



In Negele Gurbitu, Ethiopia, students giggle in teacher Medesir Kedit's classroom, built with fair trade coffee community profits.

Coffee crisis brewing

Coffee is among the most popular beverages worldwide with an estimated 400 billion cups consumed each year. There are roughly 100 million coffee drinkers in the US alone. In 2001, coffee prices plummeted, creating a humanitarian crisis for 25 million coffee-growing families in over 50 developing countries. Farmers were earning comparably less than their ancestors had 100 years earlier. With coffee selling for less than it cost to produce it, many families could not afford health care or even food. In Central America alone, half a million jobs were lost as a result of the crisis.

Background: Why did coffee prices slump?

Coffee's managed market ended in 1989

What did this mean?

Like most commodities, coffee was traded in a managed market. Coffee was regulated by an agreement of the International Coffee Organization (ICO), which set export quotas and a stable price band: from \$1.20 to \$1.40 per pound. Disagreement among ICO members led to the breakdown of this agreement in 1989. *Prices dropped.*

Major changes among coffee-growing players

What did this mean?

Brazil and Vietnam have reshaped the world's coffee supply. Expansion of Vietnam's economy into the global marketplace during the 1990s, coupled with government agricultural subsidies, meant that, from 1990 to 2000, Vietnam's coffee output grew from a negligible 1.5 million bags to 15 million—making it the world's 2nd largest coffee producer. Brazil has long been the largest coffee producer, but yields there increased dramatically in the late 20th century thanks to mechanization, intense production methods, and other changes. *Supply increased.*

Lagging demand in traditional Western markets

What did this mean?

The US, Germany, France, and Japan combined consume half the world's coffee exports. But in the late 20th century, coffee consumption was dropping in traditionally strong markets. In the US, for example, between 1970 and 2000, annual consumption of soft drinks increased from 23 to 53 gallons per capita; while coffee consumption dropped from 36 to 17 gallons per capita during the same period. *Traditional demand slackened.*



Between 1997 and 2002, the price that coffee growers received for their crops fell by 70 percent to a 30-year low.

Oxfam's story

In 2002, Oxfam launched a global coffee campaign: "What's that in your coffee?" urging consumers to help change the system and bring relief to farmers. Oxfam also called for the major players in the coffee industry to address the crisis.



Oxfam called for large coffee companies to introduce a portion of Fair Trade Certified™ coffee to their product lines, resulting in twice the annual US Fair Trade coffee imports. The Fair Trade Certified™ label ensures that farmers receive a fair price for their product regardless of market fluctuations. There are now over 400 roasters and 20,000 retailers that carry Fair Trade coffee in the US. In 2005, Fair Trade coffee imports hit 44.6 million pounds. Since 2001, US Fair Trade coffee imports have increased on average 60 percent per year.

Oxfam and its allies have influenced mega-companies such as Costco and Target—through consumer demand—to offer their own Fair Trade coffees. In 2005, Oxfam helped to convince coffee-giant Dunkin' Donuts to launch a promotional campaign of their Fair Trade espresso drinks. Serving roughly 2 million cups of coffee a day, Dunkin' Donuts now also serves up information about fair trade and an easy way to do good.

Oxfam successfully campaigned to urge the US to rejoin the International Coffee Organization and to advocate for solutions to the coffee crisis on a global level. The US rejoined in February 2005.

Oxfam helped Ethiopian farmers convince their government to allow them to sell coffee through private co-ops, negotiate fair prices in international markets and an exemption from export taxes, and work with roasters to increase demand. From 2003 to 2006, Ethiopian co-op sales have more than tripled, rising from 967 to 3,200 tons. The price co-ops are getting for coffee has jumped from 45 cents per pound in 2002 to \$1.60 in 2006, dramatically increasing family incomes.

Oxfam helped Central American farmers. Between 2001 and 2004, Central American farmers selling their coffee through Oxfam-supported fair trade co-ops, saw a 200 to 350 percent increase in income over what they would have earned outside these co-ops.

“What we are doing now in the cooperative, and selling to the Fair Trade market, guarantees that we have enough food for the first time in years, and also guarantees much more freedom.”



KEVIN PEPPER/OXFAM

Jesus Morales is a 91-year-old coffee farmer in El Salvador and member of a co-op in an Oxfam-supported federation. This federation helps small farmers, like Jesus, produce and export their coffee to the international market.



SHAYNA HARRIS/OXFAM/AMERICA

Eight-year-old Aster. Although Aster's mother works hard harvesting coffee in Adis Ketama, Ethiopia, she sees a brighter future for Aster and her three siblings. Fair trade coffee co-ops like the one in Adis Ketama are improving life considerably for coffee-growing communities.

Next steps

The price of coffee has begun to recover, but the crisis is far from over.

- > Oxfam is helping farmers take advantage of improved market conditions. With better access to rural finance and technical assistance programs, coffee farmers will be less vulnerable to the market's booms and busts.
- > Oxfam is working with growers to stabilize their income by improving the quality of their coffee, developing business plans, strengthening co-ops, and helping them to diversify their crops so that their income does not rely solely on coffee.
- > Oxfam is calling for changes to the International Coffee Agreement that will allow small farmers to participate in the international debate about the ongoing coffee crisis and will help governments to respond effectively to the crucial issues facing these farmers.

Because of Oxfam's efforts, many farmers can now afford to feed and clothe their families, and educate their children. They've built schools and health clinics, and have had enough left over to reinvest in their farms. While there is much work ahead, our successes suggest that we can continue to make a real difference.

Working together to end poverty and injustice

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