

Boutique Coffee Consumption and Shifting Coffee Cultivation

Jonathan A. Gehrig

Geography and the Environment, The University of Texas at Austin
 jgehrig@mail.utexas.edu

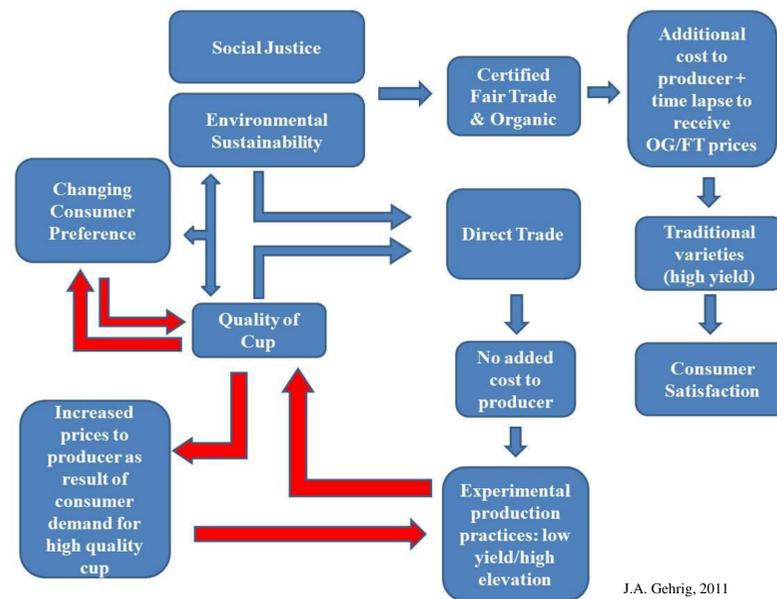
Introduction

The Fair Trade and Organic coffee movements have emerged over the past several decades to incorporate the goals of social justice and environmental sustainability into coffee production. While these two movements are distinct from one another, producers generally choose to participate in both value added markets together. According to Transfair USA, Fair Trade guarantees a minimum price for green coffee of \$1.40 per pound plus a \$0.30 premium for organic production. Certification costs however, are at the expense of the producer who must pay for certification and foot the cost of the three year organic certification period. Due to these initial high costs, production for the elite market is prohibitive as farmers tend to cultivate varieties with the highest yields. Recently, a 'Third Wave' of coffee justice is emerging with the Direct Trade model. This model seeks to provide the a *boutique* quality cup of coffee in addition to achieving the goals of social and environmental justice demanded by the consumer. Direct Trade achieves this by shortening the value chain; coffee roasters directly trade with the producer, ensuring organic production and prices that meet or exceed the Fair Trade minimum.

Hypothesis

The relationship of Direct Trade acts as a mechanism which allows small famers to produce coffee of extreme quality using low yield varieties at higher elevations, thrusting producers into a perpetual cycle to improve coffee quality for the *boutique* market. This was exemplified in 2007 and 2010 when *La Hacienda Esmeralda* in Panama produced coffee fetching a record breaking \$130 and \$170 per pound for green coffee.

Fair Trade Versus Direct Trade Consumer Preference Cycle



Blue arrow: Changing consumer preferences lead to Direct Trade or Fair Trade/Organic
 Red arrow: Feedback cycles produced by Direct Trade producing *boutique* quality coffee

Fair Trade/Organic

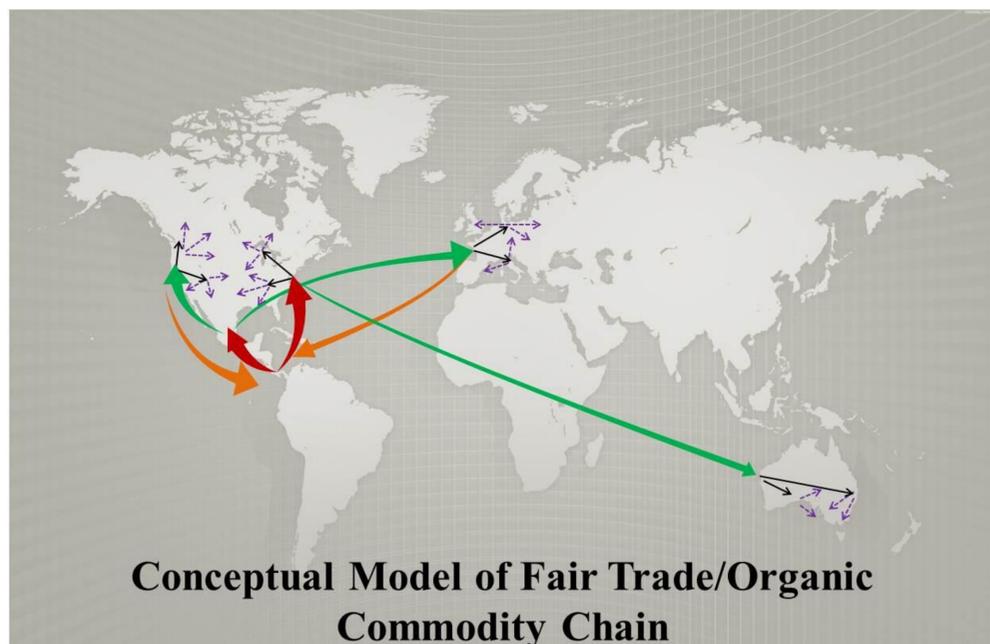
- Pros:**
- Guarantees minimum price even during price collapse
 - Focus on cooperative production strengthens community
 - Promotes sustainable production practices
- Cons:**
- Third party certification costs lies on producer; 3-year time for organic certification
 - Only certifies medium size farms and coops

Direct Trade

- Pros:**
- Gives producers immediate entry into market with no certification cost
 - Allows mobility to focus production on less quantity and higher quality
 - Shorter commodity chain distributes the increased price paid by the consumer more evenly to the producer and reduces transportation miles

Hypothetical Cons:

- Does this model of trade increase the development gap because of the potential of some farmers to sell their coffee for disproportionately more?
- Does this model harm biodiversity as coffee is moved to higher elevations to improve quality of coffee?



Conceptual Model of Fair Trade/Organic Commodity Chain

J.A. Gehrig, 2011



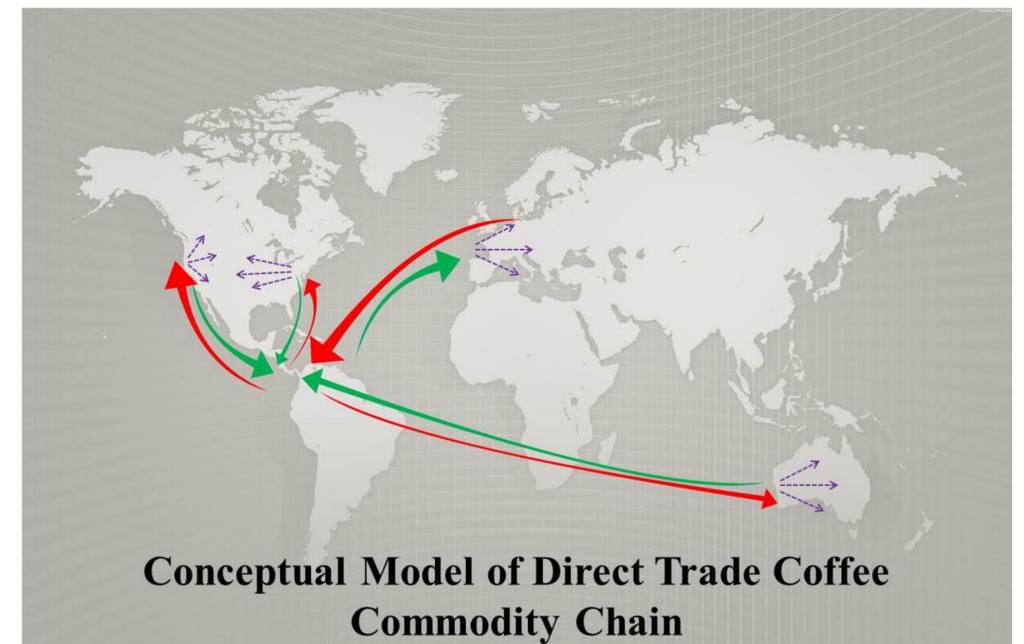
Orange arrows represent Fair Trade certifying organization going to the producing country (at the expense of producer). Red arrows represent distribution to market centers and the green represent travel from market to the roaster, which is depicted by the black arrow. The final destination is the purple arrow, which represents the consumer.



Catuai Coffee Varietal with short nodes and dense growth typical of Fair Trade and Organic certified coffee.



Geisha Varietal with long nodes and sparse growth now possible through the Direct Trade model.



Conceptual Model of Direct Trade Coffee Commodity Chain

J.A. Gehrig, 2011



The shortened value chain of direct trade, where the green arrow represents the roaster or wholesaler making direct contact with the producer. Coffee (red arrow) is then directly shipped to the roaster, where it is distributed to the consumer (purple arrow).