off effect that takes place when a Fair Trade cooperative is created. The future welfare of non-Fair Trade farmers depends crucially on what happens to the world market price, which may or may not be affected by the existence of Fair Trade (see point (v)).

(iii) By enabling capacity-building, Fair Trade has a poverty-reducing impact

Our study has shown that in addition to the price subsidy received for coffee, producers in Fair Trade cooperatives benefit from a series of advantages, which allow them to develop their business activities in a relatively sheltered environment. Through regular training in relevant topics such as organic production, management and financial issues etc., producers have the opportunity to constantly acquire new skills, which in turn allow them to improve the quality of their coffee.[158] In this sense, the cooperative is an ongoing learning centre where producers are encouraged to become small entrepreneurs. Furthermore, as the risks are shared collectively by all members, producers are not exposed to the ordinary risks of entrepreneurship. In so doing, Fair Trade builds up the capacities of the producers by ensuring firstly that they have access to knowledge through regular training and secondly, by encouraging their autonomous handling of the entire production and export process. By acting on these two dimensions, Fair Trade seeks to economically empower producers with the aim to becoming sustainable entrepreneurs able to compete in a market environment. Empowerment in this sense means that producers develop their human capital and with it their capacity to negotiate better terms for themselves. Fair Trade therefore has a strong development rationale and can make a significant contribution to poverty reduction.

The whole issue of capacity building and empowerment, which is key from a development perspective, is probably the most important difference between Fair Trade and the non-Fair Trade companies that came up in our study. Although companies such as Anditrade are committed to corporate social responsibility, the fact that they buy coffee beans at a less advanced stage of processing may, under certain circumstances, not be as effective in reducing poverty. If this is the case, companies that aim to contribute to poverty reduction should further promote skill enhancement and trainings and, where it makes sense from a business perspective, include producers in more complex processing steps.

[158] Many coffee observers believe quality improvements to be the key competitive advantage in the future. The Economist, in its article 'Excellence in a cup' (Jan 25, 2007), reports that targeted assistance provided by Fair Trade, amongst others, can be a 'significant driver in ending poverty'.

(iv) By having influenced trends in the non-Fair Trade market, Fair Trade may have indirectly reduced poverty

The example of Anditrade provided us with an insight into how Fair Trade may have affected the non-Fair Trade sector. For instance, the very fact that a non-Fair Trade company is created that wishes to pay a higher-than-monopsonistic price for the purchased coffee berries makes non-Fair Trade farmers better off. It is difficult for us to judge whether Fair Trade can take the credit for this development in the Yungas, as we have no definite indication that Anditrade entered the market because of Fair Trade or whether they would have entered regardless. Furthermore, we lack information on the way Anditrade shares its profits with the producers are therefore not convinced that Anditrade perfectly fits the conceptual framework presented in chapter 6.

Nevertheless, the example of Anditrade is a very small, albeit incomplete, version of the way in which the trends and structures of the non-Fair Trade market seem to have been influenced by Fair Trade. The increased consumer awareness of social and environmental issues, and, by all accounts, the greater resulting consumer demand for certified coffee, has led to large multinational companies offering Fair Trade coffee[159] as well as promoting various forms of bilateral or multilateral cooperation with farmers outside the realm of Fair Trade. For instance, working alongside the farmers that supply their non-Fair Trade coffee beans, Starbucks pays premium prices that result in higher profits for the farmers[160], ensuring social and environmental standards are respected, investing in social projects in local communities, providing technical assistance and affordable credit.[161] Starbucks thus talks of 'fairly traded' as opposed to Fair Trade certificated.[162]

If the market failures identified in chapter 3 can hereby be eliminated, such a development will have a positive impact on many farmers. Again, the question is whether Fair Trade was the initial trigger to implement these projects; if so, we could state that in this way, it has had an indirect poverty-reducing impact on more farmers than simply those it buys

[159] Nestlé, Starbucks (now the biggest importer of Fair Trade coffee in the US and responsible for 10% of global Fair Trade imports according to its website), McDonald's and Wal-Mart (currently testing) to name but a few.

[160] Its website mentions that '[i]n FY 2004, Starbucks paid on average, $1.20 per pound ($2.64kg) for high-quality coffee beans. This was 74 percent higher than the commodity market's price during the year.' (http://www.starbucks.com/aboutus/bizofcoffee.asp).

[161] Such co-operation with farmers is part of companies' Corporate Social Responsibility (CSR) programmes as well as being in their own economic interest. As demand for higher quality coffee increases, each company will want to ensure a long term constant stream of good quality coffee beans. Working together closely with their suppliers, the individual coffee farmers, to ensure production standards is therefore of mutual interest.

[162] http://justthings.info/files/Just_Things_1_1.pdf

from. Although we cannot say for sure, it seems likely that increased consumer demand for higher social and environmental standards has stemmed at least in part from the inroads Fair Trade has made into the coffee market and the public debate.

Note finally that the impact of 'fairly traded' coffee on consumers, producers, and on Fair Trade in general seems likely to be a recurring topic of discussion. Future research on the differences and relative effectiveness of the various labels promises interesting insights.

(v) If Fair Trade's excess supply lowers the world market price of non-Fair Trade coffee, non-Fair Trade poverty levels may increase

If a Fair Trade cooperative produces more than it can sell on the Fair Trade market, its excess supply often finds its way onto the non-Fair Trade market. Under certain circumstances (e.g. excess supply being sold on the local market, Fair Trade's weight in the world market being sufficiently large), this may contribute to the world market price for non-Fair Trade coffee falling, having a negative impact on non-Fair Trade farmers.

At present, Fair Trade is too small relative to the world market to have much of a negative impact. Nevertheless, if Fair Trade intends to grow and increase its relative size of the world market, the aspect of excess supply will have to be addressed. This is not to say that Fair Trade is the main culprit of the excess supply in the coffee market. As shown in chapter 3, the adjustment to supply and demand instabilities plays a major role in this. Nevertheless, if Fair Trade is to avoid contributing to this problem, it should deal with the issue. To their credit, Fair Trade leaders are aware of this aspect and often publicly state the need to invest proceeds into training and diversification, for instance, rather than simply expanding production.

The case study provided evidence that excess supply exists amongst the Fair Trade cooperatives we studied but we do not have enough information to evaluate the dynamic nature of this phenomenon, i.e. whether it has increased over the years or not.

To summarise our concluding remarks, therefore: Both the conceptual and the empirical analysis have shown that under certain circumstances, Fair Trade does indeed have the potential to reduce poverty levels: whereas the positive effects on its members are relatively robust, the impact on non-Fair Trade farmers is less clear-cut. Under certain circumstances, Fair Trade may indeed positively affect non-Fair Trade farmers, but this depends upon a number of assumptions being valid. Empirically, our analysis was limited

to one region and we were not able to separate out the various factors that impact the income levels of non-Fair Trade farmers. Bearing this in mind, we are wary of advocating Fair Trade as a tool to reduce poverty generally rather than just specifically for its members. Furthermore, we found that by potentially reversing horizontal inequalities, Fair Trade may be able to have a positive impact on conflict prevention. However, these results are again limited due to certain assumptions having been made, as well as the case study having been undertaken in one specific region where there is no conflict as such during a time of rising world coffee prices. On the basis of our empirical results, we are therefore not in a position to fully recommend Fair Trade as a tool for conflict prevention. However, we stick to our theoretical findings, which demonstrated that it has the potential to do so. Whereas this study has shown a number of interesting effects, its hypotheses need to be tested further in different market and conflict environments before any policy prescriptions can be made.

Appendix

A.1. Bolivia's macroeconomic indicators

Figure A.1: Summary of Bolivia's macroeconomic indicators between 1982 and 2003.

Variables	1982-1985	1986-1989	1990-1997	1998-2003
GDP Growth	-2%	3.10%	4.30%	1.90%
GDP per capita ($)	435	707	861	
Inflation	2.74%	29%	11%	3%
Exchange rate devaluation	5.42%	15%	8%	7%
Real Exchange Rate Index (1996=100)			95.6	100.1
Total Investment/GDP	12%	12%	15.70%	17.30%
Total Exports/GDP	31.10%	13.50%	14.70%	15.60%
Total Imports/GDP	24.30%	17.10%	19.60%	21.90%
External Account Balance/GDP	-7.90%	-7%	-4.60%	-4.50%
Foreign Direct Investment/GDP	0.60%	0.60%	3.90%	8.70%
Overall Fiscal Deficit/GDP	-20.20%	-5.60%	-3.60%	-6%
Public Investment/GDP	7%	6.60%	7.90%	6.90%
Total Bank Loans/GDP	4.40%	15%	36.50%	41%
Non performing loans/Total bank loans	31.50%	23.20%	7.30%	12.20%

Source: Jimenez (2005)

A.2. Supply and demand in the coffee berry market pre-Fair Trade

Recall that the framework used in chapter 6 differentiated between two types of products: coffee berries and green coffee. The berries are produced by the farmer, whereas a trader 'produces' green coffee by way of various processing steps.

Trader

A trader will purchase the input 'berries' and produce the output 'green coffee'. Its production function in doing so is subject to familiar decreasing returns in the short run, implying decreasing marginal product. This means that the more berries (input) are used, the lower is the additional amount of green coffee (output) that can be produced if capital is fixed (as it is in the short run). *The additional revenue it can make – its marginal revenue product – therefore falls with an increase in berry usage*. Note that marginal revenue product is also known as the 'value of marginal product'.

Recalling that the only variable expenses are the purchase of berries, the trader will buy the amount of berries that equates its marginal revenue product (MRP) with its marginal expenses (ME).

Farmers

Local coffee farmers are large in number, and are therefore assumed to be price-takers. They face a given price for their berries, namely P_B (B subscript indicates berries), which is determined by the trader.

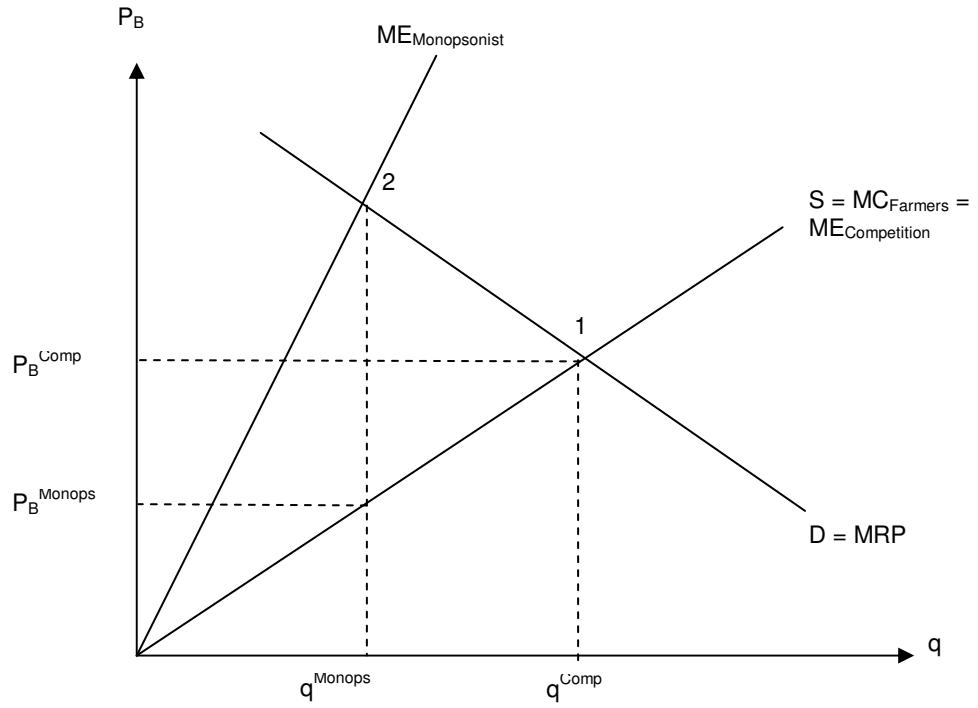
To reduce the level of complexity, without losing any rigour, we assume that the only variable input, and therefore cost factor, is labour. This can be understood as the cost of employing workers on the land or, if no workers are employed, the disutility from working extra units of time. Additional costs of the farmers – known as marginal costs (MC) – increase with the amount of berries produced, a result of the diminishing marginal product of labour: as more berries are picked, an ever increasing amount of labour is needed to pick a further unit (given fixed capital and land). This leads to higher marginal costs for each additional unit of berries produced.

The quality of the berries produced is assumed to be the same for every farmer and all who are able to grow berries are able to sell to a purchaser. For simplification, we assume that farmers are of the same size and produce the same amount.

In equilibrium, a farmer will produce where its additional revenue – referred to from now on as marginal revenue (MR) – is equal to its marginal costs. As its marginal revenue is equal to the price of berries set by the traders, $P_{B,}$ a farmer's optimisation problem is reduced to increasing production until price equals marginal costs: its supply curve is therefore equal to its marginal costs of production.

Figure A.2 below shows the pre-Fair Trade equilibrium:

Figure A.2: Pre-Fair Trade equilibrium



The *supply curve of coffee berries* is given by the linear curve S. This corresponds to the marginal costs of farmers, which we assume to increase linearly in q.

The *demand curve for coffee berries* is given by the curve D, which in fact corresponds to the trader's MRP. In other words, demand is equal to marginal revenue product. More precisely, we define this as $P_G \cdot \frac{\partial x}{\partial q}$. P_G is the per-unit price received for the delivery of x units of green coffee and $\frac{\partial x}{\partial q}$ is the additional amount of green coffee (output x) that can

be produced from a further unit of berries (input q). In other words, $\frac{\partial x}{\partial q}$ is the marginal product of the input factor 'berries' and, as stated above, is assumed to be diminishing. This explains the downward slope of the MRP curve (assuming constant P_G).

As can be seen in figure A.2, there are two different equilibria depending on the market power of the purchaser:

(1) If a trader has no market power at all – i.e. if it is in perfect competition with other traders - its marginal expense is equal to the price of the berries: as it cannot affect the market price, the trader's additional expenditure is what it pays for the berries. Its marginal expense curve is simply the supply curve of the farmers (S), which corresponds to the marginal costs of the farmers. Assuming that all traders have identical MRPs, setting marginal expenses equal to MRP leads to a quantity purchased of q^{Comp} and a price of P_B^{Comp}, with the equilibrium being denoted by 1 in figure A.2.

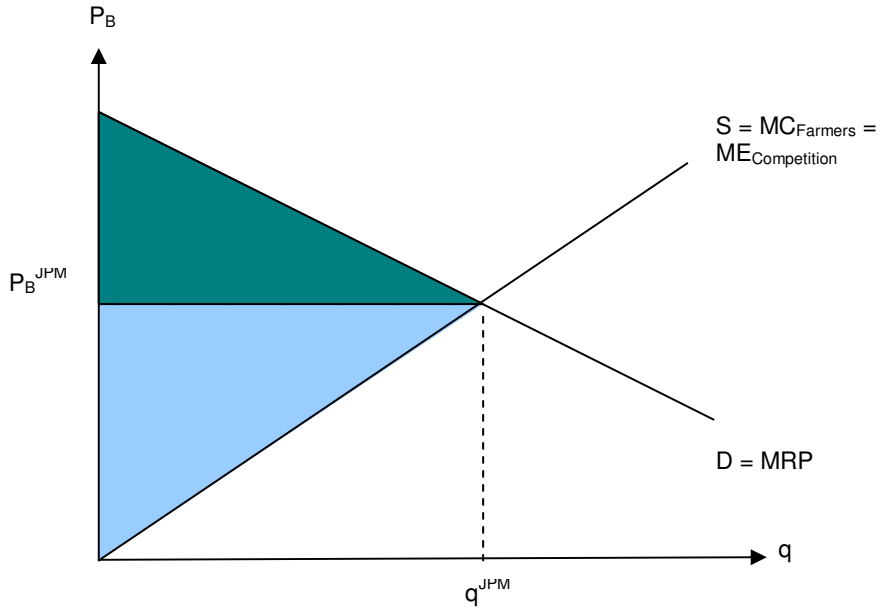
(2) A monopsonist trader, on the other hand, *does* have market power. As it is the sole buyer, a purchase of an additional unit of berries *raises the market price*. Therefore, not only is the higher price paid on the last unit bought, but also on the total quantity purchased up to this point. The marginal expense is therefore the price paid on the last unit *plus* the increase in price to be paid on all other purchased units. Consequently, this marginal expense is greater than the market price. If $P_B(q)$ is the market price of the berries at a quantity level q, then marginal expenses are defined as $P_B(q) \cdot \left[1 + \frac{1}{\eta}\right]$, with η being the elasticity of the farmers' supply of berries. This marginal expense curve is shown in figure A.2 as $ME_{Monopsonist}$. As can be seen, it is above the farmers' supply curve. Setting its marginal expenses equal to its MRP, a monopsonist will buy q^{Monops} and pay P_B^{Monops}, with the equilibrium being denoted by 2 in figure A.2. [163]

[163] An oligopsony, where we have only a few traders, could also be included in the framework. If, however, we assume that an oligopsony would collude and make decisions as would a monopsony in order to maximise joint profits, we can use the monopsonistic market structure in its place.

A.3. Joint-profit maximising company (JPM)

As stated in the study, a JPM will aim to maximise joint profits of the trader and of the farmers. The farmers' profit is given by the price received for berries minus the marginal costs incurred at each quantity level minus any fixed costs. The company's profit is calculated as the difference between its additional revenue – its MRP – and what it pays for the berries (i.e. the price paid to the farmers).[164] Additionally, any fixed costs would have to be subtracted. If a JPM therefore wishes to maximise joint profits, it should purchase the quantity where its MRP is equal to the marginal costs of the farmers. Figure A.3 depicts this situation.

Figure A.3: Joint profit maximisation



The profit (without fixed costs) from the traders' processing and transporting is the green shaded area whereas the profit (without fixed costs) from the farmers' growing is the blue shaded area. The sum of both profits is maximised at the point where the MRP from the company's processing and transporting activities is equal to the farmers' marginal cost of growing.[165] Quantity purchased is q^{JPM} and price paid is P_B^{JPM}. Interestingly, purchasing where MRP of the traders is equal to the marginal costs of the farmers gives us the same

[164] Note that some JPMs undertake their own roasting so would not receive a market price from an external roaster. Conceptually, it makes no difference whether a market price is received or if there is a certain value arising from the delivery of green coffee to the roasting section of the company.

[165] As fixed costs are constant, profit maximisation implies that the sum of profits without fixed costs are maximised.

equilibrium that would exist if we had perfect competition amongst profit-maximising traders (point 1 in figure A.2).

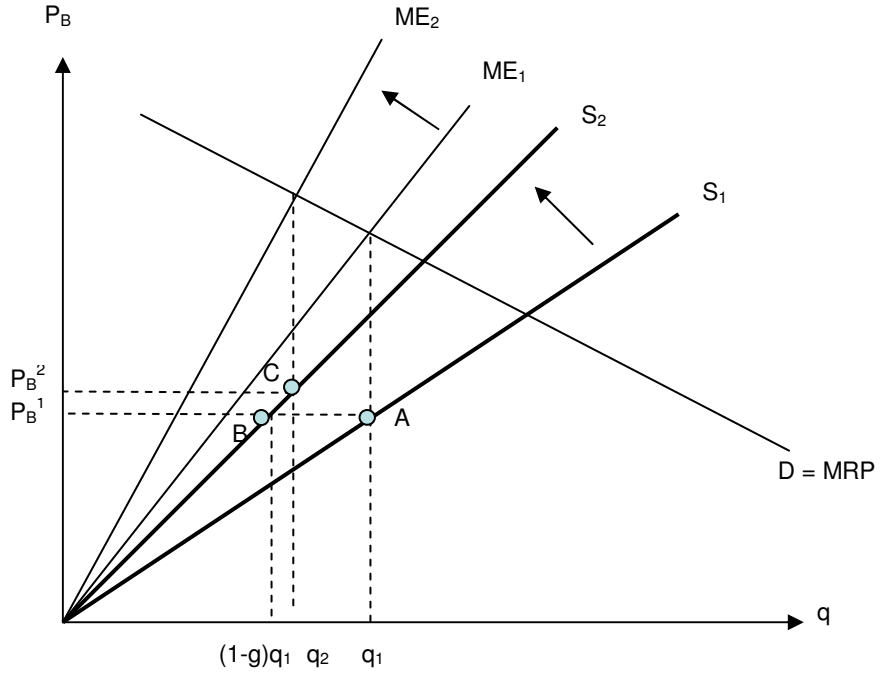
Note also that as the Fair Trade cooperative has the same goal of providing maximum benefits to its members, it will choose its purchase and price levels in a similar way. The actual outcome may be different, however, depending on the extent to which the MRP of the cooperative and the MC of the farmers are different to those existing in the JPM.

A.4. Impact of a Fair Trade cooperative on a local monopsonist

In chapter 6, we stated that the monopsonist will face fewer suppliers when a Fair Trade cooperative is formed, and that – ceteris paribus – the non-Fair Trade farmers will produce more on average and receive a higher price. The following demonstrates this graphically.

When farmers leave the monopsonist to join the Fair Trade cooperative, the supply curve of berries shifts to the left. We call this the 'residual supply curve'. In order for the monopsonist to buy the same total amount of coffee as before, each remaining farmer would have to produce more. This would push up the marginal costs that each farmer incurs and therefore also the price that has to be paid by the monopsonist. Therefore, the residual supply curve has to be to the left of the previous supply curve. [166] Figure A.4 depicts this new situation.

Figure A.4: Impact of Fair Trade on market equilibrium



As the supply curve moves to the left, the monopsonist's marginal expense curve will also move to the left. Assuming MRP stays constant, he will buy a quantity where ME_2 = D,

[166] The residual supply curve does not shift outwards in a parallel fashion due to the fact that it is a percentage of farmers that leave to join the cooperative. The absolute difference between S_1 and S_2 is therefore greater, the more q is produced (even though the percentage change is constant). Note that the steeper residual curve is a result of the greater increase in marginal costs at any given quantity is due to the remaining farmers incurring higher marginal costs.

and pay a price of P_B^2. The figure shows the farmers' price-quantity combination moving from A to C: the quantity demanded falls from q_1 to q_2 and the price received rises from P_B^1 to P_B^2,

Let us look at the quantity purchased first of all. As a fraction of farmers leave the conventional coffee market to sell to the Fair Trade cooperative, the monopsonist will purchase less as a total. This is an intuitive conclusion: the increase in marginal expenses means that at q_1 (the pre-Fair Trade equilibrium), marginal expenses are higher than MRP. A rational trader will react by reducing the amount of berries purchased in order for MRP to rise and marginal expenses to fall. The new quantity purchased is q_2.

All things being equal, the entrance of a Fair Trade cooperative will lower the total amount purchased by a local monopsonist.

However, even though the total amount purchased falls, the average quantity produced by each farmer increases. To see why, look at what happens in figure A.4. Before the cooperative is created, farmers produce at point A: q_1 is supplied at a price of P_B^1. As a proportion of farmers, g, have left to join the Fair Trade cooperative, the remaining farmers must therefore have produced $(1-g)q_1$ in the pre-Fair Trade equilibrium (assuming all produced the same amount). This is denoted by point B in figure A.4. As the new post-Fair Trade production level q_2 (at C) is larger than $(1-g)q_1$ (at B), average production increases among the non-Fair Trade farmers.

It is important to ask whether this result is simply due to the way that the graph was drawn or whether an increase in average production always holds. Let us think about what happens when the cooperative is formed. Imagine that from one day to the next, farmers leave to join the cooperative: equilibrium moves from A to B. The monopsonist is faced with a production level of $(1-g)q_1$, equivalent to the production of all remaining farmers. Note that at point B, a monopsonist's marginal expenses are the same as at point A. This has to be the case as the remaining farmers have the same marginal costs as before. Assuming no change in the elasticity of supply, marginal expenses will therefore be constant immediately following the entrance of the cooperative.[167]

[167] Recall that marginal expenses of a monopsonist are given by $P_B(q) \cdot \left[1 + \frac{1}{\eta}\right]$. If P_B remains constant immediately after the entrance of the cooperative, and if elasticity of supply (η) does not change, marginal expenses will be the same.

All things being equal, the MRP curve will not shift[168]; therefore, at point B, MRP will be higher than at point A. Given constant marginal expenses, MRP must be higher than marginal expenses at point B. A rational monopsonist trader would respond by purchasing more berries, pushing up average production levels by the non-Fair Trade farmers.[169] We see a move from B to C. Although the monopsonist buys less in total, each remaining farmer produces more on average.

In essence, what is happening – as was described in chapter 6 – is that the supply curve facing the monopsonist shifts left, whereas its demand for berries – derived from MRP – stays constant. The move along the demand curve will lead to an equilibrium quantity that is lower in total than the previous one, but it allows each farmer remaining to produce a higher amount on average (the reduction in total production is not as great as the initial reduction given by the shift in the supply curve).

All things being equal, the entrance of a Fair Trade cooperative will increase the average production levels of each remaining farmer.

What about the price paid to the farmers? We can take our cue from the average production levels. As can be seen in figure A.4, if we move from B to C, average production increases beyond $(1\text{-}g)q_1$ on S_2. Furthermore, the price received at C is greater than at B. To put it another way, to induce the non-Fair Trade farmers to produce more on average than they were doing before, it is necessary to offer them a higher price due to the increase in their marginal costs.[170]

All things being equal, the creation of a Fair Trade cooperative will lead to a higher price for non-Fair Trade farmers.

As stated in chapter 6, the theory of higher prices being paid to non-Fair Trade farmers and higher quantities demanded is valid only when all things are equal; to be more

[168] All things being equal implies constant world market price for green coffee (P_G), as well as constant technology ($\frac{\partial x}{\partial q}$). As MRP is equal to $P_G \cdot \frac{\partial x}{\partial q}$, it follows that it will also remain constant.

[169] Note that if the MRP curve were flat, both marginal expenses and MRP would stay the same post-Fair Trade. This would mean $(1\text{-}g)q_1$ being an optimal amount; therefore, average production and price would stay the same. As we assume diminishing marginal product, we can ignore this possibility.

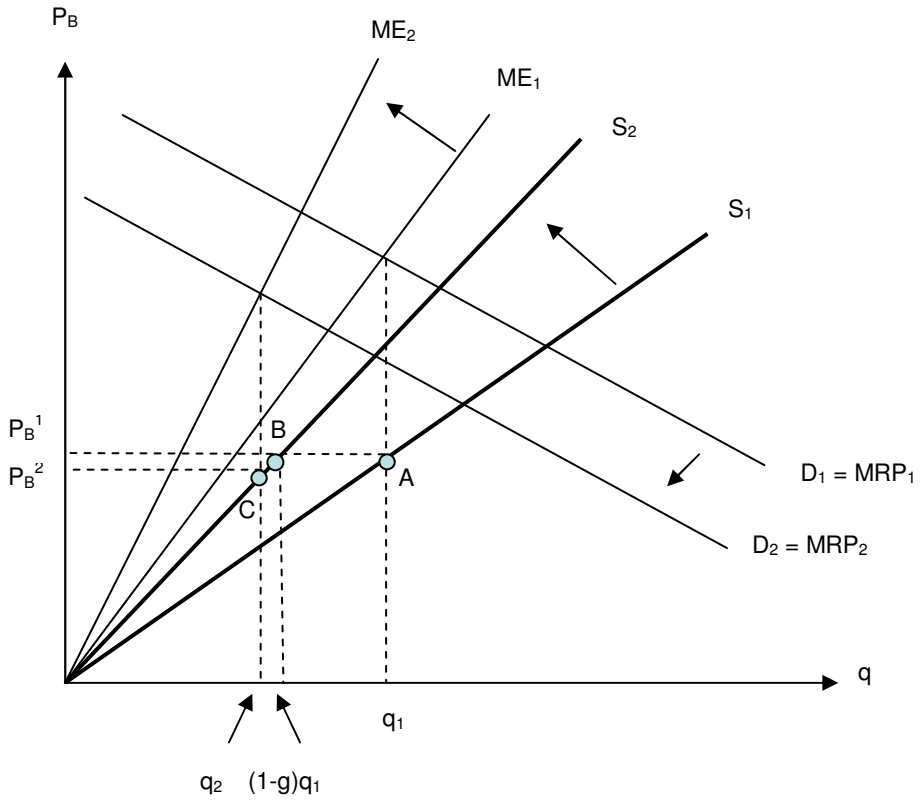
[170] Implicit in this statement is the assumption that every farmer in the area who can produce coffee does so, and that they all produce the same amount. In other words, it is not possible to source from suppliers who have hitherto not produced coffee.

precise, when world market price for green coffee and when a monopsonist's market power remain constant. We now wish to examine the impact of these two variables changing.

A.5. Impact of a fall in world market price for green coffee

Chapter 6 mentioned that a sufficient fall in the world market price for green coffee would lead to prices paid and quantities bought from non-Fair Trade farmers falling. Figure A.5 depicts this situation.

Figure A.5: Impact of a fall in the world market price on market equilibrium

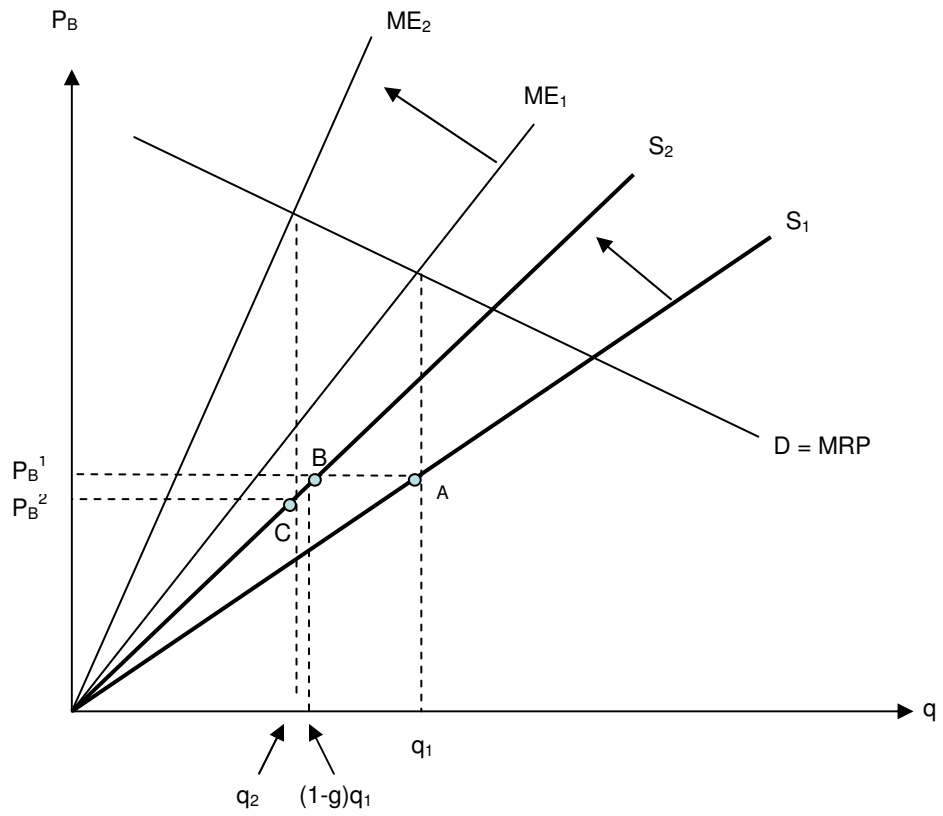


A lower world market price for green coffee will reduce a trader's marginal revenue product, thereby lowering his demand for coffee berries. A sufficient fall will lead to demand falling by enough to cause prices paid and quantities bought to be reduced from pre-Fair Trade equilibrium. As can be seen in figure A.5, at initial post-Fair Trade conditions (denoted by B), marginal expenses are higher than the new marginal revenue product. Rational traders will therefore buy less and, consequently, pay a lower price. Farmers will produce q_2 and receive P_B^2 (denoted by C), and will be worse off. What has basically happened is that the positive effect of a supply reduction in the local market has been more than offset by the negative effects of lower demand due to falling world market prices for a trader's output. A sufficient fall in demand will outweigh the reduction in supply, and thereby lower prices and quantity purchased.

A.6. Impact of a change in market power

In chapter 6, we stated that the greater the change in the market power of the monopsonist, the lower the price paid for berries and the quantity demanded. This is a direct result of a fall in farmers' elasticity of supply. If the Fair Trade cooperative leads to elasticity of supply falling in the non-Fair Trade market, the monopsonist will see its market power – measured by the adjustment in market price when demand changes – increase. Graphically, this can be shown as follows:

Figure A.6: Impact of an increase in market power on market equilibrium



Let us again think through our previous example: as farmers leave to join the cooperative, the supply curve shifts to the left from S_1 to S_2. As can be seen, the rise in marginal expenses - the shift from ME_1 to ME_2 - is greater than the shift from S_1 to S_2 due to the greater elasticity of supply.[171] In fact, in the figure, this increase is sufficient to raise marginal expenses above marginal revenue product at initial production levels of the remaining farmers $(1-g)q_1$ (denoted by B). A rational trader will then reduce the quantity purchased, which will consequently lead to a fall in the price paid to the farmers to cover

[171] The lower the elasticity of supply, the further away is the ME curve from the farmers' supply curve S.

their marginal costs (denoted by C). As a result, quantity demanded is reduced to q_2 and the price paid, P_G^2, is therefore also below the pre-Fair Trade price of P_G^1.

A.7. Questionnaire used and data obtained in fieldwork in the Yungas (in Spanish)

Nivel de vida de los productores y sus familias

Datos Personales

Nombre.....
Sexo.....
Edad.....

Afiliación del Productor:

†Cooperativa †Sin afiliación

Comercializa su café bajo:

†Comercio Justo †Comercio Convencional †Ambos

Tipo de café que produce:

†Orgánico †Convencional

Indicadores Sociales y relativos al desarrollo de la región

1. Está usted casado?

†Si †No

2. Cuántos hijos tiene usted?

.....

3. Qué grado cumplió en la escuela?

†Primario †Secundario †Universitario †Educación técnica †No terminó primaria
†Sin educación †otros

4. y sus hijos?

†Primario †Secundario †Universitario †educación técnica †no termino primaria
†sin educación †otros

5. Tiene agua potable en su casa?

†Si †No

6. Tiene electricidad en su casa?

†Si †No

7. Desde hace cuando su familia vive en este pueblo?

†Menos de 20 años †Menos de 10 años †Menos de 5 años †Nació acá

a. Si no nació acá, dónde vivía su familia antes de llegar aquí?

.....

8. Cuando van a ver un médico?

.....

9. Qué tipo de productos alimenticios cultivan? (mencione tres)

.....

9.a. Son estos productos para la venta y/o para su autoconsumo? (En qué porcentaje?)

.....

10. Qué tipo de alimentos compra Ud. en la tienda local? (mencione tres)

.....

11. Cuáles son los alimentos más importantes para su familia? (mencione tres)

12. Cuáles son los cambios que ha notado en su pueblo? (mencione tres cosas)

.....

a. Como los explica ?/ A qué piensa que se deben esos cambios?

.....

Indicadores económicos

13. Cómo ha evolucionado el precio para un quintal de café? Cuanto es ahora y cuanto hace 5 años?

†Ahora.....†Hace 5 años.....

14. Cuál es su ingreso anual de la actividad cafetalera (en dólares)?

.....

14a. Cuántas hectáreas de café cultiva?

.....

14b. Cuál es el rendimiento (de las hectáreas que cultiva, cuánto cosecha?

14c. Usted vende su producción a:

- Mercado de Caranavi †Sí †No Cuál el porcentaje que vende al MC: .....

- Cooperativa (C. Justo) †Sí † No Cuál el porcentaje que vende a la Cooperativa: .....

- Plantas procesadoras (C.Conv) †Sí †No Cuál el porcentaje que vende a las Plantas: .....

14d. Por qué prefiere vender su producto en mayor porcentaje al mercado que usted ha indicado?

.....
.....

15. Le permite este ingreso sustentar a su familia ?

†Sí †No

a. Qué otro tipo de actividad tiene para mejorar su ingreso ?

.....

16. En qué gasta Ud. más? (mencione tres cosas importantes)

.....

17. En su familia quién toma las decisiones importantes con respecto a la gestión (gastar) del dinero?

†usted †su esposa †juntos †otro

18. Cómo invierte sus ganancias? *En que utiliza su dinero aparte de los alimentos y la ropa ?*

†casa †tierra †ahorros †otro

Actividad y producción cafetalera

19. Cuántas horas dedica Ud. a la actividad cafetalera? (promedio por día)

En tiempo de cosecha: †más de 8 horas †otro.....
En tiempo normal:(en tiempo de producción) †menos de 8 horas †otro.....

20. Quiénes en su familia participan en la producción cafetalera?

†todos (cuantos)..... †otro.....

21. Contrata Ud. a cosechadores?

†Sí †No

a. Sí: Cuántos cosechadores emplea Ud. durante la temporada de cosecha?

.....

b. Cuánto les paga Ud.? La comida y el alojamiento están cubiertos?

.....

c. Ha aumentado el número de cosechadores empleados en los últimos cinco años?

†Sí †No

22. La producción de su café es orgánica?

†Sí †No

a. *Sí: Ud. también aplica éstos métodos de producción a los cítricos o a otras verduras que cultiva?*

†Sí †No: puede explicar por qué?
.....

b. Cómo aprendió el cultivo orgánico?

.....

c. Puede mencionar ventajas y desventajas de este método? Ha notado algo especial?

.....

23. A cuánto ha aumentado su área de producción en los últimos tres años? (en ha)

.....

Relación con la cooperativa y conocimientos comercio justo/mercado cafetalero

PRODUCTORES QUE PARTICIPAN EN EL COMERCIO JUSTO:

24. Desde hace cuándo trabaja Ud. en la producción cafetalera

†desde siempre †menos de 5 años †más de 5 años †más de 10 años

25. Qué significa para Ud. el comercio justo?

.....
.....

26. Cuáles son las mayores diferencias con el mercado convencional?

.....
.....

27. Qué tipo de talleres son ofrecidos por la cooperativa?

†Calidad del café †conocimientos del mercado cafetalero
†medio ambiente †gestión administrativa y financiera †otro .....

a. Con qué frecuencia están organizados?

†Cada mes †3-4 veces al año

b. Le han permitido mejorar la calidad de su café?

†Sí †No

28. Su cooperativa le facilita el acceso al pre-financiamiento?

†Sí †No

a. Con qué tipo de instituciones financieras?

.....

PRODUCTORES DE CAFÉ ORGÁNICO NO INVOLUCRADOS EN EL COMERCIO JUSTO

29. Desde hace cuándo trabaja Ud. en la producción cafetalera?

†desde siempre †menos de 5 años †más de 5 años †más de 10 años

30. Cuál es la diferencia entre el comercio justo y comercio convencional?

.....
.....

31. Por qué no participa Ud. en el comercio justo?

.....
.....

a. Si pudiera participar, lo haría?

†Sí †No

32. De qué tipo de presentaciones puede beneficiarse dentro de la cooperativa ?

.....
.....

PRODUCTORES DE CAFÉ CONVENCIONAL:

33. Desde hace cuándo está Ud. en la producción cafetalera?

†desde siempre †menos de 5 años †más de 5 años †más de 10 años

34. Está Ud. afiliado a una cooperativa?

†Sí †No

(Si está afiliado, seguir con estas preguntas, si no, pasar a la letra d) :

a. Cuáles son las ventajas de una afiliación?

.....

b. Cómo está organizada su cooperativa?

.....

c. Qué tipo de ventajas le ofrecen?

.....

d. Si no: Puede explicar cómo está organizado Ud. Cómo vende y exporta su café?

.....

35. Qué opina del comercio justo?
.....

a. Se nota unan diferencia con su propio café

¨Sí ¨No Por qué? .....

36. Quisiera usted vender su café a través del comercio justo?

¨Sí ¨No

a. Si: Que va a hacer? .....
b. No: Por qué?.....

Observaciones Generales:
.....
.....
.....
.....
.....
.....
.....
.....

PREGUNTAS DESTINADAS SOLAMENTE A MUJERES

Nivel de vida de los productores y sus familias

Datos Personales

Nombre.....
Sexo.....
Edad.....

Afiliación del Productor:

†Cooperativa †Sin afiliación

Comercializa su café bajo:

†Comercio Justo †Comercio Convencional †Ambos

Tipo de café que produce:

†Orgánico †Convencional

Indicadores Sociales y relativos al desarrollo de la región

1. Está usted casado?

†Si †No

2. Cuántos hijos tiene usted?
.....

3. Qué grado cumplió en la escuela?

†Primario †Secundario †Universitario †Educación técnica †No terminó primaria
†Sin educación †otros

4. y sus hijos?

†Primario †Secundario †Universitario †educación técnica †no termino primaria
†sin educación †otros

5. Tiene agua potable en su casa?

†Si †No

6. Tiene electricidad en su casa?

†Si †No

7. Desde hace cuando su familia vive en este pueblo?

†Menos de 20 años †Menos de 10 años †Menos de 5 años †Nació acá

a. Si no nació acá, dónde vivía su familia antes de llegar aquí?

.....

8. Cuando van a ver un médico?

.....

9. Qué tipo de productos alimenticios cultivan? (mencione tres)

.....

9.a. Son estos productos para la venta y/o para su autoconsumo? (En qué porcentaje?)

.....

10. Qué tipo de alimentos compra Ud. en la tienda local ? (mencione tres)

.....

11. Cuáles son los alimentos más importantes para su familia? (mencione tres)

Consumo.....Venta.....

12. Cuáles son los cambios que ha notado en su pueblo? (mencione tres cosas)

.....

a. Como los explica ?/ A qué piensa que se deben esos cambios?

.....

Indicadores económicos

13. Cómo ha evolucionado el precio para un quintal de café ? Cuanto es ahora y cuanto hace 5 años?

†Ahora.....†Hace 5 años.....

14. Cuál es su ingreso anual de la actividad cafetalera (en dólares)?

.....

14a. Cuántas hectáreas de café cultiva?

.....

14b. Cual es el rendimiento (de las hectáreas que cultiva cuánto cosecha?

14c. Usted vende su producción a:

- Mercado de Caranavi †Sí †No Cuál el porcentaje que vende al MC: .....

- Cooperativa (C. Justo) †Sí † No Cuál el porcentaje que vende a la Cooperativa: .....

- Plantas procesadoras (C.Conv) †Sí †No Cuál el porcentaje que vende a las Plantas: .....

14d. Por qué prefiere vender su producto en mayor porcentaje al mercado que usted ha indicado?

.....
.....

15.. Le permite este ingreso sustentar a su familia ?

†Sí †No

b. Qué otro tipo de actividad tiene para mejorar su ingreso ? y cuanto gana?

.....

16. En qué gasta Ud. más ? (mencione tres cosas importantes)

.....
.....

17. En su familia quién toma las decisiones importantes con respecto a la gestión (gastar) del dinero ?

†usted †su esposa †juntos †otro

18. Cómo invierte sus ganancias? *En que utiliza su dinero aparte de los alimentos y la ropa ?*

†casa †tierra †ahorros †otro

19. Cómo ha afectado tener un ingreso más alto en su familia?

.....

a. Puede dar ejemplos concretos con respecto a los cambios que ha notado?

.....

20. Trabajo usted también su lote?

†Sí †No

a. Cuantas horas por día? .....

Durante la cosecha: †mas de 8 horas †menos de 8 horas
En tiempo normal: †mas de 8 horas †menos de 8 horas

21. Con el cultivo orgánico, tiene usted más trabajo que antes?

†Sí †No

a. También utiliza este método para cultivar verduras?
.....

b. Por qué le parece importante la producción orgánica?

.....

22. Participa Ud. activamente en la vida de la cooperativa?

†Sí †No

a. SI: qué pueden hacer o que hacen las mujeres dentro de la cooperativa?
.....

b. Pueden las mujeres participar en las decisiones dentro de la cooperativa?

† Sí † No

c. No: Qué piensas ustedes de esto?.....
.

Observaciones Generales:

.....
.....
.....
.....
.....
.....
.....
.....

PREGUNTAS		COAINE		MEJILLONES		ANDITRADE		COPACABANA	
		Total = 31	%	Total = 28	%	Total = 26	%	Total = 25	%
A. AFILIACIÓN DE LOS PRODUCTORES	Cooperativa	30	**96.77**	28	**100.00**	6	**23.08**	13	**52.00**
	Sin afiliación	1	**3.23**	0	**0.00**	20	**76.92**	12	**48.00**
B. COMERCIALIZAN SU CAFÉ BAJO	Comercio Justo	9	**29.03**	21	**75.00**	0	**0.00**	0	**0.00**
	Comercio Convencional	0	**0.00**	0	**0.00**	21	**80.77**	10	**40.00**
	Ambos	22	**70.97**	7	**25.00**	5	**19.23**	15	**60.00**
C. TIPO DE CAFÉ QUE PRODUCEN	Orgánico	31	**100.00**	27	**96.43**	21	**80.77**	20	**80.00**
	Convencional	0	**0.00**	0	**0.00**	4	**15.38**	5	**20.00**
	Ambos	0	**0.00**	1	**3.57**	1	**3.85**	0	**0.00**
INDICADORES SOCIALES Y RELATIVOS AL DESARROLLO DE LA REGIÓN									
1. CASADO	SI	28	**90.32**	26	**92.86**	19	**73.08**	21	**84.00**
	NO	3	**9.68**	2	**7.14**	7	**26.92**	4	**16.00**
2. NÚMERO DE HIJOS	1 - 3	12	**38.71**	8	**28.57**	10	**38.46**	10	**40.00**
	4 - 6	14	**45.16**	12	**42.86**	14	**53.85**	7	**28.00**
	7 o más	2	**6.45**	6	**21.43**	2	**7.69**	4	**16.00**
2a. EDADES DE LOS HIJOS *	5 años o menor	25	**21.74**	15	**12.30**	9	**15.79**	5	**5.88**
	6 a 18 años	53	**46.09**	57	**46.72**	23	**40.35**	35	**41.18**
	19 años o más	37	**32.17**	50	**40.98**	25	**43.86**	45	**52.94**
3. GRADO QUE CUMPLIERON LOS PRODUCTORES EN LA ESCUELA	Primario	6	**19.35**	4	**14.29**	8	**38.10**	3	**12.00**
	Secundario	7	**22.58**	2	**7.14**	4	**19.05**	2	**8.00**
	Universitario	0	**0.00**	0	**0.00**	0	**0.00**	0	**0.00**
	Ed. Técnica	2	**6.45**	0	**0.00**	0	**0.00**	2	**8.00**
	No terminó primaria	14	**45.16**	22	**78.57**	14	**66.67**	14	**56.00**
	Sin Educación	2	**6.45**	0	**0.00**	0	**0.00**	4	**16.00**
4. GRADO QUE CUMPLIERON LOS HIJOS EN LA ESCUELA *	Primario	33	**28.70**	30	**24.59**	21	**36.84**	25	**29.41**
	Secundario	31	**26.96**	39	**31.97**	24	**42.11**	18	**21.18**
	Universitario	2	**1.74**	2	**1.64**	0	**0.00**	0	**0.00**
	Ed. Técnica	4	**3.48**	1	**0.82**	0	**0.00**	3	**3.53**
	No terminaron primaria	14	**12.17**	32	**26.23**	4	**7.02**	22	**25.88**
	Sin Educación	6	**5.22**	3	**2.46**	0	**0.00**	9	**10.59**
	Otros (Niño que no esta en edad escolar)		**21.74**	15	**12.30**	8	**14.04**	4	**4.71**

5. AGUA POTABLE	SI		5	**16.13**	19	**67.86**	17	**65.38**	8	**32.00**
	NO		26	**83.87**	9	**32.14**	9	**34.62**	17	**68.00**
6. ELECTRICIDAD EN SU VIVIENDA	SI		0	**0.00**	16	**57.14**	6	**23.08**	3	**12.00**
	NO		23	**74.19**	12	**42.86**	20	**76.92**	22	**88.00**
	Panel Solar		8	**25.81**	0	**0.00**	0	**0.00**	0	**0.00**
7. DESDE HACE CUÁNDO VIVEN EN CARANAVI	Menos de 20 años		6	**19.35**	6	**21.43**	8	**30.77**	3	**12.00**
	" 10 "		3	**9.68**	1	**3.57**	3	**11.54**	7	**28.00**
	" 5 "		0	**0.00**	0	**0.00**	0	**0.00**	2	**8.00**
	Nació en Caranavi		9	**29.03**	6	**21.43**	11	**42.31**	12	**48.00**
	Más de 20 años		13	**41.94**	15	**53.57**	4	**15.38**	1	**4.00**
7a. SI NO NACIERON EN CARANAVI, DÓNDE VIVÍAN ANTERIORMENTE *	a. ALTIPLANO (Prov: Andes, Larecaja, Ingavi, Pacajes		19	**86.36**	21	**95.45**	10	**90.91**	22	**169.23**
	Ingavi,Camacho, Omasuyos, Mco. kapac, Muñecas etc)									
	b.VALLES (Sorata, Nor y Sur Yungas)		1	**4.55**	0	**0.00**	2	**18.18**	2	**15.38**
	c. LLANOS		2	**9.09**	1	**4.55**	4	**36.36**	1	**7.69**
8. CUÁNDO VISITAN AL MÉDICO	Cuando se enferman		31	**100.00**	28	**100.00**	21	**80.77**	17	**68.00**
	No visitan al médico		0	**0.00**	0	**0.00**	5	**19.23**	8	**32.00**
9. PRODUCTOS QUE CULTIVAN *	Cítricos		31	**100.00**	28	**100.00**	25	**96.15**	25	**100.00**
	Otra fruta (plátano,coco,palta)		18	**58.06**	21	**75.00**	6	**23.08**	11	**44.00**
	Cereales		14	**45.16**	7	**25.00**	3	**11.54**	5	**20.00**
	Tubérculos		9	**29.03**	11	**39.29**	0	**0.00**	5	**20.00**
	Vegetales		8	**25.81**	5	**17.86**	3	**11.54**	2	**8.00**
	Té		0	**0.00**	0	**0.00**	2	**7.69**	0	**0.00**
	Achiote		1	**3.23**	0	**0.00**	0	**0.00**	0	**0.00**
	Coca		7	**22.58**	1	**3.57**	7	**26.92**	3	**12.00**
10. ALIMENTOS QUE COMPRAN *	Carnes (res, pollo, huevo y pescado)		13	**41.94**	22	**78.57**	13	**50.00**	12	**48.00**
	Lácteos		1	**3.23**	3	**10.71**	2	**7.69**	3	**12.00**
	Cereales (arroz,maíz,avena y quinua)		19	**61.29**	27	**96.43**	15	**57.69**	19	**76.00**
	Verduras		18	**58.06**	17	**60.71**	8	**30.77**	17	**68.00**
	Tuberc. (papa,gualusa,chuño y yuca)		16	**51.61**	2	**7.14**	7	**26.92**	9	**36.00**
	Carbohidratos (fideo)		10	**32.26**	7	**25.00**	12	**46.15**	6	**24.00**
	Fruta (cítricos, plátano)		2	**6.45**	1	**3.57**	0	**0.00**	2	**8.00**
	Otros (azúcar, aceite)		10	**32.26**	2	**7.14**	10	**38.46**	5	**20.00**
11. ALIMENTOS MÁS IMPORTANTES PARA SU FAMILIA *	*CONSUMO:*									
	Carnes (res, pollo y		10	**32.26**	26	**92.86**	14	**53.85**	13	**52.00**

	pescado)									
	Lácteos	0	**0.00**	2	**7.14**	0	**0.00**	1	**4.00**
	Cereales (arroz,maíz,avena y quinua)	13	**41.94**	25	**89.29**	22	**84.62**	21	**84.00**
	Verduras	11	**35.48**	17	**60.71**	7	**26.92**	15	**60.00**
	Tuberc. (papa,gualusa,chuño y yuca)	10	**32.26**	9	**32.14**	6	**23.08**	6	**24.00**
	Carbohidratos (fideo)	11	**35.48**	8	**28.57**	11	**42.31**	4	**16.00**
	Fruta (cítricos, plátano)	4	**12.90**	1	**3.57**	0	**0.00**	2	**8.00**
	VENTA:								
	Coca	10	**32.26**	0	**0.00**	7	**26.92**	3	**12.00**
	Fruta (coco,plátano)	6	**19.35**	10	**35.71**	5	**19.23**	8	**32.00**
	Cítricos(naranj,mandarin,pomelo,lima)	16	**51.61**	17	**60.71**	15	**57.69**	19	**76.00**
	Té	0	**0.00**	0	**0.00**	1	**3.85**	0	**0.00**
	Vegetales	5	**16.13**	3	**10.71**	2	**7.69**	2	**8.00**
	Cereales	2	**6.45**	1	**3.57**	0	**0.00**	4	**16.00**
12. CAMBIOS EN SU PUEBLO	i. Ningún cambio	5	**16.13**	2	**7.14**	6	**23.08**	7	**28.00**
	ii. No sabe/No responde	8	**25.81**	2	**7.14**	5	**19.23**	6	**24.00**
	iii. Acceso al agua	3	**9.68**	4	**14.29**	7	**26.92**	3	**12.00**
	iv. Nueva planta procesadora de café	6	**19.35**	3	**10.71**	3	**11.54**	0	**0.00**
	v. Mejor educación escolar	7	**22.58**	13	**46.43**	4	**15.38**	1	**4.00**
	vi. Mejor nivel de vida	1	**3.23**	7	**25.00**	2	**7.69**	0	**0.00**
	vii.Poca pcc. de café	1	**3.23**	0	**0.00**	2	**7.69**	0	**0.00**
	viii. Nuevo galpón p/depósito del café	2	**6.45**	0	**0.00**	0	**0.00**	0	**0.00**
	ix. Instalación de panel solar	2	**6.45**	0	**0.00**	0	**0.00**	0	**0.00**
	x. Posta sanitaria	1	**3.23**	2	**7.14**	0	**0.00**	0	**0.00**
	xi. Mejoramiento en su vivienda	1	**3.23**	9	**32.14**	1	**3.85**	0	**0.00**
	xii. Más y mejores caminos	1	**3.23**	8	**28.57**	4	**15.38**	7	**28.00**
	xiii. Más médicos	0	**0.00**	1	**3.57**	2	**7.69**	0	**0.00**
	xiv. Disminuyeron las ONG´s	0	**0.00**	0	**0.00**	2	**7.69**	0	**0.00**
	xv. Hay más plantaciones de coca	0	**0.00**	0	**0.00**	2	**7.69**	3	**12.00**
	xvi. Se esta concientizando+calidad café	0	**0.00**	1	**3.57**	0	**0.00**	1	**4.00**
	xvii. Acceso a la energía eléctrica	0	**0.00**	3	**10.71**	0	**0.00**	3	**12.00**
	xviii. Instalación tanque de agua	0	**0.00**	1	**3.57**	0	**0.00**	0	**0.00**
	xix. Lavadoras individuales/mejoR secadora								**0.00**
	xx. Erradicacion voluntaria de coca	0	**0.00**	1	**3.57**	1	**3.85**	0	**0.00**

12a. CÓMO EXPLICAN LOS CAMBIOS	Apoyo USAID		0	**0.00**	1	**3.57**	0	**0.00**	1	**4.00**
	ONG´s		0	**0.00**	1	**3.57**	0	**0.00**	5	**20.00**
	Comercio Justo (iv,v, vi,xi,xvi,xvii)		4	**12.90**	21	**75.00**	2	**7.69**	0	**0.00**
	Mejor Gestión de la Cooperativa (iv,v)		7	**22.58**	5	**17.86**	0	**0.00**	0	**0.00**
	Mejores autoridad.políticos.(v,xii,xiii)		0	**0.00**	3	**10.71**	6	**23.08**	3	**12.00**
	Participación popular (viii)		2	**6.45**	1	**3.57**	0	**0.00**	1	**4.00**
	Falta de capacidad gobernantes (i,xiv)		0	**0.00**	0	**0.00**	3	**11.54**	0	**0.00**
	Cambios en el clima (vii)		1	**3.23**	0	**0.00**	3	**11.54**	0	**0.00**
	Cooperacion Noruega		0	**0.00**	0	**0.00**	2	**7.69**	0	**0.00**
	El precio de los productos agrícolas es muy bajo (xv)									**4.00**
	Ningun cambio		0	**0.00**	0	**0.00**	0	**0.00**	2	**8.00**
	No sabe/No responde		17	**54.84**	5	**17.86**	9	**34.62**	13	**52.00**
INDICADORES ECONÓMICOS										
13a. QUÉ TIPO DE CAFÉ VENDEN A EMP. PRIVADAS O QUE ENTREGAN A COOPERATIVAS *	Guinda		10	**32.26**	28	**100.00**	26	**100.00**	9	**36.00**
	Pergamino		24	**77.42**	26	**92.86**	0	**0.00**	17	**68.00**
	Pelado		0	**0.00**	0	**0.00**	0	**0.00**	0	**0.00**
	Verde		0	**0.00**	0	**0.00**	0	**0.00**	0	**0.00**
	Mote		1	**3.23**	0	**0.00**	0	**0.00**	8	**32.00**
13. EVOLUCIÓN DE PRECIO DE UN QUINTAL DE CAFÉ	***Pergamino***									
	Ahora									
	105 - 109		3	**9.68**	1	**3.57**	0	**0.00**	0	**0.00**
	110- 120 $us		13	**41.94**	14	**50.00**	0	**0.00**	0	**0.00**
	121- 130 $us		9	**29.03**	13	**46.43**	0	**0.00**	0	**0.00**
	No sabe		1	**3.23**	0	**0.00**	0	**0.00**	0	**0.00**
	Hace 5 años									
	8 - 20 $us		3	**9.68**	7	**25.00**	0	**0.00**	0	**0.00**
	21-40 $us		2	**6.45**	3	**10.71**	0	**0.00**	0	**0.00**
	60 -70 $us		3	**9.68**	14	**50.00**	0	**0.00**	0	**0.00**
	80 - adelante $us		3	**9.68**	0	**0.00**	0	**0.00**	0	**0.00**
	No recuerda/ no conoce/ es nuevo		15	**48.39**	4	**14.29**	0	**0.00**	0	**0.00**
	Guinda									
	Ahora									
	15-20 $us		4	**12.90**	0	**0.00**	14	**53.85**	0	**0.00**
	21-29 $us		0	**0.00**	0	**0.00**	12	**46.15**	0	**0.00**
	30- 44 $us		0	**0.00**	0	**0.00**	0	**0.00**	0	**0.00**

	45- 50 $us			1	**3.23**	0	**0.00**	0	**0.00**	0	**0.00**
	Hace 5 años										
	5-10 $us			1	**3.23**	0	**0.00**	18	**69.23**	0	**0.00**
	11 - 15 $us			0	**0.00**	0	**0.00**	0	**0.00**	0	**0.00**
	No recuerda			3	**9.68**	0	**0.00**	8	**30.77**	0	**0.00**
14. UTILIDAD ANUAL EN $US *	100 - 199			4	**12.90**	0	**0.00**	0	**0.00**	0	**0.00**
(Por hectárea cultivada)	200 - 299			5	**16.13**	1	**3.57**	4	**15.38**	2	**8.00**
	300 - 399			4	**12.90**	2	**7.14**	3	**11.54**	4	**16.00**
	400 - 499			6	**19.35**	3	**10.71**	0	**0.00**	3	**12.00**
	500 - 599			6	**19.35**	1	**3.57**	5	**19.23**	1	**4.00**
	600 - 699			4	**12.90**	6	**21.43**	4	**15.38**	2	**8.00**
	700- 899			1	**3.23**	7	**25.00**	4	**15.38**	1	**4.00**
	901- 1200			1	**3.23**	7	**25.00**	2	**7.69**	0	**0.00**
	No sabe/ no ha calculado			0	**0.00**	1	**3.57**	3	**11.54**	12	**48.00**
14a. HECTAREAS DE CAFÉ CULTIVADAS	1-2- has			3	**9.68**	2	**7.14**	7	**26.92**	11	**44.00**
	3-4 Has.			15	**48.39**	8	**28.57**	16	**61.54**	10	**40.00**
	5-6 Has.			10	**32.26**	13	**46.43**	2	**7.69**	1	**4.00**
	7-8 Has			3	**9.68**	4	**14.29**	1	**3.85**	3	**12.00**
	9-10 Has.			0	**0.00**	1	**3.57**	0	**0.00**	0	**0.00**
14b. RENDIMIENTO HECTÁREAS CULTIVADAS (qq/has)	10 - 14			4	**12.90**	2	**7.14**	0	**0.00**	1	**4.00**
(medidos en qq de pergamino)	15 - 19			8	**25.81**	4	**14.29**	4	**15.38**	5	**20.00**
	20 - 24			8	**25.81**	16	**57.14**	7	**26.92**	3	**12.00**
	25-29			2	**6.45**	6	**21.43**	4	**15.38**	3	**12.00**
	30- 45			6	**19.35**	0	**0.00**	3	**11.54**	5	**20.00**
	No sabe/ No responde			3	**9.68**	0	**0.00**	3	**11.54**	8	**32.00**
14c. EN QUÉ PORCENTAJE VENDEN SU PRODUCCIÓN *	MERCADO CARANAVI										
	0 - 9 %			6	**19.35**	2	**7.14**	5	**19.23**	2	**8.00**
	10 - 29 %			8	**25.81**	2	**7.14**	9	**34.62**	5	**20.00**
	30 - 39 %			2	**6.45**	1	**3.57**	4	**15.38**	1	**4.00**
	40 - 49 %			0	**0.00**	0	**0.00**	0	**0.00**	1	**4.00**
	50 - 59 %			6	**19.35**	0	**0.00**	4	**15.38**	1	**4.00**
	COOP. (COMERCIO JUSTO)										
	50 - 59 %			8	**25.81**	0	**0.00**	2	**7.69**	0	**0.00**
	60 - 69 %			1	**3.23**	0	**0.00**	0	**0.00**	1	**4.00**

	70 - 79 %			3	**9.68**	1	**3.57**	0	**0.00**	3	**12.00**
	80 - 89 %			5	**16.13**	2	**7.14**	0	**0.00**	6	**24.00**
	90 - 100 %			12	**38.71**	25	**89.29**	0	**0.00**	2	**8.00**
	PLANTAS PROCESADORAS										
	0 - 9%			2	**6.45**	3	**10.71**	0	**0.00**	2	**8.00**
	10 - 29 %			1	**3.23**	0	**0.00**	2	**7.69**	8	**32.00**
	30 - 39 %			0	**0.00**	0	**0.00**	0	**0.00**	0	**0.00**
	40 - 49 %			0	**0.00**	0	**0.00**	0	**0.00**	1	**4.00**
	50 - 59 %			2	**6.45**	0	**0.00**	1	**3.85**	2	**8.00**
	60 - 69 %			0	**0.00**	0	**0.00**	0	**0.00**	0	**0.00**
	70 - 79 %			1	**3.23**	0	**0.00**	6	**23.08**	1	**4.00**
	80 - 89 %			0	**0.00**	0	**0.00**	2	**7.69**	2	**8.00**
	90 - 100 %			0	**0.00**	0	**0.00**	9	**34.62**	7	**28.00**
14d. POR QUÉ PREFIEREN VENDER, EN ESE PORCENTAJE, A ESE MERCADO *	Precio más alto (precio justo),mayor ingreso familiar			20	**64.52**	18	**64.29**	4	**15.38**	12	**48.00**
	Liquidez de las empresas/ En las cooperativas:anticipos			11	**35.48**	6	**21.43**	2	**7.69**	14	**56.00**
	Mercado seguro por contrato (precio estable)				**3.23**	7	**25.00**	0	**0.00**	0	**0.00**
	Costes de pcc.y tiempo(no:pelan,lavan,secan)			0	**0.00**	0	**0.00**	18	**69.23**	0	**0.00**
	Acceso al prefinanciamiento			0	**0.00**	1	**3.57**	0	**0.00**	1	**4.00**
	Ayuda y fidelidad a la cooperativa			6	**19.35**	5	**17.86**	2	**7.69**	1	**4.00**
15. SU INGRESO LES PERMITE MANTENER A SU FAMILIA	SI			22	**70.97**	25	**89.29**	17	**65.38**	16	**64.00**
	NO			9	**29.03**	3	**10.71**	9	**34.62**	9	**36.00**
15a. OTRA ACTIVIDAD PARA MEJORAR SU INGRESO	Ninguna otra actividad			24	**77.42**	25	**89.29**	8	**30.77**	15	**60.00**
	Transportista (taxista)			2	**6.45**	0	**0.00**	9	**34.62**	1	**4.00**
	Cultivo de coca			2	**6.45**	0	**0.00**	6	**23.08**	9	**36.00**
	Obrero de planta			1	**3.23**	0	**0.00**	0	**0.00**	0	**0.00**
	Puesto de alquileres			1	**3.23**	0	**0.00**	0	**0.00**	0	**0.00**
	Venta de comida			0	**0.00**	1	**3.57**	0	**0.00**	0	**0.00**
	Comercio (tienda de abarrotes)			0	**0.00**	1	**3.57**	0	**0.00**	0	**0.00**
	Crianza de pollos			0	**0.00**	0	**0.00**	3	**11.54**	0	**0.00**
	Músico			0	**0.00**	1	**3.57**	0	**0.00**	0	**0.00**
	Carpintería			1	**3.23**	0	**0.00**	0	**0.00**	0	**0.00**
16. EN QUÉ GASTAN MÁS *	Alimentación			27	**87.10**	23	**82.14**	18	**69.23**	24	**96.00**
	Ropa			11	**35.48**	9	**32.14**	9	**34.62**	9	**36.00**
	Educación y Material Escolar			19	**61.29**	19	**67.86**	14	**53.85**	16	**64.00**

	Mantenimiento lote		8	**25.81**	6	**21.43**	0	**0.00**	3	**12.00**
	En su salud		2	**6.45**	4	**14.29**	1	**3.85**	1	**4.00**
	Mejoramiento de vivienda		2	**6.45**	1	**3.57**	1	**3.85**	1	**4.00**
	Transporte		0	**0.00**	0	**0.00**	0	**0.00**	1	**4.00**
	Pago a sus cosechadores		4	**12.90**	4	**14.29**	2	**7.69**	2	**8.00**
17. QUIÉN TOMA LAS DECISIONES EN SU FAMILIA	Esposo		4	**12.90**	0	**0.00**	4	**15.38**	2	**8.00**
	Esposa		1	**3.23**	1	**3.57**	0	**0.00**	3	**12.00**
	Ambos		23	**74.19**	25	**89.29**	16	**61.54**	16	**64.00**
	Otro (no esta casado)		3	**9.68**	2	**7.14**	5	**19.23**	4	**16.00**
18. EN QUÉ INVIERTEN SUS GANANCIAS *	Casa		7	**22.58**	8	**28.57**	2	**7.69**	2	**8.00**
	Tierra (y mejoramiento del lote)		7	**22.58**	15	**53.57**	5	**19.23**	5	**20.00**
	Ahorros		5	**16.13**	6	**21.43**	4	**15.38**	4	**16.00**
	Otros (Automóvil, herramientas)		5	**16.13**	11	**39.29**	8	**30.77**	8	**32.00**
	No invierte		11	**35.48**	0	**0.00**	12	**46.15**	12	**48.00**
ACTIVIDAD Y PRODUCCIÓN CAFETALERA										
19. HRS. DEDICADAS A LA ACTIVIDAD CAFETALERA	TIEMPO DE COSECHA									
	Más de 8 horas		28	**90.32**	26	**92.86**	18	**69.23**	24	**96.00**
	Otro (8 o menos horas)		3	**9.68**	2	**7.14**	8	**30.77**	1	**4.00**
	FUERA DEL TIEMPO DE COSECHA									
	Menos de 8 horas		4	**12.90**	6	**21.43**	10	**38.46**	22	**88.00**
	Otro (8 o más horas)		27	**87.10**	22	**78.57**	16	**61.54**	3	**12.00**
20. QUIÉNES EN SU FAMILIA PARTICIPAN EN LA PRODUCCIÓN CAFETALERA	HIJOS DE 15 YMAYORES DE 15 AÑOS		27	**87.10**	26	**92.86**	17	**65.38**	19	**76.00**
(Se considera que padre y madre trabajan en el lote)	OTRO: HIJOS MENORES DE 15 AÑOS		4	**12.90**	2	**7.14**	9	**34.62**	6	**24.00**
21. CONTRATAN COSECHADORES *	SI		28	**90.32**	27	**96.43**	26	**100.00**	21	**84.00**
	NO		3	**9.68**	1	**3.57**	0	**0.00**	4	**16.00**
21a. A CUÁNTOS	1 - 3		13	**46.43**	11	**40.74**	5	**19.23**	10	**40.00**
	4 - 6		12	**42.86**	12	**44.44**	15	**57.69**	10	**40.00**
	7 - más		3	**10.71**	4	**14.81**	6	**23.08**	1	**4.00**
21b. CUÁNTO LES PAGAN	5 - 6 Bs./Lata		22	**78.57**	24	**88.89**	14	**53.85**	15	**60.00**
	7 - 8 Bs./Lata		5	**17.86**	3	**11.11**	11	**42.31**	8	**32.00**
	Otro (Más de 8 Bs ó Ayni:trabajo comunitario)		1	**3.57**	1	**3.70**	1	**3.85**	2	**8.00**

COMIDA Y ALIMENTACIÓN ESTÁN CUBIERTOS	SI			28	**100.00**	27	**100.00**	22	**84.62**	22	**88.00**
	NO			0	**0.00**	0	**0.00**	4	**15.38**	3	**12.00**
21c. AUMENTARON EL NÚMERO DE COSECHADORES	SI			11	**35.48**	24	**85.71**	5	**19.23**	8	**32.00**
	NO			20	**64.52**	4	**14.29**	21	**80.77**	17	**68.00**
22. LA PRODUCCIÓN DE SU CAFÉ ES ORGÁNICA	SI			31	**100.00**	28	**100.00**	22	**84.62**	19	**76.00**
	NO			0	**0.00**	0	**0.00**	4	**15.38**	6	**24.00**
22a. APLICAN EL CULTIVO ORGÁNICO A LOS PRODUCTOS QUE CULTIVAN	SI			30	**96.77**	28	**100.00**	19	**73.08**	17	**68.00**
	NO			1	**3.23**	0	**0.00**	7	**26.92**	8	**32.00**
22b. CÓMO APRENDIERON EL CULTIVO ORGÁNICO	A través de la Cooperativa			23	**74.19**	11	**39.29**	2	**7.69**	4	**16.00**
	AOPEB			2	**6.45**	0	**0.00**	0	**0.00**	0	**0.00**
	CIOEB			2	**6.45**	0	**0.00**	0	**0.00**	0	**0.00**
	FECAFEB			2	**6.45**	3	**10.71**	0	**0.00**	1	**4.00**
	CARE			0	**0.00**	9	**32.14**	0	**0.00**	1	**4.00**
	ACRA			1	**3.23**	0	**0.00**	0	**0.00**	0	**0.00**
	Proyecto Moxa (Mojsa)			0	**0.00**	8	**28.57**	4	**15.38**	1	**4.00**
	IRMO-CONSUR			0	**0.00**	0	**0.00**	2	**7.69**	0	**0.00**
	Promotores cooperativa Khana			0	**0.00**	1	**3.57**	0	**0.00**	0	**0.00**
	Bio-Latina			0	**0.00**	3	**10.71**	4	**15.38**	1	**4.00**
	PROSAT			0	**0.00**	3	**10.71**	0	**0.00**	0	**0.00**
	Ayuda en Acción			0	**0.00**	2	**7.14**	0	**0.00**	2	**8.00**
	Cursos dictados por ANDITRADE			0	**0.00**	0	**0.00**	9	**34.62**	0	**0.00**
	Por cuenta propia o le enseñó su padre										**40.00**
	ONG´s			0	**0.00**	0	**0.00**	0	**0.00**	5	**20.00**
	IBTA			0	**0.00**	1	**3.57**	0	**0.00**	0	**0.00**
	Misión Alianza Noruega			0	**0.00**	1	**3.57**	1	**3.85**	0	**0.00**
22c. VENTAJAS/DESVENTAJAS DE ESTE MÉTODO *	*VENTAJAS*:										
	Mejor calidad (es más dulce)			11	**35.48**	12	**42.86**	5	**19.23**	0	**0.00**
	Medio Amb. (No desgasta el suelo,chaqueo sin quema)			6	**19.35**	6	**21.43**	2	**7.69**	5	**20.00**
	Aumento en la pcc. y mayores mercados			7	**22.58**	11	**39.29**	0	**0.00**	2	**8.00**
	Buen precio			10	**32.26**	5	**17.86**	7	**26.92**	2	**8.00**
	Mercado estable (precio estable)			1	**3.23**	1	**3.57**	0	**0.00**	13	**52.00**
	Mayor ingreso económico			1	**3.23**	2	**7.14**	0	**0.00**	0	**0.00**

	Es más sano (es natural)		6	**19.35**	3	**10.71**	0	**0.00**	2	**8.00**
	Clasificación de desechos		0	**0.00**	1	**3.57**	0	**0.00**	1	**4.00**
	No sabe/No responde		4	**12.90**	1	**3.57**	6	**23.08**	0	**0.00**
	DESVENTAJAS:									
	No encuentra ninguna		21	**67.74**	20	**71.43**	15	**57.69**	24	**96.00**
	Precio just.no flota cuando sube pr.convenc.		1	**3.23**	0	**0.00**	0	**0.00**	0	**0.00**
	Más vulnerables a las plagas		0	**0.00**	0	**0.00**	2	**7.69**	0	**0.00**
	Baja producción		1	**3.23**	0	**0.00**	0	**0.00**	0	**0.00**
	Más laborioso		6	**19.35**	6	**21.43**	1	**3.85**	1	**4.00**
23. EL ÁREA DE PRODUCCIÓN	Aumentó: 0,5 - 2 Htas.		13	**41.94**	18	**64.29**	15	**57.69**	3	**12.00**
	3 a más Htas.		0	**0.00**	1	**3.57**	6	**23.08**	0	**0.00**
	Permaneció constante		14	**45.16**	9	**32.14**	5	**19.23**	22	**88.00**
	Disminuyó		4	**12.90**	0	**0.00**	0	**0.00**	0	**0.00**
RELACIÓN CON LA COOPERATIVA Y CONOCIMIENTOS COMERCIO JUSTO/MERCADO CAFETALERO										
PRODUCTORES QUE PARTICIPAN EN EL COMERCIO JUSTO *										
24. DESDE CUÁNDO PRODUCEN CAFÉ	Desde siempre		7	**22.58**	13	**46.43**			2	**13.33**
	De 5 a menos años		5	**16.13**	1	**3.57**			2	**13.33**
	Más de 5 años		5	**16.13**	2	**7.14**			5	**33.33**
	De 10 a más años		14	**45.16**	12	**42.86**			6	**40.00**
25. QUÉ ES EL COMERCIO JUSTO	Buen precio (precio justo)		20	**64.52**	13	**46.43**			3	**20.00**
	Buena calidad del café		8	**25.81**	3	**10.71**			1	**6.67**
	Posibilidad de mantener a la familia		1	**3.23**	8	**28.57**			1	**6.67**
	La producción es autosostenible		1	**3.23**	3	**10.71**			1	**6.67**
	Mercado estable y seguro		3	**9.68**	6	**21.43**			1	**6.67**
	Nicho de mercado		1	**3.23**	0	**0.00**			0	**0.00**
	Mdo.solidario(edu.hijos/ayuda peq.productor.)		3	**9.68**	6	**21.43**			0	**0.00**
	Ayuda para los productores		0	**0.00**	3	**10.71**			1	**6.67**
	Vender a precio bajo todavia		0	**0.00**	0	**0.00**			0	**0.00**
	No hay intermediarios		3	**9.68**	0	**0.00**			0	**0.00**
	No sabe/No responde		4	**12.90**	0	**0.00**			7	**46.67**
26. DIFERENCIAS CON EL MERCADO CONVENCIONAL	Precio Bajo		15	**48.39**	15	**53.57**			4	**26.67**
	Mercado inestable (precio inestable)		7	**22.58**	12	**42.86**			2	**13.33**
	Mala calidad del café		5	**16.13**	3	**10.71**			0	**0.00**
	No hay intermediarios		3	**9.68**	1	**3.57**			1	**6.67**
	Malos ingresos		1	**3.23**	4	**14.29**			0	**0.00**

	No sabe/No responde			6	**19.35**	0	**0.00**			8	**53.33**
27. TALLERRES OFRECIDOS POR LA COOPERATIVA *	Calidad del café			29	**93.55**	27	**96.43**			8	**53.33**
	Conocimientos del mercado cafetalero			27	**87.10**	27	**96.43**			4	**26.67**
	Medio Ambiente			29	**93.55**	28	**100.00**			1	**6.67**
	Gestión administrativa y financiera			24	**77.42**	25	**89.29**			1	**6.67**
	Otro:	Cursos de motivación y liderazgo		1	**3.23**	10	**35.71**			0	**0.00**
		Producción		2	**6.45**	2	**7.14**			0	**0.00**
		Manejo de tierras		0	**0.00**	2	**7.14**			0	**0.00**
		Contabilidad		5	**16.13**	9	**32.14**			0	**0.00**
		Organización/Administracion		0	**0.00**	3	**10.71**			0	**0.00**
		Salud		1	**3.23**	0	**0.00**			0	**0.00**
	No participa			2	**6.45**	0	**0.00**			1	**6.67**
27a. FRECUENCIA EN QUE SE ORGANIZAN	Cada mes			5	**16.13**	5	**17.86**			0	**0.00**
	1 vez al año			8	**25.81**	3	**10.71**			7	**46.67**
	3-4 veces al año			18	**58.06**	20	**71.43**			1	**6.67**
	No sabe/No responde			0	**0.00**	0	**0.00**			7	**46.67**
27b. ESTOS TALLERES LES PERMITIERON MEJORAR LA CALIDAD DE SU CAFÉ	SI			30	**96.77**	28	**100.00**			13	**86.67**
	NO			1	**3.23**	0	**0.00**			2	**13.33**
28. LA COOPERATIVA LES FACILITA EL ACCESO AL PREFINANCIAMIENTO	SI			24	**77.42**	28	**100.00**			10	**66.67**
	NO			7	**22.58**	0	**0.00**			5	**33.33**
28a. INSTITUCIONES FINANCIERAS CON LAS QUE TRABAJAN	ANED			8	**25.81**	18	**64.29**			5	**33.33**
	FADES			6	**19.35**	0	**0.00**			0	**0.00**
	FECAFE			0	**0.00**	1	**3.57**			2	**13.33**
	FINCAFE			1	**3.23**	11	**39.29**			2	**13.33**
	DUQUE (Cooperacion Italia)			1	**3.23**	0	**0.00**			0	**0.00**
	FONCRESOL			2	**6.45**	0	**0.00**			0	**0.00**
	Cooperación Italiana (ACRA)			1	**3.23**	0	**0.00**			0	**0.00**
	Fie			0	**0.00**	0	**0.00**			0	**0.00**

	ACRA		1	**3.23**	0	**0.00**			0	**0.00**
	Los importadores		1	**3.23**	0	**0.00**			0	**0.00**
	Su cooperativa		1	**3.23**	0	**0.00**			0	**0.00**
	No sabe/No responde		14	**45.16**	3	**10.71**			6	**40.00**
PRODUCTORES DE CAFÉ ORGÁNICO NO INVOLUCRADOS EN EL COMERCIO JUSTO *										
29. DESDE CUÁNDO PRODUCEN CAFÉ*	Desde siempre						12	**46.15**	1	**4.00**
	De 5 a menos años						6	**23.08**	0	**0.00**
	Más de 5 años						3	**11.54**	3	**12.00**
	De 10 a más años						5	**19.23**	1	**4.00**
30. DIFERENCIAS COMERCIO JUSTO vs. COMERCIO CONVENCIONAL	Buen precio						7	**26.92**	4	**80.00**
	Buena calidad del café						0	**0.00**	0	**0.00**
	Mercado seguro						0	**0.00**	0	**0.00**
	No existen intermediarios,se exporta directamente									
	No sabe/No responde						19	**73.08**	1	**20.00**
31. POR QUÉ NO PARTICIPAN EN EL COMERCIO JUSTO	No tiene recursos para invertir						4	**15.38**	2	**40.00**
	Su cooperativa le exige $us 1.500						0	**0.00**	1	**20.00**
	Prod.Café es una actividad secundaria									
	No esta afiliado a ninguna cooperativa									
	Desconfianza a los dirigentes de la cooperativa									
	Esta en proceso de afiliacion al Com. Justo									
	Vive muy lejos						3	**11.54**	0	**0.00**
	No sabe/No responde						13	**50.00**	1	**20.00**
31a. SI PUDIERAN PARTICIPAR LO HARÍAN	SI						15	**57.69**	4	**80.00**
	NO						5	**19.23**	0	**0.00**
	No responde(no conoce Com.Justo)						6	**23.08**	1	**20.00**
32. QUE BENEFICIOS LES OTORGA LA COOPERATIVA	Cursos de Capacitacion						2	**7.69**	1	**20.00**
	Becas						2	**7.69**	0	**0.00**
	No pertenece a ninguna cooperativa						9	**34.62**	2	**40.00**
	No sabe/No responde						13	**50.00**	2	**40.00**
PRODUCTORES DE CAFÉ CONVENCIONAL *										
33. DESDE CUÁNDO PRODUCEN CAFÉ *	Desde siempre								4	**80.00**
	De 5 a menos años								0	**0.00**
	Más de 5 años								0	**0.00**

	De 10 a más años									1	**20.00**
34. ESTÁN AFILIADOS A UNA COOPERATIVA	SI									1	**20.00**
	NO									4	**80.00**
34a. CUÁLES SON LAS VENTAJAS DE UNA AFILIACIÓN	No sabe/no responde									2	**40.00**
	No corresponde (no esta afiliado a una coop.)										
34b. CÓMO ESTA ORGANIZADA LA COOOPERATIVA	Presidente, dirigentes y promotores									1	**20.00**
	No corresponde (no esta afiliado a una coop.)										
34c. QUÉ TIPO DE VENTAJAS OFRECEN	Instalacion Planta Procesadora									1	**20.00**
	No corresponde (no esta afiliado a una coop.)										
34d. NO: CÓMO ESTÁN ORGANIZADOS PARA VENDER Y EXPORTAR SU CAFÉ	No exportan									2	**40.00**
	Vende a las Plantas Procesadoras									4	**80.00**
	Vende al Mdo. de Caranavi									3	**60.00**
	Vende su café familiarmente									1	**20.00**
35. QUÉ OPINA DEL COMERCIO JUSTO	Precio más alto									1	**20.00**
	Manejan directamente el mercado de exportación										
	No confia									1	**20.00**
	No tiene conocimiento									3	**60.00**
35a. NOTAN UNA DIFERENCIA CON SU PROPIO CAFÉ	SI									1	**20.00**
	NO									0	**0.00**
	No sabe/no responde									4	**80.00**
SI PORQUE:	Se cumplen tiempos y horarios									1	**20.00**
NO PORQUE:	No sabe/no responde									4	**80.00**
36. QUISIERAN VENDER A TRAVÉS DEL COMERCIO JUSTO	SI									4	**80.00**
	NO									1	**20.00**
36a. SÍ: QUE VAN A HACER:	Necesita mayor facibilidad de acceso al financiamiento para pagar lo que le piden para entrar a una cooperativa										**20.00**
	No sabe/no responde									3	**60.00**
36b. NO: POR QUE	No tiene conocimiento									1	**20.00**
Elaboración Propia											

2a. El % se calculó de acuerdo al número total de hijos (Ej.COAINE: los 31 productores tienen 115 hijos en total, entonces para conocer que porcentaje de los hijos están en EDAD ESCOLAR (entre 6 y 18 años), se divide 53 entre 115.

4. El % se calculó de acuerdo al número total de hijos (Ej.COAINE: los 31 productores tienen 115, para determinar el porcentaje de los hijos que cumplieron la PRIMARIA, se divide 33 entre 115.
7a. Base de cálculo se hizo sobre el número de productores que no nacieron en Caranavi (ej: Coaine 31-9=22). Luego se divide el numero de productores que inmigraron a Caranavi desde el Altiplano, por lo que en términos de porcentaje supera el 100%.
9,10 y 11. De manera simultanea y no excluyente cultivan diferentes productos, por lo tanto, en términos de porcentaje no suman el 100% sino más porque producen, compran, consumen simultanemaennte dichos productos.
13. Los productos entregan tanto uno como otro tipo de café, a diferentes mercados, aunque se especifica a cual mayoritariamente comercializan.
14. Inicialmente la pregunta era cuál su nivel de ingresos, pero por las respuestas dadas se evidencia que ellos entendieron, el nivel de utilidades, adicionalmente esta variable fue ajustada con relación a conversaciones con diferentes instancias, por lo que en el documento existen algunos ajustes para fines de cálculo de ingresos, costos y utilidades.
14c. La venta de su producto en la mayor de los casos está destinada a los diferentes mercados en diferente porcentajes de ventas.
14d. Los productores tienen dos o más razones para explicar su preferencia de venta a uno u otro mercado, por lo que no necesariamente se registra con el 100% sino supera esta monto. Si se hubiese dado a escoger uno u otro o la pregunta fuese "y", entonces se tendría un equivalente igual a 100%.
16. Las respuestas consideran que el productor puede gastar en un u otro concepto de gasto de manera simultanea, por ejemplo podrá gastar tanto en alimentación como en la educación de sus hijos, por lo que no son preguntas excluyentes.
18.El productor podrá invertir en una u otra cosa de manera conjunta, igual que la anterior no es exclusiva su inversión en un ítem, lo hace por ej.. Mejorando su lote y al mismo tiempo su casa.
21a. La base de cálculo se hizo sobre el número de productores que CONTRATAN COSECHADORES (Ej. COAINE: 28). Luego, 13 productores contratan de 1 a 3 cosechadores. Se divide 13 entre 28 para conocer en qué porcentaje los productores contratan de 1 a 3 cosechadores.
21b. La base de cálculo se hizo sobre el número de productores que CONTRATAN COSECHADORES (Ej. COAINE: 28). Luego, algunos productores pagan de Bs.5 a Bs.6 a los cosechadores, para conocer en qué porcentaje, se divide número de productores que pagan de 5 a 6 Bs. entre número de productores que contratan cosechadores (Ej. COAINE: Se divide 22 entre 28, entonces el 78.56% de los productores paga a sus cosechadores entre Bs.5 a Bs.6).
22c. Las respuestas no son excluyentes entre sí, por lo tanto los productores dieron varios razones para sus repuestas.
27. Los productores participan en uno y otro curso de capacitación, no es excluyente , puede participar en varios cursos que son ofrecidos en diferentes épocas del año.
29. Son 5 los productores encuestados en Copacabana que producen café orgánico y lo venden a través del Comercio Convencional (Planta Procesadora Copacabana y Mercado de Caranavi). El 20.00% de esos productores producen café desde siempre.
33. Son 5 los productores encuestados en Copacabana que producen café convencional y lo venden a través del Comercio Convencional (Planta Procesadora Copacabana y Mercado de Caranavi). El 80.00% de esos productores producen café desde siempre.

ESTUDIO DEL IMPACTO DEL COMERCIO JUSTO EN UN PAIS EN DESARROLLO (*)

PRODUCTORES DE CAFÉ EN LA REGIÓN DE CARANAVI (LOS YUNGAS) DE BOLIVIA

TABULACIÓN DE ENCUESTAS - GÉNERO: FEMENINO

PREGUNTAS		COAINE		MEJILLONES		ANDITRADE		COPACABANA	
PREGUNTAS/DESGLOSE		**TOTAL = 9**	**%**	**TOTAL =12**	**%**	**TOTAL =14**	**%**	**TOTAL (17)**	**%**
A. AFILIACIÓN DE LOS PRODUCTORES	Cooperativa	9	100.00	12	100.00	0	0	8	47.06
	Sin afiliación	0	0.00	0	0.00	14	100.00	9	52.94
B. COMERCIALIZAN SU CAFÉ BAJO	Comercio Justo	2	22.22	10	83.33	0	0.00	0	0.00
	Comercio Convencional	0	0.00	0	0.00	14	100.00	12	70.59
	Ambos	7	77.78	2	16.67	0	0.00	5	29.41
C. TIPO DE CAFÉ QUE PRODUCEN	Orgánico	9	100.00	12	100.00	12	85.71	14	82.35
	Convencional	0	0.00	0	0.00	0	0.00	3	17.65
	Ambos	0	0.00	0	0.00	2	14.29	0	0.00
INDICADORES SOCIALES Y RELATIVOS AL DESARROLLO DE LA REGIÓN									
1. CASADO	SI	9	100.00	11	91.67	13	92.86	15	88.24
	NO	0	0.00	1	8.33	1	7.14	2	11.76
2. NÚMERO DE HIJOS	1 - 3	4	44.44	2	16.67	10	71.43	5	29.41
	4 - 6	5	55.56	9	75.00	0	0.00	8	47.06
	7 o más	0	0.00	0	0.00	3	21.43	1	5.88
2a. EDADES DE LOS HIJOS	5 años o menor	6	66.67	9	75.00	3	21.43	7	41.18
	6 a 18 años	18	200.00	21	175.00	9	64.29	36	211.76
	19 años o más	8	88.89	9	75.00	9	64.29	21	123.53
3. GRADO QUE CUMPLIó EN LA ESCUELA	Primario	3	33.33	3	25.00	1	7.14	6	35.29
	Secundario	1	11.11	1	8.33	1	7.14	0	0.00
	Universitario	0	0.00	0	0.00	0	0.00	0	0.00
	Ed. Técnica	0	0.00	0	0.00	0	0.00	0	0.00
	No terminó primaria	4	44.44	7	58.33	10	71.43	8	47.06
	Sin Educación	1	11.11	0	0.00	2	14.29	3	17.65
4. GRADO QUE CUMPLIERON LOS HIJOS EN LA ESCUELA	Primario	7	77.78	16	133.33	4	28.57	20	117.65
	Secundario	8	88.89	8	66.67	5	35.71	10	58.82
	Universitario	0	0.00	0	0.00	0	0.00	1	5.88
	Ed. Técnica	0	0.00	3	25.00	0	0.00	2	11.76
	No terminaron primaria	8	88.89	3	25.00	9	64.29	20	117.65
	Sin Educación	2	22.22	0	0.00	2	14.29	4	23.53

	Otros (Niño que no esta en edad escolar)		7	77.78	9	75.00	1	7.14	7	41.18
5. AGUA POTABLE	SI		0	0.00	9	75.00	0	0.00	0	0.00
	NO		9	100.00	3	25.00	14	100.00	17	100.00
6. ELECTRICIDAD EN SU VIVIENDA	SI		0	0.00	12	100.00	2	14.29	3	17.65
	NO		6	66.67	0	0.00	12	85.71	14	82.35
	Panel Solar		3	33.33	0	0.00	0	0.00	0	0.00
7. DESDE HACE CUÁNDO VIVEN EN CARANAVI	Menos de 20 años		2	22.22	2	16.67	6	42.86	3	17.65
	" 10 "		1	11.11	2	16.67	0	0.00	1	5.88
	" 5 "		1	11.11	0	0.00	0	0.00	2	11.76
	Nació en Caranavi		4	44.44	3	25.00	6	42.86	7	41.18
	Más de 20 años		1	11.11	5	41.67	2	14.29	4	23.53
7a. SI NO NACIERON EN CARANAVI, DÓNDE VIVÍAN ANTERIORMENTE	a. ALTIPLANO		5	55.56	9	75.00	12	85.71	9	52.94
	b. VALLES		0	0.00	2	16.67	0	0.00	1	5.88
	c. LLANOS		0	0.00	0	0.00	0	0.00	0	0.00
8. CUÁNDO VISITAN AL MÉDICO	Cuando se enferman		9	100.00	12	100.00	14	100.00	13	76.47
	No visitan al médico		0	0.00	0	0.00	0	0.00	4	23.53
9. PRODUCTOS QUE CULTIVAN	Cítricos		8	88.89	10	83.33	15	107.14	19	111.76
	Otra fruta (plátano,coco,palta)		4	44.44	4	33.33	3	21.43	9	52.94
	Cereales		1	11.11	3	25.00	4	28.57	5	29.41
	Tubérculos		1	11.11	3	25.00	2	14.29	0	0.00
	Vegetales		3	33.33	1	8.33	1	7.14	3	17.65
	Coca		0	0.00	0	0.00	1	7.14	1	5.88
10. ALIMENTOS QUE COMPRAN	Carnes (res, pollo, huevo y pescado)		6	66.67	4	33.33	7	50.00	7	41.18
	Lácteos		1	11.11	1	8.33	2	14.29	0	0.00
	Cereales (arroz,maíz,avena y quinua)		7	77.78	12	100.00	15	107.14	13	76.47
	Verduras		4	44.44	6	50.00	7	50.00	10	58.82
	Tuberc. (papa,gualusa,chuño y yuca)		3	33.33	2	16.67	3	21.43	10	58.82
	Carbohidratos (fideo)		7	77.78	3	25.00	4	28.57	5	29.41
	Fruta (cítricos, plátano)		2	22.22	1	8.33	3	21.43	0	0.00
	Otros (azúcar, aceite)		0	0.00	3	25.00	0	0.00	0	0.00
11. ALIMENTOS MÁS IMPORTANTES PARA SU FAMILIA	*CONSUMO:*									
	Carnes (res, pollo y pescado)		6	66.67	5	41.67	5	35.71	8	47.06
	Lácteos		0	0.00	1	8.33	2	14.29	0	0.00
	Cereales (arroz,maíz,avena y quinua)		6	66.67	10	83.33	14	100.00	13	76.47
	Verduras		3	33.33	4	33.33	3	21.43	7	41.18
	Tuberc. (papa,gualusa,chuño y yuca)		4	44.44	2	16.67	4	28.57	9	52.94

	Carbohidratos (fideo)		6	66.67	3	25.00	6	42.86	3	17.65
	Fruta (cítricos, plátano)		3	33.33	5	41.67	5	35.71	0	0.00
	VENTA:									
	Coca		5	55.56	0	0.00	2	14.29	0	0.00
	Fruta (coco,plátano)		4	44.44	0	0.00	2	14.29	9	52.94
	Cítricos(naranj,mandarin,pomelo,lima)		8	88.89	2	16.67	5	35.71	16	94.12
	Vegetales		3	33.33	0	0.00	1	7.14	0	0.00
	Cereales		2	22.22	0	0.00	0	0.00	1	5.88
12. CAMBIOS EN SU PUEBLO	i. Ningún cambio		5	55.56	0	0.00	0	0.00	6	35.29
	ii. No sabe/No responde		2	22.22	0	0.00	0	0.00	8	47.06
	iii. Acceso al agua		0	0.00	1	8.33	1	7.14	2	11.76
	iv. Nueva planta procesadora de café		0	0.00	1	8.33	0	0.00	0	0.00
	v. Mejor educación escolar		1	11.11	4	33.33	4	28.57	0	0.00
	vi. Mejor nivel de vida		0	0.00	1	8.33	0	0.00	0	0.00
	vii. Nuevo galpón p/depósito del café		2	22.22	0	0.00	0	0.00	0	0.00
	x. Posta sanitaria		1	11.11	0	0.00	5	35.71	0	0.00
	xi. Mejoramiento en su vivienda		0	0.00	7	58.33	0	0.00	0	0.00
	xii. Más y mejores caminos		0	0.00	2	16.67	2	14.29	2	11.76
	xvi. Se esta concientizando+calidad café		0	0.00	1	8.33	0	0.00	0	0.00
	xvii. Acceso a la energía eléctrica		0	0.00	3	25.00	2	14.29	1	5.88
	xx. Automoviles propios		0	0.00	2	16.67	0	0.00	0	0.00
12a. CÓMO EXPLICAN LOS CAMBIOS	Apoyo USAID		0	0.00	0	0.00	3	21.43	0	0.00
	ONG´s		0	0.00	0	0.00	1	7.14	3	17.65
	Comercio Justo (iv,v, vi,xi,xvi,xvii)		2	22.22	10	83.33	5	35.71	0	0.00
	Mejores autoridad.político.(v,xii,xiii)		0	0.00	2	16.67	2	14.29	0	0.00
	No sabe/No responde		7	77.78	0	0.00	3	21.43	12	70.59
INDICADORES ECONÓMICOS										
13a. QUÉ TIPO DE CAFÉ VENDEN	Guinda		6	66.67	4	33.33	14	100.00	0	0.00
A EMP. PRIVADAS O QUE	Pergamino		3	33.33	9	75.00	0	0.00	9	52.94
ENTREGAN A COOPERATIVAS	Pelado		3	33.33	0	0.00	0	0.00	0	0.00
	Mote		0	0.00	0	0.00	0	0.00	10	58.82
13. EVOLUCIÓN DE PRECIO DE UN QUINTAL DE CAFÉ	***Pergamino***									
	Ahora									
	105 - 109		0	0.0	0	0.00	2	14.29	0	0.00
	110- 120 $us		8	88.9	9	75.00	11	78.57	0	0.00
	121- 130 $us		0	0.0	0	0.00	0	0.00	0	0.00
	No sabe		4	44.4	3	25.00	1	7.14	0	0.00
	Hace 5 años									

	8 - 20 $us		1	11.11	0	0.00	1	7.14	0	0.00
	21-40 $us		1	11.11	0	0.00	1	7.14	0	0.00
	60 -70 $us		0	0.00	0	0.00	0	0.00	0	0.00
	80 - adelante $us		0	0.00	0	0.00	0	0.00	0	0.00
	No recuerda/ no conoce/ es nuevo		7	77.78	12	100.00	12	85.71	0	0.00
	Guinda									
	Ahora									
	15-20 $us		0	0.00	3	25.00	7	50.00	0	0.00
	21-29 $us		0	0.00	0	0.00	0	0.00	0	0.00
	30- 44 $us		0	0.00	0	0.00	0	0.00	0	0.00
	45- 50 $us		0	0.00	0	0.00	0	0.00	0	0.00
	Hace 5 años									
	5-10 $us		0	0.00	0	0.00	0	0.00	0	0.00
	11 - 15 $us		0	0.00	0	0.00	0	0.00	0	0.00
	No recuerda		9	100.00	9	75.00	7	50.00	0	0.00
14. INGRESO ANUAL EN $US	100 - 199		0	0.00	0	0.00	0	0.00	0	0.00
	200 - 299		1	11.11	0	0.00	0	0.00	0	0.00
	300 - 399		2	22.22	0	0.00	0	0.00	0	0.00
	400 - 499		6	66.67	1	8.33	1	7.14	0	0.00
	500 - 599		0	0.00	2	16.67	4	28.57	0	0.00
	600 - 699		0	0.00	7	58.33	5	35.71	0	0.00
	700- 899		0	0.00	2	16.67	4	28.57	0	0.00
	901- 1200		0	0.00	0	0.00	0	0.00	0	0.00
	No sabe/ no ha calculado		0	0.00	0	0.00	0	0.00	0	0.00
14b. RENDIMIENTO HECTÁREAS CULTIVADAS (qq/has)	10 - 14		0	0.00	2	16.67	0	0.00	3	17.65
(medidos en qq de pergamino)	15 - 19		2	22.22	2	16.67	3	21.43	3	17.65
	20 - 24		1	11.11	4	33.33	8	57.14	2	11.76
	25-29		0	0.00	2	16.67	5	35.71	0	0.00
	30- 45		4	44.44	0	0.00	0	0.00	0	0.00
	No sabe/ No responde		2	22.22	2	16.67	1	7.14	9	52.94
14c. EN QUÉ PORCENTAJE VENDEN SU PRODUCCIÓN	MERCADO CARANAVI									
	0 - 9 %		3	33.33	2	16.67	2	14.29	4	23.53
	10 - 29 %		5	55.56	0	0.00	2	14.29	4	23.53
	30 - 39 %		0	0.00	0	0.00	0	0.00	0	0.00
	40 - 49 %		0	0.00	0	0.00	0	0.00	0	0.00
	50 - 59 %		0	0.00	0	0.00	0	0.00	3	17.65
	COOP. (COMERCIO JUSTO)									
	50 - 59 %		0	0.00	0	0.00	1	7.14	0	0.00

	60 - 69 %			0	0.00	0	0.00	0	0.00	0	0.00
	70 - 79 %			2	22.22	0	0.00	0	0.00	3	17.65
	80 - 89 %			3	33.33	0	0.00	0	0.00	1	5.88
	90 - 100 %			4	44.44	10	83.33	0	0.00	1	5.88
	PLANTAS PROCESADORAS										
	0 - 9%			0	0.00	0	0.00	0	0.00	1	5.88
	10 - 29 %			0	0.00	0	0.00	0	0.00	2	11.76
	30 - 39 %			0	0.00	0	0.00	0	0.00	2	11.76
	40 - 49 %			0	0.00	0	0.00	0	0.00	1	5.88
	50 - 59 %			0	0.00	0	0.00	0	0.00	2	11.76
	60 - 69 %			0	0.00	0	0.00	0	0.00	0	0.00
	70 - 79 %			0	0.00	0	0.00	4	28.57	0	0.00
	80 - 89 %			0	0.00	0	0.00	1	7.14	3	17.65
	90 - 100 %			0	0.00	0	0.00	11	78.57	6	35.29
14d. POR QUÉ PREFIEREN VENDER, EN ESE PORCENTAJE, A ESE MERCADO	Precio más alto (precio justo),mayor ingreso familiar			7	77.78	10	83.33	0	0.00	4	23.53
	Liquidez de las empresas/ En las cooperativas:anticipos			1	11.11	0	0.00	8	57.14	10	58.82
	Costes de pcc.y tiempo(no:pelan,lavan,secan)			0	0.00	0	0.00	6	42.86	2	11.76
	Produce poco			0	0.00	0	0.00	0	0.00	1	5.88
	Ayuda y fidelidad a la cooperativa			2	22.22	2	16.67	0	0.00	0	0.00
15. SU INGRESO LES PERMITE MANTENER A SU FAMILIA	SI			6	66.67	12	100.00	11	78.57	14	82.35
	NO			3	33.33	0	0.00	3	21.43	3	17.65
15a. OTRA ACTIVIDAD PARA MEJORAR SU INGRESO	Ninguna otra actividad			7	77.78	9	75.00	11	78.57	13	76.47
	Costura/tejidos			0	0.00	3	25.00	0	0.00	0	0.00
	Cultivo de coca			0	0.00	0	0.00	1	7.14	0	0.00
	Comercio (tienda de abarrotes)			1	11.11	0	0.00	0	0.00	0	0.00
	Venta de otros productos agrícolas			0	0.00	0	0.00	2	14.29	4	23.53
16. EN QUÉ GASTAN MÁS	Alimentación			8	88.89	9	75.00	10	71.43	14	82.35
	Ropa			0	0.00	2	16.67	1	7.14	13	76.47
	Educación y Material Escolar			7	77.78	10	83.33	5	35.71	9	52.94
	Mantenimiento lote			1	11.11	0	0.00	1	7.14	0	0.00
	Mejoramiento de vivienda			0	0.00	0	0.00	0	0.00	2	11.76
	Pago a sus cosechadores			1	11.11	1	8.33	0	0.00	0	0.00
17. QUIÉN TOMA LAS DECISIONES EN SU FAMILIA	Esposo			0	0.00	0	0.00	0	0.00	1	5.88
	Esposa			1	11.11	0	0.00	3	21.43	2	11.76
	Ambos			8	88.89	12	100.00	10	71.43	13	76.47

	Otro (no esta casado)		0	0.00	0	0.00	1	7.14	1	5.88
18. EN QUÉ INVIERTEN SUS GANANCIAS	Casa		0	0.00	4	33.33	2	14.29	7	41.18
	Tierra (y mejoramiento del lote)		4	44.44	6	50.00	3	21.43	4	23.53
	Ahorros		4	44.44	2	16.67	9	64.29	9	52.94
	Otros (Automóvil, herramientas)		1	11.11	3	25.00	0	0.00	0	0.00
	No invierte		1	11.11	0	0.00	2	14.29	3	17.65
19. COMO AFECTARON LOS INGRESOS ALTOS EN SU FAMILIA	Mejores condiciones de vida		0	0.00	8	66.67	0	0.00	0	0.00
	No sabe/No responde		9	100.00	4	33.33	14	100.00	17	100.00
19a. EJEMPLOS DE CAMBIOS PERCIBIDOS	No sabe/No responde		9	100.00	3	25.00	13	92.86	17	100.00
	Mejor educación		0	0.00	3	25.00	0	0.00	0	0.00
	Ahora su casa es de ladrillo		0	0.00	2	16.67	0	0.00	0	0.00
	Compra automóvil		0	0.00	1	8.33	0	0.00	0	0.00
	Vestirse mejor		0	0.00	2	16.67	0	0.00	0	0.00
	Alimentarse mejor		0	0.00	4	33.33	1	7.14	0	0.00
20. HRS. DEDICADAS A LA ACTIVIDAD CAFETALERA	TIEMPO DE COSECHA									
	Más de 8 horas		8	88.89	10	83.33	12	85.71	16	94.12
	Otro (8 o menos horas)		1	11.11	2	16.67	2	14.29	1	5.88
	FUERA DEL TIEMPO DE COSECHA									
	Menos de 8 horas		2	22.22	0	0.00	6	42.86	9	52.94
	Otro (8 o más horas)		6	66.67	12	100.00	8	57.14	8	47.06
21. EL CULTIVO ORGÁNICO IMPLICA MAYOR TRABAJO	SI		8	88.89	12	100.00	12	85.71	8	47.06
	NO		1	11.11	0	0.00	1	7.14	6	35.29
	No corresponde(el café no es orgánico)		0	0.00	0	0.00	1	7.14	3	17.65
21a. UTILIZAN EL CULTIVO ORGÁNICO EN SUS VERDURAS	SI		5	55.56	9	75.00	3	21.43	10	58.82
	NO		1	11.11	2	16.67	11	78.57	4	23.53
	No corresponde(el café no es organico)		3	33.33	1	8.33	0	0.00	3	17.65
21b. POR QUÉ ES IMPORTANTE LA PRODUCCIÓN ORGANICA	Sano		1	11.11	1	8.33	0	0.00	3	17.65
	Limpio		2	22.22	1	8.33	6	42.86	3	17.65
	Sin químicos		2	22.22	1	8.33	2	14.29	7	41.18
	Mayor cuidado a la plantación		1	11.11	0	0.00	0	0.00	0	0.00
	Mayor venta		1	11.11	2	16.67	4	28.57	0	0.00
	Mejor precio		2	22.22	1	8.33	0	0.00	1	5.88
	Más grande		1	11.11	0	0.00	0	0.00	0	0.00
	Más rico		1	11.11	0	0.00	0	0.00	0	0.00

	Mejor calidad		0	0.00	5	41.67	2	14.29	0	0.00
	Mayor producción		1	11.11	1	8.33	0	0.00	0	0.00
	Preservación del Medio Ambiente		1	11.11	0	0.00	0	0.00	0	0.00
22. PARTICIPAN EN LA COOPERATIVA	SI		8	88.89	9	75.00	0	0.00	5	29.41
	NO		1	11.11	3	25.00	0	0.00	3	17.65
	No corresponde(no esta afiliada)		0	0.00	0	0.00	14	100.00	9	52.94
22a. SI: QUÉ HACEN LAS MUJERES EN LA COOPERATIVA	Apoya a su esposo		1	11.11	2	16.67	0	0.00	1	5.88
	Asiste a las reuniones		5	55.56	6	50.00	0	0.00	3	17.65
	Tomar decisiones		2	22.22	0	0.00	0	0.00	0	0.00
	Aprenden a coser y tejer c/los cursos de la cooperativa						0	0.00	0	0.00
	No sabe/No responde		2	22.22	2	16.67	0	0.00	2	11.76
	No corresponde(no esta afiliada)		0	0.00	0	0.00	14	100.00	9	52.94
22b. PUEDEN PARTICIPAR EN LAS DECISIONES DE LA COOPERATIVA	SI		7	77.78	9	75.00	0	0.00	1	5.88
	NO		0	0.00	0	0.00	0	0.00	0	0.00
	No sabe/No responde		1	11.11	3	25.00	0	0.00	4	23.53
	No corresponde(no esta afiliada)		0	0.00	0	0.00	14	100.00	9	52.94
22c. NO: QUÉ PIENSAN POR NO PARTICIPAR EN LA COOPERATIVA	No sabe/No responde		1	11.11	2	16.67	0	0.00	3	17.65
	No corresponde(no esta afiliada)		0	0.00	0	0.00	14	100.00	9	52.94

(*) Los comentarios o explicaciones de cada una de las preguntas tabuladas son las mismas que en el caso de las encuestas del género masculino, por lo que se debe revisar los comentarios efectuados en la Tabulación de Encuestas: Género Masculino, para comprender el criterio de tabulación, cuando corresponda.

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