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'BETTER, BUT NOT GREAT': THE SOCIAL AND ENVIRONMENTAL BENEFITS AND LIMITATIONS OF FAIR TRADE FOR INDIGENOUS COFFEE PRODUCERS IN OAXACA, MEXICO

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Daniel Jaffee

I. Introduction and Context

This study, based on extensive ethnographic and survey research in Zapotec indigenous communities in the southern Mexican state of Oaxaca between 2001 and 2005, offers one of the first in-depth investigations of the social, economic, and environmental benefits of fair trade. It examines the specific ways that fair trade has affected small producers in two coffee-dependent villages during the midst of the recent severe global coffee price crisis. The study compares members of the Michiza producer cooperative in the Rincón de Ixtlán region, whose certified organic coffee is sold on the international fair trade market, with unorganized conventional farming families in the same region who sell their harvests through local intermediaries. This chapter centers on the results of an in-depth household survey that compares economic, social and environmental conditions for 51 coffee farming families—half of them benefiting from the extra income and the advance credit generated by fair trade, and the other half selling their harvests onto the conventional world market in the midst of the worst coffee price crisis in history. It also explores the contradictions that can arise in rural communities where only some households participate in alternative markets offering more favorable terms of trade, and identifies some of the limitations to fair trade's social impact at the local level.

Background

In Mexico, small farmers dominate coffee production. While there are large mechanized estates, 64 percent of the nation's coffee land is held by peasants who grow less than five hectares (12.3 acres). These very small farms comprise 92 percent of all Mexican coffee farms, the highest proportion of any Latin American nation. Especially notable is the indigenous character of these farmers: about two-thirds of the producers who farm less than two hectares (4.9 acres) of coffee—virtually half of all Mexican coffee farmers—are indigenous people.[2]

[2] Porter, R. (2000). "Politico-Economic Restructuring and Mexico's Small Coffee Farmers."

From 1952 until the 1989 collapse of the International Coffee Agreement, the Mexican Coffee Institute (Inmecafe), a government agency, regulated coffee marketing and production, provided low-cost inputs, and organized small producers across the nation into a type of village-level cooperatives known as UEPCs. The reign of Inmecafe caused a dramatic expansion in coffee acreage in Mexico; between 1969 and 1989, the number of coffee producers in Mexico rose by 289 percent, and the area planted in coffee increased by 220 percent. When the Salinas de Gortari government abolished the agency virtually overnight in late 1989, it suddenly exposed an entire sector of peasant producers to the harsh mercy of an unregulated market. The twin blows of the agency's disappearance and plummeting world prices for the 1989-90 harvest wreaked social and economic havoc on wide swaths of the Mexican countryside. As part of a broader peasant movement in Mexico during the 1980's in which rural communities "appropriated the productive process," seizing control and marketing of their resources from state institutions and corporate concessions, an independent coffee producer movement had begun to emerge well before Inmecafe vaporized in 1989.

As a result of these dynamics, most Mexican coffee farmers now belong to a producer organization of some kind. In the late 1990s, CNOC—the national federation uniting all of the independent producer organizations—represented 71,126 farmers, or 25 percent of the national total. Another 31 percent of all coffee farmers belong to the formerly Inmecafe-affiliated organizations, the descendents of the UEPCs. This leaves 44 percent of Mexican producers unaffiliated with any organization.[3] With few exceptions, only the independent CNOC organizations have experienced any success in gaining access to value-added markets for their coffee—such as certified organic and fair trade—that can provide some protection from low world prices. The Michiza cooperative, founded in 1986, is one of the pioneering independent producer organizations.

From 1997 to 2004, the protracted global coffee price crisis has exposed these Mexican rural and indigenous communities to the harsh forces of the world market, causing severe economic hardship and threatening the cultural and ecological integrity of this highly biodiverse region. Although coffee prices have risen modestly since 2005, the social and environmental legacy of the recent crisis continues to plague coffee-producing regions worldwide. A pound of coffee is still worth less than half what it was in 1989, in real terms. History shows that price

[3] Ibid.

volatility and recurring crises are structural features of the international trade in commodities.[4] When coffee prices drop once more, most of the world's 20 to 25 million coffee growing families will again be fully exposed to the harsh forces of the unregulated global market.

Research Questions

Supporters of fair trade assert that fair trade not only results in more just prices or living 'wages,' ends rural poverty, fosters sustainable farming, empowers poor people and women, and enhances food security, but that it also creates a fundamentally more equitable international marketplace.[5] I set out to examine these claims, and to find out how peasant coffee producers are actually experiencing fair trade. I was interested in the kinds of tangible benefits that fair trade generates, especially when it comes to households' economic well-being and food security, their access to education, the need to emigrate to supplement their income, and the environmental impact of their agricultural practices. Importantly, I wanted to know how families who are reaping the economic advantages of fair trade markets fare in direct comparison to similar families in the same communities who sell their harvests on the conventional market through local intermediaries, particularly in the midst of a severe price crisis. While there is a good deal of anecdotal information available regarding the benefits of fair trade, this research compares systematically—in quantitative as well as qualitative terms—the differences between small farmer households who participate in fair trade markets and those who do not.

II. Description of Study Sites and Organizations

This section describes the Rincón de Ixtlán and the villages of Teotlasco and Yagavila, which are the setting for this case study of fair trade's impact on small indigenous peasant farmers, and profiles Michiza, an indigenous coffee producer organization participating in the European and U.S. fair trade markets. The parallel coffee markets that operate in these isolated communities are a microcosm of the contrasts between the conventional world coffee market and the fair trade alternative. I then turn to examine the results from the survey that I conducted with members of Michiza and their conventional coffee producer neighbors, looking at the benefits as well as the complexities that participation in fair trade brings for these families and communities.

[4] The only exceptions are those in which firm controls are imposed on supply, such as the International Coffee Agreement.

[5] E.g., Transfair USA 2006; Oxfam America and Transfair USA 2004; FLO 2004; Equal Exchange 2002; Global Exchange 2002; Ransom 2001; Raynolds 2000.

Study Sites

Oaxaca is the most indigenous state in Mexico. Its sixteen ethnic groups comprise between 50 and 60 percent of the population of 3.4 million. Coffee is grown in 124 *municipios* in Oaxaca, an area that contains 771 indigenous communities. The Mexican government classifies 96 percent of this region as having a high or very high degree of poverty.[6] The map of coffee-growing zones in Oaxaca coincides almost exactly with a map of the poorest regions of the state, which in turn are the most indigenous.

The Rincón de Ixtlán is the epitome of this profile. It is located in the steep Sierra Juárez mountain range (part of the Sierra Madre Oriental) to the north of the capital city. This culturally homogeneous region comprises nine indigenous communities that share a common language (Zapoteco del Rincón or Nextizo). The Rincón is home to approximately 5,200 people, 98 percent of whom are indigenous.[7]

Yagavila and Teotlasco are two of nine indigenous communities in the Rincón, located adjacent to each other on a steep mountainside overlooking the Rio Cajonos. Yagavila has a population of 636 people on a land area of 1,479 hectares, and Teotlasco has 553 residents on its 1,587 hectares. Most of these settlements were in existence at least several hundred years before the Spanish conquest. Because of the Rincón's topography, the traditional and current land base of most of the communities runs in a long, narrow swath from 3,000 meters in elevation down to 500 meters or lower, while virtually all of the inhabited villages are situated in a narrow band between 1,100 and 1,600 meters. This location has allowed the Rincón communities to take advantage of a dramatic "ecological gradient"[8] ranging from tropical forest to cloud and temperate pine forests, a setting that yields pineapples and mangoes as well as blackberries and potatoes. Virtually all of the families in Yagavila and Teotlasco farm milpa, coffee and sometimes other crops on these scattered parcels, and subsistence agriculture still plays a central role in the family economy. The relative abundance of land and the wide variety of microclimates and ecosystems have allowed these communities to survive over more than a millennium. These factors may also play a role in helping the region manage the effects of the recurring coffee crises.

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[6] Bolaños Méndez, M., J. de los Santos, et al. (2003). "Café de Sombra en el Rincón de Ixtlán, Sierra Norte, Oaxaca, México," 23.
[7] INEGI (2000). *Censo de Poblacion y Vivienda 2000 (Resultados Oaxaca)*. Mexico City, INEGI.
[8] Tyrtania, L. (1983). *Yagavila: Un Ensayo en Ecología Cultural*. Mexico City, Universidad Autónoma Metropolitana (UAM-Iztapalapa).

Here in the Rincón, the agricultural system is dominated by coffee and corn. Within the community of Yagavila, according to Oaxacan anthropologist Emma Beltrán, these two crops each occupy exactly 47 percent of the agricultural land, with sugar cane on 4 percent and other crops occupying 2 percent.[9] The average family in the Rincón has 3 parcels of coffee, with most of the parcels either very small (0.25 hectare) or small (1 hectare), and few plots larger than that. In my 2003 survey of 51 families in both Yagavila and Teotlasco, the average family had just over three coffee plots totaling just under 2.5 hectares, and three plots of food crops—corn and beans (milpa) plus sugar cane—totaling 1.9 hectares.

The organizational picture for coffee farmers in the Rincón is a complex one. About 70 percent of the families in Teotlasco and 40 percent in Yagavila are *productores libres*—unorganized or "free" producers who sell their coffee to one of several local intermediaries, or coyotes. Slightly less than half of the families in Yagavila belong to the *Union Fraternal*, a remnant of the producer associations formerly linked to Inmecafe and still affiliated with the national peasant union CNC, which pays prices very similar to those of the coyotes. The CEPCO union—which sells some coffee on fair trade and organic markets—represents another 19 producers in Teotlasco. Finally, the Michiza cooperative has 20 member families in Yagavila and 24 in Teotlasco; virtually all of their coffee is certified organic, and most is sold at fair trade terms.

Michiza Cooperative

Michiza (which is also known by its legally registered title, Yeni Naván) emerged out of the work of liberation theology-oriented Catholic priests and laypeople in the mid-1980s, along with other pioneering Mexican producer unions such as UCIRI, ISMAM and UCI-100. Since its founding in 1986, Michiza has grown to a total of approximately 1,100 member families located in 47 communities dispersed across the state, representing six indigenous ethnic groups: Mixtecos, Chinantecos, Zapotecos, Chatinos, Cuicatecos and Mixes. In most of these communities, as in Yagavila and Teotlasco, only a small portion of the producer families belongs to Michiza. In recent coffee harvests, the organization has collected between 400 and 500 metric tons (400,000-500,000 kilos) of parchment coffee from its members. Over 80 percent of this total is of export quality—all of which Michiza sells at fair trade prices to buyers in Germany,

[9] Beltrán, E. (2000). "Monografía de Santa Cruz Yagavila, Ixtlán." Oaxaca, Mexico.

Austria, and now the U.S.—while the remainder fetches lower prices on the Mexican domestic market.

The majority of Mexican producer organizations on the fair trade register cannot sell all of their export-grade coffee at fair trade prices on the international market. Observers estimate that worldwide, only 20 to 25 percent of coffee produced by cooperatives in the fair trade system can be sold on fair trade terms; the available supply far outstrips consumer demand.[10] Many producer groups in Mexico and elsewhere must sell the majority of their harvest either at the low world market price or at a smaller premium on the international or domestic markets. Michiza, in contrast, sells 100 percent of its export-grade coffee to European and U.S. buyers at fair trade terms. The fair trade price premium is the most significant element in the higher prices that Michiza's members receive for their coffee, allowing for greater confidence that the economic differences between the fair trade households (Michiza members) and conventional households (non-members) can be attributed to the additional capital from fair trade. Michiza's 22-year history as an organization, and its 16 years of exporting fair trade organic coffee, also provide the time-depth necessary for such a study. Michiza has been present in Yagavila and Teotlasco since 1990; some current members have been active since the beginning, and the average length of membership of the respondents is 6.8 years. Thus, these households have had adequate time to show the cumulative social and economic effects that are generated by participation in fair trade.

III. Research Methods and Sampling

Study Timeline, Conceptualization and Design

The field research for this study took place between October 2001 and February 2004, coinciding with the nadir of the recent worldwide crisis in coffee prices. This project was designed as a comparative case study, combining both ethnographic and survey research methods. The comparison in this study—between producers participating in the fair trade system through the Michiza cooperative on the one hand, and their neighbors in the same villages who sell their coffee on the conventional market (through local intermediaries or *coyotes*) on the other—is key to establishing the extent of the social, economic and environmental benefits that are associated with participation in fair trade.

[10] Paul Rice and Jennifer McLean, *Sustainable Coffee at the Crossroads: A Report to the Consumer's Choice Council*, 1999; Margaret Levi and April Linton, "Fair Trade: A Cup at a Time?," 2003.

Research Methods

*Semi-Structured Interviews***.** The study began with a series of semi-structured, in-depth interviews with a number of key participants, including members of non-governmental organizations (NGOs) in Mexico City and Oaxaca City involved in fair trade, rural development, organic coffee production and indigenous community governance; a Catholic priest and advisor to Michiza; researchers from the public university and from research centers in Oaxaca; and members of the Michiza *directiva.* I conducted 15 interviews in Yagavila and Teotlasco, and another 19 interviews in Oaxaca City, Mexico City, Cancún, and in the US, for a total of 34 interviews with 33 individuals (one was interviewed twice).

*Participant Observation***.** I engaged in participant observation in a wide variety of settings, including attending cooperative meetings at the village, regional and statewide levels, and a wide range of productive activities within the home, on families' *milpas* (subsistence agriculture plots), and in tasks of coffee plot maintenance, harvesting, processing and quality selection. I also conducted a series of "plot walks" with individual producers in their coffee parcels and *milpas*, asking questions about agronomic practices and features.

*Household Survey***.** The centerpiece of the study was a household survey, conducted in July and August 2003 with 51 families; 25 were unorganized conventional producers ("*productores libres*") and 26 were fair trade producers, (all members of the Michiza cooperative, except for two affiliated with the CEPCO cooperative). **Table 1** shows the numbers of survey respondents, broken down by their organizational affiliation and village.

In this hybrid survey instrument, the majority of questions solicited discrete-choice answers and numerical data, but also included many open-ended questions. The survey was 15 pages in length and contained 120 items, many of which included multiple sub-questions. All the surveys were conducted in Spanish, either by myself or a research assistant, and each took between 90 minutes and three hours to complete.

Sampling

The sample of coffee producer households for the survey was drawn from two different methods. In the case of the members of the Michiza cooperative, I utilized the organization's lists of current members as a sampling frame. I was able to conduct surveys with 100 percent of the Michiza members in both Yagavila and Teotlasco, with the exception of a few members who were out of the village for an extended period.

However, in each of these two villages, Michiza members represent only between 12 and 28 percent of all households. In the case of the *productores libres*, who constitute the bulk of both villages, sampling was more challenging due to the lack of a viable sampling frame. We opted for a modified snowball method, in which we solicited the names of conventional producers from a variety of sources, and selected households to create a sample that approximated the variability within the community as a whole, on a range of socioeconomic and demographic variables. Our sample of 25 conventional producer households was thus to an extent stratified, but not random; it reasonably approximates the variability within the two villages on a number of key measures.

Table 1: Number of Survey Respondents by Organizational Category and Village

Organization	**Yagavila**	**Teotlasco**	**TOTAL**
Michiza	14	10	24
CEPCO[a]	--	2	2
Subtotal-Fair Trade	**14**	**12**	**26**
Unorganized (*libre*)	8	6	14
New Michiza (*nuevo ingreso*)	4	1	5
Fraternal[b]	6	--	6
Subtotal-Conventional	**18**	**7**	**25**
TOTAL	**32**	**19**	**51**

[a] *Coordinadora Estatal de Productores de Café de Oaxaca* (State Coordinating Body for Oaxacan Coffee Producers), a large statewide producer union on the fair trade register. CEPCO is active in Teotlasco and one other community in the region, and had 19 members in Teotlasco as of July 2003.
[b]The *Asociación Fraternal Yagavila* (Yagavila Fraternal Association) was formerly part of the CNC, Mexico's national peasant confederation, long linked to the PRI party. The Fraternal officially had 78 members in Yagavila as of July 2003. It functions primarily as a coffee marketing body (at prices very close to those paid by the *coyotes*), and also channels funds from government support programs to its members.

Analysis of Data

Survey Data. The quantitative data (categorical and scale variables) from all of the survey questions were analyzed with the SPSS statistical analysis package, which I utilized to perform a series of statistical tests—principally T-tests, one-way ANOVA, and Chi-squared. The main interest was to determine the relationship between the independent variable of participation (or non-participation) in fair trade, and a series of dependent variables—household income and debt,

labor costs, educational levels, food security, migration rates, environmental practices and other issues—as well as the statistical significance of these relationships.

Interviews and Qualitative Data. I utilized both the transcribed interviews and the qualitative component of the survey data (people's verbal responses to the open-ended questions in the survey) to elucidate the complex details of people's lived experience and both to contextualize and triangulate the survey data. The qualitative portion of the survey responses contained the verbatim comments from 89 people (the total number of producers, spouses and adult children who took part in all 51 interviews).[11]

IV. Findings: The Benefits and Limitations of Fair Trade

According to Mexican sociologist Josefina Aranda, "there is a need for sounder empirical evidence on the impact of fair trade on the environment and on the labor conditions and well-being of farmers and workers."[12] In an effort to address that paucity of data, this research examines the specific ways fair trade has affected small producer households in two coffee-dependent Oaxacan villages—socially, economically, and environmentally—during the midst of the worst price crisis in history. A brief discussion of the major findings of the study follows.

Coffee Prices

The most visible benefit of belonging to Michiza is the higher prices that producers receive for their coffee—a difference that is most dramatic during times of crisis. For the large majority of producers in these villages who do not belong to an organization, several local intermediaries, or *coyotes*, are their only link to the world coffee market. With the coyotes paying approximately five pesos per kilogram at the end of the 2002-03 harvest, the Michiza members in transition to organic received twice that much by selling to the organization, and the families who had achieved organic certification were paid three times more, as **Table I** (see Annex) illustrates. The distinct differences between these two markets persisted until the world "C" price of coffee began to rise with the 2004-05 harvest, when they began to narrow substantially.

[11] In this chapter I have used pseudonyms for the survey respondents whose words are quoted.
[12] Aranda Bezaury, J. (2000). "The Mexican Experience."

Household Profiles; Agricultural Production

All of the families in these communities grow both coffee and milpa, and they have very similar amounts of land planted in both types of crops, as **Table 2** indicates. By one of the primary measures of wealth in the Rincón—access to land—there is no great disparity between the fair trade and conventional producer households. The demographic profile of the two groups—household size and numbers of dependents—is also quite similar for both groups. In short, these are all cash-poor indigenous peasant households who are engaged in subsistence agriculture and small-scale coffee production.

Table 2: Household Size, Coffee and Food Crops, 2003

(All figures are means)	**Fair Trade**[a] (n=26)	**Conventional**[b] (n=25)	**TOTAL** (n=51)
Household Size (members)	4.68	4.27	4.47
Age of primary respondent	44.4 yrs	47.5 yrs	46.1 yrs
Number of Dependents (ages 0-17, 65+)	2.12	2.24	2.18
(1 outlier removed; n=50):	(n=26)	(n=24)	(n=50)
Number of Coffee parcels	3.12	3.38	3.24
Total size of coffee parcels (hectares)	2.46 ha.	2.34 ha.	2.41 ha.
Number of Food crop parcels	3.23	2.83	3.04
Total size of food crop parcels (hectares)	1.84 ha.	1.77 ha.	1.80 ha.
Ratio of coffee area to food crop area	1.37 : 1	1.32 : 1	1.34 : 1

[a] Members of Michiza and CEPCO.
[b] Unorganized producers, plus members of CNC/Fraternal.

Income and Debt

The most direct motivation for producers to join the independent organizations such as Michiza is access to the higher per-kilo prices conferred by the organic and fair trade markets. **Table 3** compares gross coffee incomes, harvest volumes, sales and yields for the two groups. As it indicates, members of Michiza in Yagavila and Teotlasco earn significantly more on average from coffee sales (after subtracting the costs of hired labor)—almost four times the earnings of their unorganized counterparts. This is due largely to the preferential fair trade prices, but also to the much higher volumes that Michiza producers harvest and sell. **Figure A**

Table 3: Coffee Harvests, Sales and Income, 2002-03

(All prices in pesos. Approx 10 pesos=$1 US) *(All figures are means; 1 outlier removed)*	**Fair Trade** (n=26)	**Conventional** (n=24)
Kilograms harvested, 2002-03**	493.19	321.17
Kilograms sold, 2002-03**	410.69	248.79
Kilos sold to coyote**	53.15	202.33
Kilos sold to organization***	356.19	46.25
Coffee Yield (kilograms/hectare)*	213.21	153.01
Avg. price/kg from coyote (pesos)**	4.23	5.74
Avg. price/kg from organization (pesos) ***	14.62	5.77
Average total price/kg. received (pesos)***	13.22	5.74
Total received from coyote sales (pesos)***	225	1,161
Total received from organization sales (pesos)***	5,206	267
Total income from all coffee sales (pesos)* **	**5,431**	**1,428**

** Significant at the .01 level ***Significant at the .001 level

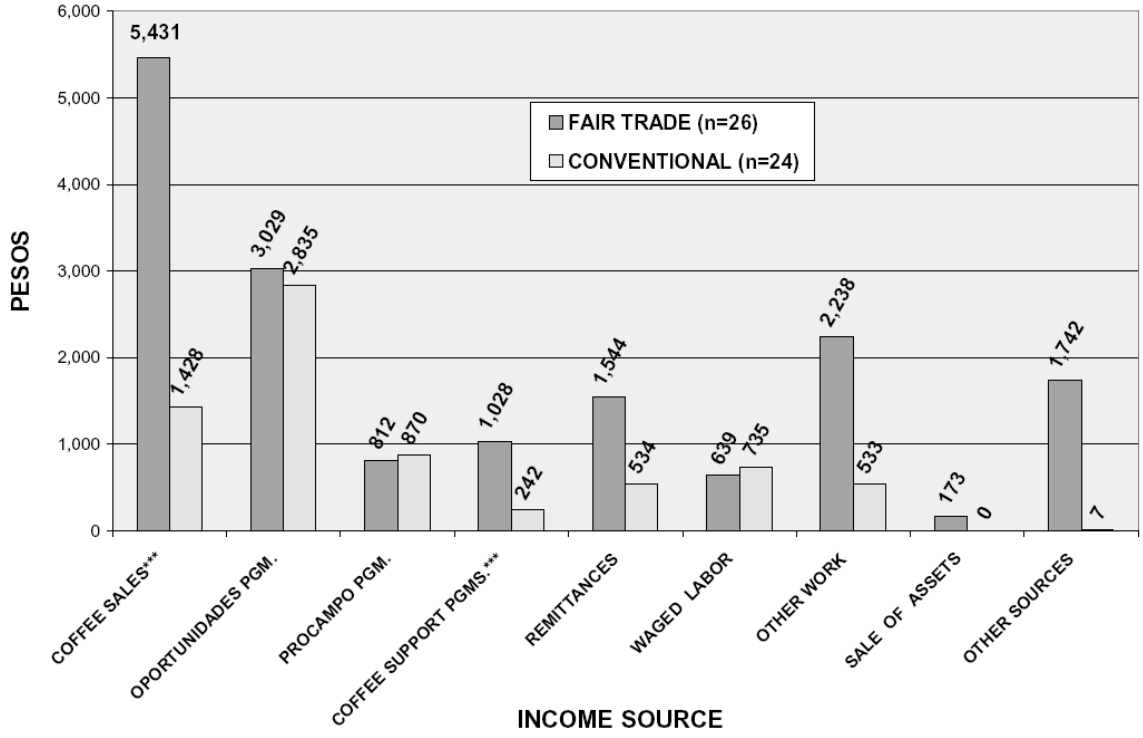
examines the specific components of the *gross* household income for these two groups, and **Figure B** shows *net* household incomes, after all expenses.[13]

A few sets of numbers in these tables and figures are worth discussing in greater detail. First, the income from coffee sales does not account for even half of the total cash income of either group, indicating that cash is coming into these families from other important sources. Second, it is immediately apparent how modest the income from coffee of even the fair trade group is—an average of just over US$540, *before* deducting the cash costs of production. The *total gross* cash income of these families is also quite low—16,842 pesos (US$1,684) for fair trade households and 7,224 pesos (US$722) for their conventional counterparts. Last and most dramatic, as **Figure B** shows, both groups have a *negative net* household income. That is, they are losing money—roughly US$379 on average for fair trade members and US$416 for

[13] It is important to note that because of the lack of markets for non-organic fair trade coffee, all Michiza members are required to enter the transition process immediately upon joining the organization. Thus, organic certification is "bundled into" Michiza membership, and all members are either in transition to organic certification, or are fully certified. The figures for the fair trade group in this survey show the combined benefit of both the higher fair trade price and the small price premium for certified organic coffee (US $0.15/pound, paid to the organization). While the survey data do not permit disaggregation of the household economic benefits provided by the small organic premium from those of the higher fair trade price, producers spend only two years at the "transitional" price level, so that the large majority of members receive the full combined fair trade/organic coffee price.

conventional producers—even as they invest hundreds or thousands of hours of labor to weed, harvest and process their coffee. Only 12 of the 51 families surveyed actually had a positive net income in 2002-03, eight of whom were Michiza members.[14]

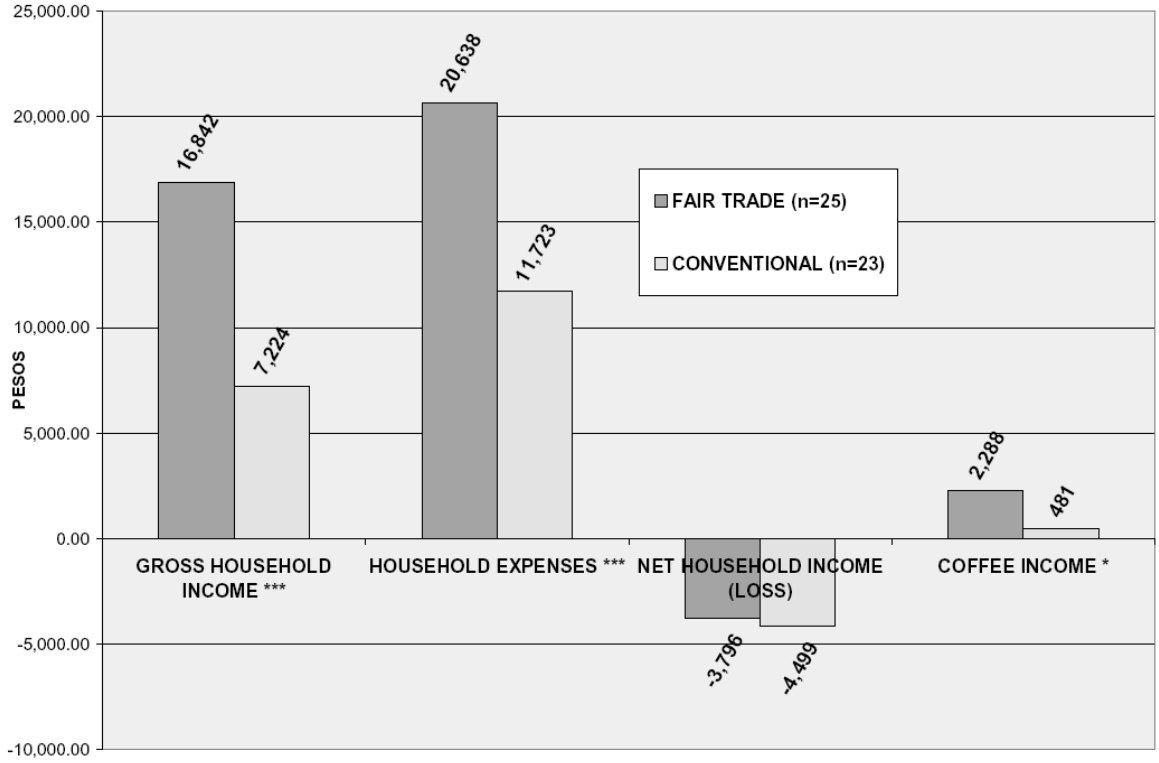
Figure A: Composition of Household Income, 2003
(All figures are means)



***Significant at the .001 level

[14] Negative net household incomes can reflect a sudden decline in cash income—such as when crop prices drop precipitously—and can last until families either reduce their expenses, find alternative income sources or take on debt. The families in the survey are adopting a range of strategies to stem the flow of red ink. Nevertheless, a caveat is in order here. It is possible that participants in the survey may have understated their income from certain sources—government support programs or remittances from migrants—potentially based on a stigma attached to dependency on programs, or concerns that showing a higher household income might jeopardize their access to the federal support.

Figure B: Household Income and Expenses, Yagavila and Teotlasco, 2002-03[a]



[a] Coffee Income = Income from coffee sales, minus cash costs of coffee labor.

* Significant at the .05 level ***Significant at the .001 level

The implications of the data on net household income are troubling indeed. Most families were actually losing money during the crisis, and fair trade members lost nearly as much money as their conventional counterparts. At least on the surface, it would appear that participation in fair trade in the Rincón does not put member families any farther ahead.

I also examined the levels of household debt. According to a local Michiza leader, 50 to 60 percent of the families in Yagavila take out loans on a regular basis during the "lean months" (*meses flacos*) of the summer—a time when meager cash income from the spring coffee sales has often run out and the milpa has not yet been harvested.[15] One of the important aspects of fair trade is the provision of pre-harvest financing, and Michiza does pay approximately 30 percent of the anticipated final price to its members several months before the harvest. As **Table II** (see

[15] Gómez Sánchez, M. (2002). Local President of Michiza in Yagavila. Personal communication.

Annex) shows, a total of 18 producers (35 percent of the sample) had outstanding debt at the time of the survey. Just over 41 percent of conventional producers were indebted, compared to only 30.8 percent of fair trade members. The average loan size for the fair trade group is 2,345 pesos, compared to 3,525 pesos for the conventional group. Just over 59 percent of fair trade members had borrowed money at least once in their lives, compared to 70 percent of the conventional group. However, producers' *dependence* on loans—that is, the frequency and regularity with which they have to borrow money—shows the most significant difference. Over 57 percent of the conventional farmers say they have to borrow money every year, while only 29.2 percent of the Michiza and CEPCO members do. Exactly one-third of the fair trade producers who responded say that they borrowed money for the past coffee harvest, while 83 percent of the conventional producers had done so. The level and timing of their coffee payments appear to give fair trade members greater liquidity and lower their dependence on credit from traditional sources. They are not forced into a cycle of debt in order to bring in the coffee harvest, or even worse, to eat.

Family and Hired Labor

Hired labor is indispensable for the majority of the families in Yagavila and Teotlasco. Two-thirds of the families in the survey (34 out of 51) hire laborers—known in this region as *mozos*—to help bring in the harvest and maintain their coffee plots. The need to hire mozos depends largely on three factors: the number of family members who are available to help with the harvest, the size of the plots, and whether or not farmers belong to an organization producing organic coffee. As **Table 4** shows, both the amount and cost of hired labor are significantly higher for fair trade families than for their conventional counterparts. In part this added labor burden is due to the specific plot management techniques required to gain and keep organic certification (which is a requirement for membership in Michiza), and in part to the rigorous quality demands of the European export market, which requires much greater attention to wet-processing, drying and selection. Fair trade producers in Yagavila and Teotlasco pay for an average of 64 mozo/days per year for coffee, while the typical conventional producer hires mozos for coffee labor on less than 21 days. The average Michiza member spent approximately 58 percent of his or her coffee income on coffee labor, leaving a very modest return of 2,288 pesos (US$229) after labor costs for the year's work. However, the conventional producers on average spent 67 percent of their meager income from coffee sales on labor, leaving the average

conventional farmer with, astonishingly, just 480 pesos—*48 dollars*—for the entire year's harvest. Moreover, these figures do not include or attribute a cash value to the thousands of hard hours of *unpaid* family labor involved in picking, hauling, wet-processing, drying and selecting the coffee.

Table 4: Person/Days and Costs for Hired Labor, 2002-03

(All figures are means) *(3 outliers removed, n=48)*	**Fair Trade (n=25)**	**Conventional (n=23)**	**TOTAL (n=48)**
# Person-days for coffee tasks*	64.44	20.87	43.56
# Person-days for milpa tasks*	47.92	16.91	33.06
Total # Person-days*	112.36	37.78	76.62
Average daily mozo wage paid (pesos)	47	44	46
Costs for mozo labor in coffee (pesos) **	**3,109**	**975**	**2,087**
Costs for mozo labor in *milpa* (pesos)*	2,242	807	1,554
Total Costs for mozo labor (pesos)**	5,351	1,782	3,641
Coffee labor costs as % of *coffee sale* income	57.2%	68.3%	59.5%
Net Coffee Income (coffee sales minus coffee labor costs)	**2,288**	**481**	**1,422**

* Significant at the .05 level ** Significant at the .01 level

Food Security

In the Rincón as of 2003, each kilo of conventional coffee bought only one-quarter to one-sixth of what it did five years earlier. Getting *enough* food is not a problem in the Rincón, but adequate nutrition is. The normal diet in the region, even in good economic times, is deficient in protein, calories and other nutrients.[16] During the price crisis, conventional producers faced not merely a reduction in food choices, but in many cases they were literally experiencing malnutrition. Researcher Emma Beltrán wrote in 2000 that "the region presents a marked deficit in standards of infant nutrition, according to the parameters of weight and body size."[17]

The most important response to the prolonged coffee price crisis by Rincón families was to turn back to the shelter of subsistence that had supported them for millennia. The land area

[16] Tyrtania, L. (1983). *Yagavila: Un Ensayo en Ecología Cultural*; Beltrán, E. (2000). "Monografía de Santa Cruz Yagavila, Ixtlán."
[17] Tyrtania, L. (1983). *Yagavila: Un Ensayo en Ecología Cultural*.

planted in milpa increased notably, while the area in coffee being harvested declined due to abandonment. Anthropologist Paola Sesia describes this phenomenon as a return to subsistence production, a process she terms *recampesinización*—literally, "re-peasantization."[18] The ability to transform oneself from small commodity producer back into subsistence farmer is key to survival. **Table III** (see Annex) shows that fully two-thirds of the conventional households are planting more milpa in 2003 than five years earlier, before the price crash; only 28 percent of the fair trade families give the same response. The increased land clearing for milpa in Yagavila does not typically impact the coffee areas, but rather the remaining forests in the region.[19] Thus, planting more milpa is also a process with distinct environmental implications.

The concept of food security has become an increasingly common lens with which to look at people's access to food. This useful approach focuses not just on nutrition, but also the policies that affect food availability, how agriculture is organized, and the ways that households make decisions about producing and consuming food.[20] The differences between the two groups of producer families in the Rincón extend to measures of household food security. By several measures, the conventional households are in a more precarious position than their fair trade counterparts, as **Table 5** shows. Two-thirds of fair trade families say they always have adequate food to meet the needs of the entire household, compared with only 44 percent of conventional families. Over 83 percent of non-fair-trade families say they experience food shortages during the year, versus only 58 percent of the fair trade group. By other measures, too, the distinction is apparent. The purchase of food eats up a far bigger share of conventional households' budgets, accounting for a whopping 85 percent of their total gross income, compared with 59 percent for the fair trade group. Food bought with cash accounts for 30 percent of fair trade families' total household expenses, compared with 51 percent for the conventional group. Interestingly, despite the greater expansion of milpas among the conventional group, the home-grown corn and beans of the fair trade families still lasts them a bit longer on average (7.5 months of the year versus 6.8 months). Finally, the total amount of cash that families spend to purchase food is different—5,500 pesos (US $550) for conventional producers versus almost 7,000 pesos (about US$700) for the fair trade group, 25 percent more.

[18] Sesia, P. (2002). "Crisis Cafetalera, Familias y Nutrición en la Región de la Chinantla, Oaxaca."
[19] Beltrán, E. (2000). "Monografía de Santa Cruz Yagavila, Ixtlán."
[20] Sen, A. K. (1981). *Poverty and Famines: An Essay on Entitlement and Deprivation*.

Table 5: Food Security Overview, 2003

	Fair Trade (n=26)	**Conventional** (n=25)
Mean household cash expenditure on food, 2002-03 (pesos) +	6,886	5,507
Mean expenditures on food as percent of *gross* household *income*	40.9%	76.2%
Always has adequate food to meet the needs of entire family +	17 (68.0%)	11 (44.0%)
Always has adequate food to meet the needs of the children [n=26]	10 (71.4%)	7 (58.3%)
There are times of food shortage in the household [n=50] *	15 (57.7%)	20 (83.3%)
Family's corn and bean harvests last the entire year	5 (19.2%)	3 (12.0%)
Mean number of months corn and bean harvests last [n=42]	7.50	6.68

+ Significant at the .10 level * Significant at the .05 level

One way to confirm these differences is by looking at the number of meals containing key foods that these families eat. For both meat and dairy, the differences are striking. As **Table IV** (see Annex) shows, fair trade families consume milk an average of 2.53 times per month, compared with less than once (0.83 times) for the conventional families. They consume meat (beef, chicken or pork) 2.05 times a month, versus 1.08 times for the non-fair-trade group, and eat cheese just over three times a month, compared with once monthly for the conventional group. Only when it comes to eggs are the differences negligible.

Overall, then, the members of fair trade organizations—and their children—are receiving more protein in their diets than conventional families. They are using part of their higher gross incomes to feed their families better, and are less likely to experience shortages of food or have to go without essentials. They also have a wider range of options for food provisioning (short of going into debt) when their subsistence corn and beans run out, partly because of their greater cash from fair trade coffee sales and the distribution of coffee payments throughout the year.

Migration

According to interviews with community leaders and families, approximately one-third of the residents of both Yagavila and Teotlasco—both single young adults and entire families—have left the villages since the year 2000, both to the United States and to urban areas in Mexico. People in Yagavila and Teotlasco agree that virtually nobody from these villages had ever migrated to the United States prior to the coffee price crash. "It's because of the low prices," explains Mario, a Michiza member in Teotlasco. "People lose hope, and then they go. It just doesn't pay to harvest coffee anymore." While there had been a modest tradition of migration to Oaxaca City and occasionally to Mexico City, primarily for education, neither the "pull" nor the "push" factors existed before 1999 or 2000 to send indigenous residents of the Rincón across the border. "The ones in the U.S., it's because of the low price of coffee," opines Rodolfo, a 32-year old Michiza member in Yagavila. However, while many people have left the community in order to bring money into the household economy, it takes money to emigrate in the first place—a fact that is key to understanding who is emigrating from the Rincón and why.

The coffee crisis and the resulting emigration have placed a major strain on both the household economy and cultural integrity of these communities. Migration has especially compromised the key institutions that mobilize communal labor and organize village governance—*tequios* and *cargos*—because of the loss of able-bodies adult members, particularly heads of households.

What role does fair trade play in this picture? In Yagavila and Teotlasco, as **Table V** (see Annex) indicates, roughly equal numbers of conventional and fair trade families have migrants living outside of the community (two-thirds of each group) and living in the U.S. (27 percent for the fair trade group and 20 percent for non-fair-trade households). But here the similarities end. Despite claims by fair trade organizations that participation in fair trade can or does *reduce* migration[21]—for example, Transfair USA's educational material for cafés states that "through fair pricing, millions of people around the world are able to stay on their land"[22]—it is clear that at least in the Rincón, the reverse is true. On average, the fair trade families have almost twice as many members living outside the community—1.88 people per household, compared with 0.96

[21] Garcia (2004) writes that "the dignity and personal sovereignty imparted by fair trade could make economic migration as a result of free trade policies a thing of the past." Transfair USA's web page listing the benefits of fair trade (Transfair 2005) also quotes a Mexican producer: "The more fair trade coffee we sell, the more stability we have in our community, and the less we have to migrate."

[22] Transfair USA (2004). Barista Quick Reference Guide to Fair Trade Certified.

for their conventional neighbors. They are also sending more than twice as many migrants to the U.S. (0.54 people on average) than the conventional group (0.20 people). The differences continue with the issue of remittances. Nine fair trade households—over one-third of the fair trade families with at least one migrant—are receiving remittances, compared to seven families in the conventional group (29 percent). Among this group, the difference is great: an average of 4,461 pesos (US$446) in remittances for the fair trade group and only 1,960 pesos (US$196) for the non-fair-trade households. These remittances account for 16 percent of the average gross family income of the fair trade group, but over 22 percent for the conventional families.

This picture at first blush does not seem to square with what many Michiza members say about their more favorable situation, and it also challenges some suppositions about the benefits of fair trade. Surely, if Michiza members are in better financial straits, they should feel less pressure to emigrate. However, this phenomenon is explained by a paradox that migration researchers call the "selectivity of migration"—the fact that the very poorest families are the least likely to be able to migrate. "The extremely poor," writes development expert Arjan de Haan, "are generally excluded from migration opportunities."[23] Rather, it is those with enough resources to send people out of the community in the first place who can take advantage of the migratory option. [24]

These figures also square with what researchers have found in other Oaxacan communities. Lewis and Runsten conducted a detailed study of coffee labor and emigration in the Mixtec indigenous community of Cabeza del Río, where Michiza also has a presence. They too compared conditions for organized producers and *productores libres*, and found a similar pattern.[25] In sum, it is too facile—and in this case incorrect—to assert that participation in fair trade deters migration.

Michiza members appear to be using migration both as a way to leverage further improvements in their quality of life—by sending their children to post-secondary school, by feeding the remaining family members better, and also as a means to sustain their investment in organic coffee production, particularly the costly hired labor and quality improvements it demands. However, many Michiza producers say there is one important difference: as of the

[23] de Haan, A. (1999). "Livelihoods and Poverty: The Role of Migration—a Critical Review of the Migration Literature."
[24] Durand, J. and D. S. Massey (1992). "Mexican Migration to the United States: A Critical Review."
[25] Lewis, J. and D. Runsten (2005). "Does Fair Trade Coffee Have a Future in Mexico? The Impact of Migration in a Oaxacan Community."

time of the survey, the *heads of household* in fair trade families had so far not emigrated. According to Jesús, a long-time organization member, "At least the Michiza members are here in the community. They are willing to do the *tequios*, and do the *cargos*." This is likely because these member heads of household are locked into an investment in organic and fair trade certification that bears fruit financially, but must be maintained constantly. This in turn benefits the whole community because they remain in the village, available to sustain the vital institutions of indigenous communal maintenance and governance.

Environment

Yagavila and Teotlasco are on the front lines of the struggle to protect shade coffee ecosystems, in a situation that attests to the complex relationship between economic crisis and environmental degradation. Many researchers have cataloged the extraordinary biodiversity that is found in traditional shade coffee plantations.[26] The Rincón is no exception. In a few sample coffee plots, Mario Bolaños Méndez and a team of Oaxacan biologists found 60 identifiable plants and another 30 that could not be identified, more than 100 bird species, 18 kinds of mammals and several reptile species.[27]

Using the typology of shade coffee ecosystems developed by Mexican ecologists Toledo and Moguel,[28] the majority of coffee plots in the Rincón are best categorized as highly diverse "coffee gardens," with a minority of plots in less diverse "commercial polyculture" and a small amount of the "rustic" type.[29] The shade trees in these coffee plots harbor a significant proportion of the original forest biodiversity, above the Mexican average, which in turn is quite high for Latin America. Thus the urgency of keeping shade coffee ecosystems intact is especially salient in these remote Zapotec communities.

In Mexico, only about 10 percent of coffee land has been converted to technified, "full-sun" coffee, far less than in most producer nations. This is partly because of the land tenure structure in which small peasant and indigenous producers dominate, and in part because of the methods promoted by the state coffee agency Inmecafe from the 1950's to the 1980's. Yet in many areas such as the Rincón, where smallholders have neither the resources nor the desire to

[26] Rice, R. A. and J. R. Ward (1996). "Coffee, Conservation, and Commerce in the Western Hemisphere."
[27] Bolaños Méndez, M., J. de los Santos, et al. (2003). "Café de Sombra en el Rincón de Ixtlán, Sierra Norte, Oaxaca, México."
[28] Moguel, P. and V. M. Toledo (1999). "El Café en México: Ecología, Cultura Indígena y Sustentabilidad."
[29] Beltrán, E. (2000). "Monografía de Santa Cruz Yagavila, Ixtlán."

convert to full-sun coffee, shade coffee has been increasingly abandoned or—worse—cleared for other land because it no longer brings income for farmers, particularly during the recent crisis. For these small producers, according to anthropologist Mirna Cruz Ramos, to cut down their coffee plants "is like quitting." Unfortunately, during the crisis, coffee farmers in Yagavila and Teotlasco began to do just that. Jimena, a 46-year old conventional producer in Teotlasco, says "many people just leave the coffee and don't weed it, but some people are cutting it down." Juana, a 29-year old Michiza member in Teotlasco, agrees: "they are beginning. The [coffee] plants are old, so they cut them down to plant corn."

In such circumstances, what role does fair trade—and the organic and traditional production methods that usually accompany it—play in protecting shade coffee? Can and does fair trade, and the organic production methods with which it is linked, help reduce environmental degradation in the Rincón, and even to restore some of the biodiversity and soil fertility lost over the past decades?

For the members of Michiza, fair trade is intimately linked with the plot maintenance and crop processing tasks required for organic certification. Due in large part to the falling demand for non-organic fair trade coffee, the organization requires that all of its producers begin the transition to organic immediately upon becoming members. These highly labor-intensive tasks—because they immediately affect the production process—constitute the functional meaning of fair trade for most members. Zoila, the local Michiza president in Teotlasco, describes some of the practical tasks involved in organic plot maintenance: "we renew the coffee plots, prepare the compost with ash, [coffee] pulp, manure, corn stubble, and cane chaff…we do pruning, we make live barriers and terraces, and twice a year we weed the land."[30]

This extra labor investment has paid off, at least in terms of productivity. The coffee yields of the fair trade/organic producers in this survey are 40 percent higher than for the conventional group (213 kilograms per hectare, compared to 153 kilos per hectare). Bray et al., in a study of producers in neighboring Chiapas, concur that coffee yields with organic methods tend to be higher.[31] Almost 90 percent of the fair trade producers say their yields have increased at least somewhat since converting to organic methods.

[30] Gijsbers, W. (2003). Café y Biodiversidad en el Rincón de Ixtlán.

[31] Bray, D. B., L. Plaza Sánchez, et al. (2002). "Social Dimensions of Organic Coffee Production in Mexico: Lessons for Eco-Labeling Initiatives."

In addition to these members' embrace of conservation techniques, however, an interesting phenomenon is occurring in Yagavila and Teotlasco. The survey found that *conventional* producers are now also widely using several of the specific practices that were introduced to the region by Michiza, in a kind of organic "demonstration effect." **Table 6** indicates that three techniques in particular—producing compost and applying it to coffee plots, establishing live plant barriers, and building terraces—have been adopted by almost half of the conventional farmers, even though they are not required to do so and have no immediate prospects for organic certification. Two-thirds of the conventional group also say they now incorporate their coffee pulp into compost rather than dumping it; the pulp's value as fertilizer seems to be increasingly evident.

Finally, these organic techniques are not only being transferred from fair trade to conventional producers, but they even appear to be making the jump from coffee to food crops. Many Michiza members, especially those most engaged with the organization, are experimenting with several organic practices on their milpas. Roughly half of the members in these two villages are applying their painstakingly prepared compost onto their corn and beans as well as their coffee, as **Table 6** indicates. Close to 60 percent are adding manure to the milpa as well, and 41 percent are planting "green manure"—a nitrogen-fixing cover crop—on their fallow milpa plots to restore fertility. Mario, a Michiza member in Teotlasco, sows the main green manure species used in this region—velvet bean, known locally as "Nescafé bean." He says, "I use it in places, where I see that the soil requires more nutrients. I harvest it at the moment it is flowering, because that's when it provides the most nitrogen."

The survey data also suggest that participation in fair trade may also be a deterrent to the abandonment and clearing of coffee plots. While nine percent of conventional producers said they intend to raze their plots and plant another crop in the next, none of the fair trade members give this answer. Fully 80 percent of the fair trade members said they intend to "plant more coffee" in the future—meaning they intended to replace old plants with new ones, not necessarily to plant additional coffee parcels—while only 54.5 percent of the conventional producers gave the same answer. Fair trade producers overall appear to hold a more optimistic vision of a viable future in shade coffee production.

Table 6: Use of Soil Conservation, Soil Fertility and Other Practices, 2003

Coffee Plots:	**Fair Trade** [a] (n=26)	**Conventional** [b] (n=25)	**TOTAL** (n=51)
Compost***	26 (100.0%)	12 (48.0%)	38 (74.5%)
Live plant barriers***	26 (100.0%)	12 (48.0%)	38 (74.5%)
Terraces**	21 (80.8%)	11 (44.0%)	32 (62.7%)
Contour rows***	17 (65.4%)	2 (8.0%)	19 (37.3%)
Dead plant barriers ***	13 (50.0%)	1 (4.0%)	14 (27.5%)
Mean times plot weeded per year***	2.00	1.46	1.74
Milpa Subsistence Plots:			
Apply **manure** to the *milpa*	15 (57.7%)	11 (45.8%)	26 (52.0%)
Apply **compost** to the *milpa* +	14 (53.8%)	7 (29.2%)	21 (42.0%)
Plant **green manure** on fallow *milpa***	11 (42.3%)	1 (4.2%)	12 (24.0%)

+ Significant at the .10 level ** Significant at the .01 level ***Significant at the .001 level

[a] Members of Michiza and CEPCO.
[b] Unorganized producers, plus members of CNC/Fraternal and new Michiza entrants.

Moreover, these fair trade organic producers are providing a different sort of "demonstration effect." They illustrate to the rest of the community that it is indeed possible to reap a higher economic return for coffee, and that this extra price premium is linked to specific ecological management practices. Several conventional producers whom I spoke with—even if they were not planning to join Michiza at the moment—indicated that they see organic coffee as the only option with any promise. In the words of Alma, a *productora libre* in Yagavila, "the one who has this kind of coffee [organic] will get ahead. If they comply with everything, in five or six years this producer will get ahead. The one who doesn't follow these steps will be screwed. If I fail to take care of the coffee plots, in the future there will be no hope. The one who sticks with organic will have a future."

Despite all of the challenges involved, then, the extra income generated by fair trade plays an important role in sustaining the ecosystem-protecting services of shade and organic coffee production, particularly during a commodity price crisis.

The Limitations of Fair Trade

Overall, how do coffee producers in Yagavila and Teotlasco perceive the economic differences between the two groups of households? Interestingly, as **Table 7** indicates, conventional producers say that belonging to Michiza makes more of a difference than do the Michiza members themselves. Over 56 percent of the conventional group say fair trade members are "much better off," compared to only 24 percent of the fair trade families. Most Michiza and CEPCO members themselves (64 percent) say that they are "a little better off," compared to 44 percent of the conventional group who give the same answer. And while 12 percent of the families in these two organizations believe that membership makes no economic difference at all, none of the *libres* give this response. Virtually all respondents do note some difference, although the majority say it is a small one. Berta, a conventional producer in Teotlasco, sums up this general sense perhaps better than anyone: "*Los socios de las organizaciones están un poco mejor, pues, pero no muy bien que digamos."* [The organization members are a little better off, but you wouldn't say great.] Most of these fair trade participants are still barely breaking even on their coffee, after labor costs are accounted for. Michiza member Rodolfo puts the situation this way: "The costs of production are going up, but the fair trade price has remained the same for 10 years. Ten years ago, a mozo cost 20 pesos per day, but now they charge 50 pesos. Fair trade really isn't fair anymore."

Table 7: Producer Perceptions of Economic Differences Between Fair Trade and Conventional Households, Yagavila and Teotlasco, 2003

Are the members of organizations (Michiza and CEPCO) in better economic conditions than the non-members (libres)? +			
	No difference	**A little better off**	**Much better off**
Fair Trade[a] (n=25)	3 (12.0%)	16 (64.0%)	6 (24.0%)
Conventional[b] (n=16)	0 (0.0%)	7 (43.8%)	9 (56.3%)
TOTAL (n=41)	3 (7.3%)	23 (56.1%)	15 (36.6%)

+ Significant at the .10 level

[a] Members of Michiza and CEPCO.
[b] Unorganized producers, plus members of CNC/Fraternal and new Michiza entrants.

The issue of the declining power of fair trade minimum prices—virtually stagnant since the movement's inception in 1988—is perceived as an urgent one by many producers, and certainly by their organizations. Researcher Christopher Bacon found that the FLO minimum price for certified organic (US$1.41 per pound at the time) had an effective value of only 87 cents per pound in 2005, when adjusted for inflation.[32]

The current fair trade minimum prices, then, are inadequate to meet the needs of most small producer families and compensate them for the extra costs of the labor needed for organic production. What would it require for these coffee farmers to feel they are being fairly compensated? When I posed this question to people in Yagavila and Teotlasco, the responses I received give cause for serious reflection about the division of benefits along the fair trade coffee chain. **Table VI (see Annex)** shows the average amount that each group of producers deems a "fair" farmgate price for coffee. For fair trade members, the figure was 37.72 pesos, or US$1.49 per pound. Among the conventional group, it was 21.67 pesos, only 86 cents per pound. Either way, these figures are quite low—between eight and 18 percent of the average purchase price of a pound of gourmet coffee in the United States.

V. Discussion

In Yagavila and Teotlasco, the coffee producers who belong to organizations participating in the fair trade market clearly receive real and significant benefits—social, economic and environmental—even in the midst of a severe price crisis. Fair trade is redirecting additional capital to these Zapotec peasant households, and in the process it is buying them, and their communities, some extra financial "breathing room." Compared with their conventional neighbors, the Michiza member families who participate in fair trade are more food secure, less indebted, have higher gross incomes, engage in more environmentally beneficial organic coffee farming methods (and spread those methods beyond coffee plots to their *milpas*), generate more paid work for local people, and are more likely to continue growing coffee rather than abandoning or razing their shade coffee plots. This does indeed constitute a fairer, more sustainable market.

[32] Bacon, C. and CLAC. 2006. "Estudio de Costos y Propuesta de Precios para Sostener el Café, las Familias Productores y Organizaciones Certificadas por Comercio Justo en America Latina y el Caribe." NOTE: Bacon's study used the US inflation rate as measured by the Consumer Price Index (CPI). However, inflation in most producer nations has been higher than in the US, causing an even greater loss of purchasing power.

However, fair trade's limitations are also clearly visible in these mountain communities. The minimum prices do not represent a compelling enough incentive for most of the conventional families to persuade them to take on the harder work and higher labor costs involved in joining a producer organization like Michiza. Fair trade's guaranteed minimum price does not fully reach producers and has lost a good deal of its value to inflation, and in some cases the amount farmers *do* receive does not even, amazingly, cover their costs of production. Under these conditions, to expect families who are barely breaking even to subsidize organic coffee production from their meager earnings is surely no recipe for fair trade's long-term sustainability. The costs and exigencies of high (and rising) international organic standards are also changing traditional household labor arrangements, communal work patterns, and producer organizations' staff requirements. These and other factors stand in the way of realizing the premise that the system provides a "living wage" to peasant farmers.

VI. Conclusion and Recommendations

In the context of the Rincón de Ixtlán region, fair trade could be characterized as necessary, but not sufficient. Participation in fair trade markets brings many benefits—often significant ones—to member families. Yet at the same time, these benefits are insufficient to persuade many non-member households in the Rincón to participate; they are deterred by the high labor burdens and costs, and the only marginally-better net returns, of organic coffee production in independent producer organizations. In this context, fair trade does not currently provide a sufficiently compelling alternative for many households, let alone constitute a solution to rural poverty, economic crisis or ecological degradation.

In this section I suggest a few changes that could move fair trade closer to realizing that potential. These recommendations range from tinkering to fundamental change:

Adjust the Base Price. The aspect of fair trade that coffee producers and their organizations most frequently mention as problematic is the minimum price. The fair trade floor price for coffee was established in 1989 and was based on the International Coffee Organization's effective minimum under the old quota regime. It has been raised only twice since then, most recently in 2007 (by 5 cents per pound, and another 5 cents for certified organic coffee). While the current minimums of $1.31 or $1.51 per pound are certainly higher than the average world price for coffee since 1989, only part of this amount actually reaches farmers. It is clear that the fair trade minimum is inadequate to sustain many producers, provide food

security for their families, and keep them farming sustainably—or in some cases, farming at all. In the intervening decade and a half, inflation has soared in all producer nations, and both production costs for small farmers and expenses for their organizations have risen along with it. Michiza's costs, for example, have increased two- to three-fold in this period, eating deeply into the proportion of the fair trade price it can return to its members. Those members, while getting less for their fair trade coffee, have also watched their labor costs double in the past several years, and felt the work burden to keep their organic certification grow considerably.

The fair trade base price needs to be reexamined, and raised. Fair trade organizations must undertake new, comprehensive studies of real production and living costs for small producers in each nation and for each commodity involved in fair trade. Based on the study results, FLO should adjust the base price so that it again provides a "living wage," to be calculated not at the organizational level, but at the *farmgate*—the price the farmer actually receives. Since fair trade organizations face their greatest challenges when commodity prices are high, the movement also needs to further widen the differential between conventional and fair trade prices so that organizations are able to consistently offer a better price, and producers are less tempted to deliver their harvests to the coyote merely in order to put food on the table.

Revisit the Allocation of Benefits. The sacrifices involved in fair trade must be shared more evenly. When Michiza's peasant coffee producers still cannot provide adequate protein in their children's diets after thousands of hours of strenuous labor growing organic coffee, the fair trade system is not sufficiently fair. While nobody expects fair trade alone to bring the living standards of Ethiopian coffee farmers or Bolivian cocoa growers up to those of Northern consumers, there is ample room in the current commodity chain to return far more income to the people who work to produce these commodities—to allow producers at a minimum to live dignified livelihoods, be fully food secure, and put aside a bit of income to realize improvements in health care, education and housing for themselves and their families.

In concrete terms, the allocation of economic benefits across the fair trade commodity chain must be readjusted. A reasonable goal would be to restore the share of the purchase price that is returned to the producer nation (currently less than 10 percent for conventional coffee and about 15 percent for fair trade[33]) at least to its level prior to the collapse of the International Coffee Agreement in 1989—approximately 33 percent. There is no rational or moral

[33] In the case of fair trade, this is the amount received by the producer organization, before costs are deducted.

justification for the enormous profits that have been reaped by the coffee industry in the post-ICA era, much less during the recent devastating coffee crisis—but the *fair trade* system certainly should not be replicating this pattern. Another way to increase the fairness of fair trade is to mandate that producers be given an economic stake in the retailing of their products in the North—in other words, a share of the value added. This is the approach of a few innovative fair trade initiatives, such as the Day Chocolate Company in the UK, in which the cocoa producers hold one-third equity ownership.

Address Costs and Demands of Organic Certification. The costs of organic certification and inspection hit small organizations harder than large ones. Since the environmental services provided by organic production of coffee and other crops, especially tree crops (biodiversity conservation, bird and other wildlife habitat, erosion control, carbon sequestration, etc.) are considered to be so important in global ecological terms, producers and their organizations need to be compensated financially for the additional costs, labor demands, and lost productivity involved in "going organic" and keeping certification. A comprehensive international system of subsidies should be designed to cover at least the multi-year transition period, during which farmers often see a drop in yields but do not yet receive the higher prices for full organic certification. This recommendation clearly extends beyond the fair trade movement—it needs to be addressed by environmental NGOs, international development organizations, and governments alike.

Such substantive changes clearly will necessitate increased dialogue and discussion among fair trade movement participants about the nature and purpose of socially just trade. It is my hope that such a dialogue can have the result of making fair trade stronger, more effective at actually improving conditions for the disadvantaged producers it is intended to benefit, and—indeed—more fair.

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ANNEX

Table I: Michiza Payments to Producers and Coyote Price, 2002-03, 2003-04 and 2004-5 Harvests*

	2002-03	2003-04	2004-05
Michiza: Certified Organic	15.0 pesos/kg. **= US$ 0.68 /lb.**	17.7 pesos/kg. **= US $0.71/lb.**	19.7 pesos/kg. **= US $0.79/lb.**
Michiza: Transitional	10.0 pesos/kg. **= US$ 0.45/lb.**	14.0 pesos/kg. **= US $0.56/lb.**	17.4 pesos/kg. **= US $0.70/lb.**
Coyote**	5.0 pesos/kg. **= US$ 0.23/lb.**	5.8 pesos/kg **= US $0.23/lb.**	19 pesos/kg. **= US $0.76/lb.**

*Exchange rate in May 2003: approx 10.1 pesos=US$1. In April 2004 and April 2005: 11.3 pesos =US$1

**Average coyote prices reported in April 2003, January 2004, and April 2005, Yagavila.

Table II: Household Debt, 2003

	Fair Trade	Conventional	TOTAL	*n* for item [a]
Families with outstanding debt	8 (30.8%)	10 (41.7%)	18 (36.0%)	50
Mean amount borrowed (pesos)	2,345	3,525	2,935	20
Mean number of months needed to repay loans	5.80	5.04	5.37	23
Mean interest level (%/month) for loans	6.11	7.69	7.05	22
Families who have ever borrowed money	13 (59.1%)	14 (70.0%)	27 (64.3%)	42
Families who have to borrow money each year+	7 (29.2%)	12 (57.1%)	19 (42.2%)	45
Borrowed money for 2002-03 coffee harvest *	4 (33.3%)	5 (83.3%)	9 (50.0%)	18

+ Significant at the .10 level * Significant at the .05 level

[a] The *n* for each question varies because only some respondents answered each item.

Table III: Expansion of Milpa Agriculture, 1997-2003

		Fair Trade (n=26)	**Conventional** (n=25)	**TOTAL** (n=51)
Are you planting more or less milpa now, compared to **when the coffee prices were high (5 years ago)**?**	More	7 28.0%	14 66.7%	21 45.7%
	The Same	14 56.0%	4 19.0%	18 39.1%
	Less	4 16.0%	3 14.3%	7 15.2%

** Significant at the .01 level

Table IV: Consumption of Animal Protein, 2003

(n=49 unless noted; 2 outliers removed)	**Fair Trade** (n=25)	**Conventional** (n=24)	**TOTAL** (n=49)
Mean # times per month family consumes **meat +**	2.05	1.08	1.58
Mean # times per month family consumes **milk**	2.53	.83	1.70
Mean # times per month family consumes **cheese****	3.04	1.04	2.06
Mean # times per month family consumes **eggs** [n=48]	11.08	10.70	10.90

+ Significant at the .10 level ** Significant at the .01 level

Table V: Migration and Remittances, Yagavila and Teotlasco, 2003

(All monetary amounts in pesos. Approx 10 pesos =US$1)	**Fair Trade** (n=26 except where noted)	**Conventional** (n=25 except where noted)	**TOTAL** (n=51 except where noted)
Mean # of total migrants from household**	1.88	.96	1.43
Mean # of migrants in United States	.54	.20	.37
Mean age of all migrants in family (yrs.) +	21.52	24.75	23.14 [n=34]
Mean # migrants sending remittances +	.88	.28	.59
Mean remittance income among families with remittances, 2002-03 (pesos)	4,461.11 [n=9]	1,960.00 [n=7]	3,366.87 [n=16]
Remittances as mean % of gross household income *of families receiving remittances*	16.55% [n=9]	21.72% [n=7]	18.81% [n=16]
Number of families with any migrants (and % of all families in category)	17 (65.4%)	17 (68.0%)	34 (66.7%)
Number of families with migrants in US (and % of all families in category)	7 (26.9%)	5 (20.0%)	12 (23.5%)
Number of families receiving remittances + (and % of all families in category)	9 (34.6%)	7 (29.2%)	16 (31.4%)

+ Significant at the .10 level ** Significant at the .01 level

Table VI: Producers' Definition of "Fair" Coffee Price, 2003

If you could set a producer price for coffee that would be fair, how much would it be?	**Mean Price Named* (pesos/kg.)**	**Equivalent in US$/pound** (11.5 pesos=$1)
Fair Trade (n=25)	37.72*	$1.49 /lb.
Conventional (n=16)	21.67*	$0.86 /lb.
TOTAL (n=41)	30.03	$1.19 /lb.

*Significant at the .05 level