

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

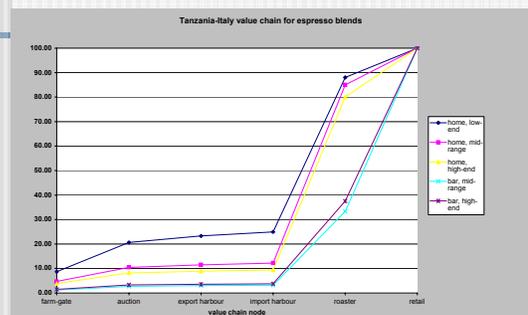
Why?

- 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



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