

## THE INTERNATIONAL COFFEE CRISIS\*

For several years, I traveled each summer to Guatemala with a big red-haired farmer in my congregation named Hugo. He sponsored children through an international organization and he took me along to translate for him. One of his kids is named Elvia. She lives high up the Ipala volcano in the Chiquimula province, near the border with Honduras. Elvia lives in a one-room home on a wide spot next to the road with her two parents, three siblings and their families, and their three children and two neighbor children. Her older brothers and families live with them because no one has the income to live on their own; the neighbor kids live with them because their parents died in an accident and Elvia's family took them in.

Her family's home is one room with a dirt floor, about the size of a North American kitchen. After our first visit, they built onto the home, but at best it's still no larger than a small one-person apartment in the U.S. They are the poster family for the over-used term, the "poorest of the poor." And, germane to our story, her father, Victor, is a coffee farmer.

Coffee is a huge portion of Guatemala's economy. According to a recent study,<sup>1</sup> it accounts for 12% of Guatemala's entire national income and constitutes 30-35% of its exports. More than 12% of Guatemala's workers are employed in the industry, including 90-95% of child labor.

Our first visit was all smiles. Elvia's father Victor took off work to greet us. Hugo gave out toys and clothes to all of the children. I asked Victor about his work and he gestured across the valley and up another mountain: "I go every day and pick the beans for the coffee." I was amazed. "How far is that?" I asked. He laughed and shook his head. He didn't know, but it had to be a three- to four-hour walk. "Where is the other farm you work on?" I asked. He gestured in the other direction, another three to four hours away. "Every day?" I asked. He laughed again. Of course it was. Why was I so foolish as to ask?

It is often noted that coffee is the most frequently traded commodity in the world after oil. It is handled by half a billion people and consumed by more people than drive cars or own televisions. In recent years, it has become a cash cow for specialty shops like Starbucks and even places like Dunkin Donuts. In the early nineties, however, prices paid to local coffee farmers turned steadily downward and are now at what Oxfam UK estimates to be a *one-hundred-year low*.<sup>2</sup> There is no way to put a pretty face on that. It is a catastrophe by any measurement. While it has meant little to consumers in the U.S., for coffee growers it has been a growing, terrifying nightmare.

The next year Hugo and I returned to Guatemala and again trekked up the volcano to see Elvia and her family. I spoke to Victor again and asked him how his coffee work was going.

He shook his head. "Each year I work harder. I cover more plants. I pick more beans. This year I joined a group for the washing and removing of the skin of the beans. But each year my money gets less."

"What will you do?" I asked.

He smiled, but he did not laugh. "I will work harder."

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## **BACKGROUND OF THE CRISIS**

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Victor is not wrong about his declining pay. Oscar Guevara, mayor of Chiquimula, told an Oxfam interviewer that in 2001, "the owners of the coffee plantations were paying 25 quetzales (\$6.00) per day, but [just a few years later] people are earning between 10 and 15 quetzales (\$2.50 to \$4.00) per day, which is not enough for one person to survive on, let alone their children."<sup>3</sup> The World Bank estimates that between thirty and sixty million coffee farmers around the world lost their livelihoods because of the crisis. Major rich coffee regions are now in tatters. In Colombia, famous for the Juan Valdez commercials, coffee has fallen from first place in export revenue earnings to fourth, and the federation that produced the commercials is bankrupt. In Ethiopia, the historic birthplace of coffee, coffee has shrunk from 70 percent of export earnings to 30 percent.

Meanwhile, the "collateral" damage is enormous. Some coffee workers move to the cities to seek jobs in sweat shops so that North Americans can buy ten-dollar shirts in big box stores. Some flee to the U.S. or Europe seeking a better life, often dying along the way. Remember the twenty-four Mexicans found suffocated in a boxcar in Iowa a few years ago? Roughly twenty of them were out-of-work coffee farmers. Three to four hundred people die crossing the desert each year, and about half are coffee farmers.

Others manage to stay on their lands by growing illegal crops. In Colombia, it's coca and poppies. In Africa, it's Khat, an amphetamine-type drug that is illegal in the US and many European countries but popular among young people. But it pays about \$9 a bushel while coffee brings about \$.01. If your family were hungry, what would you do?

Still others have joined revolutionary movements. In Chiapas, Mexico, the Zapatista rebels evolved as a direct protest against the reduction in prices paid to coffee farmers. In Africa, the collapse of coffee production pushed Rwandan coffee farmers into desperation and increased social tension. It was one factor behind the ethnic Hutu massacre of a half-million Tutsis. And in Colombia, the ranks of the leftist rebels and right wing paramilitaries have swelled as more and more farmers lose their incomes. In addition, coffee-producing countries are suffering large revenue losses. In Ethiopia, where Khat is now on the rise, the drop in coffee prices has cost the country \$1.12 billion in lost export revenue in the past five years alone. That amount of money could have built thousands of health centers or schools. The crisis has also set back much of the progress achieved by debt-reduction activists in recent years. Ethiopia spent years under the draconian belt-tightening rules of the International Monetary Fund (IMF) in order to qualify for cancellation of \$58 million of its debt payments in 2001. Yet in the same period it lost almost twice that amount from the decline in coffee revenues.<sup>4</sup>

## **CAUSES**

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The causes of the coffee crisis are many and complex. Most have more to do with sins like greed and selfishness than with the "laws" of economics. A little history is helpful. From the 1960s through the 1980s, the International Coffee Agreement kept coffee prices *relatively* stable and most coffee farmers, while poor, at least made a living. The U.S. supported the Agreement, in part because it provided poor people in Latin America with sufficient income so that, during the Cold War, they did not seek to overthrow oppressive governments or turn to Cuban or other alternative economic models. But the fall of the Soviet Union brought new conditions and the US changed policy. We pulled out of the agreement (effectively killing it) and almost overnight, hundreds of new producers began growing coffee. Prices paid to local farmers began declining. And people like Victor and his family paid the price.

Moreover, the reigning model of economic globalization, which is promoted by wealthy nations and the financial institutions they control, is based on increasing the exports of poor countries, which creates over production. And the more that is exported (in this case coffee) the more prices stay low and individual growers stay poor. During the nineties, the IMF and other regional banks made hundreds of loans to countries to develop more and more coffee plantations. However, with each new coffee farm, more coffee was produced, driving the price further down, and farmers got increasingly poorer.

For example, in the early 1990s, the IMF arranged huge loans by regional banks to help bring Vietnam into the global coffee market, making the problem worse. In less than a decade, Vietnam moved from being a tiny producer to the second largest exporter in the world. That worsened the glut of coffee on the market and soon nobody, not even the Vietnamese, were making money. By 2000, the Vietnamese government was burning hundreds of thousands of hectares of coffee to help drive prices back up—but by then the damage had been done.<sup>5</sup> The overproduction of coffee also brought internal suffering to Vietnam. During the 1990s, over 400,000 people rushed to the Dak Lak province to plant what was optimistically known there as the “dollar tree.” Hundreds of thousands of hectares of ancestral forests were cut down. Intensive irrigation led to soil erosion and serious water shortages. Natural rivers ran dry and underground water levels dropped. When drought struck in 1998, 200 reservoirs dried up and underground water supplies were drained. During this drought, it was estimated that 90% of families in Dak Lak did not have access to sufficient water.<sup>6</sup>

Transnational corporations also contribute to over production. For example, the largest coffee buyer Nestlé continues to invest in the development of new coffee plantations in places like Laos and Thailand. These locations will become new sources of cheap coffee for Nestlé. But they will not make much money for growers. And the corporation’s immense power allows it to manipulate the market and people’s lives in other ways as well. In the late 1990s, Nestlé told farmers in Mexico that it was moving to Vietnam where the labor costs were lower. Hearing that, Vietnam increased production levels by 55,000 tons in the 1998-99 season. But to keep its business with Nestlé, Mexico reduced its price. Consequently, Nestlé purchased only 4,500 tons of coffee in Vietnam and continued to purchase primarily Mexican coffee. Mexican farmers lost because of a cut in prices. Vietnamese farmers lost because they could not sell what they produced. But Nestlé made a killing.<sup>7</sup>

Profit markups are also weighted toward the wealthy at the expense of the poor. If you trace the markups from the grower to the drinker, the differences are startling. For those low down on the production chain – farmers, local buyers, millers, processors, etc. – the markups run from 2-11%, depending on the region. But the markup for the final multinational corporation (Kraft, Nestlé, Sara Lee, etc.) runs as high as 25-30%.

## **A BETTER SYSTEM**

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There are a growing number of alternatives to the “neo-liberal,” “Washington Consensus,” export-driven model of development. (See “What is Economic Globalization” in this collection.) One of the most exciting is the “Fair Trade” business model where international buyers deal directly with grower co-ops to pay them a fair price (a “living wage”), not the “market” price. To be certified in a fair trade agreement, the coop must promote democracy, gender equality, humane working conditions and environmental sensitivity. Fair Trade agreements can double, triple and quadruple farmer incomes overnight. There are other plans, such as Oxfam International's package of policy proposals called the “Coffee Rescue Plan,” that would intervene at various steps in the production process. However, the Fair Trade movement is probably the best way to impact the crisis. It offers a way for ordinary people of faith to

understand the much larger system of global inequality and to be part of addressing the problems.

You can learn more and do more. The United Church of Christ has a special relationship with a fair-trade company called "Equal Exchange," the oldest organization of its type in the U.S. When a UCC church or parishioner purchases one of their coffees, teas, chocolate or cocoa, the money helps raise the living standards of growers. In addition, a portion of the money is donated to the UCC Small Farmer Fund which gives credit, training and emergency aid to farmers, helping them become more self sustaining.

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## WORSHIP

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*"How does God's love abide in anyone who has the world's goods and sees a person in need and yet refuses to help? Children, let us love not in word or speech, but in truth and action" —1 John 3:17-18.*

### **Prayer of Confession**

One: God of compassion and mercy, your son taught us about your economic priorities, but we didn't listen. He taught that greed was a fundamental threat to these priorities, but we did not care.

All: We have not responsibly used resources that you have placed in our care. We have blinded ourselves to our own culpability in the impoverishment of so many people near and far. We have hidden our eyes to how our luxuries can damage the livelihoods of so much of your family. Forgive us for our selfishness, and grant us your peace.

### **Assurance of Pardon**

One: The good news of the Gospel is that the world is still open, the future is still possible, and redemption is still offered. Live lives worthy of the forgiveness that is in you and God's grace in you will be fulfilled. "If anyone is in Christ, there is a new creation: everything old has passed away; see, everything has become new!" All this is from God to whom we have been reconciled by Christ. (2 Corinthians 5:17, 18a)

All: Thanks be to God!

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## ADDITIONAL RESOURCES

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Oxfam International <http://maketradefair.org>  
<http://advocacy@oxfaminternational.org>

Equal Exchange Interfaith Coffee Project  
About the UCC/Equal Exchange partnership: <http://www.ucc.org/cgi-bin/advprint/print.cgi>  
<http://www.equalexchange.com/interfaith/iforder.html>  
Order from: <http://store.yahoo.com/equalexchange/>

TransFair, the only Fair Trade Certification company in America: <http://www.transfairusa.org/>

A United Methodist Service for a "Fair Trade Sunday"  
<http://gbgm-umc.org/umcor/fairtrade/worshipservice.cfm>

## ENDNOTES

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<sup>1</sup> “Coffee Workers in Guatemala; A Survey of Working and Living Conditions on Coffee Farms,” Commission for the Verification of Codes of Conduct, February, 2000.

<sup>2</sup> Charis Gresser and Sophia Tickell, *Mugged: Poverty in Your Coffee Cup* (London: Oxfam International, 2002), p. 9.

<sup>3</sup> “What's that in your coffee?” [http://www.oxfam.org.au/oxfamnews/february\\_2003/coffee.html](http://www.oxfam.org.au/oxfamnews/february_2003/coffee.html)

<sup>4</sup> Paul Jeffrey, “Depressed coffee prices yield suffering in poor countries” *National Catholic Reporter*, (February 7, 2003).

<sup>5</sup> I once asked a representative of the IMF at a public gathering why they made such huge loans to Vietnam and so disrupted the global market. He responded that while liberals accuse them of that, they were actually innocent. The only loans, he said, that the IMF made to Vietnam were long after the international market had been glutted with coffee (which was worse because by then they should have known better). I later discovered that he was telling the truth, but being dishonest. The IMF did not make the initial loans. Instead they *arranged* the loans through regional development banks, which made me feel no better about their wisdom.

<sup>6</sup> Gerard Greenfield, “Vietnam and the World Coffee Crisis: Local Coffee Riots in a Global Context,” *Sand In The Wheels* (ATTAC, no 121: March 17, 2003).

<sup>7</sup> Quoted in Oxfam, UK, *Bitter Coffee: How the Poor are Paying for the Slump in Coffee Prices*, May 16, 2001.