

Coffee in the Global Economy

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Abstract

This article describes the origin of coffee, and how it became a globalized commodity leading into the current global landscape of coffee exchange. Significant contours of coffee production taking place in the various geographies are examined. Then notable organizations that influence global coffee markets are referenced. Finally, I state a few suggestions for progressive action with respect to global coffee exchange.

Keywords

Arabica – Brazil – coffee – equatorial – fair trade – monopoly – Robusta – Vietnam

1 Introduction: Coffee, an Early Globalized Commodity

When did coffee become a globalized commodity? The answer is when coffee became available outside the Islamic world of the Mideast. Coffee is generally thought to originate in Ethiopia near the Red Sea. The Oromo people, a tribe in Ethiopia, boiled desiccated cherry husks in water to produce what was initially called ‘qishr’ in Arabic. Later the same drink was called ‘qahwa.’ Across the Red Sea on the Arabian peninsula, the Sufi Islamic mystics adopted the drink as ‘kafta.’ The drink made its way from the Arabian peninsula to Mecca, Jeddah, Medina, and eventually Cairo. The demand for coffee on the Sinai peninsula was met with shipments from the port of Zeila. The trade came under the control of the Banyans, a Gurjarati merchant caste that dominated shipping in the Indian ocean. Established by the Banyans around 1540, they controlled the only supply of roasted coffee for 150 years.

Mocha became the principal port to supply coffee for the Muslim world surrounding the Persian Gulf, Arabian Sea, and the Indian Ocean. Since Mocha was

also the supply port for oriental spices, European merchants returning from the East Indies were able to access coffee beans in small amounts. The appearance of coffee in Venice, Italy is documented in 1575. By 1650 coffee houses begin to appear in England. Coffee gradually conquered the European continent. At the end of the eighteenth century, coffee consumption in Europe increased from two million to 120 million pounds. Up to this point, coffee in Europe was in the culinary domain of only the wealthy and rich. By 1720, the Dutch East India Company importing coffee from Indonesia through Amsterdam made it possible for all classes, including the working class, to have access to coffee. At this point coffee was truly a globalized commodity (Wikipedia 2021a).

The French followed the Dutch and established the French East Indian company. Coffee was introduced to the island of Réunion. Production on Réunion was limited compared to Indonesia, but coffee beans made their way to Paris and then to Caribbean territories. As decades passed, coffee became a crop in the entire tropical climate band (Morris and Thurston 2013).

2 Breakdown of the Top Coffee Producing Nations in 2019¹

2.1 *Brazil (2,680,515 Metric Tons)*

Coffee was probably introduced to Brazil from Guiana around 1727 (Casa Brazil nd). It was considered a minor crop until 1820. After 1820, the importation of African slaves drastically increased the quantitative production of Brazilian coffee. Slavery was set to legally end in 1830, but in reality, continued in some form for another 50 years. In some ways the political economy of Brazil during this 50-year period can be compared to the “Jim Crow” conditions in the southern United States after the Civil War.

On May 13, 1888, slavery was formally banned by Brazilian law. What occurred next becomes a common pattern across the equatorial regions of the planet. Instead of slaves, workers are imported into Brazil to what amounts to indentured servitude (Teixeira 2019). The class-race conflict intensifies when laborers of color rebel against European plantation owners. There are even cases of imported labor from Switzerland that ended up in immediate conflict and failure.

In the early twentieth century, the rail infrastructure was built to expand the delivery to export centers from growing regions. The government imported workers, often from European countries, like Portugal and Spain, to build the railroads. Up until the International Coffee Agreement, Brazil controlled 80

¹ See Farrer’s Tea & Coffee Merchants (2019).

percent of all coffee exports until 1968 with the advent of the International Coffee Agreement (Wikipedia 2021b).

Class differences in Brazil between growers and workers are extreme. Inspectors from Reuters found a number coffee pickers in the largest Brazilian coffee growing region working in an environment of virtual slavery (Vietnam Culture nd). One farm, which the inspectors raided supplies Nucoffee, a part of the agribusiness giant Syngenta, which sources beans from 4,000 farms and helps producers sell abroad. Companies like Syngenta are the core of agricultural globalization.

2.2 *Vietnam (1,542,398 Metric Tons)*

Coffee was introduced to Vietnam by the French in 1857. In the early twentieth century production shifted from small farms to large plantations organized by the French. Production suffered during the Vietnam War. After the war, all the plantations came under national collective ownership, but production levels continued to fall short of productive potential. The Vietnamese leadership changed course and implemented a mixed economy of collective and small farm private ownership (Wikipedia 2021c). The result was increased coffee production, (though not immune from boom-and-bust cycles), that propelled Vietnam to the second-largest coffee producer on the planet. One reason is the inexpensive cost of labor when compared to other coffee producing companies in the world market. The shift from a “Soviet”-style planned economy to a socialist market economy provided the basis for growth in coffee production.

Within Vietnamese coffee production class differences do exist. The Kihn, who operated smaller farms, speak Vietnamese and are from South China and Vietnam. Ede farmers have larger parcels of land concentrated on the central highlands, but produce less. They have a distinctly different culture and language, a Malayo-Polynesian language (Vietnam Culture nd). Using family labor and higher household dependencies is one contributing factor for the differences.

2.3 *Columbia (754,376 Metric Tons)*

It is likely that Jesuit priests introduced coffee in Columbia about 1730. Given this early introduction, Columbian coffee was not exported until the second half of the nineteenth century, in the 1830-to-1840-time frame. Around 1933, the Pan-American Coffee Bureau was agreed on by all participating national organizations. Its main purpose was to curtail overproduction. Of course, the body had to come to an agreement in Washington with the Inter-American Agreement to establish production quotas. After some disastrous liberalization policies in the 1950s, the United Nations organized the International

Coffee Agreement. The charter included forty-two exporting countries and twenty-five importing countries.

The objectives of the 1962 agreement are:

- Reach a balance of supply-and-demand, meaning adequate supply of coffee to consumer nations and equitable prices for producers.
- Eliminate onerous surpluses and excessive fluctuations. Promote higher wages, better working conditions, and a better standard of living in producing countries.
- Stimulate international cooperation with respect to coffee issues.

In 2001, Vietnam replaced Columbia as the second-largest coffee producing nation on the planet. Currently coffee in Colombia is produced by small farms operated by 500,000 families (Wikipedia 2021d). In 2013 there was strike by the growers that blocked the roads to five major cities. Subsequently a struggle ensued between the growers and Escuadrón Móvil Antidisturbios, or the national disturbance police. The strikers claimed that the government ignored farmers' requests for support during an economic downturn. The debate continues to rage in Columbia over the neo-liberal actions of current government coffee support organizations. Clearly the small growers remain an underclass to those who control the channels to the global market (Cuéllar 2013).

2.4 *Indonesia (668,677 Metric Tons)*

The first shipment of seedlings was sent to Indonesia in 1699. Then in 1711, the first exports were sent from Java to Europe by the Dutch East India Company, reaching 2000 pounds shipped in 1717. Indonesia was the first place outside of Arabia and Ethiopia where coffee was widely cultivated (Wikipedia 2021e). The Dutch East India Company, officially the United East India Company (Vereenigde Oost Indische Compagnie or VOC), was a mega-corporation founded by a government-directed consolidation of several rival Dutch trading companies in the early seventeenth century. It is believed to be the largest company to ever have existed in recorded history (Wikipedia 2021f). The VOC was dissolved in 1799 with the Dutch government taking all assets. What followed in 1800 in Indonesia was a corrupt and particularly oppressive system where the crops were taken to government warehouses. This system was named Cultivation System. Under this system, 20 percent of all controlled crops were required to be deposited in a government warehouse. From 1800 to 1840, Indonesian had the largest global coffee production. This monopoly was eclipsed by Brazilian production after 1840.

It is important to note that the Dutch public became aware of the Cultivation System in 1860. Eduard Douwes Dekker, pen name Multatuli, wrote *Max Havelaar; or, The Coffee Auctions of the Dutch Trading Company*, exposing the

oppressive system and colonialism in general. One of the first Fair Trade organizations adopted the name Max Havelaar.

After independence in 1950, all the coffee plantations in Java were nationalized. A number of additional growing regions now dominate the production of Indonesia with the historical Java region only producing a small percentage of the crop. Coffee is often grown as a forest margin crop, and in January 2007 the World Wide Fund for Nature (WWF), reported that land was illegally cleared for coffee farming in Bukit Barisan Selatan National Park on the island of Sumatra. The protected park is home to endangered tigers, elephants, and rhinos, and WWF predicts that these species will be extinct in a decade should the clearing and farming continue. These claims were further supported by the use of remote sensing imagery in the region. WWF states that the illegal coffee is sold to Western companies such as Nestlé and Kraft Foods.

Creating a direct relationship between the small coffee farmer and buyer, usually a small coffee company in one of the consuming countries, has gained some notoriety in recent years. To what degree the one-to-one relationship helps the farmer is subsequent to questions. To what degree locally organized cooperatives that operate in this mode are an assistance to farmers is also in question. We could generalize these observations to other coffee growing regions outside of Indonesia that attempt a similar relationship (Daily Coffee News Staff 2020). As it stands currently, small farmers have little bargaining power in the global coffee industry.

2.5 *Honduras (475,042 Metric Tons)*

Coffee was introduced to Honduras by traders in the eighteenth century. Up until a few decades ago, it was produced only by a few growers with small farms. A deliberate top-down change from bananas and raw commodities to selling coffee to consumer nations after World War II were the conditions that caused the tremendous increase in Central American coffee exports. In Honduras, a well-organized movement led by a growing number of coffee farmers that dominated the rural areas produced riots in the streets from 2000 to 2004. The social and economic prominence of coffee was strong enough to pressure the government into moving the support structure and services dedicated to coffee from public to private control (Sevilla-Palma et al. nd). Thus 40 percent of Honduran coffee is in the public sector and 60 percent in the private sector.

2.6 *Ethiopia (471,247 Metric Tons)*

The coffee plant Arabica originates in Ethiopia. According to legend, a ninth-century goat herder in the region of Keffa discovered the coffee plant after

noticing the energizing effect the plant had on his flock, but the story did not appear in writing until 1671. The Tea and Coffee Authority, part of the federal government, handles anything related to coffee and tea, such as fixing the price at which the washing stations buy coffee from the farmers. This is a legacy from a nationalization scheme set in action by the previous regime that turned over all the washing stations to farmers cooperatives. The domestic market is heavily regulated through licenses with the goal of avoiding market concentration. In global markets, Ethiopia's Arabica coffee is valued for its unique taste. Ninety-five percent of the country's coffee is cultivated by an estimated four million primarily small and often poor, farming households (Minten 2017).

2.7 *Peru (346,466 Metric Tons)*

Coffee was introduced to Peru after 1700. Most of the coffee growers are indigenous and do not speak Spanish. The average indigenous farmer works a farm that is five to eight acres (two to three hectares). These farms typically do not have electricity nor running water through plumbing (Equal Exchange nd). The Agricultural Ministry has centralized coffee distribution allowing access to the global market. Peruvian coffee is often sought after by small shops in the consuming countries that sell specialty coffees.

2.8 *India (234,000 Metric Tons)*

Coffee was introduced to India in the seventeenth century. The coffee seeds originated from Mecca. It grows almost entirely in the southern states. Historically Indian coffee was controlled by the Coffee Board of India. A liberalization policy shifted the organization into the private sector domain. The vast number of coffee growers have farms equal to 25 acres (ten hectares) or less (Wikipedia 2021g). In 1996 India coffee went through neoliberal changes allowing small Indian growers to access entire global marketing, but with a loss of quality due to focus on production.

3 **Hawai'ian Coffee**

The once independent Kingdom of Hawai'i is the only coffee-producing area in the geo-political United States. It is likely that coffee first was introduced in 1825, via Brazil. It was first introduced to Oahu and then found its way to all eight Hawai'ian islands. In 1892 high-quality "typica" arrived from Guatemala. This became the favored strain, especially in the Kona district of Hawai'i island, the big island. By 2010, the Hawai'ian islands produced about four percent of the green beans when compared to total global production (Steiman 2013).

Currently coffee is produced on all eight Hawai`ian islands, with a predominance of the Kona district followed by the Ka`u district. There is a relative high standard of living of Hawai`ian farmers when compared to coffee farmers in the other regions of global coffee production. Consuming organizations often complain that Hawai`ian, and particularly Kona, coffee is overvalued in price. I would argue that the coffee in the rest of the global coffee growing regions is undervalued in price.

Currently within the Kona region, there are two distinct classes of coffee producers. The small independent farmers align with Kona Farmers Association and the larger farmers with corporate ties align with the Kona Coffee Council. The initial conflict between the two organizations centered around coffee labeling. The large farms in the Kona Coffee Council supported a label that stated “A Kona Coffee Blend, 10% Kona Coffee.” Where the blend came from is never declared. In 2018, an additional source of conflict presented itself. Atlanta-based Domain Capital Advisors, with US\$4.1 billion in capital acting as Kona Hills LLC, set up the largest farm in Kona on 1900 acres of land. The company was able to have an exemption from the Hawai`ian Department of Agriculture with the ability to import 1.5 million In-Vitro coffee plants from Costa Rica (Dible 2018). This type of subterfuge is typical of what large capital can do to all the growing regions.

4 International Coffee Agreement

The International Coffee Agreement was initiated in 1962, but wasn't effective until 1968. Initially it stifled the Brazilian monopoly, but later pursued deregulation and sponsored various types of support and cooperation. The council operates under the auspices of the United Nations. The agreement attempted to establish quotas based on price and production. The International Coffee Organization (Wikipedia 2021b) describes their objectives: “the ICO is dedicated to strengthening the global coffee sector and promoting its expansion in a market-based environment” (ICO 2021). Clearly the ICO is the primary organization for commodity globalization with respect to coffee products. The economic clout within the organization lies with the EU and the US, who pay the biggest shares of the ICO budget. Growers are represented at ICO meetings by government officials from Ministries of Agriculture or Trade, thus guaranteeing oligarchical control. The US withdrew from the council in 2018 due to presidential policies at that time.

It should be noted that the trend in recent political and economic history has tended to strip away controls that safeguard a range of systems including

coffee. Neo-liberal ideology has wreaked havoc in the global market. After the 2008 collapse, Alan Greenspan professed himself to be in a state-of “shocked disbelief,” because the “whole intellectual edifice” had collapsed (Baker 2013).

I find that the division of the producing bloc and the consuming block not only divided by economic class but also by ethnicity or race. The producing bloc consists mostly of peoples of color.

5 Fair Trade

Fair Trade is a system of coffee contracts that provides a guaranteed minimum price regardless of the movement of global markets. In addition to this primary goal, Fair Trade supports a comprehensive approach to sustainability, access to credit and community development, like access to education, health care, clean water, and micro loans (Rice 2013). In reality, coffee harvesting is almost always seasonal. Usually there is a period of several months where the coffee farmer has little or no income. Fair Trade certification is not always helpful in this situation. Impoverished coffee farmers often turn to their local cooperatives or support organizations for help (Peysner 2013).

There are critical responses to Fair Trade and what it does. Does the cost of Fair-Trade certification supersede growers’ economic benefit? There are lower-quality beans in each harvest, and there is a tendency to dump deficient beans into Fair Trade channels. Fair Trade exports from the poorest coffee-growing countries in Africa are a fraction of other more successful producing nations (Wydick 2014/2016).

My own perception is that Fair Trade and organizations like it should be examined with a critical eye, but not discounted. It is an attempt to control the dominant interests of capital in the global coffee market.

6 Some Progressive Responses

- Pay attention to the Rain Forest Alliance in Brazil as it attempts to certify farms that pay expected wages, and foster humane working conditions and other organizations doing similar work.
- Consider the Women’s International Coffee Alliance as a positive global force.
- Consider Fair Trade with a critical view, but as an attempt to counter the worst excesses of large national and global capital during coffee exchange.

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