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"Starbucks' Influence on the Small-Coffee Farmer: Nariño, Colombia"

A year and half ago, when I walked into my local Starbucks, I was--as a Colombian--surprised and proud to see that the company was selling "Colombia Nariño" (Figure 1), a specialty coffee promoted as "[where] the heart of Colombian coffee sits" and supported by its Fair-Trade Program. Once I got home, I wanted to know more about it, so I decided to do some research. Starbucks' website was cryptic about the whole production process, provoking more questions than answers. For instance, how did Starbucks decide to focus on this region of Colombia, given that traditionally, other areas of the country are more known for coffee production (e.g., The coffee Region of Caldas, Quindío and Risaralda), why is that "Colombia Nariño" is portrait as having "unique characteristics [that] create an exceptional coffee growing climate" when other coffee producing areas have similar soil and geographic characteristics? And more importantly, how do coffee farmers beneficiate from dealing with Starbucks? I sent them an email as way to get some answers to my questions and they responded: "Unfortunately, the information you are requesting is proprietary." Therefore, I decided to understand better my role as a coffee consumer, the commercial interests of Starbucks in Nariño, Colombia, and how (if at all) coffee farmers in that region are benefiting from dealing with Starbucks and its sustainability systems.

In what follows I argue that in fact Starbucks Sustainability policies only help the company's own bottom-line and commercial interests. Small coffee farmers in Nariño, where Starbucks exercises direct influence, do not fully benefit and are only marginally empowered, if at all, from such transactions. In order to understand these processes, I analyze: (1) the International Colombian Coffee Supply Chain; (2) Starbucks' Fair-Trade system and CAFÉ

Practices as sustainable initiatives; and (3) Starbucks Single-Origin Colombian Nariño Coffee production and its effects on farmers.

Fig.1. From "*Colombia Nariño*," Starbucks Website. Advertised as "Complex and elegant, medium-bodied with a juicy acidity, herbal notes and a walnut-like finish, it is a unique collection of flavours."

1. *International Coffee Commodity Chain Analysis*

International Commodity Chain (ICC) Analysis helps us to understand how enterprises such as Starbucks, a transnational corporation, manage their commercial networks in Latin America to produce, distribute, transform, and deliver a commodity so loved and consumed such as coffee. Coffee, a product that plays a central role in Colombia's national economy, generates important revenues for the nation and the other 64 coffee producing countries around the globe (Rueda 286). An ICC helps to analyze the value added by the consumer, as well as to see if farmers who sell to differentiated markets receive a larger portion of premiums for their labor or if the principal beneficiaries are in fact globalized corporations such as Starbucks (Rueda 287).

(a) Historical Conditions

In 1989, when the International Coffee Agreement and its affiliated countries failed to agree on the export quotas that kept coffee prices relatively stable for more than three decades, the global coffee market entered the globalized world. The subsequent increase in the production of other coffee-producing countries like Brazil and Vietnam further reduced international coffee prices, which affected small coffee farmers in Colombia who were exposed not only to price volatility but also to the concentration of power in the hands of few multinational corporations like Starbucks (Rueda 288). Coffee is a labour-intensive commodity grown in more than 55 countries worldwide. Therefore, abrupt changes in the international coffee markets can have devastating consequences on land use and poverty for many coffee farmers around the globe. Additionally, the deterioration in international coffee prices coincided with changes in global consumption patterns of the developed North, causing a change in corporate strategies towards market differentiation and sustainability practices (Rueda 289). Nevertheless, most of the growth in the coffee consumption has been added by coffee producing countries such as Brazil and Vietnam (3.7% and 3.0 annually respectively), and more recently Colombia too. This is the reason why Starbucks entered the national coffee market in Colombia; hence, opening its first store in Bogota in 2014. According to Starbucks CEO Howard Schultz, “Starbucks is planning to open at least 50 shops across the country over the next five years” (The Economist). Demonstrating that Starbucks not only has the intention to benefit from exporting Colombian coffee (and its image) but also to gain access to the coffee retail and current coffee markets within the country.

Two main coffee varieties trade internationally: Robusta and Arabica. Robusta has a stronger taste, is a sturdier crop (less susceptible to diseases) and is considered to be of lesser quality used in instant coffee blends. Knowing this, Starbucks has launched through its many stores around the world, “Starbucks Via ® Ready to Brew Colombian" aiming to dominate the instant coffee market in developing countries like Colombia itself, where people drink ‘*tinto’* (watered-down instant coffee) instead of coffee made of Arabica beans. Hence, Colombia exports 98% of its best Arabica coffee and drinks instead imported Robusta coffee (from Ecuador, Peru, and Brazil) of less quality showing the imbalance of the commodity.

On the other hand, washed Arabica beans tend to be sweeter, milder in taste, and of high quality. Most coffee roasters and coffee chains such as Starbucks will mix Arabica and Robusta beans to balance the flavor and because it is cheaper to make blended coffees this way. In 2010, about 41% of the coffee traded internationally was Robusta beans, while 59% was of Arabica beans. Colombia only exports washed Arabica beans to international markets. Consequently, this product differentiation has caused high-demand for Arabica beans (Bitzer and Glasbergen 271). However, product differentiation suggests that a new wave of commoditization where certified coffee production is the norm, has forced small coffee farmers to raise their quality standards and sustainability initiatives to remain competitive.

(b) The Value Added of the International Colombian Coffee Commodity Chain

The International Coffee Commodity Chain starts locally in Colombia and involves few transformative processes and a limited number of players (Figure 2). It begins with the small coffee farmers who harvest the coffee cherries, de-pulp and dry them in the sun, to produce what is called “parchment” that is then taken to the closest purchasing point. The coffee market is very lopsided, as more than 500,000 farmers, 95% of whom have less than four hectares of land, sell their coffee to local traders, cooperatives, and independent buyers all year round. Coffee growers are therefore price takers with no real influence on the market, making them very susceptible to any variation in price (Muradian and Pelupessy 2030).

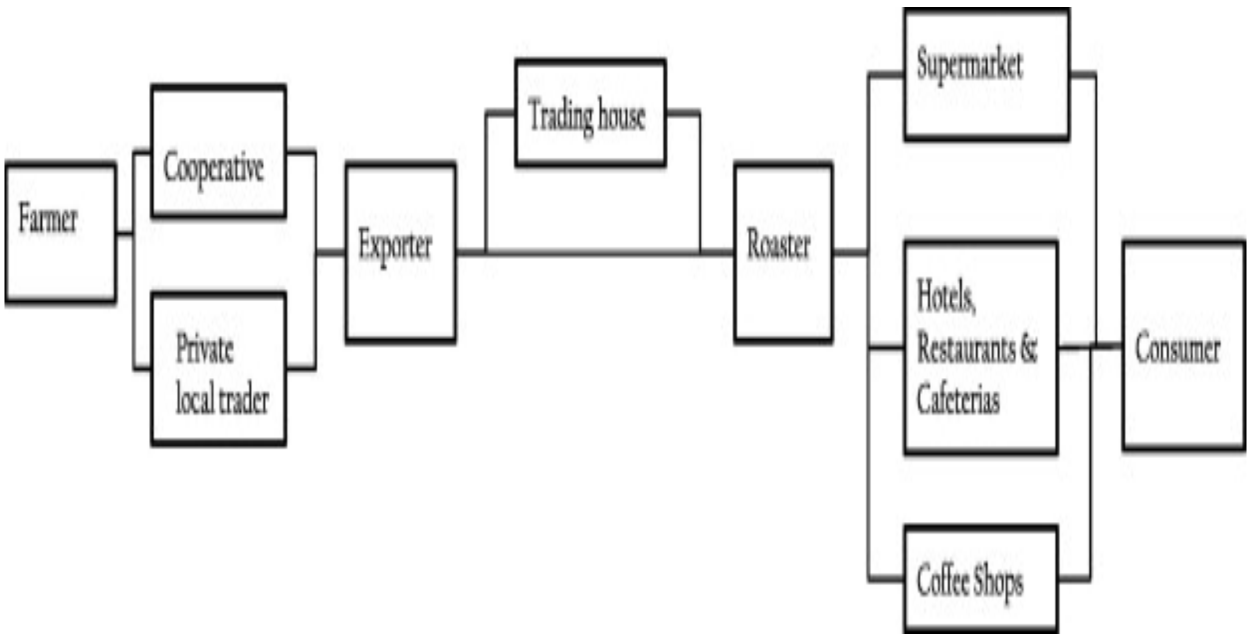

Figure2. *Value chain for Colombian coffee*

(i) The point of purchase

Colombian farmers can sell their coffee to local traders or to the Colombian Coffee Growers Federation (FNC), which owns cooperatives in more than 5,000 municipalities all across Colombia. The FNC provides, among other services, development, infrastructure, technical assistance, and training for small coffee farmers. In late of 2015, Starbucks, considered a formal trader, opened a new primary point of purchase and roasting in Medellín, guaranteeing a direct presence in the country and control over its own coffee supply (Rueda 291).

(ii) *Shipping and exporting*

Exporters mill the parchment, before transporting and shipping it through a variety of ports located on both the Pacific and the Atlantic coasts. In 2010, there were more than 80 active coffee exporters of Colombian coffee. Of these, the FNC is the largest with 26% of the total volume; five national companies have 24% of the market; and four international corporations, one of them being Starbucks, have 22% of the total trade (Rice 42).

(iii) *Exporting, roasting, and distribution*

Many traders export coffee but from their ports, but in the case of Starbucks, coffee is exported directly from its exporting center in Colombia. Most roasters in Japan and North America use traders to deal with the importing procedures as a way to protect themselves from the risks involved in coffee trading such as exporter's defaults, shipping problems, and price volatility. Comparatively, European roasters import coffee from Colombia directly. Once the coffee is milled, it must be roasted quickly to achieve quality. Roasters distribute coffee via three different channels: coffee shops, restaurants, and cafeterias (Bitzer and Glasbergen 273).

(iv) *Pricing*

Like other agricultural products, coffee is bought and sold internationally at a commodity exchange market for its derivatives and physical trading features. In economic terms, Coffee is a "superior good," meaning that as income increases consumption will increase too, hence making it a non-substitutable commodity. Similarly, attributes relating to the place of origin, production systems, processing, and physical defects also affect its price (Muradian and Pelupessy 2035).

2. Starbucks’ Fair-Trade systems and C.A.F. E Practices

The cornerstone of Starbucks’ approach to sourcing coffee in Colombia and around the world is Coffee and Farmer Equity (C.A.F.E.) Practices, one of the coffee industry’s first set of sustainability standards, verified by third-party experts. Developed in collaboration with Conservation International, C.A.F.E. Practices has helped Starbucks create a steady supply of coffee but has also impacted negatively the lives and livelihoods of coffee farmers and their communities.

In recent years, many NGOs, as well as social groups, have criticized international coffee corporations such as Starbucks for their relations with global production and international trade, calling this system unjust and distorted. Many initiatives have emerged from the coffee industry, where workers and small coffee producers continue to live and farm under undesirable conditions. Let us pay close attention to Starbucks Fair Trade system and CAFÉ Practices (Figure 3), which the company promotes as initiatives that improve the well-being of poor and marginalized small coffee farmers and their participation in the international coffee chain.

The rate of applications verified through the C. A. F. E. Practices program increased steadily between the years 2006 and 2008, dropped significantly in 2009 and began to rise again in 2010. The number of applications verified peaked in 2008 at 804 and began to level out again in 2010 with 617 applications verified for that year, a difference of 23%.

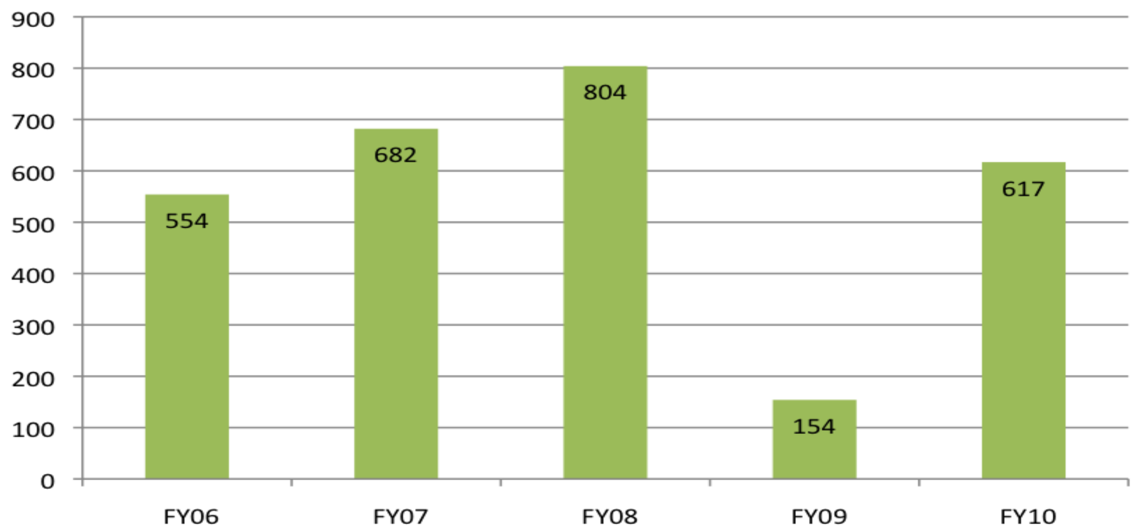

Figure 3. Number of Applications Verified Per Year, FY06-FY10

Fair Trade emerged in the 1960s as an alternative market system, which set out to promote agro-commodities from marginalized farmers and workers in the developing world. The primary goal of Fair Trade certification is to guarantee a minimum price at the farmer level by setting a price minimum to consumers who are conscious enough. Likewise, it aims to make a direct connection between the farmer and the eventual buyer, removing from the equation the middlemen in producing countries such as Colombia.

Until recently the major coffee roasters did not publicly acknowledge any responsibility for the conditions under which coffee is grown around the world, but by the mid-1990s, NGOs started to pressure big international corporations such as Starbucks to increase sustainability. In response to this pressure, Starbucks adopted codes of conduct and began integrating Fair Trade practices into its commercial portfolio as a way to change its image while creating international partnerships. Additionally, Starbucks' Coffee and Farmer Equity (C.A.F.E.) Practices, introduced as a pilot program in 2001, is of particular relevance given Starbucks’ size and visibility within the global coffee chain (Muradian and Pelupessy 2040).

Starbucks’ C.A.F.E. (Coffee and Farmers Equity Practices) Programs certification ranks farmers according to the extent of their compliance with a set of criteria related to four areas of their production processes (i.e., product quality, economic accountability, social responsibility, and environmental leadership) (Renard, 2010). Global buyers involved in the production and commercialization of coffee have made strong commitments to increasing the share of coffee sourced from certified farmers. Starbucks claimed recently that 99% of its coffee purchases are from certified farms, most of which have the Starbucks in-house certification (Starbucks, 2016).

Yet producers receive lower prices from Starbucks than from other producing programs like Bird-Friendly or Organically certified, demonstrating Starbucks failure to offer meaningful support to farmers and workers while limiting its ability to generate multiple effects in accessing wider resources and better opportunities in the development of rural areas. For instance, shown in a study by Bolwig et al. (2009), the authors find that Organic certification has a positive effect on farmers’ environmental conduct, and particularly soil management techniques. Positive results of Organic certification on farmers’ environmental management can be found in Ibanez and Blackman (2016) which examines coffee farmers in Colombia and finds that being certified leads to improvements in waste disposal, and increased use of organic inputs. In another study of Colombian coffee producers, Rueda, Thomas, and Lambin (2015) use satellite images to study environmental practices in areas where coffee producers had been granted Rainforest Alliance certification; they found a positive effect of the certification on tree cover and diversity.

In contrast, even though Starbucks markets itself as having sustainable practices, in reality it obscures the distinction between its commodity chain system compliance and that of other programs which do help farmers. Giovannucci, Byers, and Liu (44) suggest that in-house certifications/programs often are viewed with some skepticism, and seldom figure in sustainability discussions because they can be used instrumentally by private firms for their own ends rather than to truly improve the livelihoods of farmers: ‘‘they may not meet the economic needs of producers . . . by not providing adequate remuneration for sustainable production practices”. In sum, Starbucks’ sustainable programs and practices are marketing strategies that have been criticized for having the potential to decrease empowerment of coffee farmers while confusing conscious consumers who seek to make a difference in the lives of hard-working coffee farmers in the developing world.

3. Starbucks Single-Origin Colombian Nariño Coffee production

Four years ago, in order to become the leader of a particular niche of coffee market in what is known as gourmet coffee consumption, Starbucks started featuring on its website (and in more than 650 stores worldwide) Starbucks New Single-Origin Colombia Nariño. This variety of coffee is said to grow “at elevations higher than 6,500 feet, where warm tropical days and cool nights let the beans develop slowly.” Colombia Nariño is part of the original Starbucks Reserve© Coffee Program, which aims to satisfy the ever-changing tastes of customers, or at least this is how they present it on their consumer reports and website. Starbucks does so by supplying its clients with exotic, rare, and exquisite small-lot coffee beans, including those originated in Nariño, El Peñon, Caldas, and the Valle de Oro in Colombia (Starbucks.com). With this type of branding, Starbucks is representing a whole geographical farming area with a mixture of reality and fiction. For example, Starbucks promotes the department of Nariño as having "the right geography for growing shaded-coffee,” where mild and delicious flavors are attributed to Nariño's perfect climate and the unique artisanal way in which coffee is grown by its skilled farmers (Food Weekly News). Starbucks CAFÉ Practices, which supposedly helps Nariño’s farmers achieve a better income, in fact exploits them because it only pays them a small fraction for their labor while also taking advantage of the imagined geographies buyers may have of Colombian coffee.

Coffee Farmers in San Lorenzo, Nariño.

For instance, Starbucks’ reports say that 22,000 farms in Nariño are participating in its program but, when asked, many coffee farmers in the area said, “to have no idea of what that sign [C.A.F.E. Practices logo] means” as reported by the The Economist. The consensus in Nariño is that not much has happened with the C.A.F.E. Practices program in recent years; but while the program appears to be absent on the ground, it is very present on the company's website, in its marketing campaigns, and in any discussion about its corporate responsibility.

The value added for single-origin coffee shows that, on average, small farmers get 13% of the value purchased by consumers, while exporters capture about the same (13%), and roasters such as Starbucks capture about 74% of the added value. In addition, voluntary standards focus on the standard rather than on the origin of the coffee, favoring demand loyalty to the standard itself rather than to the coffee grower or his/her region of production. As the coffee origin and its exposure as an attribute of differentiation becomes less important than the sustainability standard in consumer communication, the farmers and their regions’ ability to differentiate and capture value through the symbolic quality and the origin information that enhances consumer’s willingness to pay is curtailed. Thus, the standards become a factor that contributes to the delocalization of production, and growers end up competing with other standard compliant coffees with lower premiums from regions or countries with different production costs and qualities. It is therefore not surprising that impact assessments of voluntary standards made so far show that the value added, when generated, mostly stays with other actors of the supply chain, including certifying agencies, while farmers obtain a limited participation in the resulting increased revenues (Samper and Quiñonez-Ruiz 10).

In turn, Starbucks sells coffee directly to consumers in its stores using elaborate marketing campaigns where ideas of idyllic climate, perfect terrain and hand-picked conditions play an important part in reinforcing imaginative geographies. In the end, these strategies help promote and sell their coffee while also makes them appear as a benevolent company that empowers Nariño's small coffee farmer. Yet this is just a marketing trick. To be clear, when people buy a coffee bag of Starbucks’ Nariño, what they see depicted in the bag are images of indigenous mask, the outline of mountain ranges, and mixture of vegetation, all rapped up very stylishly in gold-brown and black packaging. For this reason, all these images play on the pre-conceived geographical imaginaries that people, and for that matter the Starbucks consumer, may have of Colombia while luring them to buying a product that is wild, virgin, and pre-colonial.

Conclusion

Starbucks has benefitted from promoting its private Coffee and Farmer Equity (C.A.F.E.) Practices as one of the leading industry’s first set of sustainability standards, verified by third parties. Starbucks has also named itself as the largest single purchaser of premium Colombian arabica coffee while naming Colombia Nariño Single-Origen unique and its leading gourmet-coffee. Nevertheless, it is clear that Starbucks sustainability alliance and C.A.F.E practices are marketing strategies oriented towards favoring the company’s bottom line. Comparatively, Starbucks’ sustainability standards are also directed at increasing the symbolic quality of purchase power (e.g. buying a unique gourmet coffee) that consumers pay for Colombia Nariño. In this case, Starbucks’ C.A.F.E practices became a medium to provide assurance, communication, credibility and differentiation value among specialty brands. In parallel, Starbucks has begun to use Geographical Indicators (GIs) in their coffee chain production as a form of developing conditions to protect their coffee origin reputations and capture more value (E.g. Colombia Nariño single-Origen). With these Single-Origen Geographic Indicators and other intellectual property tools such as certification marks and collective or trade marks, Starbucks is focusing on differentiating, protecting and labelling their traditional coffee brands with origin branding initiative, such as Colombia Nariño, that can be classified as “differentiation from below” efforts.

Clearly the coffee industry is at a crucial moment to define the best sustainability strategy going forward. The time has come for revisiting, revaluating and improving coffee sustainability and differentiation models that can be more relevant to coffee origins. This implies additional responsibilities to coffee industry members to continuously improve the current tools to pursue an economic, social, governance and environmental sustainability for all actors in the supply chain.

Everyday consumers like me, however, can be proactive and find optimal ways to buy coffee that is, in reality, helping small farmers in Latin America, and therefore, Colombia. Younger consumers around the world have become less influenced by traditional advertising and more thoughtful of their purchasing decisions. The evolving "reasons why" to buy a product or a service include, in many instances, the impact that such products have in the communities where they are produced, their environmental footprint and the labor practices used.

We, as coffee consumers, should be more conscious about buying from coffee brands that are certified in how they dealt with concrete criteria in ecological and environmental standards. The following are examples of mechanisms that require third-party auditors: Bird-Friendly (Smithsonian Migratory Bird Center), Rainforest Alliance (UTZ merged with this company in 2017), Organic, and "Fair Trade" programs. Additionally, with regards to actual brands, some of the most recognized leaders in the industry internationally are: Cafédirect (London based has a Fair Trade and Gold Standard certifications); Higher Ground Roasters (Fair Trade, Organic, and Shade-Grown is from Leeds certified, Alabama); Grumpy Mule (Fair trade, Rainforest Alliance, Organic certified that drive their roasting and sourcing practices from London, U.K.); Pura Vida Coffee (Fair trade, Organic, Shade-Grown certified from Tukwila, Washington), and Conscious Coffees (From Boulder, Colorado, it is a is a is a certified B Corporation that buys only certified organic Fair Trade coffee grown on small family farms that are collectively self-organized into cooperatives.); among others.

On the national side of the spectrum, Canada has some good certified coffee roasted brands that are doing their jobs responsibly. Some of the leaders in the marker are: Level Ground

Trading (a Fair-Trade company from Victoria, BC, import their products directly and travel to the countries where they’re grown); Kicking Horse Coffee (a Canadian Fair Trade coffee company from Invermere, BC); 49th Parallel Coffee (located in Vancouver, Canada, work directly with the farmers that they source their coffee from and publish regular transparency updates sharing their sources, case studies, and even their coffee prices.); 23 Degrees Coffee (a Toronto-based coffee roaster is a Fair Trade and Organic certified); and Los Beans Coffee (a Vancouver-based company which trade model deals with Direct, Fair Trade and Organic certifications and also a great commitment to their farmers and to the environment.).

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