

PERSPECTIVES ON SUSTAINABILITY AND GLOBALIZATION AND THE CHALLENGES FOR THE COFFEE SECTOR

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Introduction

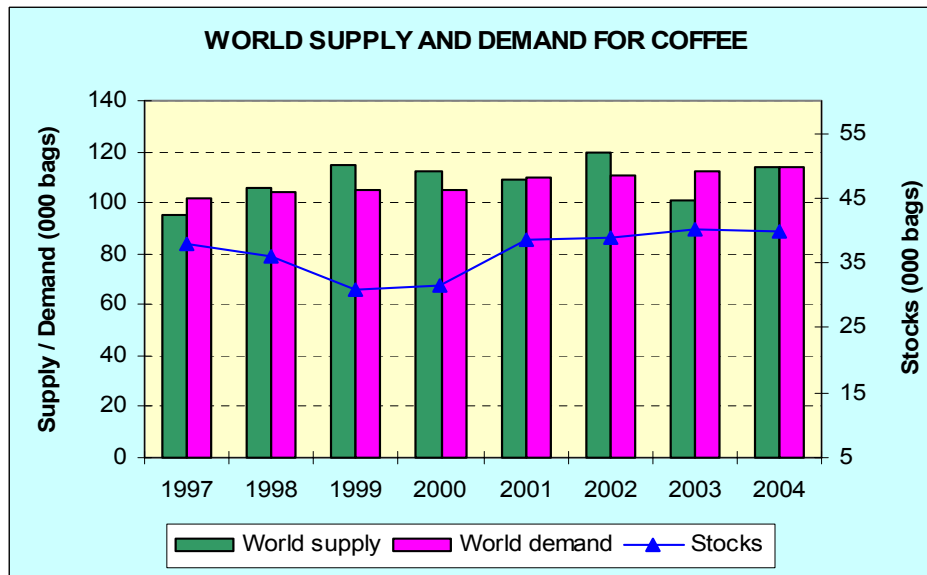
Over the last five years, the global coffee industry experienced its worst crisis which necessitated fundamental re-thinking on the future challenges and strategies required to ensure survival and growth, from the producer's perspective. In the ensuing debate, the issue of sustainability has loomed large. In my paper, I shall attempt to address the theme of sustainability against the backdrop of liberalization and globalization and its implications for the small producers, who dominate the coffee industry (Box 1).

Overview of the Developments

It has often been said, that the world coffee economy has evolved over the last decade or so in a manner, which can be characterized as “erratic,

disorderly and even contradictory”¹. The supply constraint caused by the frost in Brazil in the mid nineties was followed by a period of abnormally high prices which in turn prompted a surge in production that substantially altered the global production structure, whose impact we experienced in the form of the worst coffee crisis ever seen in terms of producers' income. In several countries across Africa, Latin America and Asia, the slump in coffee prices resulted in a deep socio-economic and humanitarian crisis.

On the other hand, the evolution of the coffee economy in the consuming countries (which comprise for the most part, developed nations in the Western Hemisphere) was not only less painful or chaotic, but showed a positive growth pattern with a sustained improvement in profits. This was facilitated by the emergence of a coffee culture that has



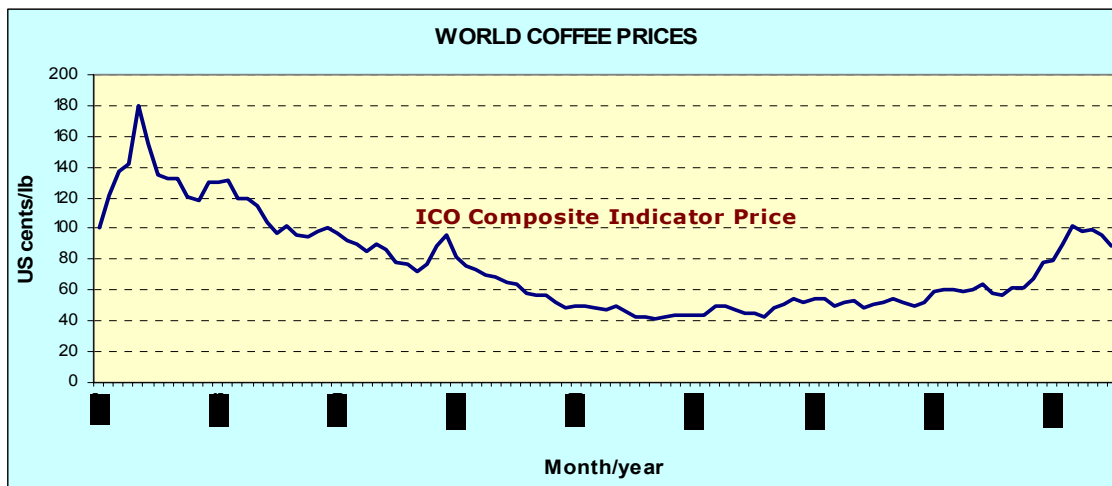
Source: ICO data

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manifested itself in new and innovative retail formats. Rightly has it been observed, “today’s international coffee culture transcends the globe, transforming an ancient commodity into a phenomenon of the consumer age”². Coffee brands such as Starbucks, Nescafe, and Illy have become global icons.

Several studies, which have analyzed the fall in prices in major agricultural commodities in this period, have underscored the fact that coffee has shown the greatest fall. In the late 80’s and part of the 90’s, earnings by coffee producing countries, which in terms of export f.o.b. were around US\$ 10-12 billion, dropped to the range of around US\$ 5-6 billion at the peak of the crisis. This was in stark contrast to the continued growth in value of retail sales in consuming countries from around

technologically advanced and cost efficient producer who seriously threatens the future of the less efficient producer. In a World Bank paper on the coffee crisis, it was observed “the history of coffee prices can be regarded as a series of shocks that some times introduced a new paradigm shift. The current shifts are among the most substantial ever experienced”³. The emergence of Vietnam and resurgence of Brazil have lowered the cost structure for coffee production. Today, the average production of the three top producers viz., Brazil, Vietnam and Colombia constitutes around 55% (average of three years) of global production. The outlook for coffee in the medium term is likely to be dominated by the biennial nature of Brazil’s production that will significantly influence the annual demand supply balance. While coffee



Source: ICO data

US\$ 30 billion in 1980 to more than US\$ 80 billion at present.

Yet another significant feature of the coffee industry over the last decade has been the emergence of a new,

prices started recovering towards the end of 2004, they are likely to remain within a range that will leave many producers unprofitable with differentials of origin not being able to make up for higher production costs. In other words, traditional producers, who are not cost

competitive and cannot differentiate, are being subjected to a severe competitive squeeze and will find it difficult to return to profitability. If the market mechanisms were to take their ultimate course, the outcome would be that coffee production will be concentrated among a few efficient producers at the cost of loss of jobs, livelihoods across several developing countries and a potential loss in quality and variety that has characterized the consumption of this ancient beverage.

The challenge therefore is, how to achieve an orderly market balance where coffee prices will guarantee a reasonable return not just to the efficient producer but also to the average producer, bearing in mind that coffee is grown in many parts of the world, in remote, environmentally fragile regions where there are few alternate economic activities arising from constraints in infrastructure, the perennial nature of the coffee tree and limited diversification opportunities due to agro-climatic conditions, statutory restrictions, and market access problems. It is in this context that the search for sustainable solutions, albeit within the framework of a market economy, has occupied the centre stage in the current debate on the coffee crisis.

Concept of Sustainable Agriculture

From a *niche* concept, sustainable agriculture has entered mainstream thinking and has become a major issue in defining the strategies and goals for agricultural development.

Box 1: Small coffee holders

Coffee is cultivated in about 80 countries across Africa, Asia, Central and South America and the Caribbean. It is estimated that there are 25 to 30 million coffee farmers and nearly 70% of global coffee is grown in farms of less than 5 ha. Apart from being constrained by their weak socio-economic conditions, small holders across the globe are typified by a similar mindset that makes them particularly vulnerable in a crisis situation. They are risk averse, susceptible to political influence, generally cautious yet gullible, have aspirations of economic well being but have an enormous sense of inadequacy regarding their ability to go it alone. As they lack the ability to combine, there is a dependency syndrome vis-à-vis the government often resulting in disproportionate expectations. They have found it most difficult to adjust to free market conditions especially in those countries where they were hitherto protected by pooled marketing systems, administered by marketing boards. In terms of risk factors affecting production, a majority of the small growers rank order weather risk as most critical, followed by price risk and other factors.

The livelihoods of small growers focus mainly on survival. It is characterized by fragile entitlements, self exploitation and unwaged family labor income, weak or depleted human and natural resources with livelihoods crisis-crossed by periods of off farm work and temporary migration.

Even the relatively better endowed medium growers who typically constitute the politically and socially mobile group among the rural coffee community in developing countries, have modest to low levels of capitalization, and face declining returns and increasing risks from agricultural commodity production.

A number of sustainability concepts are in use. For the most part, they are centered on farming practices, use of inputs, biological control and organic farming methods. Other aspects

of sustainability relate to food safety, biodiversity, working conditions, land holdings, nature of proprietorship, etc. Some of the questions that are frequently raised on the issue of sustainability are

Box 2: How eco-friendly is coffee?

In most producing countries, coffee is cultivated under traditional farming methods, which include (in certain areas) varying patterns of shade. As coffee bushes are perennial in nature, there is very little soil disturbance in the form of tillage as practiced in many field crops. Soil conservation measures like contour planting, terracing, mulching etc. are also common features in coffee farms. Use of chemical fertilizers and plant protection materials is generally of lower intensity in traditional farms. It is now also recognized that coffee trees contribute positively to carbon sequestration.

In a country like India, owing to peculiar agro-climatic conditions arising from a wide range in temperature and lack of even distribution of rainfall through the year, there is a compulsion to grow all coffees under shade so as to maintain the ideal microclimate. While this has distinct advantages, it also inhibits overall productivity, relative to coffee grown under open conditions.

With the improvement in coffee prices, specially during the decade of the nineties, there was a trend towards greater “technification” in cultivation practices mainly by recourse to intensive cultivation methods, increased density in planting of bushes, and the development of “sun grown” coffee. Around the same time, thanks to the research efforts at the Smithsonian Institute’s Migratory Bird Center, there was a concerted attempt to raise consumer awareness about the beneficial impact of “shade grown” coffee, mainly as being a hospitable habitat for migratory birds. Soon “shade grown coffee” became something of a buzzword in niche coffee markets with oversimplified conclusions on the relationship between shade and environmental sustainability. This was notwithstanding the fact that there are several countries, in Central and South America, where sun grown coffee co-exists with large tracts of adjoining virgin forests, which are conducive for preserving a wide variety of flora and fauna.

The above situation serves to illustrate the inherent complexity and contradictions surrounding sustainability in terms of best agricultural practices. Given the diverse production patterns and systems across the coffee growing world, it is difficult to come to a uniform conclusion about the important elements of sustainability. As rightly observed, “the coffee ecosystem, together with the human socio-economics of the region and the different prices that might be put on endangered species makes for an extremely complex situation”. Thus, sustainability as a concept “lacks serious theoretical underpinnings...there have been no rigorous attempts to relate human demography, climate, soils, economics, agronomy, biodiversity etc., to any region’s agriculture to develop rational long term goals. This is not just a question for coffee but a reality for agriculture as a whole”⁴.

A further challenge to the sustainability movement in coffee is to find agreement “upon what role coffee is expected to make to conservation and what the true costs and benefits of this is to the farmer and civil society”⁵.

as follows: What and whom do we want to sustain? What are the geographical dimensions of sustainability? (Box 2) What are the principles of sharing of costs and benefits of sustainable agriculture? What type of ownership/institutional structures is conducive for sustainable agriculture? What is the role of technology and what are the key issues in the research agenda?

Lack of a precise definition of sustainability is indeed a problematic issue. However this has not diluted its authenticity. Moreover even if there are differing views on sustainable goals and priorities, there is broad agreement that as a concept, sustainability is not only vital but also critical in our appraisal of any problem we face in the 21st century. Also, prioritizing the issue of economic sustainability in agricultural production is inescapable and inevitable, without which other aspects of sustainability, be it environmental or social, are largely unattainable or at least seriously threatened.

Globalization and Sustainability

Adding further complexities to the debate on sustainable agriculture are the forces of globalization, a phenomenon, which if not new, has however manifested itself in new forms over the last few decades. Two aspects of the current globalization drive are interesting and significant. The first is, the global ideological shift in terms of a realignment of national policies towards economic liberalization and the dismantling of the state's role in economic management and greater opening of the economy to international trade and investment. The second is, the

spread of the new Information and Communications Technology (ICT) which has contributed to the increase in trade and investment, with the latter particularly remarkable in the form of cross border production by multinational companies and their network of affiliates and partners. As a result we witness today, "the simultaneous economic integration of countries and disintegration of production processes"⁶. All of these developments, as we shall see have influenced the fundamentals of the farming landscape, quite significantly.

As a commodity, coffee has been integrated into the global process, being mainly an exportable product for virtually all producing countries. However, the nature of this integration got substantially altered with various liberalization and deregulatory measures that occurred in the early nineties, following the dismantling of quotas. This (as we now know) did not result in uniformly enhancing the income earning capacities of producers – in fact disparities across geographic regions actually widened. Studies suggest that this phenomenon (not unique to coffee) is attributable to the nature of participation in the global process or value chain, which is fraught with several constraints, and not participation *per se*. Therefore, "the key challenge thus confronting policy design and implementation is not whether to take part in the global processes but how to do so in ways which provide for sustainable income growth"⁷.

Liberalization of agriculture in many developing countries, which saw the dismantling of institutions such as marketing boards and other forms of deregulation, also witnessed the removal

of quantitative restrictions in trade. The WTO agreement on agriculture is critically centered on the issue of market access and subsidies that has caused enormous distortion in agricultural trade. One of the key constraints facing small holders in agriculture is direct access to markets and pricing which in turn is related, in a wider sense, to the terms of trade between farming and the rest of the agricultural food chain.

An important feature of the liberalization in trade, post WTO, is the emergence of a distinct trend where international markets trends influence price and quality standards in domestic markets. Agriculture and more so agriculture which is oriented towards the export sector (and this is true of coffee) is required to turn out products at similar cost and quality as those that can be bought in the world market.

Modern agribusiness value chains

Modern agriculture is being reshaped by many of the technologies transforming other industries. It is also being subjected to unique political and economic constraints and coffee has not escaped this. Today, the coffee grower has not only to produce efficiently and cost effectively, but he also needs to take into account environmental concerns, welfare of workers and health of consumers.

Further, modern agribusiness, which for a long time and for the most part was basically an orderly chain of companies and institutions - a spectrum extending from supply of inputs at one end to processing and retailing at the other with family farms central to the system - is now transforming itself into a

complex web of relationships thanks to global integration, competition and emergence of new technologies (ICT having a significant impact). In the new age, consumers are becoming better informed and more demanding and to meet this challenge companies are consolidating in pursuit of new efficiencies and economies of scale.

The liberalization of agricultural markets has been accompanied by the gradual lessening of governments' involvement in agriculture, especially on the marketing side. On the other hand there has been a perceptible rise in the private sector's direct dealings with farmers. Against such a backdrop, an important issue to be addressed is the apparent deficiency in terms of a well-informed private sector policy and regulatory mechanism that facilitates proper governance in the agribusiness chain. To appreciate this, certain important features that characterize agribusiness value chains need to be discussed as they are relevant in the context of a sustainable coffee economy as well.

a. First, there is the growing importance of “buyer-driven value chains” which have “sophisticated forms of coordination and integration and rules of participation”. In vertically coordinated supply chains which are increasingly adopting common standards, rise of contracts and specialized intermediaries are proving to be “powerful drivers of divergence and marginalization within farming communities”⁸. In a traditional scenario, where controlling tangible means of agricultural production such as land,

water, labor etc. is a critical variable in capital accumulation, the superimposition of supply chain dynamics has resulted in ownership and control of intangible assets – such as market literacy, brands and patents – providing the key to attainment of competitiveness and hence increased capital accumulation. Governance of supply chains which is understood as “ the power to define who and who does not participate in the chain, the setting of the rules of inclusion, assisting chain participants to achieve these standards, monitoring their performance”⁹ acquires distinct characteristics in buyer driven value chains in that it “hinges on controlling means of co-ordination rather than means of production”⁸.

b. This brings us to another important

development and this is the growing exploitation of the potential for differentiation (Box 3) that has spread to primary agricultural products in order to gain a competitive edge, basically by securing a release from the low barriers to entry and declining terms of trade that inevitably afflicts commoditised products over time.

c. In a globalized and buyer driven supply chain, management and control of information is directly related to industrial size and concentration. “Size confers logistical control, reduced transaction cost, economies of scale, improved market and meteorological intelligence, access to and control of valuable intellectual property and a comprehensive distribution network”⁸. Size also confers

Box 3: Differentiated Coffees

It is now acknowledged that coffee as a product, offers a high degree of variety and variation in taste depending on the area where it is grown and the manner in which it is processed. Differentiated coffees are those coffees that can be distinguished on account of distinct origin, specialized process or exceptional characteristics such as superior taste or zero defects. A good part of these differentiated coffees are those coffees that are distinct in terms of “sustainable” attributes viz., fair-trade coffee, eco-friendly coffee, organic coffee and so on. There are accompanying standards prescribed for each of these categories by different bodies and established procedures for certification. These coffees, though small in terms of volumes trade, are rewarded with a premium price and other benefits that can help producers improve their sustainability. Of course, these niche coffees do not necessarily guarantee sustainability though it would be fair to say that they possess intrinsic qualities that most closely fulfill the balanced social, environmental and economic requirements necessary for sustainability. These coffees also constitute the fastest growing segment in the coffee market growing at an average 7% to 8% per annum. However, they account for less than 1% of global sales. With specialty coffees accounting for approximately 8% of global sales, mainstream or commercial coffees still account for a hefty 90%. However the propaganda value of these “niche” coffees is certainly growing.

absolute cost advantage in so far as providing the ability to outbid small farmers for resources/ideas, raise resources for R&D, to set predatory prices, and take up promotional campaigns.

- d. While size can be achieved through acquisition, the more common feature in buyer driven chains are strategic alliances between stakeholders in the agribusiness value chains. Such alliances or global clusters extend across national borders and have the capacity to transcend national and transnational regulations. Consequently, the concentration upstream and downstream in the global agrifood business has been noteworthy. In many developed countries, we have seen the growing power of retailers and their increasing ability to influence the agribusiness chain. The industry has seen widespread mergers among supermarket chains, giving them more purchasing power and increasing their global reach.
- e. Apart from growing economic power of retailers, processing industries are also rapidly concentrating their economic and market power as a response to the rapidly consolidating retail environment. With the emergence of food processing, retail and food service industry as key agents in the buyer driven value chain, there is a combined pressure for increasingly stringent levels of quality, compliance with standards and codes of conduct (including proof of sustainable agriculture production techniques).

What are the implications of these developments for the farming community and more particularly for sustainable agricultural production? In the new agribusiness environment, small producers, through the *modus operandi* of contract farming, can integrate themselves into the global food chain. Such arrangements, which are actually being actively encouraged in developing countries, are being fuelled by new technologies and turning bulk commodities into tailor made products. But this also has other implications for agriculturalists and key among them is the weakening link between farm prices and food prices, as much of the value addition does not accrue at the farm level. For instance, it is estimated that 78-85% of value added in the agrifood chain in the developed world, is not done by farms⁸. In an analysis of inter country input and output relations in the coffee value chain, it was estimated that around 40% of the final product price (at supermarkets) accrues to the developing countries (based on prices prevailing in 1995)⁹. The actual percentage of retail value added at the farm level was still less.

As we see market access for producers has less to do with efficiency in production, though this does confer cost advantage, and has more to do with the ability to exploit market advantage in terms of meeting the demands for efficient logistics and compliance with standards. This is where small and unorganized producers are specially disadvantaged as they lack the strong and direct relationship with the market enjoyed by large or institutional producers via contracts with processors and large scale retailers.

The price pressure inherent in a system as described above forces farmers into unsustainable practices in order to sustain family income from a fixed land base. Overstocking, neglect of agricultural practices which favor biodiversity or soil qualities are inevitable consequences of farming areas under price pressure. What then happens when requirements for standards of sustainable agricultural practices are introduced into the agricultural supply chain in response to pressures wrought by NGOs and the like? These translate into process standards which by their very nature are more amenable for adoption by producers who are more capitalized i.e. large or institutional growers – more so because the system is so structured by processors and retailers to push all costs to the producers/suppliers. If such standards are confined to the domain of niche markets, there is perhaps less cause for concern. A real danger however rises when such standards move out of niche market to the mainstream market. In the absence of effective regulation mechanisms, inevitably all compliance costs and risks are pushed to the producers. Small wonder then that, there has been a rising storm of protest by coffee producers against the recent developments vis-à-vis the Common Code for the Coffee Community (4C). Because at the heart of the protest is the realization that such Codes invariably favour the more organized and well capitalized producers to unorganized small growers who get further marginalized for want of effective bargaining power. Recall how at the last meeting of the International Coffee Council in May 2005, the producers unanimously declared among others that “ the 4Cs project may have disastrous consequences for coffee

producers and particularly for the long term survival of small producers, thus undermining the sustainability of the coffee economy”¹⁰.

How can better governance of markets improve sustainability?

It is now increasingly clear that massive changes are taking place in the sphere of agricultural production in response to the restructuring of agricultural markets and increasing importance of buyer-driven supply chains. The increasing involvement of non-agricultural stakeholders in the private sector, and the impact of technological advances in processing and vast improvements in logistics efficiencies, has made global sourcing an imperative in order to stay competitive. This has exacerbated the divergence within agricultural communities creating a distinct divide between the well organized and capitalized producers and the fragmented and scattered small holders/family farms who are rendered most vulnerable economically as there are less resources/less opportunities available to invest in sustainable production practices. The challenge therefore is, how to reshape public and private sector policies so that market liberalization, which cannot be reversed, is made an inclusive process that facilitates a closer link between the producer and the ultimate value of his product and does not exacerbate inequalities in the rural economy.

From the perspective of the small grower, and specifically the small coffee grower, the key issue would be how to create conditions that will transform the nature of his participation in the value chain so as to derive such economic

benefits that ensure a sustainable production system and livelihood i.e.- “production from farming methods that maintain farmers in profit and in good health with minimal damage to the environment⁴”

In coffee, we are only too aware of the fact that “ the sustainability of the linkages between coffee growing in the developing countries and final consumption in the developed ones has been under considerable pressure”¹¹. The recent crisis has further underscored this. In consumer markets where non-price competition is more critical as consumers prefer buying more differentiated and new products, we see more downstream value addition near

the final consumer, which increases the market power of the roasting and retailing companies. “The big (multi-national) companies have become the governance force in most of the global coffee chains.... defining production and trade conditions”¹¹. At the other end of the chain are the small holders with little or no market power who sell “atomistically into commodity markets”⁹ (Box 4) and “get less than one tenth of the consumer price in the chain”¹¹.

One of the oft-quoted suggestions in the context of improving economic sustainability of small producers is to create capacity for upgrading them to cater to the market for differentiated coffees by producing

Box 4: How liberalization can result in decreased value add

Prior to liberalization of coffee marketing in the mid nineties, all coffee grown in India was required by law to be channeled under a centralized pooled marketing system operated by the state run Coffee Board. Raw coffee processed at the farm (through wet and dry methods) was to be delivered by all growers to licensed curing works operating under an agreement with the Board. The cured coffee (clean coffee) was sold at a periodic auctions conducted by the Board to exporters and traders in the domestic market. Based on the total proceeds of the season, the individual growers were paid on the basis of a structured price differential scale (which in turn was based on well established quality parameters).

Post liberalization, majority of the coffee growers, and especially small growers, sell their coffees in an unprocessed form (of cherry or parchment) at the farm gate to agents of processors / exporters. There is only one major auction centre, where the Indian Coffee Traders’ Association, conducts weekly auctions. On an average, less than 10% of the total coffee sold is routed through the auction platform.

Clearly this demonstrates the very real difficulties experienced by small farmers (in the absence of viable cooperative institutions) in achieving full vertical integration for producing clean coffee owing to fragmented production and lack of economies of scale. Value addition through production of differentiated (specialty) coffees, which requires smaller volumes, may be an attractive alternative proposition for groups of likeminded small growers but here too, there are constraints in terms of the stringent quality requirements and innovative relationship marketing.

different varieties of coffees of enhanced quality. Encourage small growers to produce more specialty coffees is advice we frequently hear. But the market for such coffees, even if rapidly growing, is inherently limited and esoteric. This is also necessary perhaps if the premiums are to be sustained. In fact, production and marketing of such coffees requires to be supported with sustained infusion of innovativeness and dynamism – a factor that automatically raises barriers to entry into this ‘niche’ market.

An alternative suggestion to coffee producers is, to encourage value addition downstream in terms of conversion to roast and ground or instant coffee before export. But, here again even if barriers to export of products in value added forms such as import duties are reduced or removed, the scope for exports of such processed coffees by producers are likely to be limited (in case of R&G specifically) due to the entrenchment of market specific blends and brands. “Blends are tailor made to appeal to different tastes in the market...also important are the availability of substitutes and seasonality of both supply and demand. These factors are difficult to handle faraway from the consumer”¹². Besides there are difficulties in preservation of quality of R&G coffee as opposed to the longer shelf life of green coffee, and the compulsions of just-in-time deliveries in the highly efficient logistics that are demanded by roasters /importers world wide.

This is where market development in producer countries gets increasingly relevant as a means of increasing producer awareness of consumer preferences and providing

opportunities, through many means, for farmers to increase their share of value chain rents. The ICO has rightly been focusing attention on this area, urging multilateral institutions to seriously consider setting apart resources for market development in producer countries. For small growers particularly, growth of the domestic market offers a feasible, alternative destination for their coffees, given the fact that the quantity and quality requirements will be different.

In this context, policies of producer governments should desirably be aimed at attracting investment in value added processing from indigenous and developed markets, so as to improve supply and reach exhaustively by way of innovative product development and different retailing formats, to cater to the various profiles of demand based on region, income etc. While generic promotion efforts, which focus on improving knowledge and appreciation of coffee, are to be encouraged these will be rendered largely ineffective without concomitant improvement on the supply side.

Market development in producer countries and emerging markets thus constitutes an important measure that will encourage balance in the global coffee market and “ensure the future of coffee through prioritizing the issue of economic sustainability”¹³. Another important area of reform is institutional development. The recent coffee crisis brought to light the serious problems with respect to institutions concerned with research, extension and development of coffee in producer countries. Beset with constraints in terms of financial and human resources

which are threatening their viability and relevance, a serious introspection is called for as to how these institutions can reinvent themselves to serve the interests of small growers and develop a sustainable coffee economy in the face of technological, environmental and social challenges. For one thing, these organizations need to reorient themselves in terms of becoming more multi-disciplinary in nature, and facilitate, through innovative policies and programs, a more structured participation of farming communities in research and developmental activities so as to develop a new agricultural professionalism. Above all, the mindset of the smallholder will need to be transformed from that of a traditional agriculturist to that of a modern entrepreneur and this requires a wholly new and effective communication initiative. To meet the increasingly complex quality and food safety standards, new resources to train and equip small growers, need to be identified and supported. Spread of market literacy through widespread and effective channels will go a long way in overcoming information asymmetries that disadvantage small growers particularly in remote areas. Participatory research needs to be encouraged as an important means of building local skills, interests and capacities.

Participatory research also becomes a catalyst to promote viable integrated farming systems by encouraging a diversified range of remunerative activities at the farm level to supplement the incomes of small growers, specially in periods of low prices. Such initiatives can get further strengthened by government programs

such as mid-day meals in rural schools that have the potential to raise demand for locally grown products. Brazil's initiative in encouraging consumption of coffee as part of the school meal program, citing positive health aspects, is worth emulating by other producers.

Finally, we are only beginning to realize the commercial potential of coffee farms as "carbon sinks" under the Clean Development Mechanism (CDM) of the Kyoto Protocol. The ICO in partnership with multilateral financial institutions and the private sector could well consider a major multi-country initiative to explore how Certified Emission Reduction (CERs) can be earned for viable CDM projects on coffee based cropping systems through a range of pilot projects that are targeted at improving the sustainability of small growers.

There are some other important initiatives aimed at empowerment of small holders and improving governance, in the interest of equitable and sustainable development, which need to be mentioned. First and perhaps critical would be the need for strengthening the organization of small growers. Developing organizational capacity among small growers via self-help groups, farmer associations or cooperatives, can facilitate new synergies for product improvement and development and effective bargaining power, as also better access to credit and hedging mechanisms to lower risks. Government, apart from providing financial and technical support through appropriate legal and administrative frameworks can create platforms which accord special status to such groups. To this end the initiative to create a structured Sustainable Coffee

Partnership (SCP) as an alternative platform of all stakeholders from the coffee industry is to be encouraged, at international, national and local levels, so as to harness effectively the potential from different groups to facilitate a meaningful dialogue and provide inputs for policy making. To the extent that it is widely recognized that “a sustainable solution for imbalances between raw material and final consumption”¹¹ cannot be reached by interventions in individual segments of the coffee value chain, and that “ a coordinated effort along the whole chain should be developed with the involvement of leading coffee companies”¹¹, the SCP could become an important platform for facilitating such coordinated efforts aimed at increasing “systemic efficiency”⁷ in the value chain. It could also be a useful forum where standards for production and codes of conduct can be widely discussed and developed in consultation with producers, taking into account local realities.

Other instruments to regulate the global agribusiness market environment would be the development of a strong competition policy that will safeguard against collusions and concentrations of economic power as well as regulate the distribution of profit across the agricultural value chain. Developing civil society scrutiny is another pillar of governance in that it raises public expectations about support for sustainable farming practices and equity issues in sharing cost of compliance of best practices.

NOTES

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