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In the Name of Conservation: CAFE Practices and Fair Trade in Mexico

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ABSTRACT. Consumers' concerns for the environment have led to the creation of niche markets, quality certifications and labelling systems. Built by activists and NGOs, these systems were adopted by agribusiness. Such firms try to capture consumers and react to opinion campaigns, whilst appropriating the conservation (or 'fair') discourse. This leads to the rise of new forms of third-party certifications of food production based on private standards and, hence, to new forms of contract relations between producers and buyers. The nature of these relationships is not always evident in these new labels or in the discourse built to justify them. This is particularly so in the case of goods produced in the South to be traded and sold in the North, as the case of Starbucks illustrates. By the end of the 1990s, Starbucks, operating through an NGO called Conservation International (CI), arrived at the region of El Triunfo, in Chiapas, and contacted the producers' cooperatives that were trying to find a market for their product. CI promoted Starbucks standards to raise the coffee quality and won the control over the production system. Meanwhile, the producers forced to sell their coffee through the largest trade company (AMSA) against whom the cooperatives were created, lost the control over their own organization. When some cooperatives refused the deal, they suffered divisions but could survive thanks the Fair Trade (FT) network in Chiapas.

KEY WORDS: CAFE Practices, coffee producer cooperatives, conservation coffee, El Triunfo Reserve, fair trade, Starbucks

ABBREVIATIONS: AMSA: Agroindustries of Mexico; CAFE Practices: Coffee and Farmer Equity Practices; CESMACH: Ecological Farmers of the Sierra Madre of Chiapas; CI: Conservation International; FLO: Fair Labelling Organization International; FT: Fair trade; ICEAAC: Indigenous and Ecological Farmers of Angel Albino Corzo; ISMAM: Indígenes de la Sierra Madre de Motozintla; NGO: Non-governmental organization; OPCAAC: Coffee Producers Organization of Angel Albino Corzo; ORPAE: Regional Organization of Agroecological Producers; SAI: Sustainable Agriculture Initiative

Introduction

One of the recent characteristics of the agrofood system has been the multiplication of private rating and certification schemes that have complemented and substituted for public regulation (Busch and Bain, 2004). Developed by non-governmental organizations (NGOs) and associated bodies these schemes are responding to a growing concern amongst a certain sector of consumers in the face of an intensive and predatory, industrial agrofood model. These consumers demand healthy, safe products whose production processes do not harm the environment and whose commercialization is fair to producers. Such social concerns regarding how food is produced, transformed and commercialized are at the basis of what some authors have called '*alternative*' *agro-food systems*. These alternatives, which have grown up around the margins or the interstices of the dominant agrofood model (Renard, 1999a, b), include organic or ecological products, fair trade (FT), local food and origins labels, amongst others (Wynne and Middendorf, 2008).[1]

These demands by consumer groups have had another important impact; they have exerted significant pressure on the dominant system and have brought issues of business ethics and corporate responsibility to the fore. Corporations have increasing difficulty avoiding public scrutiny from various groups of social and ecological activists and conscientious consumers and are increasingly susceptible to adverse publicity in the media (Busch, 2007). The larger and more global their nature, the more vulnerable businesses are to bad press which can result in boycotts and lower profit margins. This situation has led corporations to employ image saving strategies, including the development of their own voluntary codes of conduct and the adoption of existing ethical and environmental monitoring and certification schemes. These strategies have been described by some as constituting 'green washing' or 'fair washing' (Jaffee, 2007; Renard, 2005).

What we have seen then is a multiplication of diverse labels and logos attached to products, a proliferation that can cause confusion amongst consumers in addition to representing serious competition for alternative initiatives. There is another aspect of this situation that has not been sufficiently studied. This is the impact that these private rating schemes can have on the producers who are suppliers for large companies and who, at the end of the day, are ones that have to conform to the standards.

This article analyses the impacts of a private certification model, created by a transnational coffee company and conservation NGO, on producer organizations in the Sierra Madre mountains of Chiapas in Mexico who grow organic coffee. It investigates both the formal certification requirements as well as the hidden burdens that a 'sustainability' label developed by a 'socially responsible corporation' places on producers. Not only the economic dimensions (e.g. increased income and standard of living of the producers) of the impacts will be analysed, but also the social aspects, such as the improvement (or not) in the capabilities and competences of producers and their better insertion into markets (or not). This article will also examine the growing competition between this model and the FT model towards which many producer organizations have started to gravitate.

To carry out this study, numerous interviews were conducted in 2007 and 2008 with directors, advisors and members of cooperatives in the region of the El Triunfo Reserve in Chiapas and in the municipalities of Jaltenango (or Ángel Albino Corzo), La Concordia and Villa Corzo, along with the heads of the conservation NGO and the commercial house in question. Visits to some of the communities (ejidos) where some of the members of the cooperatives live were also undertaken in 2007.

In the first section, the key elements of the debate about the multiplication of quality labels and environmental and ethical certification systems are summarized along with the strategies that coffee corporations have adopted in the face of these initiatives, especially the FT label. In using and appropriating these logos, agrofood corporations are responding to pressures coming from public opinion campaigns in an effort to maintain their public image. In the process, social responsibility is transformed into an instrument of economic competition. At the same time, through their own standards systems, corporations are attempting to secure the quality that they need from their suppliers.

In the following sections, the development of a 'conservation' coffee certification system will be analysed. The origins of this system go back to the 1990s and the relationships which developed amongst a conservation NGO, small producer cooperatives of organic coffee, Starbucks, the world's largest chain of coffee shops and Agroindustries of Mexico (Agroindustrías de México, AMSA), a large coffee trading company. The arrival of the NGO and Starbucks in the region of the El Triunfo biosphere reserve coincided with the crisis in the coffee market – which was induced by the liberalization of the market in 1989 – and a situation of depressed prices and poor quality of the coffee beans. At the same time, Starbucks was the object of campaign by FT organizations in the United States, a campaign which would eventually lead the company to review its commercial and public relations strategies. We will underline how competition developed between this model of certification (which by this time would come to be known as CAFE Practices) and the FT model, and what the differences are for producer cooperatives when they choose between these two models.

This article concludes with a reflection, deriving from the recent announcement of an alliance between Starbucks, FLO and TransFair USA, about the appropriateness of incorporating corporations into alternative initiatives like FT.

Social responsibility as an instrument of economic competition

NGOs and consumers have understood that in the face of the retreat of the state from the tasks of regulation, the response to social demands (such as economic justice, the preservation of the environment, animal welfare and food safety, amongst others) depends more on the opinions of consumers than it used to and not just on the actions of citizens. Government responsibility has been substituted by economic, social and environmental codes of conduct which are validated in the market (Busch and Bain, 2004; Mutersbaugh et al., 2005). These actors have also perceived that the well-known, agrofood brands constituted pressure points to obtain changes in the economic model (Raynolds and Wilkinson, 2007). Focussing primarily on the North, NGOs and associated groups organized campaigns to pressure corporations to modify their business practices. In this way, they hoped to use the power and the vulnerability of the large brands to their own advantage.

In response, corporations have developed their own certification systems which bind not only themselves, but above all their suppliers to live up to codes of conduct, production norms and monitoring processes (Gereffi et al., 2001). In such process NGOs have played a prominent role in the development of the emergent regulatory schemes which are leading to a reorganization of food chains.[2] These schemes are becoming instruments of competition due to the strategic importance for large branded companies of having a positive public image. As corporations increasingly adopt such schemes, they function as a means to force suppliers to reorganize their production processes to better meet consumer demands (Busch, 2007).

The recognition of systems of norms and standards is provided through quality labels and logos (Renard, 2005). Their validation and legitimation are increasingly obtained through private instruments of certification (third-party certification). The arms length nature of such initiatives are considered by the food chains actors to be more impartial than self-certification (whether first or second party) (Hatanaka and Busch, 2008). Their use also allows responsibility for mistakes to fall on third parties (Busch, 2007).

Nevertheless, the certifying bodies involved in third-party certification are not entirely neutral (or independent). They are institutions which pursue their own objectives. Some of these institutions are powerful businesses and, as such, they will be more inclined to seek their advantages ahead of promoting environmental sustainability or FT (Hatanaka and Busch, 2008). It is for these reasons that these certifying bodies can operate simultaneously for different models which are competing as, for example, Utz Certified and the FLO FT label.[3] They guarantee conformity of production practices to standards that have been elaborated by the very businesses which have contracted them, often without raising any questions about the validity of these standards, as we will see in the case that will be analysed below. Yet, their position as third parties enables them to avoid addressing these and even more fundamental issues, including possible disagreements that producers have with those standards. The use of third-party bodies, however, allows corporations to maintain an image of social responsibility and counteracts the effects of alternative initiatives such as FT, whose message constitutes, in itself, a critique of the corporate dominated economic model.

In what follows, I will analyse these types of responses developed by corporations, primarily coffee companies, to the advances that the FT initiative has achieved in Northern countries.

Corporations and FT

In the face of the growth of FT and its message of the lack of ethics in economic relations, agrofood corporations have adopted diverse and complementary strategies. One prominent strategy consisted of efforts to discredit FT and its policy of minimum prices in the name of free trade (Fridell et al., 2008). It is argued that price subsidies for inefficient producers do not help the market reach equilibrium, nor do they result in the recovery of depressed coffee prices more generally.

A second type of strategy seeks to improve the image of corporations through the use of public relations, especially efforts to highlight their participation in philanthropic programmes to support producers (e.g. housing, health and education programmes, more direct purchasing and technical support). These programmes are often widely promoted in media campaigns (Fridell et al., 2008; Jaffee, 2007; Renard, 2003). A similar strategy involves corporations joining 'green', 'ethical' and 'sustainable' certification programmes which compete with the FT label. These schemes typically consist of labour conditions for producers (or workers in the case of plantations) and often place a strong emphasis on environmental norms.

The proliferation of standards enables corporations to choose amongst a range of options (Busch and Bain, 2004). Amongst the certification models that companies might adopt some of the more prominent include *Rainforest Alliance* (which is associated with Kraft Jacobs Suchard (KJS), a food division of Philip Morris), *Bird Friendly* (sponsored by the Smithsonian Institute) and the European *Utz Kapeh* (Where Douwe Egberts participates, a coffee division of Sara Lee). In contrast to FT, these standards do not include a minimum price guarantee for producers (Jaffee, 2007; Raynolds et al., 2007; Reed, 2009; Renard, 2005). Some of these parallel labels and schemes have been created by corporations themselves or by associated NGOs. One such example is the *Sustainable Agriculture Initiative* (SAI), to which all of the large coffee companies belong. Another is the *Coffee and Farmer Equity* (CAFE) practices system, a 'best practices' programme that Starbucks uses with its suppliers and which will be examined in more detail below. In addition to competing against the FT label, by not providing minimum prices, these programmes create confusion amongst consumers who are not readily able to discern the differences between the various logos (Renard, 2005; Yépez et al., 2006).[4]

In addition to trying to spruce up their images, through these schemes corporations are attempting to respond to another of their major concerns, namely product quality. An emphasis on the use of quality standards in such schemes enables corporations to focus more on orienting the practices of suppliers towards improving the inherent quality of their product than responding to ethical issues or concerns about the producers' development. It gives corporations free reign to substitute one provider for another in those cases where standards are not met. In these schemes, monetary incentives (subsidies, premiums) serve as a strong signal for producers, motivating them to meet the norms that have been laid down (Reed, 2009).

A third strategy corporations employ consists of certifying one of their products with one of the national FT initiatives and Fair Labelling Organizations International (FLO), their umbrella body. This strategy, more common in the United States than in Europe, is not so much the result of corporate responsibility as pressures coming from campaigns organized by NGOs. This is what happened with Starbucks and Procter and Gamble in the US and with Nestlé in the United Kingdom (Barrientos et al., 2007). The entrance of these actors into the fair market was initially considered a major victory by the movement and has resulted in a spectacular rise in the sale of coffee from small producers at a fair price. It has, however, led to the unleashing of a major controversy within FT, especially as the effects of this development have not always been those that the campaigners initially wanted or anticipated. Five years after being certified by TransFair USA in 2000, only 3% of the coffee sold by Starbucks was FT certified (Jaffee, 2007), though subsequently this figure has risen to 6% (Fridell, 2009). Whilst the vast majority of their coffee is produced according to Starbucks own norms (rather than FT standards), the company as a whole benefits from the image that the FT label provides them. In addition, Starbucks enjoys significant benefits in the form of free publicity from NGOs and the national FT initiatives (Barrientos et al., 2007; Renard, 2005). For Starbucks, FT is only one product line amongst others and they could readily abandon it if profitability considerations indicated such a course of action was appropriate.

Despite the relatively low percentage of their coffee that is certified FT, the influence of companies such as Starbucks and the volume of sales that they generate have resulted in increasing pressure to accept plantations in the FLO coffee producers' registry, a list which until this point has only included small producer cooperatives.[5] Their power is also reflected in the proposal, which at some point managed to arrive at the inner circles of FLO, to eliminate the FT minimum price guarantee in order to increase sales (Jaffee, 2007; Renard and Pérez-Grovas, 2007). That is to say, in exchange for the increased volume of sales (and the amount of licensing fees paid to the national initiatives), the participation of these companies has been translated into a weakening of the principles that gave rise to FT in the first place. In 2004, upset with the special treatment that TransFair USA was giving corporations, a group of 100% FT roasters stopped participating in certified FT (Groodnik and Conroy, 2007; Jaffee, 2007).

As if to throw more wood onto the fire, recently it has been announced that Starbucks will double its procurement of certified FT coffee, making it the largest purchaser of FT coffee in the world. An agreement between Starbucks, TransFair USA and FLO is looking into the possibility of integrating the auditing processes of FT certification and the CAFE Practices of Starbucks. Closer collaboration between Starbucks and FT coffee producers will allow for, amongst other things, improving coffee quality and, according to the President and Executive Director of Starbucks, benefits to the producers and their communities.[6]

The history of coffee cooperatives in the region of the El Triunfo Biosphere Reserve in the state of Chiapas in Mexico is illustrative of the economic and social relations that are hidden behind the label of corporate responsibility, in this instance, Starbucks' CAFE Practices label. These relations stand in contrast to those that were established within the FT model. Now, in the case of El Triunfo, these two models find themselves in competition.

'Conservation Coffee' in the El Triunfo Reserve

In the Sierra Madre region of Chiapas, in the municipalities of Ángel Albino Corzo (or Jaltenango), La Concordia and Siltepec, various cooperatives of coffee small producers sprang up in the mid 1990s. Some arose by splitting off from existing groups, such as the Indigenous People of Sierra Madre of Chiapas (Indígenes de la Sierra Madre de Motozintla, ISMAM). Other groups were formed by the National Indigenous Institute (Instituto Nacional Indigenista), from which they would later become independent. Still others were born more simply of the necessity confronting farmers to organize in order to obtain better prices for their crops. Now that the Mexican Institute of the Coffee, which had regulated the coffee sector of the country within the framework of the International Coffee Agreements (1962–1989), was no longer in operation, the only options that producers had to sell their beans at this time were 'coyotes' (local intermediaries and political 'caciques') or AMSA,[7] the local branch of a multinational company which was becoming the dominant purchaser of coffee in the state.

AMSA is the Mexican branch of a global group, the family-owned ECOM Trading, which is primarily involved in the marketing and distribution of 'commodities' (cotton, vegetable oils, grains, cacao, grains, legumes and coffee). Its coffee division is one of the largest companies in the group and has branch offices in the main coffee producing countries, such as Brazil, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Peru, India, Indonesia, Papua Nueva Guinea, Kenya, Uganda, Vietnam and Tanzania. It also has a presence as an importer in the United States (Atlantic Coffee), Great Britain, Switzerland, Japan and Singapore. ECOM Trading started its coffee business in Brazil in the nineteenth century, but only arrived in Tapachula, Chiapas in 1979, under the name of Omnicafe. The deregulation of the coffee market one decade later and the bankruptcy of most of the local exporters assured them rapid growth. Currently as the largest buyer and exporter of coffee in the country, it is estimated that ECOM ships more than half of total exports (Renard, 1999a, b and interviews). The cooperatives of El Triunfo were organized so that their members would not have to sell their crops to this company at unacceptably low prices.

From the start, these cooperatives focussed on the production of organic coffee, in addition to supplying coffee grown at high altitudes, which are characteristic of the region (between 900 and 1200 m). Despite these features, the local buyers refused to pay coffee growers adequately for the quality of their product. Meanwhile, the cooperatives faced serious challenges in trying to strengthen their position: they did not have their own channels for exporting their coffee, nor did they have secure buyers, nor even the financial wherewithal to bring in the harvest of their members. A lack of financing is always the greatest problem of such organizations.

It was at this stage, in 1998, that an international NGO Conservation International (CI), arrived in Chiapas promoting a programme of 'Conservation Coffees'. CI was financed by, amongst others, USAID for 10 years. Initially, the Mexican advisers contracted by CI provided support for organic production to the first cooperative with which they established relations, Ecological Farmers of the Sierra Madre of Chiapas (Campesinos Ecológicos de la Sierra Madre de Chiapas, CESMACH), and the coffee was sold to North American organic roasters.

The following year, the directors of the cooperative found out that there was another buyer interested in purchasing this organic coffee and 'coffee of origin' and was willing to pay a premium price. This company, Starbucks, dealt in specialty coffees and was particularly interested in the quality of their mountain grown coffee. Its alliance with CI represented for Starbucks the adoption of an environmental discourse; it sought 'to protect tropical forests… to improve coffee production and simultaneously to limit its impact on the local environment'. To the producers of El Triunfo, the relation with Starbucks seemed too good to be true; the company paid double the market price (US $138/100 lbs for organic coffee and between US $109 and US $115/100 lbs for transition coffee, when the market price was less that US $80/100 lbs). In this way, two of their most urgent problems were solved, the lack of buyers in the international market and low prices.

In 2000, CI extended the supply base for Starbucks to six cooperatives: CESMACH, the Triunfo Green Estate (Finca Triunfo Verde); the Indigenous and Ecological Farmers of Ángel Albino Corzo, (Indígenas y Campesinos Ecológicos de Ángel Albino Corzo, ICEAAC), the Coffee Producers Organization of Ángel Albino Corzo, (Organización de Productores de Café de Ángel Albino Corzo, OPCAAC), the Regional Organization of Agroecological Producers (Organización Regional de Productores Agroecológicos, ORPAE) and Komon Yaj Nop Tik (which is in the neighbouring zone of the Cuxtepeques). Altogether, there were about 1200 producers who were certified or in transition to organic certification. At the same time, CI initiated a process of analysis and planning which was designed, according to the advisers, to assure the buyers of the quality, quantity and consistency of the product. It contracted field personnel to carry out inspection in the areas of planting, processing and marketing and to generate a data matrix that would be the basis for a future *Practices* framework – to which the cooperatives, by the way, did not have access.[8]

The *Preferred Supplier* Programme

In 2000, Starbucks became the target of a major campaign in the United States which was led by Equal Exchange and involved several alternative trade organizations (Fridell et al., 2008; Jaffee, 2007). The objective of the campaign was to force Starbucks to offer, within its range of gourmet coffees, coffee that was produced under FT conditions, that is to say, with a minimum price guarantee for the producers. The campaign seemed to have had the desired effect as it induced Starbucks to offer coffee certified by TransFair USA, a member of FLO. Around the same time in 2001, however, Starbucks initiated, along with CI, the construction of its own sustainable coffee model. Initially, CI created a 2-year pilot programme, the Preferred Supplier Programme, the goal of which was 'to increase the volume of high quality coffee produced in a sustainable way'.[9] On its website, Starbucks clearly lists its priorities in relationship to this programme[10] (see Table I).

For the cooperatives of El Triunfo, the Preferred Supplier Programme, introduced into the region by CI in 2001, brought about a radical change in the model of production and supply of coffee. According to a letter from Starbucks to its suppliers[11]:

> Starbucks is dedicated to sourcing the highest quality coffee from around the world…. For a while now, Starbucks has been developing a new purchasing philosophy. While we are committed to addressing social and environmental concerns, we also believe that there are powerful business reasons to undertake change in the global coffee market.

Next, a pilot plan for preferred suppliers was announced which involved paying producers and suppliers based on their production and processing practices. A 100-point scale was developed in which 10 points were worth US $0.01/lb. Any producer who attained 100 points would be granted the status of a preferred supplier. In this scheme, 50 points were assigned to issues relating to environmental impact, 30 points to the social conditions (of the workers) and 20 points to the economic issues ('transparency from the supplier to the level of the plantation'). CI, which had the responsibility for evaluating whether producers met the standards, would charge 'fees for the services offered to the members of the Conservation Coffees Programme®'.[12] These fees were proportional to the amount of coffee exported.

This coffee was intended to be marketed as *Organic Shade Grown Mexico*, which was practically

TABLE I

Starbucks' statement on sustainable pricing

What matters most: sustainable prices – paying for coffee quality For Starbucks, prices are directly linked to coffee quality. When working closely with people throughout our coffee supply chain – the farmers, millers and exporters – we have always emphasized the importance of quality as the best, most sustainable driver of higher prices. Coffee farming, like any business, must be profitable to be sustainable. When coffee farmers do not bring in sufficient income, they may switch to other crops or perhaps stop growing coffee altogether. The same applies to other critical players – such as millers and exporters – who add value along the supply chain

equivalent to a 'coffee of origins' denomination since only coffee from the El Triunfo Biosphere Reserve received this designation. This Shade Grown Mexico, 'with a light to medium body, lively sharpness and an intense and refreshing aroma' is one of the products of the '*Commitments with Origins*' line that includes organic, Shade Grown and FT coffees.

By this time, CESMACH, which was developing its own export channels, had entered the FT registry. It proposed to Starbucks, which already had a line of FT coffee since 2000, that it buys one half of its coffee under FT conditions and the other half Shade Grown. The company accepted the proposal in principle, but CI and Starbucks had more interest in incorporating the producers into their own model and tried to undermine producers' participation in other initiatives. According to CI, meeting Starbucks standards would provide producers with higher prices than they would get under FT. It also told producers that the OCIA International organic certification represented an unnecessary cost.

The following year, CI announced, on behalf of Starbucks, that the cooperatives would no longer export their coffee to the United States themselves, but would rather use an exporter. The reason given for this decision was problems with the delivery process. The exporter with whom the producers were now supposed to work was AMSA, the very company against whom the cooperatives organized in the first place. This decision effectively turned the cooperatives into mere processors of their members' coffee. At the same time, CI tried to convince the producers – arguing that their leaders were stealing from them and such corruption was increasing the cost of their coffee – that they no longer needed their own warehouses as there were already enough in the region, namely those of AMSA. Furthermore, as the principles of FT did not allow for the intermediation of an agent like AMSA in the sale of coffee, CI suggested to the cooperatives that they write a letter to FLO, the FT umbrella body, to ask that AMSA be accepted as an exporter within the FLO system.

By this stage, CI was charging dearly for its professional services; in 2003, one of the cooperatives had to pay out US $20,000 for this concept. In addition, CI became more directly involved in all aspects of the organizations; besides monitoring the Conservation Coffee programme, it controlled their administration and finance, and signed the cheques, all this in the name of transparency. But whilst CI was able to know all about the management of the cooperatives, the cooperatives did not get an access to information about CI, its sponsors and the logic of the model that was being imposed upon them.

CAFE Practices

In 2003, in their continuous search for high quality coffee as the 'essential component of their business success' and with the results of the pilot plan in hand, CI designed for Starbucks the CAFE Practices programme, which would be launched in 2004.[13] As part of this programme, Starbucks designated strategic suppliers. AMSA, the Mexican subsidiary of ECOM group, was designated as the preferred supplier of the Shade Grown Mexico coffee from the region of El Triunfo.

During this time, the ECOM group was increasingly integrating itself into the discourse on sustainability and corporate responsibility by participating in several different quality labels. A prime

TABLE II

Starbucks' CAFE Practices

C.A.F.E. Practices encompasses sustainability measures that are defined by a comprehensive set of criteria. These criteria, which are aligned with the original conservation principles we have been using for many years, serve as the basis for our comprehensive C.A.F.E. Practices guidelines. In addition to conservation, the guidelines are focussed on four areas: product quality, economic accountability, social responsibility and environmental leadership
Product Quality (prerequisite): All coffee purchased from C.A.F.E. Practices suppliers must meet Starbucks standards of high quality. These are clearly defined in our Green Coffee Quality Manual.
Economic Accountability (prerequisite): Transparency is required of C.A.F.E. Practices suppliers. They must submit evidence of payments made at all levels along the coffee supply chain. This is a contractual requirement included in coffee purchasing contracts with suppliers
Social Responsibility (components evaluated by third-party verifiers): C.A.F.E. Practices suppliers – and other entities within their supply network – must have certain practices in place that ensure safe, fair and humane working conditions; the protection of workers' rights; and adequate living conditions. The minimum wage requirements and addressing child labour/forced labour/discrimination indicators are mandatory
Environmental Leadership (components evaluated by third-party verifiers): In the growing and/or processing of coffee, measures must be in place to manage waste, protect water quality, conserve water and energy use, preserve biodiversity and reduce agrochemical use
The C.A.F.E. Practices scorecard of indicators is available at www.scscertified.com/csrpurchasing/starbucks.html

example of the growing importance of certified coffees for the group is its California subsidiary *California Atlantic Speciality Coffee Inc.*, which focusses specifically on the commercialization and certification of speciality coffees. In these endeavours this branch of ECOM has collaborated closely with NGOs such as CI, Rainforest Alliance, and Utz Certified and, in recent times, even FLO.[14]

To the CAFE Practices System, Starbucks added an additional, external (third party) certification. This was provided by Scientific Certification, a certifying body which contributed to the development of the auditing system, training certifying personnel and accrediting regional certifiers which were being developed under the CAFE Practices model[15] (see Table II).

The cooperatives of the El Triunfo region were also informed that, as of that year, they would not only have to give their coffee to AMSA for exporting but also for the dry processing (which is necessary for exporting). CI and Starbucks argued that due to the lack of consistency in the quality of the cooperatives' produce, they would be stipulating in their contracts that 'AMSA would be the authorized supplier for members for processing services for the coming year'.[16] In addition, the commercial house would provide financing to producer (from a CI fund, the Green Ventures Loan Fund, which in turn was the recipient of donations from Starbucks[17]) and would assure quality control. The cooperatives thus saw themselves reduced to the role of simple suppliers of the coffee beans of their members. Their function and their very existence were called into question; producers could directly and individually hand over their coffee to AMSA. They did not need a cooperative that, at the end of the day, only meant for them administrative costs and unnecessary facilities.

In short, CI and Starbucks offered the members of cooperatives a secure market, whilst seeking to create conditions which would lead to their total dependency and the undermining of their own organizations. Historically, these organizations arose to provide producers with an alternative to AMSA and now AMSA was again monopolizing the storage facilities and exporting functions. The producers' concern was that, if they were to lose their own marketing channels and their organic and FT certifications, then the Starbucks–CI–AMSA alliance would be able, in the medium-run, to pay them whatever they wanted and to impose their own conditions. The producer organizations already had the requisite capacities to export (knowledge of how to transact export permits, an understanding of the futures market, the ability to deal with the clients), but these could be lost. Whilst the CI–Starbucks–AMSA

Alliance paid better prices, it did not allow the producers to appropriate the knowledge that was necessary for the organizations to improve the quality of their coffee. Everything was handled by CI and the logic of the model was never shared with the producers. Meanwhile, the services of CI and AMSA were becoming more and more expensive.

FT versus CAFE Practices

It was in this context that several of the largest and more consolidated cooperatives – CESMACH, Triunfo Green Estates, OPCAAC and ORPAE – decided to end their deal with CI-Starbucks. Others did not dare to terminate commercial relations, however, for fear of being left with no buyers. The cost of breaking off the deal for the first cooperatives was indeed high. AMSA was already receiving coffee from individual producers, a practice which led an estimated 500 cooperative members to abandon their organizations in the 2 years following the break and to deal directly with AMSA. This loss of members, combined with the need to look for new markets meant that the independent cooperatives had to basically start anew.

They did, however, receive support from coffee cooperatives in other regions of the state of Chiapas. These cooperatives were organized in a state-wide network and were also already exporting in the FT market. They had managed to survive and grow in the middle of the coffee crisis and were later able to develop marketing companies such as *MásCafé* in the city of Comitán, and *Compras* in San Cristóbal de las Casas. These sister organizations helped the El Triunfo cooperatives to harvest their coffee and to procure buyers and supported them in developing their own export arrangements. In the first year, the cooperatives of El Triunfo sold all their coffee through CESMACH, whilst in subsequent years each one was able to attain their own listing on the FT registry. Currently, these cooperatives sell 100% of their export quality coffee in the FT market.

For the 2006–2007 season, the El Triunfo cooperatives received a guaranteed minimum price of US $1.21/lb, an organic premium of US $0.15/lb and a social premium of US $0.05/lb for a total of US $1.41/lb. For the 2007–2008 season, the organic premium increased to US $0.20/lb and the social premium rose by US $0.10/lb for a total of US $1.51/lb. In addition to the FT price, some of the cooperatives received an additional US $0.20/lb for their coffee being from the Biosphere Reserve, which gave them a total of US $1.71/lb (or US $50 above the NY market price), which was obviously better than selling on the open market.

This additional profit is particularly important since it protects the cooperatives' members from increasingly volatile market fluctuations, as occurred in the 2007–2008 season, as well as from competition for AMSA. This on-going competition is particularly strong during times of high market prices, when the FT price is not much more than what intermediaries offer. During these times, the temptation is great for cooperative members to sell part of their harvest to these buyers who pay immediately, a practice which creates difficulties for their own organizations in fulfilling their obligations to buyers (Renard, 1999a, b; Renard and PérezGrovas, 2007). After taking away the costs for administration, processing, exporting, certification and shipping, in 2006–2007 these cooperatives managed to pay their members between 1250 and 1300 Mexican pesos/lb for organic coffee. In addition, the social premium has been invested in collective benefits such as the establishment of warehouses and offices, the construction of a community centre for use by the children of the members and for running community programmes. Collaboration between organizations at the state and federal level has also led to the creation of cooperative funds that lend capital at below market rates (Table III).

In the meantime, CI has left the region. There remains only a consultancy office (*Aires del Cambio*) which sells professional services for the CAFE Practices model, which is now also being applied by AMSA to its own producers. The contract with Starbucks established a price of US $1.43/lb. From this amount fees were deducted to pay AMSA for the costs of processing and exporting, leaving the producers with a net price of US $1.15/lb. There were still more costs for cooperative, however, as they had to pay to ship their produce to the state capital, Tuxtla Gutiérrez, whereas AMSA was willing to purchase coffee from individual producers in the nearby town of Jaltenango. In the 2006–2007 season, the members of the cooperatives that sold their coffee to Starbucks via AMSA received 1071

TABLE III

Coffee prices paid to El Triunfo growers (2006–2007)

Label / Currency	Fair Trade	CAFE Practices
US$/lb.	• $ 1.21 (minimum guaranteed price) • + $ 0.15 (organic premium) • + $ 0.20 (social Premium) $ 1.41 (TOTAL) • + $ 0.20 (Biosphere Reserve premium*) $ 1.61 (TOTAL)	• $ 1.43 (Starbucks contract) • - $ 0.28 (AMSA processing fee) $ 1.15 (TOTAL)
Mexican Pesos/ 100 lbs.	• $1,250 - $1,300 (price to producers)	• $1,070 (price to cooperative producers) • $1,100 (price to individual producers) • $1,200 (price to non-organic farmers)

*Paid to two cooperatives.

Mexican pesos/100 lbs, whilst the 'plaza' (purchase houses) paid $1100/100 lbs.

Starbucks did create a training centre in one of the cooperatives. Photographs of this centre would appear in their public relations materials. After cyclone Stan, which devastated the region in 2005, it brought land for some displaced farmers from one of the cooperatives. Despite this, in the face of Starbucks' refusal to do cut ties with AMSA, two of the remaining cooperatives working with Starbucks joined the FLO registry and in 2009 one of them stopped dealing with Starbucks altogether. Many of the remaining coffee growers that continue to work with AMSA for Starbucks are 'rancheros', small producers who do not belong to cooperatives. Starbucks pays these producers better (1200 pesos/100 lbs) for non-organic Practices coffee than they do the cooperatives for organic coffee.

In addition to receiving higher prices, the cooperatives which became independent are better able to consolidate their organizations. A key means for doing this is the use of public interest programmes which enable them to obtain indirect benefits for their members and, thereby, help to ensure their loyalty in the face of pressure coming from private buyers. These benefits include technical assistance, support for the purchasing of depulping machines, cement for use in the construction of drying floors, access to funds for personal loans, programmes for upgrading coffee farms and programmes for women, amongst others. Four cooperatives joined together and with public financing built a dry processing plant which enables them to cut their production costs by 25%, a savings which is distributed amongst their members. As the state has withdrawn from providing support programmes for producers, cooperatives have started to take over the provision of such programmes themselves; the experience gained in managing FT and organic certification has been a key factor in facilitating the cooperatives taking up other forms of support programmes.

The transparency requirements of the latter, including the sharing of administrative and financial information with the members, have resulted in open discussions about the comparative success of the cooperatives operating in given communities, a practice which has in turn forced the technical teams to offer fuller accounts of their activities.

Conclusions

The story of the region of the El Triunfo Reserve shows how Starbucks, integrated as it was in the discourse on social responsibility and sustainability and forced to participate in FT in the United States, responded by setting up its own production and marketing system, the *CAFE Practices*. Whilst this model is promoted under the banner of 'sustainability', it is primarily directed towards ensuring a steady supply of consistent quality, and it subordinates the interests of the producers it contracts with to the fulfilment of these goals. The NGO which designed and implemented the model, CI, is financed by Starbucks itself. The certifying body involved only evaluates the conformity of the production process to norms established by the buyer itself, offering no real guarantee that the model is 'sustainable'.

Although the *CAFE Practices* programme initially assured producers a price higher than the international market price or what was paid by local traders, this price came at a huge cost. This cost included the loss of control over the production process and a progressive dismantling of the capabilities and competencies of cooperatives, up to the point of threatening their very existence, by individualizing their accounts and incomes and by ultimately undercutting the price they received. Starbucks local agent at the time, CI, did not act in a transparent manner with the cooperatives which it came to control. Moreover, the model subjected the cooperatives to the very exporting company against whom they organized in the first place. That is to say, that even if there were economic gains to some degree, these were offset by deterioration in terms of social processes and 'empowerment' of the cooperatives with respect to market access.

In contrast, the FT market has strengthened the collaboration and the solidarity that arose between the cooperatives as a result of the pressures coming from corporations. It has also contributed to better integration in the market, enabling them to increase their negotiating capacity with their buyers, which in turn has resulted in better prices for their members. The strengthening of these organizations has also allowed them to obtain other benefits for the members such as access to other support programmes, access to cheaper capital and the construction of a dry processing plant, developments which promise to bring still further gains to their members.

It is against this background that the announcement of the strategic alliance between Starbucks, FLO and TransFair USA, which seeks to harmonize the auditing processes of the FT and CAFE Practices models, must be evaluated. In light of the experience of the El Triunfo region – where the model implemented by Starbucks and CI resulted in competition with the FT model and the Starbucks-CI-AMSA Alliance posed a serious threat to producer cooperatives – questions emerge about the wisdom of such an arrangement.

It is clear that for Starbucks, the rating system of its CAFE Practices programme primarily seeks to guarantee the supply of quality coffee required by its coffee outlets, and places this imperative over the socio-economic development of the producer cooperatives. Other doubts arise as far as the harmonization of the criteria: the CAFE Practices place more emphasis on questions of conservation and employ lax criteria, this in contrast to the stricter FT criteria which are oriented more towards social issues. In addition, Starbucks accepts companies as 'preferred suppliers' who have not fulfilled 100% of the points required by the system. That is to say, companies which fail to meet the labour and social norms of the CAFE practices, such as AMSA, can still be recognized as preferred suppliers (Fridell, 2009). For Starbucks, FT is one element amongst many others – such as *Shared Planet*™ and *Commitments with Origin*™ – within a commercial strategy that they have constructed around the development of an image of social responsibility. Whilst social responsibility is the answer of corporations to the questions of how they can protect their brand image and penetrate niche markets, the FT initiative was founded on the basis of a mission which seeks to improve the living conditions of small producers in the South and to change an unfair economic model. Is it with this type of alliances that such change can be brought about?

Notes

[1] These can also be referred to as speciality products or niche markets. In all cases, 'quality' is the factor that is at the centre of the strategy and constitutes the defining element around which the protocols have been established to legitimate them (Renard, 2003).

[2] In this reorganization, an important role is also played by large distribution companies, for example the Globalgap protocol (Global Partnership for Good Agricultural Practices). www.globalgap.org.

[3] As, for example, IMO Control in México.

[4] For a comparison of some of these labels, see Raynolds et al. (2007).

[5] Regarding the controversy over plantations, see Renard and PérezGrovas (2007) and Reed (2009).

[6] http://www.businesswire.com/portal/site/google/?ndmViewId=news_view&newsId=20081028006800&newsLang=es.

[7] At the time the company was called TIASA.

[8] Also at the same time, Starbucks extended its agreement with CI for US$ 200,000/year for 3 years, so that the latter could develop five new Conservation Coffee programs in Latin America, Asia and Africa. Starbucks: Tríptico Starbucks y Conservation International, 2001.

[9] Message of Sue Mecklenburg in the World Bank e-learning course on Standards and Norms, February 2006. http://elearning.worldbank.org.

[10] www.starbucks.com-AnnualReport.

[11] Letter dated the 12th of November 2001, to the suppliers, signed by the Senior Vice-president Mary Williams and Vice-president Marc Schonland.

[12] Collaboration Agreement CI-OPCAAC ciclo 2002–2003.

[13] 'Starbucks recognizes that high quality coffee is an essential component to our business success'. Starbucks CAFE Practices Fact Sheet.

[14] www.ecomtrading.com/website.nsf/Sustainability Welcome.

[15] www.starbucks.com-AnnualReport. Integrating Social Responsibility.

[16] Anexo 2 of the Collaboration Agreement CI-OP-CAAC ciclo 2002–2003.

[17] During the 2007 financial year, Starbucks gave a donation of US $25,000 to the Verde Ventures Loan Fund of CI for purposes of adminstration and training. www.starbucks.com-AnnualReport.

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