Solving the ‘coffee paradox’?

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The book

- Benoit Daviron (CIRAD, Montpellier) and Stefano Ponte
- *The coffee paradox: Global markets, commodity trade and the elusive promise of development*
- Zed Books: London
- Available: November 2005

The coffee paradox

- Coffee crisis in producing countries
- Coffee ‘boom’ in consuming countries
- Widening gap between producer and consumer prices

Why?

- Usual explanations:
  - End of ICA system
  - Oversupply
  - Consolidation at roaster and international trade levels
    - market power

An alternative reading

- Producers sell ‘material’ coffee quality
- Consuming country-based actors sell
  - ‘symbolic’ quality (brand, ambience of consumption, packaging, ‘sustainability’)
  - ‘in-person service’ quality (personal interaction at specialty outlet, coffee bar)
- It is in symbolic and service quality that most value addition possibilities reside

An example

![Graph showing value chain for espresso blends](image-url)
### Sustainability initiatives
- They add ‘symbolic value’
- Key question:
  - How much of this value goes down to the producer?
- ‘Sustainability’ becoming the new minimum standard
  - Little or no premium at the farm level
  - Some exceptions (fair trade, organics)

### Policy implications (1)
- Some current proposals
  - Let the market solve it
  - Get infrastructure and institutions right
  - Re-establish supply management
  - CQP
  - Anti-trust and competition law
  - Price risk management
- These are about ‘material’ quality
  - A dead end?

### Policy implications (2)
- Need more focus on symbolic and in-person service quality
- Find ways for producer-country actors to generate and capture value added from these quality attributes
- A few proposals/examples
  - Truth and transparency in labeling
  - Juan Valdez coffee shops in the US

### Policy implications (3)
- Improve sustainability initiatives
  - Participation, ‘ownership’, premium
- Indication of Geographic Origin (IGO)
  - Valorization of ‘place identity’
  - Intellectual property rights on ‘origin’
  - Expand IGO register at the WTO
- Groups managing IGOs -- wider territorial strategies
- Cultivate consumers, not more coffee