

# THE IMPACT OF FAIR TRADE ON SMALL FARMERS

*The Case of Union of Indigenous Communities of the Isthmus Region in Mexico  
and Society of Small Producers for Coffee Export in Nicaragua*

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***Abstract***

The effects of the globalization of the economy have been diverse and the fruits of liberalization have not been enjoyed by all. Neoliberal policies have opened up national markets to international competitors. In Latin America the traditional cultivation of coffee by small farms started to become challenged due to the subjection to the competition with multinational enterprises. Farmers have set up cooperatives and the Fair Trade Organization have assisted them to obtain a fair access to the market. In addition, fair trade cooperatives intent to promote the development of the farmers' living standards.

The Fair Trade cooperative, Union of Indigenous Communities of the Isthmus Region in Mexico and Society of Small Producers for Coffee Export in Nicaragua, seem to have reduced the vulnerability of farmers to fluctuating market prices.

Although, the Fair Trade cooperatives have offered farmers a platform of development and sustainability, the effects of Fair Trade and the cooperatives internal procedures are likely to be influenced by the social, economic and political context of each country. However, while limitations are present to the effects of Fair Trade, the organization has provided a positive step in the process of sustainable development and equitable international trade.

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**List of Acronyms**

CAS	Sandinista Agrarian Cooperatives
CCS	Credit and Service Cooperatives
CEC	Centro de Educación Campesina
FAC	Fondo de Ahorro y Crédito
FERTIMEX	Mexican Fertilizers
FLO	Fair Trade Labelling Organization
FT	Fair Trade
FTCBM	Fair Trade Coffee Business Model
ICA	International Coffee Agreement
IMF	International Monetary Fund
INMECAFE	The National Mexican Coffee Institute
NAFTA	North American Free Trade Agreement
SOPPEXCCA	Society of Small Producers for Coffee Export
UCIRI	Union of Indigenous Communities of the Isthmus Region
UN	United Nations
WB	World Bank

## **Introduction**

Globalisation of the economy has increased the transnational flow of goods and capital and investment. The neoliberal discourse on economic growth asserts that, in the long term economic liberalisation reduces poverty and inequality and facilitates access to capital and skills (Keeling 2004: 9). Organisations such as the World Bank (WB) and the International Monetary Fund (IMF) have provided financial support to poor countries only if these countries complied with certain conditions such as liberalising the economy. Trade flows in the global south to increase from 30% of the global trade flows in 1980 to 55% in 2011. The north-south dichotomy of the north being the centre or the core and the south the periphery, has been replaced by a new global dynamics in which the emerging economies in the global south have become significant players on the economic stage (de la Torre et al. 2014: 2). However, financial liberalization does not seem to guarantee economic growth, the enhancement of welfare or the transfer of technology and knowledge. The effects of globalization seem to have been diverse depending on the regional conditions such as the form of governance, institutional frameworks, geographical conditions and the presence of natural resources (De la Torre et al. 2014: 6).

In Latin American countries, the 1980's marked a period in which many governments implemented neoliberal reforms in an attempt at reducing inflation and fiscal imbalances (Edwards 2008:127). The deregulation of the economy, introduction of free trade and the privatization of state companies were at the core of these reforms (Keeling 2004: 1). It was believed that, liberating the Latin American economies from protectionist policies would encourage local industries to compete on the world stage increasing production and exports. Short term results seemed positive as the average inflation was reduced from 890% in 1989-1990 to 124 % in 1993-1994 (Edwards 2008:129). However, disappointment was to follow.

Privatisation is said to have been implemented hastily and without proper regulation. Moreover, the implementation of liberal reforms in countries such as Argentina, Brazil and Mexico proved to have a serious weakness. These countries had strengthened their national currency by adopting rigid exchange rate regimes. Overvalued national currencies reduced exports competitiveness. In 1994 the Mexican peso was devaluated by more than 65%. The Mexican crisis, also known as ‘the tequila effect’ spread to other countries in the region. This fact suggests that there was a significant level of economic interdependence among the affected countries. However, other international crises in South- East Asia were to follow and although Latin America had limited trade with the East, capital flows to Latin America were diminished, economic growth declined, unemployment rose and social conditions deteriorated (Edwards 2008:130). In particular smallholder farmers and especially coffee farmers have said to be vulnerable to the neoliberal reforms as these farmers are likely to have limited resources with which to cope (Eakin et al. 2006: 156).

Coffee has been a major export commodity with a tradition of state involvement in Latin America. By the dawn of the twentieth century Latin American coffee was a large contributor to the worldwide supply of coffee. However, the chain production was in the hands of large landowners, local leaders or intermediaries while the small farmers lived in poverty. In the 1980s, a group of Mexican farmers established connections with Fair Trade (FT) programs in the Netherlands. FT programs were introduced in Latin America: coffee farmers have organised themselves in FT cooperatives to face the challenges that threaten their livelihood, becoming the active agents of their own development. FT initiatives claim to have empowered individual farmers and cooperatives by providing democratic participation, access to knowledge and credit and enhancing the sense of ownership and inclusion.

This Bachelor thesis examines the discourse surrounding fair trade certified coffee production in Latin America, focussing on FT-certified cooperatives: ‘Unión de Comunidades Indígenas

de la Región del Istmo' -Union of Indigenous Communities of the Isthmus Region- (UCIRI) in the state of Oaxaca, Mexico and 'Sociedad de Pequeños Productores Exportadores y Compradores de Café' -Society of Small Producers for Coffee Export- (SOPPEXCCA), in the province of Jinotega in Nicaragua.

The analysis aims at gaining a deeper insight into the role of cooperatives in the implementation of FT programs and the impact of the programs on small farmers. The thesis explores the following questions:

- (1) how have national actors influenced the results of fair trade certification programs?
- (2) To what extent have UCIRI and SOPPEXCCA been able to help small farmers achieve sustainable livelihoods?

In order to answer these research questions, first the coffee market in Latin America is outlined and the effects the economic liberalization process on small farmers is analysed in order to explore the opportunities and challenges encountered by coffee farmers. Following, FT discourse is analysed and applied to the analysis of the two case studies. Moreover, the social and economic impacts of participation in these FT cooperatives will be discussed. Finally, the main findings will be discussed and conclusions will be presented.

### **The Latin American Coffee Market/ El Mercado del Café Latinoamericano**

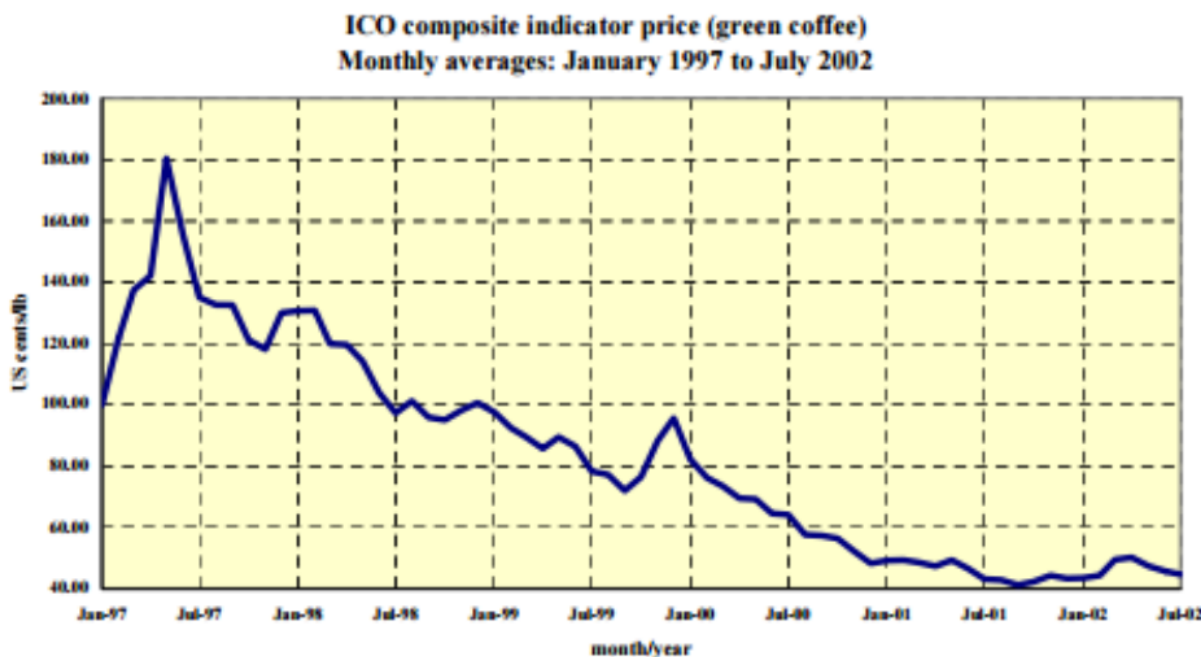
Coffee belongs to the group of most widely traded commodity goods and an estimate of 125 million people are dependent on coffee production for their livelihood (international Coffee Organization 2015; Osorio 2002: 2). Not only because coffee offers the entrance to foreign exchange, but it also creates employment in the countryside (Baffes 2001: 84). Although little machinery or long term investment is required, it is a labour intensive sector: the coffee berries are harvested by hand and in several rounds because the berries ripen at different times (Milford 2004: 3).

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From 1962 until 1989 the International Coffee Agreement (ICA) successfully guaranteed the coffee quality as well as the quota production control. These agreements also regulated coffee prices. Coffee provided Latin American governments with revenues and foreign exchange. In order to expand production, national governments created state-owned institutions that regulated the chain of supply (Topik et al. 2010: 6). These institutions ensured that producers were able to meet the volume of exports allocated by the ICA. At the same time, the international market value was maintained by the ICO's quotas on the basis of the Keynesian theory on aggregate supply and demand. According to the Keynesian theory the price of a good will decrease if the supply exceeds the demand for the good. The ICO quotas therefore protected the market value of coffee (Serletis 2001: 17). However, with the end of the Cold War, state economic intervention and the regulation of international trade were replaced by a new world order of free market and neo-liberal capitalism. Coffee trade was liberalized in the General Agreements on Tariffs and Trade (GATT) in 1995 (Giovannucci 2005: 285). The deregulation was expected to produce opportunities for developing countries (Bacon 2004: 498-499). However, individual countries regulated their domestic coffee production and as a result, a surplus of coffee supply was created in international markets, turning the prices volatile (Ponte 2002). From 1998 until 2002 there was a surplus present of coffee in the market which negatively influenced the value of the coffee on the market. This period is also known as the Coffee Crisis (Osorio 2002: 2). Figure 1 depicts the monthly price average of green coffee from 1997 until 2002 (Osorio 2002: 1).



Figure 1: ICO composite indicator price of green coffee.



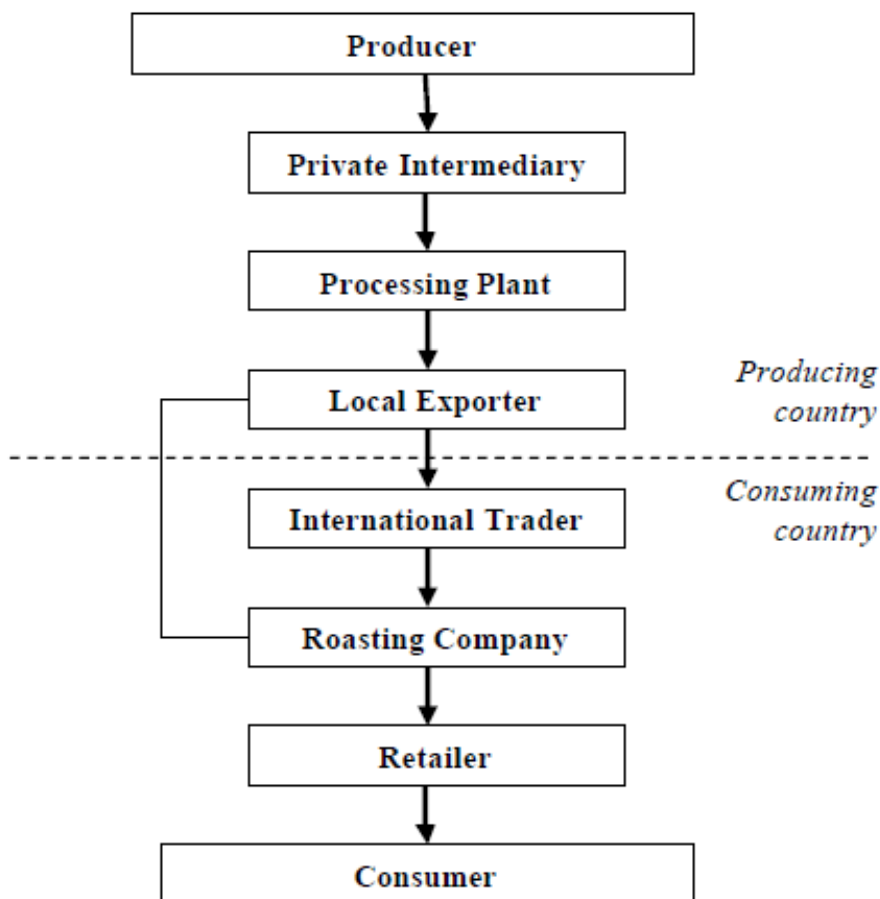
Source: Osario 2002: 1

The liberalisation of the market does not seem to have resulted in a competitive situation for small farmers. In addition, rural areas are still characterised by a poor infrastructure, low standards of education and poor living standards. Farmers are not informed over the stock market prices and do not have the transport means to search for better prices in other regions. Farmers sell their unprocessed coffee to intermediaries who bring the coffee to the processing plant. In practice, these farmers are dependent on the local purchasers and get paid less than they would in a competitive situation (Milford 2004: 7). This dependency together with the volatility of coffee prices make coffee farmers vulnerable and their livelihood uncertain (Milford 2004: 7; Eakin et al. 2006: 163).

Local exporters sell the processed coffee to an international trader. At the same time, 50 % of the international coffee trading sector is said to be in the hands of a few transnational companies such as Nestlé, Phillip Morris and Tchibo. Small and mid-sized trading companies

had not been able to cope with the volatility in prices and as a result, they closed, merged or were overtaken by larger companies (Bacon 2004: 499). These large groups control the market for roasted and instant coffee. Retailers such as restaurant or supermarkets buy coffee from the roasting companies (Milford 2004: 6). This commodity chain is illustrated in Figure 2.

*Figure 2: The coffee commodity chain*



*Source: Milford 2004: 6*

Transnational corporations are said to have the tendency to consider coffee as raw material, a commodity to be bought at the lowest possible price and then to be blended into mass brands. This has resulted in environmental harmful agricultural practises as the coffee production relied on the use of pesticides and chemical fertilizers (Topki et al. 2010: 8). In the 1990's and early 2000's prices dropped. The fluctuation of the coffee value on the international market has had

a major impact on the coffee-producing regions. Prices no longer covered the cost of production leading to the diversification of crops or to indebted producers, who abandoned their fields and started to look for work in larger plantations (Osorio 2002: 2; Eakin et al. 2006: 164).

However, as the crisis deepened, farmers organized themselves in order to strengthen their position and expand their production. Moreover, cooperatives organised themselves beyond the local level forming second level cooperatives-cooperatives of cooperatives- (Utting 2009: 140). In 1983 in the Mexican state of Oaxaca, seventeen peasant communities formed a cooperative UCIRI. In order to obtain fair prices for their crops, UCIRI became a FT cooperative and many other cooperatives in Latin America followed their example. It has been suggested that, the implementation of FT and direct access to world markets have offered small farmers a solution to the challenges brought about by the market liberalization

### **From intermediary dependence to direct access to the world market**

The FT movement is underpinned by the concept of development and empowerment through trade and not charity. The main conceptual difference between development programs and the fair trade movement is the view of the poor as agents of their own development. Producer empowerment, environmental sustainability, access to knowledge, training as well as technical support and gender equality are major concepts framing FT (Bacon 2010: 122). In addition, the FT Coffee Business Model (FTCBM) includes a fair price for coffee exports, pre-harvest financing, direct relationship between producers and buyers and cooperation among farmers. FT has opened international markets to smallholders. Bacon (2010: 141) highlights the value of FT as a tool to direct market access by quoting Merling Preza, PRODECOOP general manager, a Nicaraguan cooperative with 2300-members:

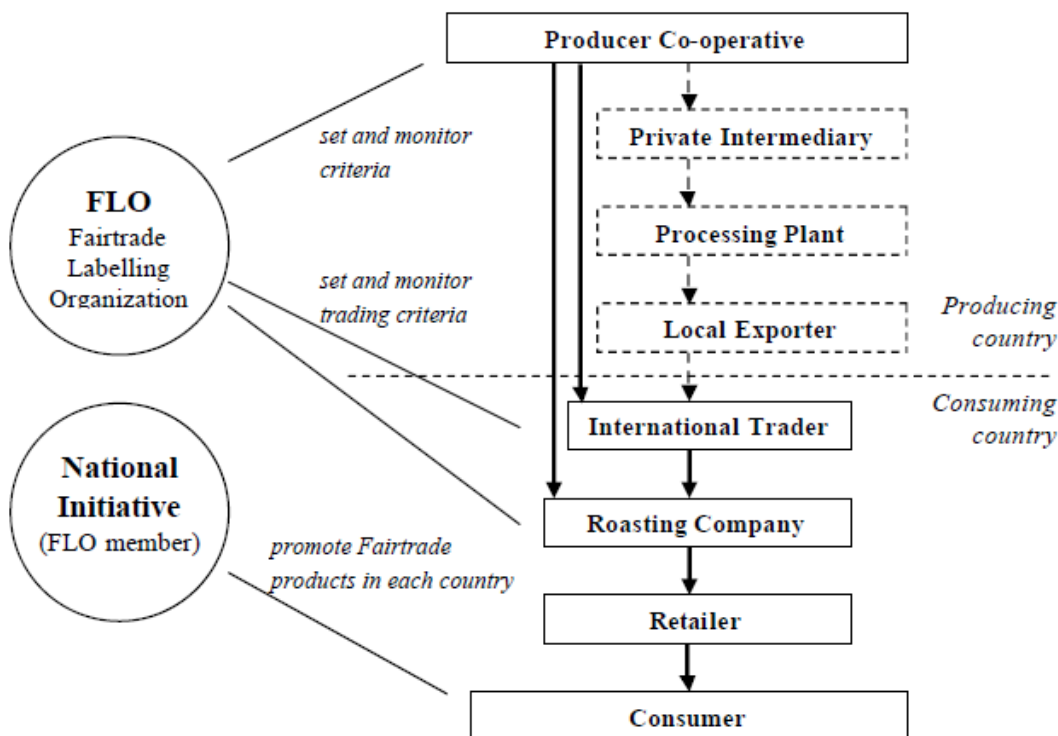
“Los pequeños productores jamás hubieran podido entrar al comercio internacional si no hubiésemos tenido como base

fundamental la posibilidad de comercializar parte del café en comercio justo” -the small-scale farmers would never have been able to enter the international trade market if we had not had the possibility to commercialise a part of our coffee with Fair Trade as fundamental base-

The FT market is said to be framed within the principles of effectiveness and competition. Products have to comply with quality standards while production methods have to be ecologically sustainable and the price integrates the real cost of production (Van der Hoff Boersma 2009: 53). Quality upgrading and good agricultural practices such as pesticide reduction are encouraged. Price premiums have been introduced for superior quality coffee with full flavour and aroma (Ruerd and Zuniga 2011: 98). However, in order to have access to the FT market, small scale farmers must be organised in cooperatives or associations usually called ‘producers organizations’ by the certification agencies.

The FT system provides FLO registered producers organisations with direct access to licensed international traders or roasting companies based in a consumer country. The cooperative members grow coffee at their farms, and together through the cooperative, they manage the processing and marketing of the coffee (Milford 2004: 11). Intermediaries and local exporters are no longer part of the commodity chain as represented in Figure 3.

Figure 3: The Fair Trade labelling system



Source: Milford 2004: 9

Moreover, FT cooperatives are expected to function democratically, giving producers a platform where they can voice their opinions and make their decisions. Members pay a fixed fee and are entitled to a single vote in the cooperative assembly. All members qualify to stand for election to the board of directors (Enelow 2012: 142). Cooperatives are supposed to be inclusive institutions: poor producers and women are granted equal voting power. In addition, as FT coffee is also produced by indigenous communities where it has contributed to the survival and the preservation of their cultural identities (Nelson and Pound 2009: 19).

Research on FLO cooperatives in Mexico and Central America suggests that, a number of benefits have been achieved such as higher prices, improvements in product quality, economic networks and an increased sense of self-esteem. Nelson and Pound reviewed approximately 10

empirical studies conducted in Latin America and concluded that, cooperatives give producers a sense of ownership, enhancing their self-confidence (2009: 21). On the other hand, empirical evidence suggests that, female participation in the decision making process of FT cooperatives is limited (Hutchens 2010: 452). Women work during the harvest and there are only a few cooperatives that include female producers. This limited participation seems to indicate that, rural communities are still male orientated and that the traditional gender bias is still present (Utting-Chamorro 2009: 47).

In addition, research reveals that producers are not able to articulate what FT is and do not seem to have a clear understanding about how FT networks work. Farmers' participation in cooperative assemblies has been described as passive since responsibilities and decision-making is left in the hands of the cooperative leaders (Murray et al. 2003: 17).

Furthermore, FT seeks to reduce poverty and to create sustainable development empowering small farmers to take more control over their work and lives (FLO 2009). The notion of empowerment has an individual and a collective dimension. It refers to the ability of individuals to achieve their self-defined goals and actively transform their living conditions. It also refers to ability to participate in collective action to avoid exploitation and influence relationships (Bacon 2010: 56).

This analysis seeks to examine how UCIRI and SOPEXCCA have implemented FT standards in Oaxaca and Jinotega in order to assess their contribution and impact on the empowerment of small farmers and in particular females. The analysis will be based on the work of Uiting-Chamorro (2005: 588) and the impact of FT will be examined in relation to four dimensions:

Firstly, the cooperative's governance and organisational processes. Organizational processes refer to projects, programs of collective action aimed at improving the livelihood of small producers such as access to knowledge and technical assistance and financing (Donovan and Poole 2014: 6). Secondly, the role of UCIRI and SOPEXCCA in the promotion of gender equity

and inclusion. Thirdly, the impact of a payment of a 'fair price' on coffee producers' well-being. Finally, the impact of the premium price on community development. The analysis of the case studies is based on existing research. In addition, the information provided by the cooperatives website will be analysed.

### **The Mexican Coffee industry**

The development of the coffee sector in Mexico reflects the nation's search for an effective economic model and the struggle of indigenous communities to find a pathway out of poverty and marginalization. Coffee has been grown and consumed in Mexico since the colonial period. The Spanish ruling elite exported coffee from Cuba where it was ground and packed. Commercial coffee cultivation started at the end of the 18th century in the 'haciendas' -large landholdings-, in Veracruz from where it spread to the neighbouring areas of Morelos, Tabasco, Chiapas and Oaxaca. Map 1 provides an overview of the areas and the exact locations.

At the beginning small farmers only grew coffee for self-consumption while coffee production and export was controlled by large state (González-Jácome 2004: 29). However, after the Mexican Revolution (1910 until 1920), the agricultural landscape changed, as the land of the haciendas was returned to the indigenous communities. It has been suggested that, when the large haciendas broke up, smallholder coffee production started. While in other Latin American countries, the large landowner dominated coffee production, in Mexico it was largely grown by small holders. In the Isthmus zone, coffee was cultivated on the 'ejidos' of communal land of indigenous communities. The coffee market was controlled by 'caciques', leaders with personal power who govern for the interest of the local elite. Apart from the caciques, the 'coyotes' - 'prairie wolf' as local intermediaries are called-, brought food and other necessities to the mountains and bought coffee at a low price.

In the 1970s due to the high and stable coffee prices, the Mexican Federal government decided to encourage coffee production by channelling credit and technical assistance to small

farmers. The National Mexican Coffee Institute (INMECAFE) promoted the extension of coffee production. INMECAFE became the largest commercial agent in Mexico, replacing 'coyotes' and 'caciques' (Topki et al. 2010: 11). Plants, financing and technical assistance was offered to the indigenous communities. INMECAFE provided storage and distribution apart from being the principal buyer and exporter. Farmers were encouraged to take loans to buy seeds, fertilizers and pesticides. Production improved, but the chemicals used caused health and environmental problems (Waridel 2001: 67).

However, in the 1980's the Mexican state started liberalizing the economy: INMECAFE was shut down and state-run companies as Mexican Fertilizers (FERTIMEX) that supplied the national market with fertilizers were dismantled or privatized. Trans-national corporations such Cargill or Bayer, gained control of the Mexican market increasing prices (Tetreault 2010: 80). The liberalization process gained momentum in 1994 when the North American Free Trade Agreement (NAFTA) came into force: Mexico, the US and Canada became the largest free trade zone in the world at the time. It has been suggested that, 'competitive farmers' with high quality land and access to support have benefited from NAFTA and the liberalization of the economy. On the other hand, small scale coffee famers faced low coffee prices, debts and hardship: The closure of INMCAFE had left them without financing, processing facilities, transport or buyers. They did not possess knowledge of the market and had to sell their coffee to 'coyotes' which paid a low prices for their products based on the argument that the production was of low quality (Alvarado 2009: 303). Coyotes controlled transportation, local village stores and were the only source of credit to buy pesticides and fertilizers.

INMECAFE had supported 'farmer to farmer' training, creating a social network of small farmer organizations. In Oaxaca, Chiapas, Guerrero and Veracruz coffee farmers tried to face the crisis provoked by the closure of INMECAFE by taking collective action such as purchasing and running of processing plants and warehouses. The geographical location is



illustrated in Map 2. UCIRI developed an empowering strategy: taking control of the production chain and eliminating intermediaries. UCIRI was to become a main actor in the creation on FT world stage.

*The opportunities and challenges of UCIRI's geographical location*

UCIRI is situated in the central and northern regions of the isthmus part of the eastern Oaxaca. During the colonization by the Spanish, different indigenous communities scattered throughout the most inaccessible mountains of the region in order to protect their culture (Aranda Bezaury 2007: 109). At present the state is one of the areas with the largest indigenous populations in the country with approximately 52 % of the state's total population, versus 11 % in the rest of the country.

Oaxaca is known for the production of high quality coffee and it has been estimated that 12 % of the total national coffee production is cultivated in this state; however, it is considered the second poorest state in Mexico with almost 62 % of the state's population living under the national poverty line and 23 % in extreme poverty. Over 16 % of the population is illiterate, a percentage above the national average of 7 % (World Bank 2013). The mountainous landscape and the dispersion of the population in more than 10,000 small towns has limited the accessibility to basic services such as drinking water or sanitation. The exact location is visualized in Map 3.

*The struggle to overcome poverty*

The origin of UCIRI can be traced back to 1981 when a Catholic missionary team and a group of coffee growers from three villages held a meeting to analyse the regional situation of poverty and stagnation. They decided to conduct an experiment: they took the harvest to a cooperative close to the port city of Veracruz, where they were paid 95 US cents per kilo of coffee while coyotes paid them 25 cents (Alvarado 2009: 304). After this initial experience, other

villages joined in and in 1983 UCIRI was created. Two years later UCIRI acquired an export and import license. The shipping and the export procedures were new challenges which the farmers had to face, however, prices were higher and the future prospects looked positive. During this period, representatives of Dutch and German solidarity groups met with UCIRI to discuss FT system as a marketing option. (Simpson and Rapone 2000: 49). The motto of UCIRI was summed up in the words of one farmer:

‘Nosotros no queremos dinero regaled; no somos mendigos. Si se nos pagara un precio justo por nuestros productos, podríamos vivir de nuestro trabajo, sin más apoyo y sin más financiamiento’ (Revista Vinculando 2015). - ‘We don’t want money donations. We are not beggars. If you would pay a fair price, we could live without additional support’-.

In addition, UCIRI participated in the creation of the Max Havelaar Fair Trade Seal <sup>1</sup>which was established in 1988 (Roozen and Van der Hoff 2002: 10).

UCIRI’s success meant an end to the abuse and exploitation of indigenous small producers by coyotes and local caciques that were part of the ruling party in Mexico, the Partido Revolucionario Institucional, -Institutional Revolutionary Party – PRI-, in power from 1929 to 2000. Intimidations and reprisals at local and even national level followed. Between 1985 and 1992 an estimate of 37 murders were related to the activities against the cooperative. Other measures included imprisonment of members and sabotage (Alvarado 2009: 304). In 1994 the cooperative agricultural school was invaded by soldiers as local politicians had wrongly accused the cooperative of using the school as a training centre for the ‘Ejército Zapatista de

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<sup>1</sup> The Max Havelaar Fair trade Seal was established to license existing roasters and retailers who complied with its fair trade criteria.

Liberación Nacional' that operated in the neighbouring state of Chiapas (Waridel 2001: 71). Nevertheless, UCIRI members remained determined to resist and the sense of community among its members seemed to have been strengthened. According to the UCIRI website, the cooperative currently counts 2600 members originating from 56 different communities (UCIRI 2015).

*1. The cooperative governance and support given by UCIRI to farmers.*

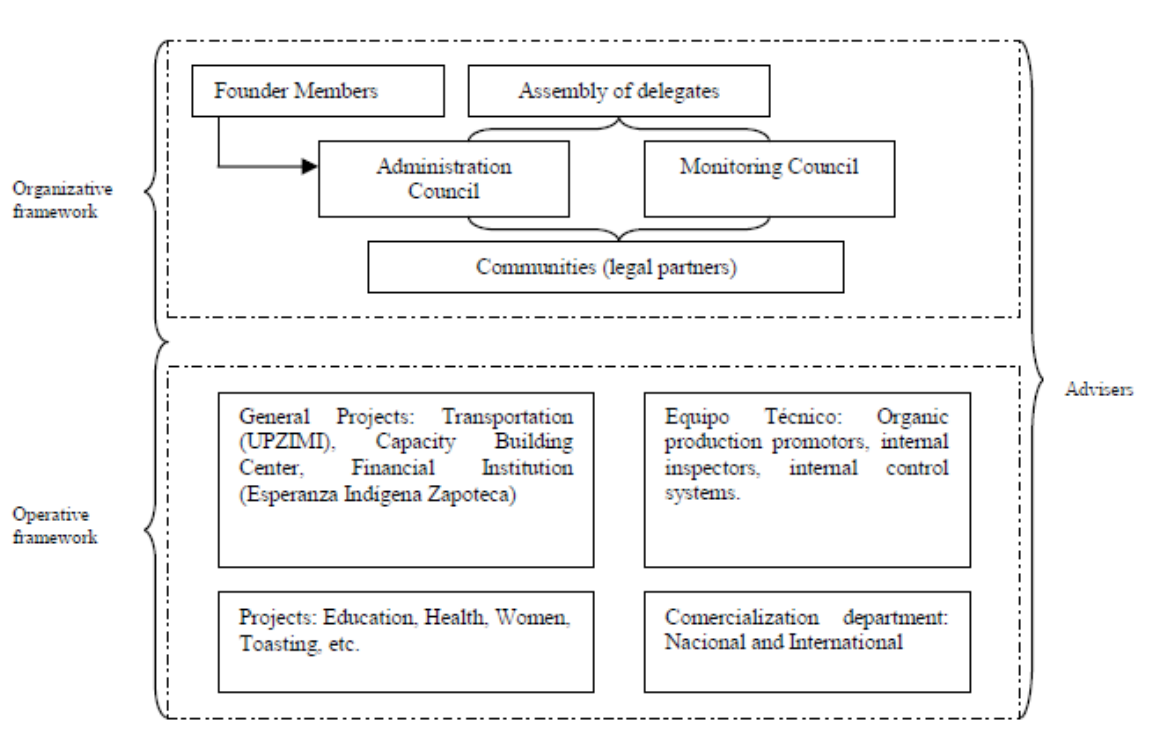
The management structure at UCIRI has a local community level and a central administrative level. Each community group has 'una Mesa Directiva' -a board of directors-, 'un Consejo de Vigilancia' -a monitoring committee- and 'Representantes' -representatives-. At the central level, UCIRI has 'un Consejo de Administración' -an Administrative Council- and 'un Consejo de Vigilancia' -a Monitoring Council-. The Administrative Council is in charge of the daily operations.

UCIRI organizational structure is framed within the concept of 'trabajo común organizado' -organized communal work- which integrates social development and collective work. In practice, this concept is translated into the establishment of committees at local and central levels to implement different projects. At the local level the 'Comités para las distintas áreas de trabajo locales' -committees for the different local projects- implement different programs such as promoting organic coffee production or helping members develop the necessary skills to improve production (Martínez Morales 1994 in Simpson and Rapone 2000: 49). At the central level, the Committees cover the different areas of work that the cooperative does, for instance transportation, savings and credit funds or organic agriculture, mills (Chávez and Natal 2012: 604-605; Waridel 2001: 72).

On the 29th and 30th of each month, the representatives and one member of the board of each community meet at 'la Asamblea de Delegados' -the Delegate Assembly- in Lachivizá, Guienagati, to discuss successes, challenges of different projects and plan the general course of

action (UCIRI 2005: 13). The process is visualized in Figure 4.

Figure 4: Organigram UCIRI



Source: Chávez y Natal 2012: 605

It is worth noticing that, delegates have a key role in the communication process. They present the community problems and proposals to the Delegate Assembly and inform their own community of the decisions taken in the assembly. In addition, Bulletin PASOS contains reports of all issues discussed and all agreements that have been established at the Delegates assembly and is distributed among the communities to enable the discussion of different issues at a local level. Moreover, ‘asesores’ –advisors- and ‘miembros fundadores’ -founder members- provide information to enhance the debate and the decision making process. They attend meetings and assemblies without having the right to vote. Cooperative members, delegates and committees are expected to attend all meetings and assemblies and unexcused absences are fined (Chávez and Natal 2012: 606).

Council members are elected every three year at a general assembly in a direct vote. All UCIRI members participate and each member family is granted one vote. The general assembly is held each year before the harvest accompanied by festivities during several days.

However, it can be suggested that democratic participation is limited as despite their rights to vote, female members have the tendency not to cast a vote. Due to custom and tradition, the man is the head of the family and the one to vote (Fridell 2007: 203).

UCIRI participation in the FT network has improved the credibility of the organisation within Mexico, in particular among banks and government agencies. UCIRI is seen as a stable organisation and therefore, it has been granted access to funding and donations. For instance, Banamex donated money for the construction of a computer room at the UCIRI's farmer education school (Ramirez Guerrero 2002 in Fridell 2007: 196). In addition, UCRI has supported the creation of the Mexican certification label 'Comercio Justo México', a national FT label for coffee based on a set of trade criteria that follow international FT standards. The label has been extended to cacao, honey, handicrafts, and basic grains. Small farmers are no longer dependent on export and are able to sell their products on the national market at a fair price (Jaffee et al. 2004: 185).

UCIRI seems to have successfully implemented a community approach to achieve economic development. It is worth pointing out that the focus on committees to coordinate projects is likely to ensure cooperative skills formation and encourage active member participation. In addition, assemblies at local and central level encourage deliberation and democratic decision-making. Moreover, the regular renovation of directive positions by direct vote has encouraged member participation in the governance of the cooperative. This rotation means an increase in the number of skilled and qualified members that understand the dynamics of the FT market and are able to help decide the course of action.

*2. The UCIRI technical assistance, assess to knowledge and financing.*

Education and training have focussed on the skills needed to access the FT market: knowledge about paper work, permits, import and export licences and organic certification. In addition, agricultural training has covered different areas such as organic production methods or technological advances such as solar driers. In order to enhance the quality of the coffee production, a reward system has been introduced. When farmer bring their beans to the cooperative processing facilities, beans are graded by quality and high quality beans receive a better price (Fridell 2007: 200).

In 1986 UCIRI founded 'el centro de educación campesina' -Agricultural Education Centre-, (CEC) which is the only secondary school in the region outside the urban area. It also serves as a training school for organic production. The curriculum covers the basic areas of secondary education and technical and support skills such as accounting, issues of FT and human rights. (Fridell 2007: 201). In addition, courses are provided which cover a wide range of agricultural subjects: composting technologies, intercropping, animal husbandry, and alternative food and cash cropping. After completing their education, many young people have worked for UCIRI communities as technical or social services advisors (Taylor et al. 2005: 202).

When INMECAFE had tried to introduce agrochemical practices to increase production, indigenous farmers clung to their ancestral natural production methods. In 1984 UCIRI members got in touch with Finca Irlanda, a private coffee estate in Chiapas that had implemented a system of organic coffee production and decided to implement this organic approach, which was close to their traditional agricultural practices. Organic certification is said to have strengthened the farmers' self-esteem and has helped them to get rid of the failed farmers' imago that proponents of agrochemical modernization had attached to them (Simpson and Rapone, 2000: 50). Although organic agriculture requires more labour, knowledge and skills, it also provides a much better quality and a higher price (Waridel 2001: 71).

Furthermore, UCIRI has its own 'Fondo de Ahorro y Crédito'-Savings and Credits Fund, (FAC)- that provides two services for UCIRI members: a saving fund where they can save their money in exchange of a contribution to the FAC; and a credit fund. UCIRI members can receive credit to cover medicine or education costs, family reasons or other necessities. These loans are a source of credit, at a low rate for peasant families whose access to government or private loans would be difficult (Fridell 2007: 196).

It can be suggested that, the cooperative has been able to manage different project in an effective manner, providing members with technical assistance, education, training and financial support. The efforts to facilitate quality improvement are particularly significant as it enables producers to meet the demands for high quality coffee on the global market

### *3. UCIRIs gender equality and inclusion*

The Zapotec culture, which is the largest ethnic group within the cooperative, was originally a matriarchal culture in which women held a central position in social and family matters. However, due to the Spanish colonization, this tradition has been replaced by a European patriarchal system that has given property rights and social influence to men (Fridell 2007: 207). At UCIRI meetings and assemblies families are represented by men. However, despite the lack of female representation during the UCIRI meeting, it has been suggested that, women still play a dominant role in assemblies, as men return home to consult with their wives before casting a vote (Waridel 2001: 75).

Indigenous women in Oaxaca have long endured poverty and hardship: They are generally in charge of cutting coffee as well as taking care of the family and the household. Domestic labour is carried out in difficult conditions as houses have no sealed floor or sewage connections or electricity (Aranda Bezaury 2007: 109). UCIRI has taken steps to improve the conditions of women, encouraging them to participate in different projects. For instance, women participated

in a project to improve the sanitary system, learning how to recycle human waste into garden fertilizers (UCIRI 2015).

Although women inclusion remains a challenge, UCIRI seems to have more successful in the struggle against ethno-racism. As a result of the Spanish conquest in the sixteenth century, indigenous peoples have been placed on the lowest rung of the social ladder, facing humiliations and exploitation. For instance, coffee growers often were not given valid receipts by the bank when they repaid their debts. Banking agents kept the money and the debts continued on the bank's records (Alvarado 2009: 304). Participating in UCIRI has given the indigenous communities an increased self-esteem.

The cooperative has served as a model for other FT cooperatives in the region and UCIRI has been regularly visited by authorities, members of other cooperatives and development agencies (Simpson and Rapone 2000: 49). In addition, the cooperative has strengthened indigenous values and practises. In the yearly General Assembly indigenous songs, dances and art displays take a central position. In addition, the traditional use of natural herbs and plants is being revived and applied in the health clinic in Lachiviza. Finally, organic agriculture can be considered in line with indigenous values of connecting and respecting nature. This increased sense of self-esteem has empowered cooperative members to deal with the government at local and at national government. UCIRI has also been able to pressure the Mexican federal government to improve the regional road infrastructure (Vander Hoff Boersma 2009: 57)

#### *4. The impact of a payment of a 'fair price' on the UCIRIs coffee producers' well-being*

The sale of Fair Trade coffee has secured an income for the families of producers and it has been suggested that, there are no cases of extreme poverty among its members. Fridell (2007: 221) claims that, the cooperative has brought a higher income, access to proper health services, better housing and education. However, poverty has not been eradicated. Despite the fact, that



FT prices have remained higher than conventional prices, they have stayed constant for about ten years and therefore, they seem to have lost 75 % of its value to inflation in the country during that period. The FT price does not seem to cover all the costs of production and the needs of producers' families (Calo and Wise 2005 in Fridell 2007: 192-193). In 2002 it was reported that, members of UCIRI abandoned their farms in order to look for temporary work to survive. Especially young people have left in search of work in urban areas or as illegal workers in the United States of America (US) (Vander Hoff Boersma 2002: 3).

It is worth mentioning that, UCIRI owns not only an economic and social infrastructure but also the land is communally owned. The indigenous culture places the needs and priorities of the communities above private profit.

#### *5. The impact of the premium price on UCIRIs community development*

UCIRI has played a significant role in the expansion or creation of community services.

In 1989 a radio station was launched to improve communications among communities with UCIRI membership: Moreover, the cooperative created the UPZMI transport cooperative. Trucks and busses were bought to provide a transport system that would link the major regional towns. In addition, cooperatives stores were financed which sold food at a cheaper price than local shops (Waridel 2001: 79).

The FT social premium has been also invested in the construction of latrines and the purchase of fuel-efficient household stoves to help reduce disease and smoke-related respiratory problems (Vander Hoff Boersma 2002: 3; Taylor et al. 2005: 202). In 1994 UCIRI constructed a health clinic that is run by a qualified medical doctor and volunteers from UCIRI communities who carry out prevention work. Workshops are held to teach the rural population how to use the natural resources in order to have a balanced diet. Other subjects are related to general hygiene or the use medicinal herbs. Access to dental examinations and specialized medical care has been set up in cooperation with universities (Waridel 2001: 8).

In 1997 a clothing factory was started in the city of Ixtepec to provide extra income for UCIRI members (Fridell 2007: 188). The factory created 120 jobs but it was closed down in 2004 due to problems with suppliers, the high costs of providing 'fair' social security provisions to employees, and fierce competition from low wage clothing factories in China. This seems to suggest the difficulty of expanding UCIRI's fair-trade principles outside of its established social-justice network.

To sum up, UCIRI can be described as a fair trade pioneer. Direct ties with Northern buyers have altered the coordination and control of the commodity chain, reducing or eliminating the dependence on 'coyotes'. The implementation of FT standards has resulted in a guaranteed price, access to financing, technical assistance and good farming practices in accordance to indigenous values. In addition, the cooperative has provided services to the community, improving the regional infrastructure.

Fair trade cooperatives have been set up in other Latin American countries, providing support for small producers in a context of rural poverty where government support for public services seems to be limited or lacking. Therefore, the next case study focusses on SOPPEXCCA, a FT cooperative in Nicaragua. The development of SOPPEXCCA illustrates the struggle of the cooperatives to function in a challenging political and social context.

### **The Nicaraguan Coffee Industry**

Coffee has been part of Nicaragua's economy and culture since its introduction by German immigrants in the mid-nineteenth century. The natural conditions in the country are favourable, but political instability has imposed constraints to the development of the agricultural sector (Utting 2009: 134). The forty-year Somoza dictatorship from 1933 until 1979 followed by a

revolutionary government and the subsequent transition into a neoliberal democracy have resulted in an inadequate infrastructure, uncertain land rights, low educational levels and high poverty levels. It has been estimated that 43 % of the people in Nicaragua live in rural areas and two out of three of them (68 %) survive on little more than US\$1 per day (Rural Poverty Portal, IFAD website 2014).

At the end of the 19<sup>th</sup> Century, coffee was mostly grown in the haciendas and small coffee farmers were an exception. While the economic power of the haciendas grew, the standard of living of land workers declined (Fraser et al. 2013: 59). During the Somoza regime processing and export was in the hands of large coffee planters. Many small producers lost their land and had to work during the seasonal harvest on the haciendas. The unequal distribution of land and resources resulted in the Sandinista revolution in the late 1970's (Dilley 2011: 65). The Sandinista government changed the rural land holding system, redistributing the haciendas among small scale farm families. By the end of 1988, approximately 108,765 poor rural families had benefitted from the reform, 71 % had received land and 29 % had acquired the titles of the land they already occupied (Enriquez 1991 in Fraser et al. 2013: 60). Those who had been 'cafetaleros' -coffee workers on the hacienda- adopted coffee growing as part of their livelihood. The term 'cafetalero' no longer denoted an exploitative relationship, it acquired a new meaning: growing coffee on own land (Fraser et al. 2013: 60). The Sandinista government encouraged social movement organisations for farmers and workers, facilitating access to land, export channels and credit to members of these cooperatives (Bacon 2010: 55). There were two main types of cooperatives: Sandinista Agrarian Cooperatives (CAS) in which the land was farmed collectively and Credit and Service Cooperatives (CCS), whose members worked the land on individual basis and associated to the cooperative to access credit and support services (Utting et al. 2014: 2). In addition, the Sandinista government committed to granting land titles to women as well. Women had actively contributed to overthrow Somoza's government and

became members in cooperatives and unions. Nevertheless, in most rural organizations the traditional gender dynamics is said to have remained man centred (Bacon 2010: 55).

Despite the government support, cooperatives were unable to develop efficiently: the country plunged into a civil war and cooperatives became one of the main targets of the Contras, rebels backed up by the US. As the civil war escalated, the government could not sustain credit or other services. Sandinista self-defence cooperatives were formed while discontent with government measures led the farmers in some areas to join the Contra rebels. It has been estimated that 5,300 cooperative members died and cooperatives lost 1,300 dwellings (Utting et al. 2014: 3). In addition, the civil war affected production in a negative manner. Producers had not applied any type of fertilizer in more than 15 years, coffee trees were damaged and old (Bacon et al. 2008: 262).

In 1990 the Sandinista government lost the elections and the newly elected president, Violeta Chamorro, implemented neo-liberal policies. Trade liberalization and the land privatisation did not improve production as the coffee world prices dropped. Nicaragua experienced a 70% drop in the price over a four-year period, from US \$1.44 per lb. in 1999 to less than US\$0.50 per lb. in 2002 (CEPAL 2002 in Utting 2009: 133). The fall in prices had severe social consequences as farmers and rural workers migrated to urban areas. Exporters and coffee co-operatives and unions suffered severe losses plunging into significant debts (Utting 2009: 134). With the abolishment of government subsidies and services, a large number of cooperatives collapsed; however, those that survived had a strong organisation and were able to provide support to small scale farmers (Bacon 2010: 56). The adoption of FT in cooperatives located in different regions of Nicaragua was significant for those small producers that were unable to earn a livelihood by participating in local markets (Utting 2009: 135). The next case study focusses on the FT cooperative SOPPEXCCA and examines the impact of the cooperative activities on small coffee farmers.

*The opportunities and challenges of SOPPEXCCA's geographical location*

SOPPEXCCA is situated in Jinotega, a department in the northern region, bordering Honduras.

The geographical location is visualized in Map 4. The capital city of the department bears the same name. It is a mountainous area with an altitude between 900 and 1400 meters above sea level which is ideal for coffee production. Jinotega belongs to the rural area in Nicaragua with the highest poverty levels among small holders. However, government assistance seems to remain limited and there are a number of services which are still not accessible for most communities. The farms have poor road access and insufficient electricity coverage (Perez-Aleman 2013: 596; Utting 2009: 138).

Despite the fertile ground for coffee production, poor public infrastructure, lack of training and financing pose a challenge to achieving sustainable livelihoods. For most farmers SOPPEXCCA represents their only source of assistance and the training.

*Re-building credibility*

SOPPEXCCA was set up in 1997 when Jiprocoop a FT cooperative was not able to meet its obligations and was declared insolvent. Five out of the six European debt-holding coffee buyers had decided to continue purchasing coffee on the condition that a new entity was created. This new corporation was expected to assume the obligation of cancelling the debt of Jiprocoop: It has been suggested that poor oversight had made theft of pre-financing possible (Denaux 2009 in Donovan and Poole 2014 b: 36).

SOPPEXCCA functioned as a corporation until 2004. The corporate structure was based on professional governance that represented the interests of shareholders first rather than of the coffee growers. In less than ten years SOPPEXCCA paid off its debt and reorganized itself as a cooperative. Since then, the interest of coffee growers lay at the centre of the organisation. It is worth mentioning that it has retained the professional management it had as a corporation (Donovan and Poole 2014 b: 36). However, field research suggests that, SOPPEXCCA's strong

professional management has ensured a long-term commitment from buyers and strong connections with NGOs. The 2008–2009 harvest was sold to five European buyers and two from the US. The European buyers purchased 59 % of the total exported volume and had been buying the same amount yearly since 1999. The US buyers that acquired the remaining 41 % had started purchasing coffee in 2004 (Donovan and Poole 2014b: 39). Interesting to note that, purchasers remain to have trust in the current management system. For instance, in 2009 SOPPEXCCA 's management reported that, during the harvest season it was difficult to get its members coffee due to high competition; however, local intermediaries and buyers agreed to adjust prices so that SOPPEXCCA could improve its position in the local market with more competitive prices (Donovan and Poole 2014b: 38).

FT is believed to have improved prestige and credibility of SOPPEXCCA with government agencies and local developmental organisations. This enhanced credibility has made further funding possible from other NGO's such as Christian Aid or the Lutheran World Relief. Moreover, a culture of high quality coffee has been established attracting buyers in the US and Europe (Utting 2009: 141). In 2009, all of SOPPEXCCA's coffee exports were fair-trade certified, and approximately 15% were certified for both fair trade and organic (Donovan and Poole 2014: 3).

At the start SOPPEXCCA's physical capital consisted of an office and warehouse space. (Donovan and Poole 2014b: 39). By 2010 the cooperative had invested in a dry-coffee processing plant, eleven offices for base cooperatives, and a plant for the production of chicken manure fertilizer, two coffee houses and a cupping lab. The dry-processing mill may mean a new income source as SOPPEXCCA can provide milling services to other cooperatives or growers. Moreover, the offices for the base cooperatives are expected to provide opportunities for development as the base cooperatives can start to provide additional services such as transportation or technical assistance. However, field research is needed to explore the benefits

of the new facilities.

1. Cooperative governance structure and support given by SOPPEXCCA to Farmers

SOPPEXCCA's governance structure consists of 'una Asamblea General- a general assembly-, 'un Consejo de Dirección' - a board of directors-, una 'Junta de Vigilancia' - oversight officers.

The organizational structure is depicted in figure 5.

Figure 5: SOPPEXCCA organizational Structure



Source: (SOPPEXCCA 2015b)

Plans, community and organisational problems are discussed in the general assembly in the presence of the oversight officers. When consensus on priority areas has been reached, the oversight officers take the proposals to the board of directors including the general managers. The board of directors makes the final decisions (Utting 2009: 140).

However, implementing effective governance seems to be challenging. In a field research carried out by Donovan and Poole (2014: 7) the board of directors is described as having no knowledge or skills in cooperative governance. Former members of the board and of

the oversight committee reported acquiring skills and knowledge by trial and error. In addition, investments or strategic decisions taken by the manager are not usually questioned or discussed by the board. According to a former board member questioning the manager's decisions was considered a sign of disrespect. Moreover, democratic participation of all members seems to present challenges as well due to the high level of illiteracy among its members of low education levels of the representatives. Members are reported to have poor understanding of the nature of FT or of the international coffee market (Utting 2009: 140). In addition, the lack of a regional communication infrastructure may also affect participation in a negative way. The cooperatives which are located high in the mountains are not easily accessible, therefore, cooperative meetings are announced by radio or by leaflets sent by bus and delivered to the communities (Utting 2009: 138).

In addition, access to timely financial information was mentioned as another weak point. According to the informants, there was not a question of inaccessibility but rather of lack of information. The inefficient administration and accountancy was attributed to a lack of computing competency (Utting 2009: 141).

The cooperative website provides information on who they are, about their coffee, the projects run by the cooperative and a list of the trading partners is presented including information on the trading partners' country, their name and the affiliated stores (UCA SOPPEXCCA 2014a). The information is accessible in Spanish, German and English. In addition, UCA SOPPEXCCA offers the opportunity to be contacted via their email address. The suggestion is made that the SOPPEXCCA works in close connection to the United Nations (UN) Millennium goals. However, despite the efforts made by UCA SOPPEXCCA to create organizational transparency, there appears to be only financial documentation on income but not on administrative expenses or the costs of investments in facilities or local projects. There is no



record of donations received from NGO's. This seems to confirm the concerns about the lack of administrative and accountancy efficiency.

Competent professional management has achieved financial stability by paying off debts and building relations of trust with buyers. However, decision-making appears to be centralized and there is no transfer of management skills to other members or to base cooperatives. Moreover, participation in governance is limited as board members report having no financial oversight or the skills needed to decide the course of action.

## *2. SOPPEXCCAs Technical assistance, assess to knowledge and financing*

Smallholders are described as lacking the skills needed for improved crop management such as regular pruning (Donovan and Poole 2014: 6). The cooperative has technicians who visit the sub-cooperatives and also organise workshops that focus on good agricultural practices. It is worth mentioning that, these workshops are intended for the whole community and not just for cooperative members. The subjects vary from environmentally friendly planting or composting methods to techniques for dealing with wastewater in a safe manner. Moreover, the introduction of cupping as an integral part of the production quality control has enabled growers to taste their coffee in a professional manner (Utting 2009: 136).

The cooperative Julio Hernández illustrates the benefits for joining SOPPEXCCA. Members used to work on a state-owned coffee enterprise but in 2001 the plantation was given a collective title and individual plots were distributed among the former plantation workers. Workers needed to develop skills in coffee production and establish links with buyers. SOPPEXCCA is said to have facilitated the organization of the base cooperative and provided technical assistance and credit (Donovan and Poole 2014: 5).

However, field research also shows weaknesses in the implementation and the quality of the technical assistance. It is noteworthy that, four agronomists are supposed to assist more than 500 families and help does not seem to reach all farmers (Utting 2009: 136). The technical

assistance between 2007 and 2008 was perceived as dissatisfactory or highly dissatisfactory by 44%, of the 129 farmers interviewed (Donovan and Poole 2014: 6). The technical staff visits were described as occasional and included informal conversations about the community or the family instead of focussing on technical advice (Dilley 2010: 68). In addition, the lack of access to fertilizers seems to be a major problem, coffee production mines nutrients from the soil resulting in gradually declining productivity (Van der Vossen 2005, 2014 : 5). The high cost of inorganic fertilizer represents a challenge for small farmers. For organic producers access to proper fertilizers is more complicated. Coffee pulp as source of fertilizer does not seem to provide the needed soil nutrients. Moreover, processed chicken manure sold under the name Biogreen provides organic nutrients, but not all farmers are able to afford it. Nevertheless, data collected in 2006-2007 and 2008-2009 suggest an overall increase in the use fertilizers due to credit access from SOPPEXCCA (Donovan and Poole, 2014: 6).

Before joining SOPPEXCCA most farmers sold their coffee to buyers in the nearby towns of Jinotega and Matagalpa or to local intermediaries. These buyers do not provide access to credit for coffee-related investments or they offer credit at a high cost. SOPPEXCCA provides credit for most members, also to those without formal land titles. Credits are reported to have been used for land purchases and for the conversion of existing land to coffee production.

SOPPEXCCA provides training, assistance and financing where no other sources of help are available. However, poverty reduction remains a major challenge. Despite the guaranteed price and financing, farmers report lacking cash to hire labour for harvesting or to cover production expenses and household emergencies (Donovan and Poole 2014b: 44). Therefore, farmers still sell a significant part of their high quality coffee to local intermediaries (Donovan and Poole 2014: 8).

*3. SOPPEXCCA's gender equality and inclusion*

SOPPEXCCA has actively promoted female participation (Utting 2009: 136). Dilley points out that, SOPPEXCCA has had the clear goal of working with female producers from the start as the female director and the producers strongly adhered to the principles of the Sandinista Revolution that had given women an active role in society (2011: 71). In 2010, each of the sub-cooperative's memberships included about one-third female producers. In addition, there is an all-female cooperative producing coffee for the FT market under their own brand name of 'Café de las Mujeres' -women's coffee- which is sold as FT organic coffee to the US market (Dilley 2011: 69; Utting 2009: 136).

SOPPEXCCA has helped female growers acquire land through loans and legal assistance was provided to women abandoned by their husbands so that the land was legally transferred to the woman's name. However, women encountered major challenges such as paperwork, understanding finances and adjusting to the cooperative standard and quality requirements. In addition, during the harvest period, workers have to be hired and also fed increasing the women's workload. Yet, despite the workload, women reported being content with the financial reward and the increased self-esteem (Dilley 2011: 71). Nevertheless, male dominance is said to prevail in many rural communities, particularly when household decisions are concerned (Utting-Chamorro 2005: 595)

*4. The Impact of the payment of a 'fair price' on coffee producers' well-being of SOPPEXCCA*

In field interviews, producers reported appreciating the financial security the cooperative provides. The uncertainty and stress of the local markets has been replaced by a secured market for their coffee (Dilley 2011: 70). SOPPEXCCA website provide insight in how the cooperative benefited the producers from 1999 until 2006 through Table 1. (UCA SOPPEXCCA, 2014b)

*Table 1: SOPPEXCCA cooperative's benefits on a yearly basis presented from 1999 until 2006*

year	number of participating men and women	local market price ( in dollars )	price paid by UCA SOPPEXCCA (in dollars )	price difference between the local market / the members of UCA SOPPEXCCA
1999-2000	68	75,00	93,00	+18
2000-2001	150	45,00	62,00	+17
2001-2002	250	45,00	60,00	+15
2002-2003	350	46,00	62,00	+16
2003-2004	450	67,00	85,00	+18
2004-2005	650	92.00	109.00	+17
2005-2006	700	94.00	108.00	+ 14

*Source: UCA SOPPEXCCA 2014b*

According to the data presented in Table 1, prices vary each year. Yet the prices paid by the cooperative are at all-time higher than in the local market (UCA SOPPEXCCA, 2014b)

In 2007, the income of a SOPPEXCCA individual producer averaged US\$780-800 per year while the average income in the whole department of Jinotega was about US\$650 (Dilley 2011: 68).

Apart from an enhanced financial security and stability, material changes can be mentioned, such as fuel wood being replaced by electricity, being able to cover household expenses as well as their children's education (Utting-Chamorro 2005: 591). In addition, producers had been able to purchase machinery, tools, fertilizers, additional land and they reported being able to hire labour (Dilley 2011: 70). Moreover, SOPPEXCCA seems to have provided individual members support such as transport during a medical emergency, donations for medical expenses and also coffins when a family member dies (Donovan and Poole 2014: 8).

Field research concludes that, SOPPEXCCA has helped farmers improved their living conditions. However, these results should be taken with caution. SOPPEXCCA assistance may not have been sufficient to reduce poverty among the most vulnerable small holders who still have to turn to intermediaries to sell a part of their high quality coffee.

*5. The impact of the premium price on SOPPEXCCAs community development*

The FT standards require producer organisations like SOPPEXCCA to retain US\$5 per quintal for community development. SOPPEXCCA has financed baseball fields or baseball equipment for children and improved the conditions of school buildings (Utting 2009: 138). In addition, SOPPEXCCA supports El Movimiento de Jóvenes -Movement of the Youth-. This program covers a wide range of informative campaigns from venereal diseases, HIV and birth control to the health hazards caused by alcohol abuse. Moreover, SOPPEXCCA technicians organise youth workshop which are aimed at making the youth aware of the different aspects of coffee production. These workshops also emphasise the importance of avoiding violence and helping their homes and communities (Dilley, 2010: 69).

SOPPEXCCA operates in a region lacking basic public services or infrastructure. The cooperative efforts to improve the community are not perceived as far reaching by small farmers (Utting-Chamorro 2005: 594). This may be due to the fact that these funds are insufficient to finance improvements in road infrastructure or to provide water and electricity services. However, no field research has yet been carried out about the perceived effects of these campaigns.

**Discussion and Conclusion**

Coffee farmers in Mexico as well as in Nicaragua have experienced periods of state intervention, land reforms followed by a liberalization of the economic and the withdrawal of state support. Moreover, Oaxaca and Jinotega are regions with high poverty and illiteracy rates and inadequate infrastructure. Membership of UCIRI and SOPPEXCCA has given small scale farmers access to knowledge, financing and a better price for their coffee. Communities have

also benefited from projects financed by the cooperatives. At the same time, the political and social context of each country has played a significant role in the implementation of FT standards.

The high mountains in Oaxaca have been a refuge for the indigenous communities that wanted to preserve their customs and traditions. Through the centuries these communities have been economically exploited by local leaders and intermediaries. At the same time, their indigenous culture based on community values and harmony with nature has been considered inferior by the non-indigenous Mexicans. UCIRI organisational and governmental structure reflects the communal aspect of the indigenous cultures. Active participation in committees is encouraged and assembly meetings compulsory. In addition, organic production methods are in line with indigenous beliefs in respecting the environment and their ancestral herbs knowledge has been put to use in the health centre built by UCIRI. Participating in the cooperative has contributed to a sense of self-worth and has given farmers a voice in the local and national arena. However, despite the indigenous awakening, gender relations seem to have remained embedded in a patriarchal hierarchy.

Even though income effects seem to be modest, an improvement in the farmers' well-being has been noted. It is worth mentioning that, members seem to prioritize the welfare of the community and not the benefits of individual farmers. UCIRI has had a significant role in improving the community medical, educational and transport services. Moreover, UCIRI has played an active role in the creation of 'Comercio Justo México', the internal FT market.

SOPPEXCCA can be placed within Nicaragua's tradition of rural cooperatives and gender empowerment. The Sandinista revolution had encouraged cooperatives as well as given women a voice and a place as coffee producers. However, participation in the decision making process of the cooperative and a sense of ownership does not seem to have been achieved, as the daily management seems to control the cooperative and decide the strategic course of action.

Moreover, farmers and even board members do not seem to have sufficient understanding of FT system. Accessibility to knowledge, finance and technical assistance is perceived with varied satisfaction by members, the main problem being the limited number of technical personnel.

In addition, empirical research reveals that while better prices have translated in higher incomes and an improvement in the living conditions of individual farmers, community projects seem to be unnoticed by members. This can be explained by the fact that the cooperative is able to fund sports, culture or other activities, but it is not able to improve the infrastructure of the region.

In conclusion, FT has created an alternative market for cooperatives of small producers. Imbedded in national, regional contexts, cooperatives have sought to implement FT standards giving farmers a voice in the organisation, facilitating financing as well as access to knowledge and technical assistance. This thesis has examined UCIRI and SOPPEXCCA in order to answer the following questions: 'how have national actors influenced the results of fair trade certification programs' and 'to what extent have UCIRI and SOPPEXCCA been able to help small farmers achieve sustainable livelihoods'.

The analysis has been based on reports and journal articles that described field research carried out in the cooperatives. It is worthy to mention that the research that has been presented in the academic field on UCIRI and SOPPEXCCA have a different focus. The research conducted on SOPPEXCCA consisted out of field research in which farmers and members of the board voiced their experiences, perceived benefits and challenges. The research on UCIRI, on the other hand, focused mainly on the cooperatives achievements and benefits that were experienced by the region rather than on the perception of the individual members.

Moreover, during the analysis, access to information has presented challenges. Firstly, UCIRI's website was not accessible due to technical problems. Secondly, the data provided by

SOPPEXCCA on their website on the extent to which the cooperative benefited the producers does not seem to provide explanation on the precise meaning of the numbers presented. The question remains whether totals are presented or that they have to be multiplied. Moreover the last documented account on the producers benefits was in 2006 and can therefore be considered outdated.

Despite these limitations, it can be concluded that UCIRI and SOPPEXCCA have been able to reduce farmer's vulnerability to the fluctuating market prices. Better prices have led to the perception of enhanced well-being and improved health and education facilities. The experience with the technical assistance varies among members, but it can be suggested that, for many farmers the cooperative is the only source of assistance. Both cases might be considered examples of organizational success. SOPPEXCCA has been able to recover from significant debts, has expanded its facilities and has acquired credibility among NGO's, governmental organisations and buyers. UCIRI has been able to resist intimidation and opposition from local political leaders and intermediaries. In addition, the governance and organizational structure of UCIRI has empowered its indigenous members as actors on the national and world stage. The cooperative has moved beyond the access to knowledge, technical assistance and finance and has empowered indigenous communities to develop according to their cultural heritage. Farmers seem to have recuperated their pride in being ancestral inhabitants of Mexico. In addition, the cooperative has played a significant role improving regional infrastructure and assisting in the creation of a national FT market. Nevertheless, women empowerment seems a slow process as the decision-making process seems to remain male dominated.

FT cooperatives cannot solve all economic and social problems in the regions they operate. However, they can be considered a positive step in an ongoing development towards a more sustainable and equitable international trade.



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## Maps

### Map 1

The following map illustrates the locations of (1) Morelos, (2) Oaxaca, (3) Tabasco and (4) Chiapas.



Source: Google Maps.

### Map 2

The following map visualizes: UCIRIs location in Mexico



Source: Google Maps.

*Map 3*

The following map illustrates the locations of:

- |             |            |
|-------------|------------|
| 1: Guerrero | 3: Oaxaca  |
| 2: Veracruz | 4: Chiapas |



Source: Google Maps.

Map 4

The following map illustrates SOPPEXXCA location in Nicaragua.



Source: Google Maps.

