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Delivering the Goods: Fair Trade, Solidarity, and the Moral Economy of the Coffee Contract in Nicaragua

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This paper explores a deceptively simple question: why do peasant farmers participate in Fair Trade coffee networks? Campaigns touting Fair Trade often suggest that farmers are incentivized to participate due to price premiums and social development benefits. However, a growing literature documenting development outcomes in coffee farming communities suggests that farmers do not reap the benefits of Fair Trade in the way they are presented in the global North. I draw upon ethnographic research in a community that is one the earliest suppliers of Fair Trade in Nicaragua. Combining participant observation, political economic analysis, and oral history interviews, I explore a conflict over out-of-network coffee sales in 2005 that threatened to undermine supplies of high quality coffee critical to the growth of the producer organization and by extension the Fair Trade network. The conflict and its aftermath reveal place-based moral economic entanglements between farmers and producer organizations in Nicaragua that shape whether farmers deliver the goods. I argue that farmers participate in Fair Trade networks in spite of low household incomes and cycles of indebtedness because of the ability of the producer organization to maintain a sense of solidarity linking coffee contracts to a longer agrarian struggle.

Key words: Fair Trade, coffee, contract farming, solidarity, Nicaragua

During the coffee harvest of 2005, Tierra Nueva,[1] a 16-member farming cooperative in Fonseca,[2] Nicaragua defied their producer organization and Fair Trade. After five years of low farm-gate prices and mounting debts, Tierra Nueva members cashed in on rising coffee prices and siphoned portions of their harvest to a rival coffee exporter outside the Fair Trade network. At roughly 21,000 pounds of coffee, these out-of-network sales starved the producer organization of critical supplies and jeopardized access to future contracts with international buyers. Their actions shocked cooperative leaders. Tierra Nueva was a founding member of the producer organization and was an early beneficiary of Fair Trade premiums in Nicaragua. Peasant coffee farmers in Fonseca like Tierra Nueva were deeply indebted to Fair Trade for providing a safety net of price premiums and social programs during a time of widespread farm foreclosures, out-migration, and deepening poverty associated with the coffee crisis (Wilson 2010). Selling outside the organization to reap a short-term benefit, organization leaders argued, was near-sighted, selfish, and opportunistic. Moreover, it undermined deep solidarities between farmers and the producer organization forged through years of civil war and militant agrarian struggle. As a leader from the producer organization said responding to Tierra Nueva's infidelity, "Where is the loyalty?"

The members of Tierra Nueva offered a different perspective on loyalties in the Fair Trade network. According to Tierra Nueva farmers, breaking their contract was a moral protest against the changing policies of the producer organization, which they felt had strapped them with a seemingly inescapable debt. To maintain a competitive edge in high quality certified coffee markets, the producer organization in Fonseca had expanded membership, made major investments in postproduction facilities for quality improvement, and hired a professional staff to manage operations. These changes resulted in a dramatic increase in exports and the attraction of large multinational firms searching for producer organizations that could deliver quality, traceability, and flexibility demanded within their supply chains (Raynolds 2009). As a result of their efforts, the producer organization had become one of the most competitive and respected exporters in the country, if not the world. However, in the

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effort to make the producer organization more competitive, farmers in Fonseca argued that the leadership had become distant, and their policies were squeezing farmers to ensure the solvency of the organization. The organization had lost sight of the historic debts to militant farmers and workers that created the organization in the first place. As one of the leaders of Tierra Nueva said, “We built this organization. We fought to create this organization. It is our coffee that keeps the organization alive, and yet here we are. Our work sustains the organization. But, we feel poorer by the day.”

Taking the conflict between Tierra Nueva and their producer organization as a point of departure, I attempt to fill a gap in the Fair Trade literature by examining how and why farmers in Fonseca, Nicaragua supply coffee to the Fair Trade network. While many advocates and scholars suggest that farmers participate in Fair Trade networks because of the benefits derived from market access, price premiums, or social development projects, I argue that these rationales or incentives may fail to capture the broader historical, social, political, and geographic context in which farmers deliver the goods. Building on a growing body of ethnographic work in farming communities that supply certified coffees and other agro-food products (Lyon 2011; Lyon and Moberg 2010; Mutersbaugh 2002), I explore how supply contracts for Fair Trade certified coffee in Fonseca are entangled in place-based histories that mediate relationships between farmers and producer organizations. Fonseca is the site of some of the first Fair Trade exchanges in Central America. The producer organization is the product of decades of agrarian struggle by landless workers and peasant farmers. In recent years, however, solidarities long maintained between farmers and organization officials grew tense over the distribution of benefits from Fair Trade and other quality coffee networks. The economic structure of supply contracts to meet the demands of downstream certified coffee buyers have led to cycles of indebtedness and declining household income that have strained relations in the organization (Wilson 2010). As a result, the producer organization has suffered supply losses, or what Grossman (1998) calls “leakage,” that have stifled growth.

Engaging with the concept of a “moral economy of the contract” (Clapp 1994), I examine how the producer organization responds to this leakage by tapping into the legacy of agrarian struggle that brought the producer organization into being. As Raynolds (2000) argues, it is critical to acknowledge the place-based terms of contracting and contracts as negotiated through time when changes in production and marketing conditions shift and transform relations between farmers and non-farm enterprises. Contracting is not only an economic relation, but is always socially negotiated (Raynolds 2000). Grossman (1998:7) describes contractual obligations between farmers and non-farm enterprises as a “complex drama” and a “breeding ground” for “intense struggles” and “conflicting interpretations.” Moreover, rather than presenting contracting as devoid of politics, Clapp (1994) argues that contract farming schemes are hegemonic relations in which the ethics, rights, and justice of contracts are highly contested between parties.

For scholars steeped in the contract production literature, invoking the words “fair trade” in the same sentence with “contract farming” may seem provocative. Such an analogy is intentional. It raises both ideological and material questions about the structure of the certified coffee chain that cannot be simply overlooked by resorting to claims that Fair Trade is a solidarity economy. Contracting to ensure supply within producer organizations is vital to the reproduction of certified coffee networks. Yet, farming under contract can also contradict the very goals of Fair Trade to enhance farmer autonomy, reduce dependency, and facilitate democratic participation in organizations. While Fair Trade standards seek to enhance the livelihoods of peasant farmers through democratically run producer organizations, contract farming has been shown, in cases of unequal terms of trade, to nakedly exploit the subordinate position of peasant farmers to secure the production of raw product for an export enterprise. In sum, while contract farming represents a unique production and marketing process that can provide peasant farmers with access to credit and markets (a hallmark of Fair Trade), it also shares many of the profits and pitfalls associated with conventional contract farming. I argue that closer attention to contractual obligations between farmers and producer organizations within Fair Trade networks can yield deeper insights into the ways markets are negotiated and contested within sites of ethical commodity production.

The field research for this paper took place over a total of 18 months on three visits of varying lengths to Fonseca, Nicaragua between 2005, 2006 to 2007, and 2012. My field research combined oral history interviews with farmers and cooperative officials with an analysis of the political economy of certified coffee production. Nicaragua is the third largest exporter of Fair Trade Certified coffee in the world, and it is a historic site for the formation of the Fair Trade network. According to CAFENICA, a national organization representing Fair Trade accredited producer organizations, these 12 organizations produced roughly 19 percent of all Nicaraguan coffee exports in 2006. The producer organization in Fonseca is world renowned for both its competitiveness in quality certified coffee markets and its historical roots in the Fair Trade movement. There are 120 farmers in Fonseca who sell coffee to the Fair Trade market. Farmers in Fonseca won their first Fair Trade coffee contract with Fair Trade importers in 1993, making them one of the oldest Nicaraguan Fair Trade Certified coffee suppliers. In interviews with 52 informants lasting 45 minutes to three hours, I asked farmers and cooperative officials to discuss the history of their relationship to their producer organization and certified coffee networks.

Fair Trade, Solidarity, and Contract Farming

Fair Trade, as a brand and certification regime, is traditionally portrayed to consumers as a solidarity economy in which price premiums, designed to cover costs of sustainable production, are awarded to participating disadvantaged family farmers organized in democratically organized cooperatives.

Early literatures on Fair Trade reflected these relations of solidarity and often theorized Fair Trade as a kind of Polanyian (1944) "double movement" that protected marginalized commodity producers against the dehumanizing impulses of global capitalism, particularly the abstract formulation of "the market" and the self-interested and rationally calculative search for profit as an end unto itself (Guthman 2007; Jaffee 2007; Raynolds 2000). Drawing explicitly from Polanyi, for instance, an early paper in the field by Raynolds (2000) claimed that the Fair Trade sought to challenge the abstract capitalist relations "that fuel exploitation in the agro-food system." An ideal Fair Trade, she argued, could foster "the re-embedding of international commodity production and distribution in 'equitable social relations'" (Raynolds 2000:297-298). In a similar vein, Jaffee et al. (2004) claimed that the Fair Trade movement created linkages between consumers and producers that were "socially embedded" in what Renard (1999:496) called "values of solidarity and fairness" in place of "the values of the market" (Jaffee et al. 2004:170).

While such claims of Fair Trade as a so-called moral economy have figured centrally in scholarship, questions of how such symbolic claims translate into material social relations and sustainable development outcomes for farmers has come under greater scrutiny in recent years. In the global North, the integration of Fair Trade into the existing product lines of multinational retailers such as Nestle, Wal-Mart, and McDonald's has made its treatment as a Polanyian form of social regulation, even in a symbolic sense, less convincing to advocates and scholars alike. Corporate mainstreaming of Fair Trade Certified coffee, particularly in the United States, has met a fierce backlash from advocates for "scaling up and selling out" (Jaffee 2007; Wilson and Curnow 2013). At the center of this debate are concerns that the rapid growth of Fair Trade retail sales has resulted in a deterioration of core values, a depoliticization of the cause, a dilution of standards, and cynical image laundering by multinational retailers with ambiguous loyalties. Advocates of corporate mainstreaming shoot back that the sales volumes promised by large commercial firms have enabled the Fair Trade network to expand to the benefit of more farming communities worldwide.

While the competitive advance of the Fair Trade brand has led to vigorous debate about loyalties in the global North, far less is known about how farmers and producer organizations that supply Fair Trade Certified have interpreted, negotiated, or contested the expansion of the Fair Trade network. While often taking place in the margins, farmers and producer organizations too are debating the evolution of Fair Trade, albeit on different terms. Indeed, as scholars working in Mexico and Central America frequently observe, many peasant farmers do not perceive nor reap the benefits of Fair Trade in the same ways that they are presented to consumers and businesses (Bacon 2010; Barham and Weber 2012; Mutersbaugh 2002; Tellman, Gray, and Bacon 2011; Wilson 2010). There is little debate that Fair Trade contracts have played a critical role in providing a safety net for peasant farmers and stimulating the growth of producer organizations amid a global coffee price crisis between 2000 and 2004. Moreover, few would dispute that Fair Trade has enabled the growth of democratic producer organizations, advanced local social development programs in farming communities, and enhanced the competitiveness of small-scale farmers in markets for high quality and organic certified coffees.

However, a growing body of research has revealed that many farmers supplying Fair Trade networks continue to struggle to attain the sustainable livelihoods promised by Fair Trade. For many farmer communities supplying Fair Trade Certified coffee in Mexico and Central America, the results of integration into Fair Trade networks has been uneven (Bacon et al. 2008; Lyon 2008 ; Mutersbaugh 2002; Smith and Loker 2012 ; Tellman, Gray, and Bacon 2011). Farmers throughout Central America report problems of low income and food insecurity (Bacon et al. 2008; Wilson 2010), and organic coffee farmers who produced the lion's share of Fair Trade Certified coffee in the region are tremendously vulnerable to declining yields and diminished income due to low input use (Bacon et al. 2008; Valkila 2009). To be clear, Fair Trade has been decisive in protecting small-scale farmers against some of the vagaries of market participation within a highly oligarchical and non-democratic agro-food network; however, it is also no magic bullet (Bacon et al. 2008; Wilson 2010).

To ensure that the Fair Trade network continues to grow it is absolutely necessary that farmers feel that Fair Trade is delivering on its promises. Moreover, to evaluate and understand the moral economy of Fair Trade it is vital to explore how this ethical commodity network actually intersects with the social geographies of particular farmer and worker communities. Yet, there remains little empirical research on the place-based histories of producer organizations or political economic research that explores how producer organizations source coffee from farmers for Fair Trade markets (e.g., see Jaffee 2007; Lyon 2011; Mutersbaugh 2002). In fact, producer organizations remain a black box; little is known of their internal operation, logics, or potential contradictions. As Mutersbaugh and Lyon (2010) argue, the lack of knowledge about how producer organizations establish relationships with their farmer suppliers raises critical questions about transparency and democracy within Fair Trade networks.

To open the black box and shed light on the otherwise opaque relationship between producer organizations and their farmer suppliers, I draw on the literatures studying contract farming. Contract farming refers to a type of vertical coordination of agricultural production in which a non-farm enterprise (firm, processor, exporter, or cooperative) secures the harvest of a farmer supplier in advance of harvest and usually includes terms specifying responsibilities of both parties to the production agreement such as credit, technology transfer, input use, quality, and mechanisms for price determination. The non-farm enterprise guarantees the farmer a determined market for their production and ensures ownership of the product in advance, in effect buying the right of first refusal for a farmer's crop. Over the past three decades, there has been widespread support for contract farming by advocates of market-led rural development because it favors the integration of peasant farmers into global agro-food networks (Glover 1984; Glover and Kusterer 1990; Little and Watts 1994). Vertical coordination of peasant farmer producers, especially in cooperative organizations, can foster economies of scale that open opportunities for them to gain access to international market (Key and Runsten 1999). It also enables greater access, oversight, and control over product quality demanded within high value agro-food networks that supply niche markets like the gourmet coffee sector (Daviron and Ponte 2005).

Ideally, in contract farming schemes, farmers and non-farm agents share the risks and benefits that accompany agricultural production and marketing. Farmers bear the risks of production such as rising labor and input costs or weather events and infestations that reduce yields, and the non-farm enterprise bears the risk on selling the final product. However, as numerous scholars have illustrated, the relationship between farmers and non-farm enterprises in contract farming schemes tend to be asymmetrical. The design of contract farming schemes is to distance capital from the risks of agriculture and extract surplus from peasant farming households. Profitability in contracting depends upon how effectively this is accomplished. Peasant farmers tend to bear the greatest risks in production, can become dependent on capital intensive forms of agriculture, can lose considerable autonomy in making production decisions, and tend to confront grading and standards requirements that are determined and enforced by the non-farm enterprise in ways often deemed arbitrary and unfair (Grossman 1998). In some quarters, this has led to resounding criticism of the practice (Clapp 1998, 1994; Little and Watts 1994; Raynolds 2000). Since contract farming ensures control of commodity production by downstream market actors through the indirect control of the farmer's land and labor, some have argued that farmers are reduced to, in a sense, "hired labor on their own land" (Little and Watts 1994). Moreover, due to the capital intensive nature of production and expectations around the quality of production, farmers can be caught in cycles of debt and declining income.

Contract production is a key strategy used to secure the supply of coffee and other agro-food commodities for Fair Trade networks. As Mutersbaugh (2002, 2005) has illustrated in Mexico, production for Fair Trade markets parallels a range of new quality demands on farmers and cooperatives including organic, shade-grown, and gourmet coffee production. The competitive advance of high value certified coffee markets has led many producer organizations to focus on strict enforcement of market standards in supply chain management. To meet the contractual demands of international coffee buyers for high quality Fair Trade coffee, most producer organizations in Central America need to sign production contracts with farmer members at least nine months in advance of sale. To do so, producer organizations tend to vertically coordinate production by securing access to ample coffee supplies and capital investment, instituting professional management of financing and postproduction processes such as quality control and marketing which often carries the burden of achieving ISO 9001 2000 certification, and building a reputation for delivering quality goods in hierarchically consolidated organizations. With demands on quality grading complementing Fair Trade and organic certification, establishing ever more precise contractual terms with farmers has become a regular part of business practice within producer organizations that supply ethical supply chains. The effect on internal relations in producer organizations is often a verticalization of decision making power over production and processing in which competitive market coordination is negotiated against other social responsibilities in farming communities. Ultimately, the fulfillment of international contracts depends upon the fealty of farmers to satisfy their production contracts, meet quality requirements, and deliver their coffee to producer organizations. As I illustrate below, contract farming in the Fair Trade supply chain in Fonseca has generated fierce moral debate and division. In resolving those debates and strengthening solidarity, however, cooperative leaders have had to reconnect contracting to a history of past agrarian struggle out of which their producer organization was originally built.

Case Study

Fonseca, Nicaragua is located in a prime coffee growing region due to its mountainous highlands, fertile lowland valleys, and geographic proximity to major transportation routes. Farmers supply coffee to international markets through a three tier cooperative structure, which seeks to improve the market competitiveness of peasant farmers by creating economies of scale. At the local scale (first tier), farmers affiliate with a farming cooperative. At the municipal scale (second tier), farmers are represented by their local cooperative in a cooperative union (CU Fonseca). And at the regional scale (third tier), local cooperatives are represented by the CU Fonseca in a regional producer organization. The producer organization provides credit, legal representation, and competitive pricing and organizes the production and marketing of coffee from cultivation to export. Twenty to 30 percent of the coffee produced by Fair Trade farmers in Fonseca is exported as Fair Trade Certified. The producer organization working with farmers from Fonseca attracts projects from international NGOs who fund a range of social and environmental programs. On rare occasions, the producer organization also acts as a broker of government infrastructure programs. In a municipality lacking a robust public sector, the producer organization in Fonseca provides services otherwise unavailable.

The formation of the producer organization in Fonseca is deeply embedded in the history of revolutionary agrarian reformism, civil war, and neoliberal counter-reformism in Nicaragua. Ninety percent of the members of the producer organization in Fonseca are land reform beneficiaries who received land during the Sandinista-led agrarian reform. The agrarian reform represented a break from past experiences of exploitation and struggle as landless farm workers. Describing his experience, one cooperative member explained, “Before, there was a patron (landowner), and we worked as salaried employees. We were like slaves. [...] We worked like we had a yoke around our necks” (S. S., personal communication, March 26, 2007). In the words of another cooperative member in Fonseca, “The agrarian reform broke our chains and gave us this little piece of land” (S. B., personal communication, April 3, 2007). While access to land was a turning point in the lives of many of my informants, it came at a cost. The need for civil defense in the municipality against Contra attacks was acute. With mounting pressure by the Contra in Fonseca and the surrounding municipalities, land reform beneficiaries had an obligation to serve in the military. “When we received the land, we also received rifles, and with them we defended our land and our country,” explained a cooperative member (S. B., personal communication, April 3, 2007). The conjuncture of the agrarian reform and the war produced strong sentiments among the cooperative members I interviewed regarding their relationship to the land and to each other. In an interview with a cooperative leader in the producer organization, he explained that among members of the cooperatives that formed in the 1980s, there was a sense of camaraderie forged through the trials of war. The cooperative members supported one another and each other’s families, making the cooperatives and the lands they occupied into a community. “We were all a unit. You had to help all the families economically. These were the hardest promises to keep. It’s not the same to tell someone that you are going to work until whatever hour. You had responsibilities to the families...” (A. G., personal communication, December 16, 2006).

While the peace accords ending the civil war were signed in 1990, peace did not come to the cooperative movement in Fonseca. When the Sandinista National Liberation Front (FSLN) lost the elections in 1990, Fonseca once again became a space of contentious land struggles. Repatriating elites returned to the region in 1990-1991, and they applied legal and physical pressure on the agrarian reform beneficiaries in the municipality. Armed groups funded by ex-landowners sought to run cooperative members off the land. In the case of five different cooperatives where I conducted interviews, informants described how ex-landowners hired armed groups to displace cooperatives from the contested properties resulting in the murder of several cooperative members. The response from the cooperatives in the municipality was to band together to challenge the incursion of ex-landowners, predatory lenders, and land speculators “with the only things we had—our machetes, our people, and our politicians” (J. D., personal communication, April 2, 2007). The solidarity of cooperative members to support one another in defense of land claims was defined by sense of moral obligation.

In 1992, in the midst of this campaign against agrarian reform beneficiaries, four cooperatives met to discuss the possibility of forming a producer organization to help ease the pressure against the cooperative movement and to begin seeking ways to coordinate production, find credit, and commercialize their coffee production. Merely owning the land as a result of agrarian reform was simply not enough. In solidarity, three of the founding cooperatives of the producer organization transferred loans from the international NGO Ayuda Obrera Suiza (AOS), an aid organization of the Union of Swiss Trade Unions and the Swiss Socialist Party, to serve as a revolving credit fund and to cover the basic expenses. A farmer member of one of the founding cooperatives explained: “We combined our resources to hold the cooperatives together. It is important to remember that. At that time it was a wild mess. We didn’t have to share those funds. But we did. We formed the organization that we have today” (S. A., personal communication, March 26, 2007). In 1993, the founders of the producer organization in Fonseca turned their attention to getting an exporting license and to finding international buyers for their coffee, particularly working with pioneering Fair Trade importers such as the German “Society for the Promotion of Partnership with the Third World” (GEPA), the Austrian fair trade importer (EZA Fair Handel), and Twin Trading in Great Britain.

Over the past two decades, the producer organization in Fonseca has grown by leaps and bounds. Since 1997, it expanded from just 500 farmer suppliers to more than 2,000 farmer suppliers in 2007. Today, the producer organization has an export license, owns a processing mill, manages all certifications, and represents its member cooperatives in negotiating and fulfilling international contracts. The producer organization leverages an economy of scale created by the size of its base of suppliers to secure loans from international financiers like Rabobank, Oikocredit, and Root Capital, as well as private domestic banks. In 2005-2006 the producer organization secured and managed over $6 million in its supply chain, more than half of which was sourced through international credit lenders and pre-financing provided through international Fair Trade contracts. Due to the strong loyalties of its farmer suppliers, the vertical coordination of production and their extraordinary marketing capacity (enabled in part through years of consulting and financial support from alternative trade organizations (ATOs), NGOs, and coffee professionals), the producer organization increased its total exports from 7 million pounds in 1997-1998 to more than 70 million pounds in 2005-2006, making it one of the most distinguished and competitive exporters in the country (or, indeed the world). As a result, the producer organization has increased their portfolio of clients from primarily mission-driven Fair Trade roasters to include new corporate Fair Trade licensees such as Starbucks Coffee Company and VOLCAFE Group, a division of the colossal commodities trading company, ED&F Man.

Certified Coffee Contracting and the Problem of Debt in Fonseca

The growth of conventional, gourmet, and other certified coffee exports in Nicaragua has led to increased competition and the restructuring of the producer organization.

The producer organization today must compete head-to-head with well-heeled agribusiness firms searching for a steady stream of high quality coffees in Fonseca. With some 15 agribusinesses competing for coffee in the countryside of Fonseca, competition can be fierce as each vies for access to a steady coffee supply (see also Renard and Perez-Grovas 2007). Agribusiness firms have ample capital resources and offer a range of incentives to attract farmers, such as cheap inputs and free transportation (e.g., sending trucks directly to the farmer's property, thereby helping the farmer cut costs and reducing risks of delivery). In 2003, seeking to lock in its own members, the producer organization established a contract farming scheme. The contract in Fonseca provided farmers with access to credit for maintaining orchards and harvesting coffee, and it enabled the production organization to secure their harvest in advance of negotiating international contracts, effectively closing off open market exchanges.

To qualify for a contract, the farmer had to be a member in good standing of a local cooperative. They were also required to provide their land title as collateral to the producer organization. The contracts themselves were written by a cooperative technician who estimated the productivity of the farmer's coffee plot during an on-farm inspection and assigned the farmer a production quota. If farmers did not fulfill their production quotas and failed to payback their loans, farmers would have to pay an interest rate penalty of 25 percent for the remaining debt. Respecting the contract, therefore, was critical for farmers. Failure to fulfill their obligations in the agreement, either through flagrant disregard for their debts or through sales of coffee outside the cooperative, were potentially grounds for expulsion from the organization.

Instead of being compensated at the prevailing Fair Trade price and premium standard, farmers were compensated by their producer organization the prevailing world market price equivalent in pergamino (or parchment - a wet-processed coffee that has not been dried or graded). Through the contract for pergamino, the producer organization established an internal market that operated independently from international coffee contracts negotiated with importers under Fair Trade and other quality standards. Once farmers delivered their quota to the dry mill owned by the producer organization, their pergamino coffee was dry processed and quality graded by evaluators employed by the producer organization, creating an additional layer of supervision and, in the eyes of farmers, another barrier toward reaping profits. Once their coffee was graded, they received a receipt, which could be redeemed at the farmer's call with price penalties for downgraded quality scores. In the contract, the price could vary based on shifts in global market prices. In this way, farmers were free to "game the market" by selling their coffee, based on daily indicator prices, whenever they wished. This price risk mechanism, although uniquely "democratic" in facilitating farmer participation in price determination, also devolved market risk to the farmer, especially when the market price, and the quality, was poor.

From 2004 to 2006, farmers supplying coffee to the Fair Trade market from Fonseca averaged only 72 percent of the international Fair Trade contract price. As per their contracts, in 2006, the Fair Trade cooperative provided each household with a credit advance of $32 per 100 pounds of export grade coffee they produced. Since the average production by farmers was 1,000 pounds of export grade coffee per hectare and farmers managed coffee orchards of on average 2 hectares, cash advances hovered between $650 and $750 for the average farmer. Based on prevailing market prices through the contract, revenue amounted to $1,856 for the average farmer according to a survey conducted by the producer organization in Fonseca. In October of 2007, farmers were provided a dividend from the coffee sold to the Fair Trade market (20 percent of production) amounting to around $2.45 per 100 pounds, bringing the total revenue from coffee sales to roughly $1,893 for the average farmer. Yet, according to the survey conducted by the producer organization in 2007, farmers reported average household incomes of negative $413 in 2006, and 90 percent of my informants reported outstanding debts with the producer organization at a minimum of $200.

For most farmers in 2006, unfortunately, the coffee production came up well short of compensating them for costs of production, costs of living, and the ability for them to pay down outstanding debts. As I have explained in greater detail elsewhere, indebtedness cannot be explained as the result of participation in Fair Trade networks. Rather, the accumulation of debt occurred through high interest rates, high costs of production, declining productivity, and high labor and household budget costs that could not be resolved by participation in Fair Trade networks alone. Nevertheless, the high rates of indebtedness raised hard questions for farmers who were well aware that their coffee was being supplied through their producer organization to Fair Trade networks. The terms of supply contracts and seemingly intractable debts led to animosities within the producer organization in Fonseca that led farmers like those of Tierra Nueva to break their obligations with the producer organization out of protest and pursue other options, even with rival firms. One farmer I interviewed claimed that the problem lay with the structure of the contracting process, which distanced the farmer from the sale of their coffee by the producer organization:

> We've created a beautiful infrastructure in [Fonseca]. You have seen it right? But, it is important to revisit this business model because there are hidden costs. The situation is as follows. The producer organization controls our coffee, and the dry mill receives and processes our coffee. Our coffee is what keeps the machines running. They tell us that the profits of the producer organization and the dry mill are for us. But I don't see that. All I have is a debt. It's our work that maintains the business run by these cabrones (bastards). We're getting screwed, and we don't even know it. Those [administrators] live off of the farmer's coffee. The valor agregado (value added) stays with them. That money should be for the [first tier] producer cooperatives. We have no idea what our coffee is being sold for [on the international market]. There is

> no sales information. We don't know that world. I asked the [administrators] if they pay us our dividends from the defective coffees [third grade] that they sell on the local market. That dividend is a trick. It's not from what they sell as Fair Trade. (P. M., personal communication, November 26, 2006)

As this farmer reveals, by selling their coffee in pergamino—before value is added through processing, quality control, and marketing—the farmer forfeits the right to earn higher prices on the international market. Those added-value profits are appropriated by the producer organization. Echoing those sentiments, in an interview with another farmer, he described the lack of transparency created by selling in pergamino and illustrated the frustration of farmers when the producer organization appropriates the added value from their coffee:

> This coffee is owned by [the producer organization]. Well, do you see the professionals from the [producer organization] working out here, sweating in the fields? No, they're in an air-conditioned office in front of a computer. So, there it is. When they fix the price, they don't speak with us, and we have no knowledge of what they sell it for. I think they pay themselves in dollars, and they pay us with pig's feet. They earn a thousand dollars or higher, and we earn two dollars a day, in the sun and rain, harvesting the coffee. (S. B., personal communication, April 5, 2007)

As these farmers illustrate, one of the key problems with the contract farming scheme was a lack of transparency in the postproduction process. By selling in pergamino, farmers lost control of their coffee and, therefore, could not win the profits generated from added value. The question of whether the producer organization was redistributing the added value back to the local cooperatives and farmers, indeed whether they could even do so without sacrificing the solvency of the organization, was up for debate in farming communities. As I observed in Nicaragua, and other scholars have identified in studies in Mexico, El Salvador, and Guatemala (Raynolds et al. 2007), decision making by appointed cooperative administrators (professionals) was perceived by farmers as antagonistic and distant from their needs and lived experiences. They questioned their commitments and loyalties.

Throughout 2005 and 2006, conflict bubbled under the surface in Fonseca. There was tension in cooperative meetings. There was gossip. For years, farmers in Fonseca had tightened their belts and stretched resources to maintain their coffee orchards and to build the producer organization (Wilson 2010). Working together was not always an easy decision to make, and many farmers had struggled over the years. They had sacrificed a lot. The land reform struggle and the civil war had left deep wounds. The formation of the producer organization was characterized by a long struggle in which many had lost their lives or put their lives on the line. During the price crisis from 2000 to 2005, many had considered "throwing in the towel," and the months of austerity had "worn them down." The debts accruing seemed almost impossible to pay down. Some considered leaving coffee farming all together; others thought of joining children or family working abroad in Costa Rica. Tierra Nueva's very public defiance had a domino effect. Fifty percent of the largest certified organic producer cooperative in Fonseca ended their relationship out of anger over low prices, declining yields, and feelings of manipulation by administrators. Farmers were openly questioning how long they would have to wait to see economic growth in their own households promised by the producer organization (and by extension Fair Trade).

Renegotiating the Moral Economy of the Contract

In response to farmer concerns, leaders in the producer organization claimed that exogenous demands on efficiency, competitiveness, and quality, as well as problems such as "free-riding" among some farmers in the local cooperatives had forced them to negotiate the line between coercion, control, and cooperativism in the contracting scheme to protect and sustain the growth of the producer organization for everyone. As a leader of the producer organization once said to me in frustration, "They call me a capitalist because I enforce these policies, but if I didn't, we'd all be bankrupt, and we'd lose the institutions we fought so hard to create" (B. M., personal communication, March 13, 2007). The response of the producer organization leaders demonstrated the profundity of its entanglements in historical solidarities with farmers. Rather than penalizing farmers, the leadership turned a benevolent eye on farmer infidelity and hosted a series of meetings to discuss the renegotiation of contracts, the restructuring of debts, and the improvement of relations with their farmer base starting in 2006. Figuring centrally in these meetings was both an ideological reframing of farmer relationships to the producer organization and a discursive re-embedding of the coffee contract in the place-based history of Fonseca. Calling the campaign "comercio justo en el campo" (Fair Trade in the countryside), representatives from the producer organization sought to reinvigorate the sense of cooperativism that inaugurated the producer organization and to remind farmers of the long struggle over land that had ultimately led to access to international coffee markets.

Fair Trade in the Countryside

In 2006 and 2007, I attended a general assembly meeting and two commission meetings focused almost exclusively on campaigning for Fair Trade in the countryside. Key to the campaign was a greater effort to define the moral economy of the contract in the history of agrarian struggle. As one of the producer organization leaders commented in the inaugural dialogue, "While Fair Trade prices have not been good these past few years, we cannot forget that it was Fair Trade that helped us to defend our land." Such comments overtly drew attention to the relationship between supply contracts and their history of land struggle to illustrate how the producer organization was fulfilling its long-term reciprocal obligations. What struck me in these meetings was how far the representatives of the producer organization needed to go to convince farmers that they were benefiting from the producer organization and Fair Trade. Counter to the assumption that farmers were inherently incentivized from benefits accruing from Fair Trade premiums, the producer organization was acutely aware of the limits of existing price standards alone to guarantee farmer participation.

In these encounters, the representatives of the producer organization made five intersecting arguments about how they were fulfilling their obligations. First, the leadership argued that the contract provided farmers with access to cash in advance of the harvest, particularly during the dry months—tiempos muertos (dead times)—when they had no income flowing through the household. Farmers depended on the credit outlay provided by the producer organization to cover both productive and household costs throughout the year. In the context of few credit stable alternatives, farmers consistently remarked in interviews that contracts through the producer organization were fairer in the long term than agribusiness firms.

Second, the contract established more than just a form of income; it also guaranteed access to both social and economic benefits. By committing to a contract, farmers indirectly secured their access to social services such as educational grants for children and adults, healthcare assistance, funeral fund assistance, credit for basic grains and horticultural production, as well as development projects funded by external agencies that are brokered by the producer organization. These social and economic benefits were not available through conventional agribusiness firms (or the state) and represented important incentives for entering into the arrangement. As part of the rollout of the Fair Trade in the countryside campaign, the producer organization began promoting an educational grant program for the children of members and an income diversification program focused on agro-ecotourism. These two initiatives sparked considerable interest and excitement among the farmers in Fonseca.

Third, the producer organization officials highlighted an anti-foreclosure clause in contracts that protected farmers against confiscation of their property because of debt. Whereas conventional banks or agribusiness firms may foreclose on a peasant farmer's property over a defaulted loan, the producer organization would always seek alternative means of recuperating the investment. This does not mean that farmers had not sold property to get out of debt (indeed the practice was not uncommon) but that the producer organization would not, by policy, confiscate land assets from a member to resolve a debt. These flexible debt collection arrangements were a product of solidarities cultivated over many years in the struggle by peasants over access to land. These represented a keystone to winning farmer loyalty.

Fourth, another key strategy of the producer organization was to suggest that "we are all in this together." The producer organization, representatives argued, faced the same kind of structural constraints as farmers when it came to participation in global markets. Their hands were tied. The leaders of the producer organization also emphasized the fragile position of the organization in relation to competing firms. Employing populist rhetoric, leaders claimed that the viability of the producer organization in Fonseca was always in jeopardy due to competition from agribusiness firms. And agribusinesses not only represented economic adversaries but political ones as well. Agribusiness firms represented an exploitative class who wished to undermine the cooperative sector in the 1980s and 1990s. The establishment of the contract farming scheme, they argued, enabled the producer organization to remain viable, at the expense of household economic growth, but that was a critical choice. To compete with agribusiness firms such as VOLCAFE, which ironically is a licensed Fair Trade coffee buyer today, and to coordinate the production and marketing of coffee among its more than 2,000 farmer suppliers, the producer had no choice but to employ a contracting scheme that devolved production risk to its members and called on them to improve quality without raising prices. If the producer organization failed, there may be no alternative for the farmers in Fonseca but to accept the terms of contracts with agribusiness firms; terms that could very well end with foreclosure.

Last, the producer organization called out Fair Trade standards for failing to meet the needs of farmers and the producer organization. In 2006, Fair Trade pricing and premium standards had not been reviewed and updated in 15 years. Representatives of the producer organization in Fonseca had helped to form a transnational organization representing Fair Trade accredited producer organizations called the Coordinadora Latinoamericana y del Caribe de Pequenos Productores de Comercio Justo (CLAC). In November 2006, the CLAC demanded that Fair Labeling Organizations International (FLO),[3] the standards-making agency for Fair Trade, increase the Fair Trade price and premium for conventional and organic coffees by more than 30 percent. Through cost analysis, the CLAC revealed the inadequacy of the "fair price" to meet the needs of producer organizations in Latin America and the Caribbean. The pressure applied by the CLAC against FLO challenged the idea that the current Fair Trade price and premium were sufficient to meet the needs of farmers and to stem leakage of coffee from the network (Bacon 2010; Wilson 2010). The demands delivered by the CLAC were an effort to protect producer organizations all around the world against disarticulation caused by precisely the kind of problems in Fonseca (Wilson 2010).

The campaign did not win everyone over, and there was still debate about the uneven distribution of profits and assumption of risk. However, the campaign was successful in reminding members that despite internal friction, they were all vulnerable within a broader system. In response to the outreach by the producer organization, most farmers in Fonseca that I interviewed seemed reassured about their relationship with the producer organization. At the very least, their sacrifices had meaning. Expressing the sentiments of many of my informants, Mauricio, a 35-year-old farmer, said, "Solidarity with [the producer organization] is the only answer to our problems and the only future for our families." The producer organization was, as one farmer said, "the only organization that has our interests in mind; the only place we can turn for support." For other farmers, loyalty to the producer organization went even deeper. As Paz, a 50-year-old farmer, explained, "I will always support the leaders of [the producer organization] because they helped me to protect my little piece of land." Farmers did not fully forgive the producer organization for "squeezing" them, but they acknowledged how their economic distress was the price they had to pay to continue building their organization. By 2007, the producer organization largely stopped the "leakage" of coffee. And while it did not resolve the contradictions inherent in the economic terms of the contract (interest rates, prices, quality standards), it did ask farmers to defer judgment and keep delivering the goods. Through the Fair Trade in the countryside campaign, even the producer organization's most vehement critics like Tierra Nueva were ultimately recruited back to the producer organization.

While such a story could be read as a happy ending, the moral economy of the contract harbors a troubling tension in the wider Fair Trade network. Indeed, the producer organization's achievement was that they preserved the essential functions of the contract farming scheme without conceding any core economic reforms to its farmer members such as interest rates, pricing, and premium redistribution. Farmers enjoyed some debt relief in the form of a moratorium on interest rate penalties, but most still carried very heavy debt loads. Perhaps most disconcertingly, the Fair Trade in the countryside campaign did not increase their household income. Materially, farmers remained in the same economic position even though they expressed a greater sense of social solidarity. Yet, I want to make it clear that I do not wish to present the Fair Trade in the countryside campaign, nor the actions of the producer organization leaders, as a form of deception or corruption. Indeed, farmers were well aware of the preservation of what they called "the squeeze." The Fair Trade in the countryside campaign only reframed the conditions that led to that situation. The "squeeze" was not manufactured by the producer organization on its own but broader forces outside of their control.

The insufficiency of Fair Trade pricing standards alone in fostering sustainable livelihoods in Fonseca remain a big issue in farming communities trying to keep up with the competitive advance of quality demands and certification on producer organizations. Without addressing rising costs of production and cost of living, problems of farmer infidelity remain. This is particularly troubling for producer organizations in a high price market like we have seen in the past three years. With coffee prices at record highs from 2010 to 2012, there was again considerable out-of-network sales and attrition in Fonseca and around the world. In 2011, for instance, the Fonsecan producer organization reported "leakage" at 30 percent, returning total exports to 2006 levels. Some farmers sold up to 50 percent of their harvest outside of the producer organization and Fair Trade network. As a producer leader said to me in April 2012:

> Higher prices might be good for the farmers. But the organization is really hurt by it. We can't compete with the multinationals right now. They show up, money in hand. We can't work like that. We need the faith of the producers. But the solidarity just isn't there. Not like it used to be. (B. M., personal communication, March 26, 2012)

These solidarities seem to be breaking down throughout the Fair Trade network. While representatives from producer organizations gained equal voice in FLO standards for the first time last year and brought hope that farmers would finally get a voice in price determination, other crises unfolding in the Fair Trade movement have dampened the effects of those advances. In 2011, Fair Trade USA, the largest certifier of Fair Trade Certified goods in the world, decided to abandon FLO in January 2012 to enable multinational retailer stakeholders to pursue contracts with coffee plantations and move away from fixed price and premium standards. This move may have been largely precipitated by the growing power of producer organizations and/or the kind of supply problems created when peasant farmers and producer organizations do not deliver the goods.

Conclusion

Returning to the conflict between Tierra Nueva and the producer organization in Fonseca mentioned at the beginning of this paper, all is not well under the surface of the Fair Trade Certified label. As an ethnographer peering into the black box of the producer organization, the problem of farmer indebtedness, farmer infidelity, and execution of the Fair Trade in the countryside campaign to win back farmer loyalties painted a very different picture of Fair Trade than the one presented to consumers. For 20 years, farmers in Fonseca have supplied coffee to an evolving Fair Trade market. Farmers worked in solidarity to build organizations that could represent them and meet the production and marketing requirements called for in international markets. Their producer organization represented an extension of their struggle for land reform, which they fought for years to attain. Nevertheless, even as farmers experienced indebtedness and declining incomes, the majority continued to deliver the goods.

The relations of solidarity and local histories of the farmers supplying coffee to the producer organization in Fonseca was a motivating rationale for loyalty to the cooperative, even in the face of economic hardship. The seamless flow of Fair Trade certified coffee from farmers in Fonseca to consumer retail markets in the global North was not an inevitability of participation in Fair Trade. Farmer loyalty was not won by Fair Trade standards, the actions of FLO, or ethical businesses and consumers, but through the reciprocal obligations of farmers to each other and to their producer organization via the complex drama and intense struggle over the economic terms and social meanings of coffee contracts. Moral economic relations between farmers and producer organizations serve as critical arenas for reproducing the Fair Trade network.

As the leadership of producer organizations knows best, it is a delicate balancing act to ensure that farmers supply coffee under present Fair Trade standards. There is no guarantee that Fair Trade provides farmers the necessary incentives to participate. Producer organizations must fill that void to supplement and mediate the expectations of farmers. More than a mere economic contract, the Fair Trade in the countryside campaign illustrated that contractual obligations between farmers and organization officials were socially negotiated through place-based solidarities that extended well into the past and drew upon collective memories of shared struggle. To ensure that farmers continued delivering the goods, the producer organization had to regain its legitimacy by tapping back into a history of shared struggle and by restating its deeper loyalties and commitment to work in solidarity with farmers. These social histories could be mobilized as a resource for the producer organization. Its leaders played on a particular moral economy of the contract that re-embedded political economic relations in reciprocal obligations with farmers which were paramount to ensuring the steady flow of the certified coffee supply chain. As Fair Trade networks supply mainstream retailers and advocates pursue greater and greater market share in retail markets in the global North, I hope that the research presented here gives pause for reflection on a simple question posed at the outset of the paper by both farmers and the producer organization. Where do our loyalties lie? How actors in the Fair Trade network answer that question will have radical implications on the future of Fair Trade.

Notes

[1]Tierra Nueva is a pseudonym.

[2]Fonseca is a pseudonym.

[3]Although FLO retains its longstanding acronym, since 2011 it has been known as Fair Trade International.

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