

OSHER LIFELONG LEARNING INSTITUTE  
AT VANDERBILT

COFFEE, GLOBALIZATION, AND SUSTAINABLE  
DEVELOPMENT

October 18, 2021, 1:30-2:45 pm CT

Session #3



THE CHAIN  
*collaborative*

## WELCOME BACK!

- Any comments/questions from last week
- Day's Agenda
  - Sustainability and development theory pre-neoliberalism
  - The rise of neoliberalism
  - How coffee interacts with neoliberalism
  - The difference between commodity coffee, specialty coffee, and certified coffee



## THE BEGINNING OF SUSTAINABILITY/DEVELOPMENT

- Dates to the end of the Second World War
- We saw the establishment of the UN, World Bank, and International Monetary Fund
- Sustainability was considered economic growth (and development too)
- Governments were responsible for development (and the price of coffee as related to that)
- Aid from richer nation-states was used to fight global poverty (and this was considered development work)
- During the Cold War, aid from richer nations was also used as a way to garner support from poorer nations (this system continues today) and to fight communism

## THE NON-COMMUNIST MANIFESTO

- All nations could achieve “modernization” by following a specific path, including:
  - Increase the savings rate from 5 to 10% of GDP
  - Move through five stages of economic growth
  - Receive aid from foreign governments
- The traditional society
- The pre-take-off society
- Take-off
- The road to maturity
- The mass-consumption state



*Picture: Public Domain,  
<https://commons.wikimedia.org/w/index.php?curid=292829>*



## ASSUMPTIONS OF MODERNIZATION

- That agrarian societies are traditional, un-modern, and waiting to take off toward high-consumption
- That the world can sustain the consumption patterns we see in the Global North taking place all over the world (links to environmental concerns and importance of Brundtland)
- That the take-off into modernity could reduce inequalities

*Picture: Now Africa Initiative students practicing traditional dance*



## DEPENDENCY THEORY

- Arose in the 1960s as inequalities persisted and the divide between rich and poor nations (core and periphery) widened
- Growth and underdevelopment were two sides of the same coin: growing nations exploited developing nations, making them underdeveloped
- Economists said that the comparative advantage of dependent economies/nations was their ability to produce cheap, raw materials
- Dependency theorists essentially said that this was the race to the bottom (they sounded the alarm on globalization)



## THE RISE OF NEO-LIBERALISM

- Began in the 1980s and relates to globalization (open borders), as such a strategy was widely encouraged
- Common characteristics: de-regulation of markets; privatization; lowering trade barriers; free trade and elimination of prices controls; and austerity, i.e., spending cuts
- Also known as “laissez-faire economics” or “free-market capitalism”
- Why this theory? Countries were no longer considered the most efficient leaders for growth (or development)
- The neoliberal solution? Let the market do the work! (and NGOs), but does this work? And how is it different than government regulation? Is there really free trade?
- Coincided with the downfall of the ICA (by 1989) and with the second wave of coffee

## THE C PRICE

- Second wave coffee allowed smaller coffee producing countries, such as Costa Rica, to differentiate themselves to break out of the ICA mold
- But...Central American countries established the C-Market to differentiate
- Initially, buyers and sellers entered into real “futures contracts,” agreeing to exchange commodities at a later date (but, what happens if a buyer backs out, or a producer fails to produce?)
- Enter the new C Market, which is based on the trade of futures contracts, where buyers and sellers trade contracts on the Intercontinental Commodity Exchange
- This means that speculators engage too, not just buyers and sellers, and these speculators can have a big impact on price
- It is still based on the idea that coffee from one place is interchangeable with coffee from another, but is market-based, not set by governments



## HOW IS SPECIALTY COFFEE DIFFERENT?

- Specialty coffee is a more direct way of buying and establishing prices, but it still uses the C price as a reference
- It still uses differentiation (but now through quality, sustainability, and storytelling), not costs of production
- Farmers are still struggling, and prices are still low, and the price of coffee changes from day to day
- Meanwhile, the price of inputs is going up and retail costs are rising
- And....the farmers does not receive even the C price
- The C price is FOB: the price of coffee at designated port of import/entry, carried by buyer or seller and stipulated in the contract (i.e., after the price of many movements and logistics)

## THE IMPACTS OF LOW PRICES

### Performance on SDGs:

	<u>Uganda</u>	<u>Norway</u>
• Poverty headcount:	<b>32%</b>	<b>0.3%</b>
• Undernourishment of population:	<b>39%</b>	<b>2.5%</b>
• Maternal Mortality per 100,000 births:	<b>343</b>	<b>5</b>
• Mean years of schooling:	<b>5</b>	<b>12.7</b>
• Female to male schooling:	<b>66%</b>	<b>100.8</b>
• Population with access to electricity:	<b>20%</b>	<b>100%</b>
• Adult pop. w/ access to bank account:	<b>59.2%</b>	<b>99.7%</b>
• Quality of infrastructure (out of 7):	<b>3.3</b>	<b>5.2</b>
• Wastewater that receives treatment:	<b>0.4%</b>	<b>69.9%</b>

<http://sdgindex.org/assets/files/2018/02%20SDGS%20Country%20profiles%20edition%20WEB%20V3%20180718.pdf>

## WHAT DOES COFFEE HAVE TO DO WITH IT?

- There is less access to education in rural areas, including technical education
- The “thin months” exacerbate food insecurity
- Coffee wastewater is not getting treated
- Electricity impacts ability to add value, receive education, etc.
- Access to a bank account affects ability to access credit
- Coffee exports bring in a lot of money that can be invested in improving the SDGs
- Each of the SDGs impact women, young people, and rural people even more (labor market integration less for women, despite more schooling in some cases)
- Coffee affects migration patterns, job availability, etc.

## THIRD-PARTY CERTIFICATIONS

- Arose along with downfall of ICA and shift toward market-driven solutions
- Another way to add value to coffee, and act as “watch-dog” for companies
- Fair trade was the original certification
- The goal of fair trade was to increase income for farmers, through the market
- New certifications have arisen and tend to have their own specific mandates
- Examples: Rainforest/UTZ, Bird Friendly, Organic



**FAIRTRADE**  
INTERNATIONAL

## LIMITATIONS OF CERTIFICATIONS

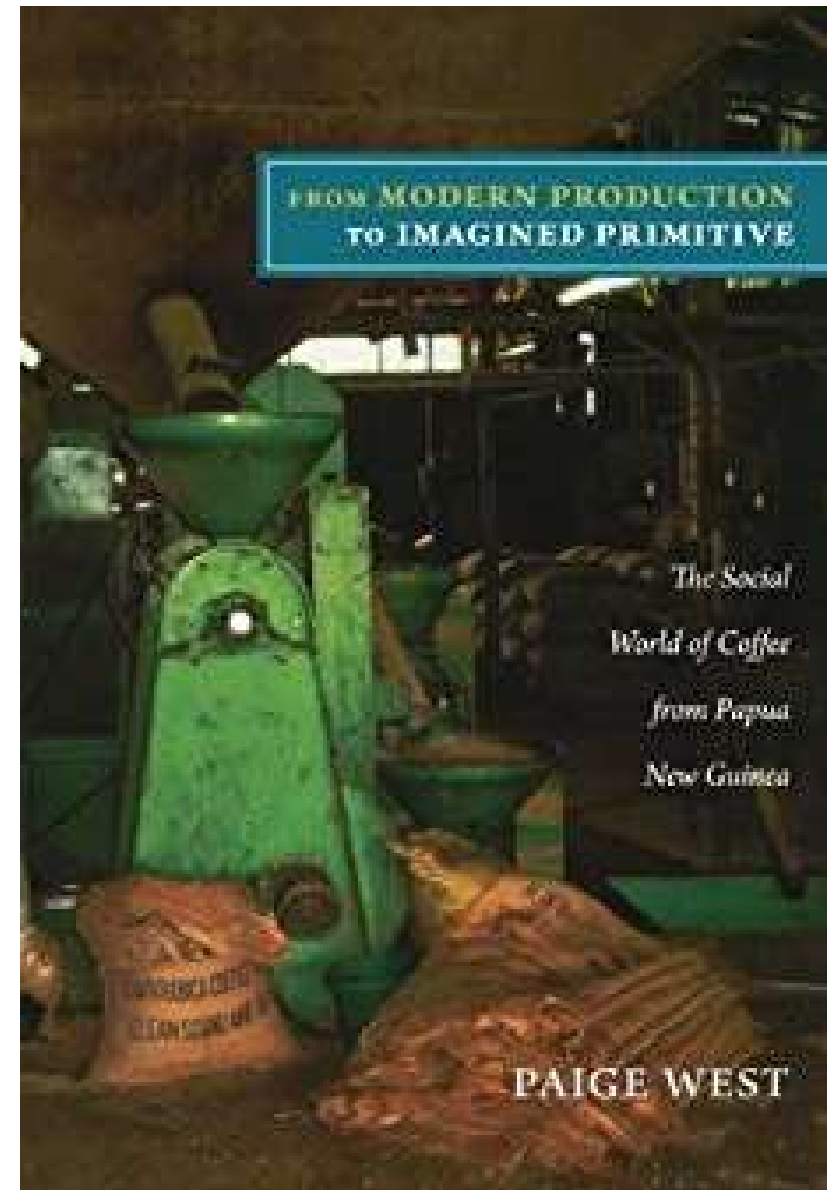
- There is a high cost to producers to access the resources they need to follow guidelines
- Is there applicability to lived experiences on coffee plots and farms?
- Certifications rely on the market, so their value can decrease over time
- Do they return enough money to producers and meet their other mandates?
- There are now private company standards too
- This has created consumer AND farmer confusion
- And finally, who decides what sustainability means?





## THE OPPORTUNITIES OF CERTIFICATIONS

- They provide standardization of products
- They serve to make companies and supply chains accountable through third-party verification
- They increase customer awareness
- But...with the value they add (and the value of specialty coffee storytelling), there comes responsibility.



CAN

EXPERTS  
Solve

poverty?



THANK YOU AND SEE YOU NEXT  
WEEK!