AGRICULTURAL PRODUCTS IN THE INTERNATIONAL TRADE

COFFEE

Originated from Ethiopia, coffee is consumed during religious ceremonies and also utilised as a medicine. Its therapeutic virtues are recognised for the treatment of various diseases. In the beginning of XVIII century, boats from the Venetian Fleet coming from Turkey, brought the first coffee bags in Europe. Like cocoa it is reserved for rich people. We'll have to wait till the XIXth century and the industrial revolution to see its consumption available for all people

1. Comprehension of the situations

a) The production

Following ICO (International Coffee Organization), the cultivation of coffee covers 17 millions of hectares all over the world. The coffee plant is cultivated in tropical and sub-tropical regions, at the side of mountains up to 2000 m of altitude on small pieces of land, steep and sensitive to land erosion. Coffee plantations constitute forest spaces propitious to the diversity of the flora and fauna.

The actual crisis has a direct impact on the ecological balance; this is a serious world problem.

- **Producing countries vs. % of world production:**

Brazil	40 %
Vietnam	12 %
Colombia	11 %
India	4 %
Indonesia	5 %
Other countries	28 %

Those 5 countries represent 72 % of world production: Brazil, Vietnam and Colombia represent 63% of the world production. In 10 years Vietnam has reached a very good position in the first 10 coffee producers.

- **Cultivated surfaces:**

70% of the world production is grown by small farmers cultivating less than 10 hectares; 50 % have less than 5 ha. 70 countries are concerned by this culture. This represents 100 millions of rural employment.

- **The yearly world production**

Around 6.300.000 tons of coffee is producing yearly. 100 to 115 million bags of 60kg are produced every year. The surplus of production is about 540 million kg. The production exceeds8% than the consumption.

- **Producers**

25 million producers are depending on coffee for their daily life: small producers, very often they are not organised, don't have a real knowledge of the world market prices, don't have money provision, thus they don't have any power for the negotiation.

b) The consumption

From North to South, 40% of the world population consumes coffee. Every year, it represents 400 billion cups of coffee or 1,400 billion per day.

Industrialised countries consume 70% of the coffee production:

- USA: is the first consumer with more or less _ of the production
- EU: consumes 40% of the world demand, with the highest percentage of consumption per head; main consuming countries: Germany, Italy, France, Spain
- Japan: 10% of the world production, coffee comes just after tea.

If we are going to the North of the planet, we can find a high consumption: Scandinavian countries: 10 kg per head, per year; Belgium: 5 kg, France: 5,5 kg
In the South, the consumption is 4,5kg per head per year but it is growing on.

The world consumption is stabilised and in the same time the production has grown of 20%, since 1990. In 2002, the surplus reached 20 million of tons. The market is really flooded with this surplus.

The majority of the consumers buy coffee in the supermarkets which see a rather important growth of their business. The supermarket "Carrefour", with an annual turn over of 52 billions euros, is present in 26 countries and has imposed it's presence at the second rang of distribution.

Countries importing raw coffee in %

- USA: 27% - Germany: 19% - Japan: 8%
- Brazil, Indonesia, Colombia import processed coffee as they are not able to ensure the processing locally and satisfy their own demand.
- Brazil is the biggest coffee consumer.

c) The World trade

Coffee is the second produce on world market of commodities, just after oil. It's the first agricultural product of exportation, the "green gold".

There are two markets for coffee:

I. Market for the raw products of trade quality in grains, sold on the competitive market as indiferential product.
II. Special markets:

- Aromatic coffees from organic origin, with fixed prices depending on the quality. Those prices are usually higher than the market prices. It represents 10% of the world coffee marketing;
- Organic coffee as fixed by the EU norms; the exchanges represent 1% of the world trade value and 0,5% of the volume;
- Fair coffee: 14.400 tonnes in 2001, it is 0,2% of the volume of exported coffee.

- **Channel**

Coffee passes through the hands of several intermediaries (10), local traders, exporters, international negotiators, processors and distributors. Each one of them, at each step, is getting a part of the coffee value sold in the supermarket. It is also necessary to add all other actors of darkness who are not directly involved in the coffee trade but are getting large benefits from it: the export States and speculators.

The producers sell their coffee to local intermediary traders, named "coyotes" in Latin America. They are very often the only actors present in the coffee trade at the local level. This position gives them an enormous power (bank, transport, shops); they are considered as the elite of the villages. From the hands of the coyotes, coffee goes to the hands of exporters. But before that, it goes through a first processing step realised by specialised private enterprises. Coffee is packed in 60kgs bags and sent by ship to import countries. Globalisation of the market has lead to a real explosion of the number of private export companies. Only the competitive enterprises are the winners and are delivering a strong competition.

Exporters have to face the growing emergence of international negotiators. These negotiators are easily and actively going in the producing countries, create their own subsidiaries or deal immediately with the local producers.
Facing those giants, exporters are facing a lot of difficulties to maintain their business: less competitive, they are seeing their benefit margin falling down after the fall down of the world value. In Uganda, for example, the number of exporters went down from 150 to 20 in 10 years.

- **Exporting countries vs. % of world trade**

Brazil	25
Vietnam	15,4
Colombia	11
India	4

(source ICO 2001-2002)

Exporters are selling coffee to international trade companies, the most powerful are: Neuman Kafee (Germany), Volcafé (Switzerland), Cargill (USA), Esteve (Brazil – Switzerland), Arom (USA), Mitsubishi (Japan); 4 of those big companies (Volcafé, Cargill, Esteve, Arom) control 70% of the market. They are directly involved in the regions, train their own employees, set up their filialness and control the coffee quality.

- **The empire of roasting**

It is at this stage that coffee gains the major part of its added value and the prices are blowing off. The roasting trans-national companies (TNC) are the first clients of international negotiators. 5 of them dominate the market: Nestlé, Procter/Gamble, Sara lee, Kraft, Tchibo. Those 5 are covering 2/3of the roasted coffee market. In the industry of coffee powder, Nestlé is the world leader (Nescafé) gaining 26% of its benefit in this sector.

The TNC's has an enormous power. They establish the rules of the game, the prices and gain the essential of the benefit margins. Their annual turnover is more than 60 billion dollars and has doubled since 1990.

- **The actors of the darkness**

Coffee price is fixed in raw material bourses – London and New York – places of exchanges in between sellers and buyers. This is the battle camp between speculators and negotiators. The certificates of selling and buying of the coffee are signed on fixed terms contract (insurance against the price variation). In the bourse, we can say that coffee is sold 12 times, due to speculation.

The fall down of coffee price from 1980 to 2002 is about 70%. Since 1990, it has passed from 1US$ to 0,46 US$ for _ Kg. The value in the world market is 0,46 US$ for _ kg. Fair coffee is bought for a minimum price of 1,26 US$ per _ kg (2004)

d) Types of agriculture

- Mono culture for exportation

  - Employing lot of persons
  - Using hybrid varieties with high rendering
  - Mechanised and modern farms: for example: Central America, for 300 bags of 60 kg, 20 persons are needed during 3 days; in Brazil: only 4 persons and a truck;
  - Intensive: 30% are very big farms; 15% of it, 10 to 50 ha, 15% more than 50 ha; in Brazil more than 1000 ha
  - Competition with the small and productive agriculture
  - Exhausting of the soils
  - Using a lot of fertilisers and pesticides, pushed by the STN (Monsanto)
  - Giving up of the food producing cultures

- Traditional agriculture

  - Integrated in the environment
  - Poly culture with maize, manioc, banana
  - Manual: hand cropping, very often realised by women and children; in Kenya, 30% of the crop is realised by children less than 15 years
  - Plantations sometimes far from the home, very small pieces of land
  - Small pieces of land less than 5ha
  - Coffee is transported by horse and donkey to the factory for processing
  - Those small producers sell an average of 15 bags of 60 kg per year.

2. Analysis of the mechanisms

Since 1962, coffee trade was regulated by the International Coffee Organisation (ICO) Agreements. Since the suspension of these agreements in 1989, there are no more international mechanisms, or commercial laws, to guarantee a fair price to the producers or to control the production and distribution of coffee.

The small coffee producing countries, like Vietnam, have rushed on what they used to call “the dollar tree”. World Bank has supported new plantations and that’s how Vietnam is nowadays the second world producer.

Following the suspension of the ICO, World Bank and IMF have pressurised the producing countries to liberalize their coffee industry. The national entities which were used to buy the beans with a guaranteed price and deal with international market buyers have been forced to withdraw from the sector (from the production to the commercialisation and the providing of fertilisers). In Burundi for example, coffee exportation was in the hand of a public organism “The Burundi Coffee company”. It was acting as a courtier of the State to the importers since 1990. From that time onwards, exportation was open to the private sector in the frame of the economic liberalisation programs imposed by the SAP (Structural Adjustments Programs) and by the WB and IMF.

The Submission to the market: the hidden cost of the debt

Fallen down in the trap of external debt, Southern countries have been forced to implement the rules imposed by their creditors. Producing coffee countries, submitted to the SAP, have been forced to privatize their public offices of coffee and are submitted to the free market: export more, import less, reduce the public expenses, and open the boarders to the Northern investors. Southern countries are thus prisoners of a vicious circle due to the exigencies of the debt and the growing prices of manufacturing produces. They are forced to produce more and more with a fall down of coffee price on the international market.

a) WTO, World Trade Organisation

Liberalisation of the exchanges has de - structured the local markets and has open the door to the TNC’s with their monopoly and commercial power:

- End of ICO agreements
- Competency in between producing countries
- In the coffee consumer countries, the customs rights are higher on processed produces than on raw produces; there is no tax in Japan, USA and EU for raw coffee; Switzerland imports 90% of raw coffee.
- Coffee coming from ACP countries (Africa, Caribbean, Pacific) have no more taxes of importation whatever the degree of processing
- EU “Everything but arms”; the “Less Developing Countries (LDC) – 49 countries benefit to the access of European market without quotas or customs rights, but the sanitary and technical norms are so high and constraining that this measure is not efficient.

b) Settlement of the FTA

The project of free trade of Americas (Free Trade Zone in Americas, ALCA in Spanish) is the settlement of a free market in the North and in the South of the American continent, allowing the free circulation of all products in between all the countries, especially for the benefit of the USA. The consequences for the coffee producers could be :

- The privatisation of the economic patrimony
- The control of the markets in favour of foreign investors
- Attempts to the economic, social and cultural, political and civil rights of the people
- Attempt to the food sovereignty right

- **Repartition of the coffee consumption in the North**

From the producer to the consumer, the channel of liberal trade counts with 10 intermediaries. They are sharing the value of a coffee pack send in the Northern countries, in this way:

Price in the super market	from 1,8 to 3 €
Cost for importation, processing and transport	from 1,45 to 2,65 €
Cost for exportation	0,14 €
Intermediaries	0,06 €
Producer	0,15 € witch represents 5 to 8% of the average selling price

In 1980, the world production represented a value of 30 billions US $, from which 30% were paid to the producing countries. Today, the world value of the production is 55 billions of US $ and only 7 billions, 15% are paid to the producing countries.

- **Coffee on influence**

The era of transgenic coffee is announced. This coffee with a controlled maturity should revolutionize the production. Plans could be settled in 2005-2006.

The consequences could be:

- A better rendering and reduction of the labour costs;
- Definitive loss of culture control for the farmers for the benefit of agro-business;
- Producers in the trap of this unfair competition forced to sell their lands which would bring populations in higher distress and poverty;
- They will be forced to buy their transgenic coffee plants from the STN and also the necessary product (ethylene) indispensable to start the process of maturation of the beans. This is the vicious circle of indebtment, a lot of producers will be excluded from the market.

3. Perspectives for the future

In its 2004 report, the UNACTAD underlines the limits of a development based on exportations: opening of the boarders can only accelerate the degradation of the living conditions of small producers".

a) Human rights

- Producers organisations
- Social movements
- NGO's

b) Towards solidarity economy

- Consumers mobilising their efforts in favour of fair trade, in solidarity with the producers. And for another globalisation wherein the workers, the producers, the consumers and citizens are actors of their own development.
- Organisations of small cooperatives, 300 in 26 countries supported by fair trade organisation, with training programmes and access to credit (Artisans du Monde)
- "African Association of quality coffees" (Burundi, Ethiopia, Rwanda, Tanzania, Uganda, Kenya) in order to have a better understanding of the market, to provide coffee from better quality and to build up organisations more rigorous and efficient.
- In Guatemala, 2 partner NGO's of CCFD (Catholic Committee against Hunger and for Development) have an objective to reach sustainable alternatives. The PIT (Inter Diocesan Pastoral of Land) and CCDA (Farmer Committee for the development of Alti Plano) are working in close collaboration with the population concerned by coffee production in order to build up a real reform of the sector. For this they are supporting small cooperatives through micro-credits for the betterment of coffee quality and also give support for the production of organic and sustainable coffee production.
- Reduction of the coffee stocks in order to clean the market; in a 2002 report, OXFAM proposed a temporary tax to the processors to finance the destruction of the surplus.

c) Food sovereignty

In the final declaration of the international seminar on ALCA (FTAA), organised by the movements of Andean Countries of FIMARC, the movements strongly refuse the unfair treaties of ALCA and invites movements of the civil society as well as associations to re enforce their links. They also invite the Church to re-enforce its option for the poor, call for mobilisation in order to re enforce a real sustainable development, to consolidate initiatives for access to land and to natural resources, to protect biodiversity and for a good water management.

During its world meeting in 2002 in Cotonou, the members of the General Assembly have decided to launch an international campaign in favour of the small coffee producers. As a first step, denunciation and information on the situation of small producers has been disseminated. A second step will be to support them in their organisations, for the consumers to go for fair coffee trade and boycott of the trans-national companies. At the same time, lobby to the international institutions will be organised in order to control the market and to give back power to the ICO to play their role of regulator.