

Fair Trade Coffee Campaign

THE WORLD COFFEE CRISIS

For most Americans, drinking coffee is a daily ritual. And whether you're drinking the best gourmet blend or freeze-dried instant the price is about the same from one day to the next. But for farmers it's a different story - a massive price crash in the world coffee market has pushed already impoverished coffee farmers into bankruptcy and debt and forced thousands to lose their traditional lands.

The Crisis

Specialty coffee, which retails for about \$10 a pound, has recently taken a serious dive in world market prices from around \$1 to 50 cents a pound - below costs of production. Farmers generally receive less than half the world price. This has caused a giant upheaval for 20 million farmers around the world who depend on coffee for their livelihoods. And there is no signs of the market turning around.

Reports say 300,000 Mexican coffee farmers have fled their fields in search of incomes to feed their families. El Salvador recently acknowledged that over 30,000 jobs have been destroyed because of the price slump. Many of the 60,000 coffee producers in Nicaragua are facing losing their land because of mass indebtedness. Farmers in all three countries have taken to the streets to demand government support for farmers on the

brink of starvation. Political unrest is brewing.

The cause: "free trade" in the coffee market

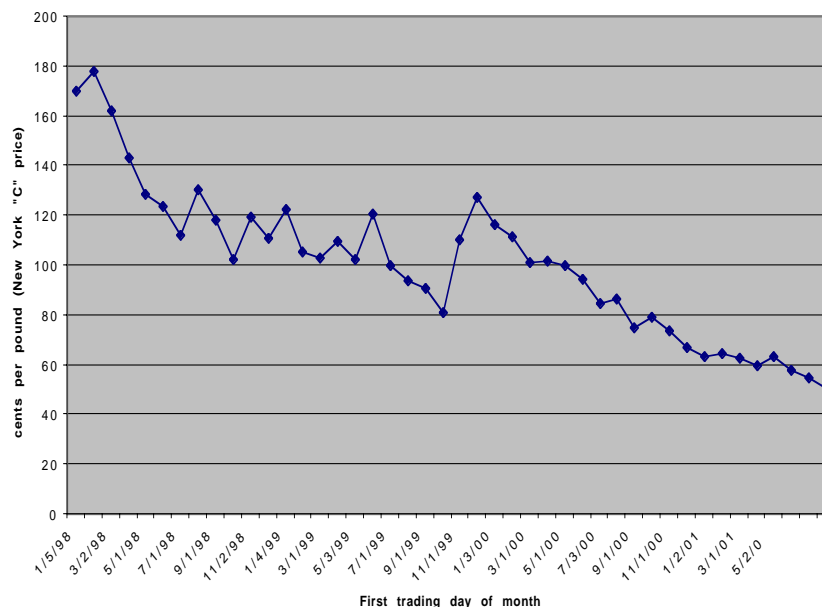
Up until 1989, the International Coffee Agreement (ICA) helped stabilize prices by regulating world supply. The US worked to abolish the ICA in 1989 - in favor of a "free market" in the coffee trade. Many countries have since then worked to expand their coffee exports to generate foreign revenues to help finance debt. In the early 1990s

Vietnam, historically a small producer, significantly expanded production to become the second largest producer last year. This massive over-supply has led to a crash in market prices - and to a dramatic savings for coffee corporations at the expense of farmers around the world.

In many countries the crisis has been

exacerbated by "structural adjustment" programs imposed by the World Bank that have meant cuts in rural credit, technical assistance, and health care and educational infrastructures. Children of coffee farmers in Tanzania are being pulled out of school because their parents can no longer pay the fees. Ethiopia, the birthplace of coffee, faces losing one third of its export revenues due to the price slump. In addition, trade liberalization has forced many countries to de-regulate their coffee sectors, removing the state as a buffer between the farmers and the world market.

World Coffee Prices, 1998-2001



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The Solution: Fair Trade

The world price crash gives new urgency to efforts to promote Fair Trade Certified coffee here in the US. Fair Trade coffee corrects market imbalances by guaranteeing a minimum price for small farmers' harvest and encouraging organic and sustainable cultivation methods that are safer for communities. Fair Trade farmer cooperatives are assured a minimum of \$1.26 per pound. With a fair and stable income, coffee growers are able to invest in their families' health care and education. The Fair Trade system currently benefits 500,000 farming families in 20 countries. Consumers can purchase Fair Trade coffee at approximately 7,000 retail locations in the US.

The big players in the coffee industry, however, don't seem to be that concerned with finding solutions to the crisis. Perhaps that's because it's a crisis for farmers, but a profit bonanza for multinational companies. While some companies have increased their purchasing of Fair Trade, many, like Starbucks, are still offering only one Fair Trade line. And the big three, Folgers, Kraft, and Nestle, haven't even begun to address the crisis.

A dramatic restructuring of the coffee industry must take place, and those who have profited in the midst of mass impoverishment must contribute to the solution.

A windfall tax on the massive profits of the coffee industry could help finance a stabilization plan, including the setting of a minimum price per pound for farmers. In addition, the debt of poor countries must be canceled immediately so that they can put scarce resources into health care and education instead of expanding revenue-generating export commodities like coffee. And the coffee industry as a whole must fully endorse Fair Trade as a solution for small farmers.

Jerónimo Bollen, Director of a Fair Trade coffee cooperative in Guatemala, says, "with world market prices as low as they are right now, we see that a lot of farmers cannot maintain their families and their land anymore. We need Fair Trade now more than ever."

Resources on the Coffee Crisis

For more information on the crisis in the coffee industry, please see

www.globalexchange.org/economy/coffee/update.html



Protesters making the links at the Mobilization for Global Justice, Washington DC, April 2000.

Resources on the World Bank and IMF

Public Citizen's Global Trade Watch

www.tradewatch.org gtwinfo@citizen.org

Bank Information Center

www.bicusa.org info@bicusa.org

World Bank Bond Boycott

Neil Watkins econjustice@preamble.org

50 Years is Enough! Network

www.50years.org wb50years@igc.org

Focus on the Global South

www.focusweb.org admin@focusweb.org

Jubilee USA

www.jubileeusa.org Coord@j2000usa.org

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2017 Mission St., Rm. 303, San Francisco, CA 94110 (415) 255-7296 FAX (415)255-7498

fairtrade@globalexchange.org • www.globalexchange.org/economy/coffee