TOWARD THE RE-INVENTION OF “FAIR TRADE”

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The height of injustice is to be deemed just when you are not. Plato

With an open treasure, even the most righteous sins. Saying.

The VII song of the Odyessy tells how the goddess Circe warned Ulysses that the sailors of those waters were so enchanted by the song of the sirens that they went mad and lost control of their ships. To not succumb to that enchantment, Ulysses asked that he be tied to the mast of the ship, and that the oarsmen have wax put in their ears, and ordered that if he, because of the spell of their song, would ask that they free him, instead they should tighten the knots. So it was that Ulysses and his oarsmen were saved, and the sirens, failing in their objective, threw themselves off the cliff.

Facing unfair commercial relations, Fair Trade (FT) emerged as an alternative so that people who organized might improve their lives and be a space of solidarity among different actors beyond their countries´ borders. Nevertheless, the institutional structure of the power relationships under the market rule of elites is like the sirens of the myth, capable of seducing the FT network, of turning it against its own principles, and turning solidarity into just a bunch of words, numbers and papers[1]. How can FT tie itself up to not succumb to the song of the sirens, and in this way, grow, enhancing its FT alternative principles? To respond to this question, we take as given that there are exceptional cooperatives, organizations, and people who confirm the importance of organizing and cultivating global solidarity, and that there are still more successful cooperatives, in countries in the south as well as in the north, in FT as well as outside of it. Nevertheless, in this article we study certain practices of the FT framework that seem to indicate its regression, and on that basis we suggest that FT re-invent itself. To do so we focus on coffee, which constitutes 70% of the volume of what is sold through FT[2].

It should be noted here that this analysis does not presume that all parties in the FT framework will view its conclusions with favor or agreement; indeed, some of the actors within the FT arena are very well-served by the current status of the FT mechanisms. Nor does the author attempt to provide a blueprint for all of the actions necessary to cultivate change. The intention herein is to describe the realities of the FT network as it most often operates, and to draw attention to the ways it could be returned to its original objectives and principles.

1. Introduction

The FT movement began in 1964 in the framework of the UN Conference on Trade and Development (UNCTAD). Since then, various European countries promoted the UNCTAD stores, selling products from developing countries. Later "solidarity" store chains were founded. In 1973 trade in FT coffee began with Guatemalan cooperatives under the brand of "Indio Solidarity Coffee". In the decade of 1980s the volume of products increased, and their designs improved: the solidarity stores sold combinations of coffee, tea, honey, sugar, cacao, nuts, bananas, flowers and more. In 1988 the "Max Havelaar"[3] seal began operating.

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[1] Even though strictly speaking currently FT is the organization known as FLO International (Fairtrade Labelling Organization International) and FT-USA (FT-United States), we call "the FT network" the series of cooperatives, certifiers, social banks and buyers who operate under the FT seal.

[2] We have followed the topic of fair trade in coffee since 1996 (See: Mendoza 1996, 2003, 2012a and 2012b; Mendoza & Bastiaensen, 2002).

[2] We have followed the topic of fair trade in coffee since 1996 (See: Mendoza 1996, 2003, 2012a and 2012b; Mendoza & Bastiaensen, 2002).

[3] Multatuli (pseudonym of the Dutch novelist and ex colonial administrator, Eduard Douwes Dekker) wrote a novel in 1860 with that title (Max Havelaar) where the protagonist with that name resigns from his position as colonial administrator in Java (Indonesia) over colonial abuse, forcing the producers to plant coffee and sugar cane instead of basic products, and imposing a tax system on them that produced famine. The book created awareness about the fact that the wealth that was enjoyed in Europe was the product of the suffering of the population in other parts of the world. This in turn gave rise to an ethical policy that consisted of returning that wealth, by educating some native groups loyal to the colonial government.

In 1997 the International Fair Trade Organization was created (FLO). The appearance of FLO signified a substantial change in the FT movement, from marginal sales of alternative chains criticising capitalism to entering the capitalist product and brand markets, transacting large volumes, arguing that in this way they would transform the capitalist market and improve the income of producer families. According to Taylor et al (2005:204), it was a change from an Alternative Trade Organization (ATO) governance structure that emphasized direct relationships between consumers and producers, to a more impersonal label, and the search for market niches under a more conventional strategy. This change was accompanied by greater control over FLO by the countries of the north, where the votes of the producer organizations had less weight. This boon of FT turned into an internal crisis, and then into a change in the governance structure. A debate that started in 2001 concluded with a split in 2011, when FT-USA withdrew from FT international (FLO). FT-USA argued for "fair trade for all", proposed increasing the volume of coffee exports even more based on the inclusion now of large plantations (large producers), so that the workers of those plantations might also benefit. As an effect of this split, starting in 2012 FLO accepted that decisions in FLO would be based on 50% of the votes coming from organizations on three continents (Latin American Coordinator of Fair Trade from Small Producers, Fair Trade Africa and the Network of Asian Producers, together representing 800 organizations and a million small producers from 60 countries in Africa, Asia and Latin America), and 50% of the votes from 21 national brands in Europe and the United States. (Mendoza, 2012a). This division of votes was made in an effort to keep the support of the small producer organizations.

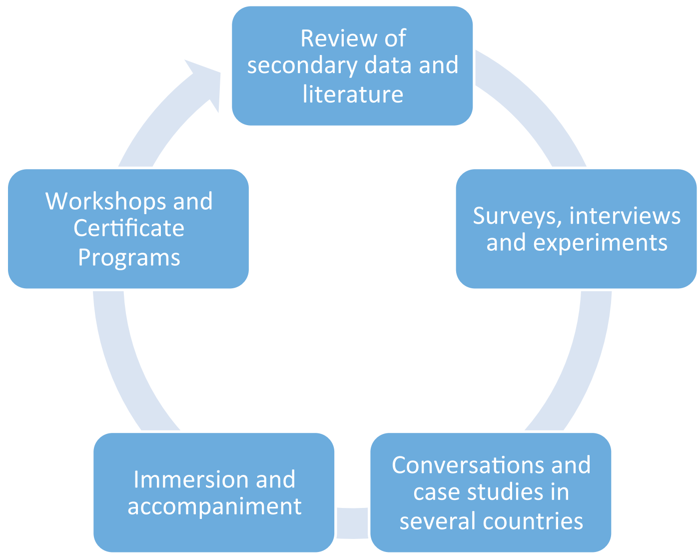
Far from freeing itself from that crisis in 2011, the FT network faces new challenges. The FT seal faces ever more competition from other seals with similar attributes. Many coffee buyers and roasters are moving toward the *direct-trade* instead of *fair trade* approach. And many cooperatives are facing a mix of crises and privatization, with the effect of a turn toward less democratic governance structures. These elements are an expression of an increasingly all-encompassing neoliberal market context, with a structure that commercializes everything and then brings about changes in the production and commercialization chains. This reveals for us the paradox of FT, growing and regressing: growing in volume, entering the conventional (*mainstream*) market, while it neglects a good part of its principles of transforming unjust trade relations, conquering markets and yet being absorbed by those markets, and economically energizing cooperativism while at the same time hollowing out its associative side.

This all-encompassing context shapes the actors, and at the same time is shaped by them. This raises the issue of the relationship between structure and actors. The structural perspective alone runs the risk of determinism, while just looking at the actors and their actions runs the risk of voluntarism. Structures are expressed in rules and regularities, collective and persistent phenomena, like "undercurrrents" below the waves. Social actors are like "the ocean waves", which produce and reproduce the structures, interpreting them in their actions. The structures, like conventional brokering or that of FT, limit and facilitate the actions of social actors; from there come reciprocal relations between individual and collective actors.

In this article we focus on that relationship between structures and actors, and from that framework we are not proposing that FT become again an "alternative" in terms of an ATO with small economic transactions, but rather that FT resolve that paradox of growth with regression, being "alternative" only insofar as it increases its current growth, deepens its democratic structures and improves its capacity to control markets to the benefit of its societies.

For that purpose we work on the basis of information and analysis that comes from several sources and work dynamics, shared with different actors in a reflective way: see Figure 1. First, we made use of conventional methodologies, like reviewing studies that have been published in recent years on fair trade, analyzing relevant secondary data in order to locate ourselves within the findings of the accumulated knowledge, pondered the weight of fair trade, and performed tests like weighing coffee from its cherry stage to its export coffee stage, as well as did cupping parallel to what the organizations do. We have also interviewed managers of businesses, traders and individual producers on the side of the private and conventional coffee chain, as well as some buyers who form part of the *direct-trade* movement.

Figure 1. Reflective Methodology



Second, we have held conversations with inspectors of certifiers, coffee buyers and/or roasters, cooperatives in the United States and store-cooperatives of Europe, social banking officials, and directors of international aid organizations. Within this framework we have studied outstanding experiences of cooperatives in each country in Central America (see Mendoza, 2016a, 2016b, 2016c, 2016d and 2017), and we have visited cooperatives in Bolivia, Colombia, Italy and the United States. In the cases of Central America, we did it through immersion processes, while in the rest of the countries our insights were gained through conversations held over several days. This helped us to think about similarities and differences among the cooperatives, and at the same time complement our reading on FT from the side of coffee buyers and solidarity stores in Europe and the United States. By saying "conversations," we distinguish them from interviews which are more vertical, one-way, where one asks and another responds. Conversations with 1 to 5 people is an exchange of ideas, including questions that we ask and questions that we are asked, information that crosses over, that we analyze and we translate into proposals for action. In some cases we held conversations through Skype and through email; and we nourished ourselves from the online reactions to the ongoing publications that we have been generating about the processes that we are encountering on rural development. In all this we have learned a lesson: every person has information (in their minds, written down in minutes or notes, receipts, promissory notes, contracts and even tables of data) and the capacity to analyze, and correspondingly all are capable of change to the extent that they learn, be they members of a cooperative or facilitators, as in our case.

Third, since 2010 we have been working with 35 grassroots cooperatives in Nicaragua, which is 20% of all first tier coffee cooperatives, providing followup to – and accompanying them in – their activities. This has allowed us to be immersed in the lives of their members and in the life of their organizations, providing us an understanding from within the cooperatives and gained over several years time[4]. In this

[4] As part of that accompaniment, in this year (2016) 7 cooperatives have surveyed their members, which will be repeated each year. We want the cooperatives to organize their information and in time analyze it to refine their policies. These surveys allow us to weigh the changes that are happening in the lives of the member families and the

we have learned that the lives behind the numbers are very important, and this insight is available to the extent that we "put ourselves in the shoes" of the member families, which includes not just understanding, but building friendships. It is this relationship that advances an understanding that causes changes in them and in those who accompany them.

Finally, we have held dozens of workshops and Certificate Programs[5], where in contrast to the "training sessions", which consist of preparing some content and providing it to the audience, we triangulate information and analysis with the members, board members, technicians and managers of the coffee producing cooperatives, and we facilitate reflection processes. A good part of this text emerged from those spaces, from our "comings and goings," not so much because "light comes from strking stones together" but from producing questions in encounters, and the clash of "mental tectonic plates" in a world where the spaces for reflecting are getting ever more scarce.

It is this combination of conventional methods and processes of conversation, accompaniment, immersion and facilitation that has cultivated a reflexive methodology with multiple products, one of which is this text. The next section presents the innovative character of FT. The third section describes the context of the neoliberal market that has absorbed the innovative character of FT and caused its paradoxical regression. The fourth, fifth and sixth sections discuss the processes of how that regression happens. The seventh section presents two complementary paths for FT to reinvent itself. And the conclusions summarize the principal findings of the text.

2. The novelty of fair trade

There are at least two large obstacles keeping small producer families from getting out of poverty: the organized disorganization of the producers, and their position in the network that mediates their access to markets. The former refers to people who distrust other forms of organization beyond the "extended family" (family unit of parents and children + families of uncles and aunts, brothers and sisters, cousins), without forming organized communities that include other surnames. This institution of the extended family offers them a protective network that keeps their members from getting poorer, but at the same time blocks them from organizing in other spaces that would imply abandoning that family institution to improve their lives. It is an example of what Woolcock and Narayan (2000:232) have called "bonding social capital", close protective and solidarity social networks that are very useful for the survival of poor people, but with the risk of creating strong limitations for forming bonds and initiatives beyond a tight circle, and with limited opportunities for growth. In fact, it is an institution shaped to resist the systematic harassment that strips them of their lands and their logic (*to feed the family*) and mode of production (*diversifying* or *the notion of the "cornfield" as another form of diversification*). This refers to the second major obstacle, an intermediation network that combines usury, low prices and cheating on product weight and quality[6], and mediated by relationships of loyalty (submission) and hidden information. Such a network moves under the premise that "the height of poverty for a poor person is not having anyone to exploit them", because in moments of extreme urgency (e.g. sickness of some family member or some

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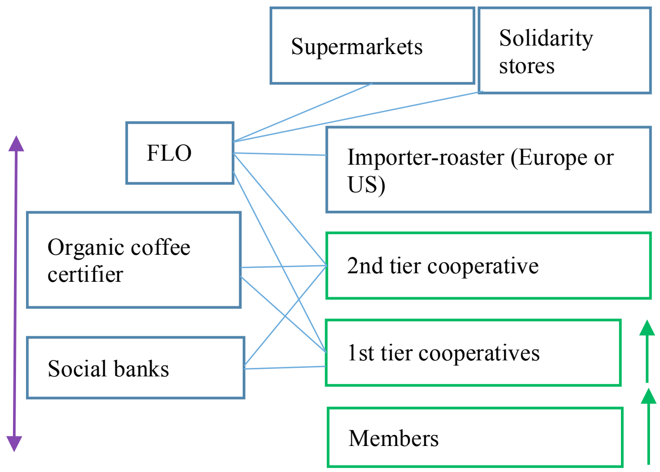
influences of the policies of the cooperatives – and of fair trade. In 2017 this sample will be expanded to 15 cooperatives.

[5] The workshops include group reflections of 15-30 participants, and the Certificate Programs on cooperativism that we organize for the cooperatives include 30-60 people; they are workshops and certificate programs that we organize after having reflected on topics of common interest, in order to reflect collectively in those spaces, that then feed into new research processes.

[6] Usury and the crop lien system, which is the purchase of their "future coffee" at 40% of the value of the coffee, constitute centuries old intermediation institutions, part of the rural-urban structure around agricultural activities. (See: Mendoza, Fernández and Kuhnekath, 2013).

other misfortune), that network gets the impoverished families "out of trouble." That is where the institutionalized expression of "we always need a patron" comes from. The institution of the extended family keeps their members from falling into extreme poverty, but at the same time it keeps them from "getting out of the well of poverty." The commercial-financial intermediation is a mechanism for systematic dispossession, combined with "temporary support" from peasant families, who at the end of 20-25 years see themselves forced to move under penalty of "depeasantization."

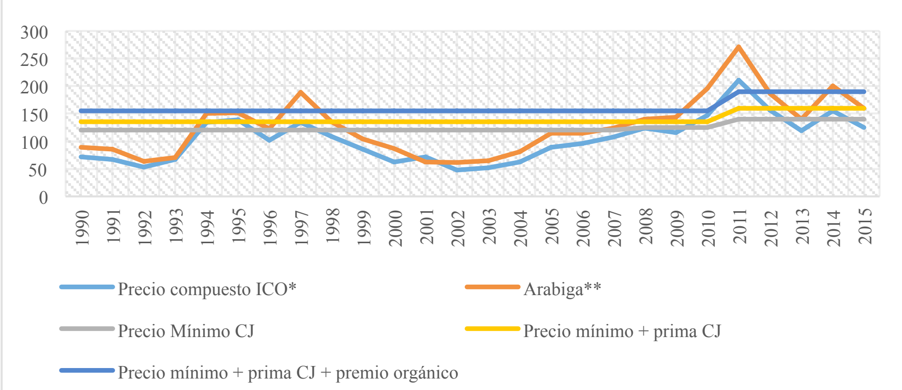
Figure 2. The fair trade structure



In the face of both institutions, FT responded with an holistic perspective and an alternative path. Figure 2 shows the whole FT framework: on the right side are the chain of actors around coffee, and on the left are the organizations that support part or all of the chain.

Supported by the "principal/agent" approach of institutional economics, where the *principal* defines the policies and rules, and the *agent* executes them, we see that there are multiple "principal-agents" in the chain, interacting among themselves (see purple arrow that symbolizes that interaction). In the case of the cooperatives (see the green arrows), the members through their asssembly are the "principal", their leaders are the "agent." These leaders are the "principal" in relation to the management and the staff, who are the "agent" (see green arrow: the logic of the member families who create their medium, the cooperatives). In FT the members of FLO through their assembly constitute the "principal", and the FLO-CERT certifier is the "agent." In the certifiers of organic products, the laws of the US, Europe, Japan or China are the "principal", and the certifiers the "agent." More in depth, the FT principles – and not those of the conventional trade market governed by large capital and connected to traditional intermediation – are the "principal" and the different organizations (cooperatives, certifiers, social banks, buyers) are the "agent." In terms of building justice for the benefit of producer families – indigenous and peasants- it is social justice, and not the justice of the market, which moves these chains of products, actors and social relationships.

Figure 3. Evolution of the price for coffee(1990-2015)



* Composite price by weight between arabica and robusta coffee
** This includes the countries of Central America. http://www.ico.org/glossary.asp
FSourcee: based on the International Coffee Organization (ICO) http://www.ico.org/historical/1990%20onwards/PDF/3c-indicator-prices.pdf, FT-FLO (2011) and buyer organizations.

Consequently there are four factors that specifically distinguish FT. *First*, so that the producers avoid usury and can ensure the product, members of the cooperatives receive credit through their cooperatives, capital that comes from social banks (9% interest rate) and from coffee buyers (companies, stores and solidarity cooperatives in Europe and the US). A large part of this credit is prefinancing at 0% interest rate for 50% of the value of the product that they eventually will buy.

Second, to keep the producers from falling into extreme poverty over a drop in coffee prices, and to incentivize sustainable agriculture, FT sets a minimum price: it was US$1.20/lb until 2008, US$1.25/lb until 2011, and since that year it has been US$1.40/lb. In other words, following Figure 3, if the international prices fall below the minimum FT prices, the coffee in the FT chain is governed by those minimum prices. In addition, FT provides US$0.20/lb as FT premium and US$0.30/lb as organic premium, in the case of organic coffee, and generally rewards the quality of the product with an additional amount that varies from buyer to buyer. The FT premium is conditioned on a plan that the assembly of the cooperative has to prepare (Fairtrade, 2009)[7], and of that amount, it is required that US$0.05/lb be for the producer family to improve the productivity of their coffee (FT-FLO, 2011). With the organic premium it is agreed that it all goes to the producer.

Third, so that there be traceability of the product and trust built in long term relationships, there are organizations that certify *in situ* compliance with the agreements and policies. For organic coffee, international certifiers perform this, for the FT premium and practices FLO CERT provides it. The buyers – in addition to requiring a coffee sample and certain product quality – follow the certifiers, and the social banks use their procedure of financial analysis.

Fourth, a direct relationship is established between consumers and producers, where the producers themselves manage the FT profits and reinvest them in their communities and their families and farms (see box).

Box 1. Purposes of FT according to Cafedirect

We reinvest the profits of your purchases in the producers and their communities. This is in addition to the FT premium that we pay the producers. As a minimum we reinvest a third of our profits, and so far we have reinvested more than 50% of our earnings. We believe that the producers are the best ones to decide how these earnings should be invested in their communities, and so since 2009 the development projects have been managed by Cafédirect Producers' Foundation (CPF), an aid organization led by producers for producers.

Cafédirect 100 grams Label. http://www.cafedirect.co.uk/discover-our-difference/reinvestment/

FT, in addition to its economic face, is also social, political, environmental and cultural, as its eleven principles indicate: opportunities for economically disadvantaged producers, transparency, trade relationships, payment of fair prices and salaries, no child exploitation, gender equity, decent working conditions, strengthen capacities, promotion of fair trade, protection of the environment, and preservation and defense of identity.

[7] The FT premium, according to Fairtrade (2009), should be governed by an annual plan that the cooperative prepares in a "transparent, participatory and democratic way". Fairtrade does not say what to use the premium for, even though it suggests that that plan include investments for the members, infrastructure in education and health for the community, support to people with illnesses and differently abled groups, as well as the empowerment of women, loans and or revolving funds.

This highlights the combination of commerce, finance and production in a transnational structure of north-south partnership, within a pluralistic framework of principles of equality and equity. This promotes families organizing, improving their production, their lives and their identity in family and in community, and cultivates a direct relationship with consumers. FT is a space for transnational learning and social, economic and environmental transformation, with an enormous commitment of the countries of the north to the countries of the south, and of consumers to the producer families.

So far we have described the vision under which FT emerged, and how it organized to carry out that vision. But as this innovative and important FT system has grown, we argue, it has regressed, particularly in the last 20 years. That is what the next section covers.

3. The structure of the market and international aid, an all encompassing "vise".

In this section we describe the processes that have prepared the "terrain" for the absorption of FT. These processes refer to the structural conditions of both the market and international aid. Having the "terrain ready", like a spiderweb awaiting its victims, mechanisms were introduced under which this absorption turned into a reversion, mechanisms that will be explained in the following sections.

3.1 Tendencies in the dictatorship of the market

Stiglitz (2016) reminds us that the restructuring of market policies increased inequality and slowed the growth of the economy. In other words, as the economic elites (banks and corporations, finance and trade) established the dictatorship of the market, they benefitted at the cost of the rest of the economy. Milanovic (2016), studying 20 years under neoliberal policies between 1998 and 2008, found that 1% of the population (the plutocrats of the world, and the middle class of the emerging Asian economies) were the winners. Neoliberalism presents us a "natural market", without social and institutional embeddedness, as a fundamentalist belief, while it promotes markets embedded in the interests of international capital under manipulated regulations (e.g. tax-free for rich families or regulations that penalize the export of more processed products to developed countries). Unlike this myth of the biased market, we understand the market as always socially and institutionally embedded, along the lines of Polanyi (2001).

This myth of the fundamentalist market sees that there is only one path for development, that everything is determined by the market (controlled by elites), and that in order to reduce inequality, more market of the elite is needed, not less. The FT movement precisely constituted a type of market deeply embedded in the majorities, in the families of small producers and consumers, under the idea that an "alternative" market is possible and necessary to reduce inequality. How is this market relationship expressed around coffee, the crop which we are using to look at FT?

Considering coffee price formation over the last 80 years, we see that the historical tendency is that the percentage going to producer families has been dropping. In the decade of 1930, the price to the producer was 33% of the final value of roasted and ground coffee (Wickizer, 1943). That dropped to 27% in the decade of 1970 (Clairmonte & Cavanagh, 1988), 15-20% in the decade of 1990 (Pelupessy, 1999), 10% in 2001 (Mendoza & Bastiaensen, 2002) and 11.67% in 2009 (Mendoza, 2012b). In other words, it went from 33% to 12% in eight decades[8]. The gap between the consumer price and the producer price has become ever wider; in other words, the FT idea, that the consumer would pay a higher price to

[8] If the calculus was done on a cup of coffee, the price to the producer in relative terms is even less than 1%. In good part this is due to the costs of several other ingredients and processes that are incurred to get a cup of coffee in the coffee shops.

redistribute more to the producer families, apparently has not happened. A second FT idea has been to leave out the intermediary sector to better benefit producer families, but it seems that this intermediary sector is the one that has most benefitted, grown and made even more difficult the ideal of direct communication between producers and consumers. Stiglitz (2002) argued that the problem was not globalization, but its management; 15 years later, Stiglitz (2016) recognizes that the management did not change anything. It seems that the case of coffee also expresses that reality.

On observing the increase in the value of coffee, we find that the final product increasingly contains more and more inputs that have increased its added value. This is part of what is called the "supermarket revolution" managed from the demand side (*market driven economies*) where wholesale distribution sets the rules and governs the entire product chain (see Reardon, 2007). This means that the rest of the actors in the chain submit themselves to the product demand – in the required quantity and quality, and at the determined time. Correspondingly, if the market demands coffee, all the actors, including the cooperatives, run to respond with coffee in the quantity and quality for the defined moment. When intensive technology was introduced, and/or innovation methods emerged like post-fordism and total quality control to increase the productivity of the crop, FT actors responded with greater efficiency and effectiveness in order to meet the market demands. Those who do not respond to the market take "a step to the side" and as losers no longer enter into the story.

The market has been demanding quality products with more differentiation. Countries like Colombia and Costa Rica have been gaining market share for speciality coffees, particularly Colombia, a country that sells close to 50% of all of its coffee as specialty coffee (see, for example, its famous Juan Valdez brand). In contrast, FT seems to have grown in volume but not so much in product differentiation, which has left it as a "hobbled hen" to respond to that market dictatorship or revolution. In this context, the FT seal faces ever more competition, because several seals have emerged that claim different environmental and social attributes. Thus, the FT seal is losing its attractiveness to consumers. In the last three years, for example, large coffee buyers under the FT seal, like Green Mountain[9], have jettisoned the FT seal[10]. In addition, many buyers and increasingly coffee roasters opt for the *direct-trade* approach instead of *fair trade* because they are looking for better quality ecological coffee. Above all, they want the additional prices that they offer to get to the producers, instead of being left in the administrative structures or with intermediaries. Little by little this situation of the "hobbled hen" is becoming visible.

Other models have also emerged, whether in response to the market or as an alternative to it. The Starbucks model has revolutionized the coffee shops of the world, with its own seal and controlling the entire chain from top to bottom. Another different model, one of direct relationship between producers and consumers, is the Capeltic cafeteria in Mexico that emerged from an alliance between a cooperative in Chiapas and the Iberoamerican University (see Colsa, 2013). A second is a cooperative in Panama that organized the coffee chain from production to its roasting (see Mendoza, 2016a). Both of these cases express a configuration that breaks with the model of the market of the elites[11]. This second model reveals that the producer and consumer relationship, an ideal of FT from the 1980s and 1990s, can be achieved by another path different from that of FT. The "hobbled" part is even more clear: responding to the market

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[9] The change of owners also had to do with Green Mountain´s decision. The current owners, in contrast to the previous ones, preferred to focus on the coffee business without supporting the institutional development of the cooperatives.

[10] This situation of buyers leaving the FT seal also happens with other products. For example, one of the best known brands of chocolate in the world, Cadbury, of the Mondelez company, announced that they were leaving the FT seal, that they already have their own fair trade scheme called "coca life", and that for them "sustainability has to do with much more than just prices". See: Thomas (2016). I am grateful to D. Bojorguez for giving me this information.

[11] Another case in Nicaragua, responding to the elite market, is the Casa del Café (economically successful coffee shop), bought by the CISA export company, that in this way controls the entire coffee chain in the country.

for more volume (*mass production commodity*) and not necessarily to the market for more differentiated products (*decommodified specialized production*), FT lost ground while its original mission of "being alternative" began to be diluted, even as the idea began to be used by other initiatives.

3.2 International aid in fair trade

During the same period in which market power deeply embedded in the interest of the elites was growing and FT was increasing in volume, international aid also increased. Our hypothesis is that a good part of this type of international aid helped to "inflate" the cooperatives around the demands of the market, and made the arrival of projects in the eyes of the members (producer families) to be seen as if they were benefits of FT. This contributed to unconcern among members about the efficiency and effectiveness of their organizations, which accelerated the FT regression process.

A good part of the investments in the dry milling, offices, wet milling infrastructure and laboratories were the result of donations of international aid. Generally the technical assistance staff of the cooperatives were paid by international aid; even now, the few cooperatives that have technical staff generally are paid by projects financed by international aid. In many cases even the salary of the administrative-management staff were supported by external funds. So the cooperatives, still not having economies of scale and the profitability that would allow them to have management structures, joined the current of having managers and technicians, even technicians for activities like filling out the formats of certifiers under the myth that "only the technicians can fill them out."[12]. This staff, in turn, responded more and more to those who were paying them, the donors, and less and less to the family owners of the cooperatives. Those structures, given the boon of projects and the fair trade premium, the organic premium and other price premiums, were happy to provide some benefits to the members, such as for coffee renovation, wet mills, chickens and pigs, backpacks for the children and medical attention for women. The members believed that these benefits were for being efficient cooperatives and for selling their coffee through FT. In other words, international aid subsidized FT, particularly the growth of the intermediation sector, and indirectly also "inflated" the costs of the certifiers who could charge more due to the fact that the cooperatives "were receiving donations." International assistance contributed to the fact that the cooperatives took on salary structure and investments that did not match their organizational capacity and level of economic-business growth[13]; the donations even delayed the member families getting concerned about the productivity of their farms[14]. In most cases, the organization of second tier cooperatives, and the fact that

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[12] "The certifiers would ask the technicians to fill them out; in the cooperative we believed that only the technicians could do it. Now that we have separated from the second tier cooperative, and we are managing ourselves, it was up to me as Secretary of the Council to fill out those forms. And everything went well". (J.A. Espinoza, P. Velásquez Cooperative, San Juan del Río Coco, Nicaragua. November 2016).

[13] In Nicaragua many cooperatives would have large investments in places where they did not even have members; their members were in other municipalities. This would happen due to the donations that some organizations gave the coops to build their offices or their investments in a certain municipality, and that the board members or management personnel felt like they had to take advantage of it. In Honduras, some cooperatives had a personnel structure that was not in line with the economic capacity and profitability of their enterprises, but they persisted because their salaries were paid by international aid. Once that external aid was reduced, particularly starting in 2008, those organizations went into crisis. We found a similar situation in Guatemala and in El Salvador. "Look at this municipality, with projects the salaries of the accountants, administrators and technicians went up. Now that there are no projects, no one wants to work in the cooperatives in this municipality, because the cooperatives no longer have projects funded, so they can no longer pay those high salaries" (D.R., consultant of a French company that buys cacao in Nicaragua).

[14] "With the arrival of cooperatives, coffee yields dropped. Just look at what happened with organic coffee in this zone that previously got 20 qq export coffee, and now they cannot get even 10 qq." (J.A. Espinoza, P. Velásquez Cooperative, San Juan del Río Coco, Nicaragua. November 2016). Valkila (2009) in his study on organic coffee in

they had managers with high salaries, did not respond to an economic and associative logic of the cooperatives, but to a policy logic of governments and donors. The "hen" was even more "hobbled."

It would seem that this type of international aid was the opposite of aid[15]. Why? Having observed and evaluated so many experiences in Latin America, we argue that international aid tends to revive the old modernization theory (often including the adjective of "Eurocentrism"), seeing the situation of the countries of the south today like what Europe was in the past. In this light, international aid clearly believes that it already knows that past, and therefore knows their future. This, in turn, reinforces the idea that people lack their own history[16]. So generally international aid does not seek to study-learn about the reality of the cooperatives and their members. Rather, they assumed that their aid helped, and did not realize the damage that a good part of that aid caused the member families who, as we will see later on, lost their own organizations at the hands of new emerging elites.

The distorted situation that FT was establishing with the cooperatives became a problem when international aid drastically reduced its support (donations) in Latin America beginning in 2008. Then something of the real world began to appear: member families that had not improved the productivity of their farms in spite of several years of good coffee prices, and in spite of so many international aid projects; first tier cooperatives with no content, many of them not even coffee harvest collectors; cooperative structures with high salaried administrative-management staff that was not in line with the economic capacity of the cooperatives; and generally second tier cooperatives with large investments that the first tier cooperatives did not consider their own. In other words, while the dictatorship of the market deeply rooted in large capital intensified, the drop in international aid "deflated" the supposed capacity of the cooperatives. They began to feel the problems. In many cases cooperatives sold their assets. In other cases cooperatives went completely broke, and in still other cases they resigned themselves to having their cooperatives privatized by the new elites. In very few cases cooperatives re-emerged as efficient and effective organizations responding to their members.

It was within this context that the members began to ask about the projects, the FT premium, and the organic coffee premium. It was the moment when management sought to increase the volume of coffee sold at whatever cost. It was the occasion in which the associative side of the cooperative, along with its bodies, discovered that they had a symbolic role, and were even used by the managers. It was when the differences between the FT chain and the conventional trade chain became diluted, and in many cases the members noted that they received even lower prices for their coffee than traditional intermediation was paying[17].

3.3 Structural elements of fair trade

Nicaragua found that under certain conditions, organic coffee can be a trap that keeps the poorest families from getting out of poverty.

[15] Even though here we refer more to a type of international aid, of "aid that does not help", there have also been other types of international aid that were "aid that did help." The latter we describe in another work, see: Mendoza (2016b).

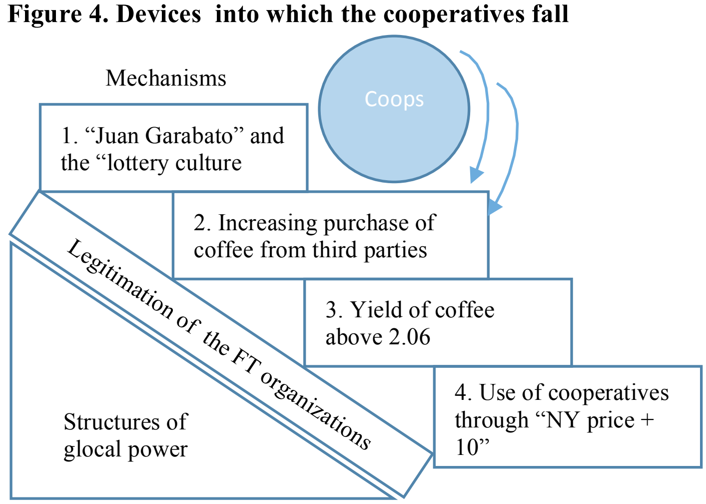
[16] This brings to mind the contribution of Wolf (1982) on peoples without history and his criticism of Eurocentrism.

[17] Pressured by a colleague to show what percentage of cooperatives were in administrative crises or had gone broke, I tried to look for cooperatives that were not in "administrative crises". There were very few. Later I talked with an ex manager of a second tier cooperative who now works as a consultant on cooperative issues. He said to me: "almost all are in crisis, corruption, bankrupt cooperatives; the cooperatives that are not involved in administrative crises are a complete minority" (R.C., September 2016). In reviewing the cacao cooperatives in Nicaragua, a cacao buyer said, "Tell me what cooperative is not in crisis, because the cooperatives and associations where I buy cacao are in crisis, one just went bankrupt, two are intervened by an NGO..." (Official of a Germany company, a buyer of cacao, October 2016).

At the end of a half century of FT, what has happened? So far we have seen how the market forces deeply rooted in the elites, and the international aid industry, shaped the FT framework, including the cooperatives. On one hand, they subjected the cooperatives to the demand for commodity products, turning them into simple companies, and on the other hand, "NGO-ized" them. In other words, they left them very "hobbled." They did not help the first tier cooperatives and their members increase their capacities. In the last 8 years, these forces intensified, reducing FT to just the economic aspect, losing its holistic identity. So FT split, its seal has lost competitiveness, and their product has become more volume-oriented than differentiated. Meanwhile, another approach and organization - like *direct-trade* - is gaining ground, and this model that is able to connect producers and consumers is beginning to "say hello." In other words, from top to bottom FT is being severely challenged. And while all this is happening, the inequality and commercial injustice is worsening, like the global inequality that Milanovic showed.

These are the conditions ("terrain") on which FT is regressing, and this process is affecting the cooperative movement. Conventional intermediation with markets deeply rooted in large capital and the type of "aid that does not help" constitute a huge apparatus that leaves FT and cooperativism "hobbled." In the face of this situation, the cooperatives – and FT in its entirety – have two options: "they swim against the current" making their own path, or they begin to fall into the devices illustrated in Figure 4. After providing the framework in this section, in the next three sections we study the situation where the cooperatives and FT fall into the devices of Figure 5[18].

Figure 4. Devices into which the cooperatives fall



How is it that this regression happened? Figure 5 shows the response: there are devices that lead the cooperatives to regress, a FT structure that produces this regression, and the glocal (global and local) power structure that cultivates it. In other words, to the extent that a cooperative takes up each one of the four devices, it is legitimated in its fall by the FT framework that also is regressing and is pushed by the glocal power structures (global and local), that in turn are manipulated by small elites. In this fall, the cooperative is privatized and controlled by ideas commonly known as neoliberal. Said figuratively, when a cooperative is "hobbled" by the large capital market and by the "aid that does not help", and begins to fall into the the devices of Figure 5, that cooperative goes downhill, without brakes nor curbs that might stop it.

Returning to the principal-agent approach, this time looking at FT in this new framework, we argue in a first look that small groups of people in the cooperatives from the FT framework have formed a type of informal network, turning themselves into the "principal," and the intermediate leaders and officials of different organizations have become the "agent." In a second look, there are groups that hide behind the FT organizational structures and principles, acting in its name and under its shadow. In a third look, the

[18] We have also studied cases of exceptional cooperatives, several cooperatives of Central America that have contributed to peace (see: Mendoza (2016b). Other articles dealing with outstanding organizations are: the Case of the The Hope of the Peasants Cooperative (see Mendoza, 2016a), the Case of the COMAL network in Honduras (Mendoza, 2016c) and the case of the La Voz en Guatemala Cooperative in Guatemala (see Mendoza, 2016d).

principles of the "invisible hand" (market deeply embedded in large capital elites) have become the "principal" and the FT framework has become the "agente." In a fourth look, we ascertained that the members, consumers and FT principles no longer count. Within this framework a crucial point of governance are the power relations in the entire chain moving from top down. That notion of power is connected to the creation of certain information income for some, and a deficit of information for others, and whose access in large part depends on responding and submitting oneself to the forces of that neoliberal market. In the cooperatives this is expressed as the absorption of the associative side of the cooperative governance by the business side.

In what immediately follows we analyze each one of the devices presented in Figure 4. We describe the devices on the side of the cooperatives (section 4). Then we move to the FT transnational framework that contributes to the cooperatives falling into these devices (section 5). And then the power structure with its corresponding cooperative depletion that maintains and shapes them (section 6).

4. Devices that trap the cooperatives

How do these devices work? Once an organization is trapped by a device, it pushes it into the next one. Once the second device traps it, it also moves into the third. Many organizations hold up under this modality and can maintain the formalities of their organization – meetings of its bodies, minutes and financial statements. But when they fall into the claws of the fourth device, the cooperatives operate as privatized entities by their managers and/or presidents. The more devices that the cooperatives fall into, the larger is the gap between the manager/president and the members, and the more the cooperative is privatized.

4.1 Intermediation and the "lottery culture"

In section 3.1 we cited data showing that the producer families have been receiving less and less value for their product, at least in terms of the final value of the product. What does this situation have to do with FT? When we compare both the traditional chain and the FT chain, the price to the producer in relative (percentage) terms is less in the FT chain than in the traditional chain, even though in absolute terms it varies; sometimes it is a little more. This is for two reasons; the FT price of coffee to the consumer is higher and its distribution through the chain (roasters, buyers, importers, exporters, producers) is relatively more detrimental in the FT chain for the producers. The FT premium and the organic coffee premium gets to the members (producers) unequally: some do not get anything for many years, others get something.

To augment the rigour of that data, we triangulated information starting with the member himself/herself, a process in which we observed the manipulation that is done of the members themselves. In the case of those members, we reviewed their receipts where the quantity of coffee that they sold (or turned in) is indicated, and the prices that their cooperative paid them. What did we see? There are cooperatives where the members have not been benefitted by initiatives financed by FT, nor have they received the premium for organic coffee for six consecutive years. There are cooperatives where the members have received US$29/qq of organic premium and even US$15/qq of FT premium in cash and in physical investments, and there are cooperatives whose members received the premiums between both of those extremes. If the cooperative is a second tier one, and has hundreds of members, the members know less and receive less. If the cooperative that exports is a first tier one, its members know a little more, they participate in the decisions about the use of the premium, and receive more from the organic premium. Nevertheless, in the assembly of their cooperative the members are not accustomed to complaining. The assemblies are held once a year, sometimes just to fulfill the formalities of holding assemblies. On occasion, contrary to their receipts, they even report having received both premiums, or that they have produced double the real volume. This happens because of the centuries-old dominant social structures in which the members exist (see section 6), where "the fieldhand does not speak ill in front of the patron." They will be even more silent if some international organization is present in the assembly, because they believe that "out of respect" they should not "air their dirty laundry." Their reserve is worse still if previously they were warned about the arrival of the organization and the possibilities of obtaining future projects.

Our hypothesis is that the intermediary part of FT has grown. That is where the structures of cooperatives, certifiers, social banks, roasters, distributors and FLO structures are found. That structure that has grown also limits the establishment of a more fluid relationship between the producers and consumers, the cooperatives and FT. Then in the "national" intermediation in coffee exporting countries, the variation in costs (exporting, administration, processing, taxes and financial costs) between the FOB price (export value) and the price to the producer is overwhelming. It varies between US$30 to US$45 from cooperative to cooperative. The tendency that is seen is paradoxical: if it is a second tier cooperative and has high volume, the gap is larger; if it is a first tier cooperative and has less volume and members, the gap tends to be smaller. It is paradoxical, because it should be the reverse, the larger the volume of coffee exported, the lower the costs per quintal, and therefore the prices paid to the member/producer should be higher.

Table 1. Intermediation Costs (2015/16 cycle) (in dollars)

	1st tier cooperative (exporter)	Successful 2nd tier cooperative	Bnakrupt 2nd tier cooperative
Export	8	8.6	8.6
Collection and processing	10	10.7	13.5
Administration	6	6	10
CONATRADEC	2	2	2
Taxes: income and municipal	2.9	2.9	4
Financial	2	3	6.5
	30.9	33.2	44.5

Source: based on interviews of managers and administrators of cooperatives.

If the cooperative is supposed to be responsive to its members, why in many cooperatives, particularly the second tier ones, do the premiums and profits "get stuck"? Why do the costs go up with higher volumes traded? First, the intermediate sector has grown significantly because of the power of the neoliberal market (section 3.1) and the dominant type of international aid (section 3.2). These key elements of this intermediate sector manipulate the rules of the entire FT system. Second, asked about the causes, the managers of the cooperatives tend to say that their transactions continue being low volume, that as cooperatives they have training and meeting costs, that they have new physical investments and/or had difficulties finding good markets. Third, some cooperatives are trapped by the device of the "lottery culture" and the "Juan Garabato" strategy. The former consists of keeping the coffee bought in the warehouse waiting for the price to go up and thus "win the lottery," which is a very risky strategy due to the volatility of coffee prices. The latter is the fear of being left without coffee due to the fact that some buyers many times are paying above market price: they buy coffee at high prices and later see themselves forced to sell that same coffee at a lower price, in other words buying high and selling low ("Juan Garabato")[19].

Most likely, a combination of the three causes (expansion of the intermediate sector, inefficiency and erroneous commercialization strategy) makes the cooperative tend to get resources stuck in certain nodes,

[19] In some cooperative the possibility exists that the producer member decide when to sell their coffee (set the price). The producer drops off their coffee and monitors international prices, and when he/she thinks that it has reached a good price, wants the cooperative to pay them the price for that day. Other times the producer waits and waits and does not decide. This reality shows that the "lottery culture" also exists among the members, in cases where the cooperative allows for this possibility.

and begin the path downhill. When the cooperative loses in a cycle, then – as happens with people playing slot machines – they try to make it up in the following cycle. In that process they tend to not follow the decision making processes that are indicated in the associative side of the cooperative, while the members lose confidence in their organization and in the FT framework. If the cooperative loses again, their desire to make it up increases, going back again to the lottery culture and Juan Garabato in the following cycle, a situation which results in the increase in their debts. These losses, added to the complaints or rumors of the members about what is happening in the cooperative, exasperate the manager and some leaders, who see themselves pressured to consider other paths, like the one that follows.

4.2 Purchase of third party coffee

Prior to the 2006-2007 cycle, the coffee that the cooperatives exported was 100% from their members, with few exceptions. In that cycle international coffee prices began to rise and all FT grew in volume. For example, the cooperatives in Nicaragua went from being 10% of the total country exports in 2006-2007 to 28% in the 2011-2012 cycle, a tremendous increase normally channeled through FT (Mendoza, Gutiérrez, Preza and Fernandez, 2012; Mendoza 2012a). Also in that 2006-2007 cycle the buying of third party coffee (from non members) began on the part of cooperatives, under the argument that they needed coffee to fulfill contracts with the buyers. It is since the 2011-2012 cycle that the purchase of third party coffee has taken off, in some cooperatives getting as high as 70% of their total exports[20]. This would seem to indicate that in some cases coffee is bought off of members to "fill out" the contracts that the business side of the cooperatives has made with the buyers.

Note that as the market demanded more products and concurrently foreign aid was reduced, it became more evident that the cost structure of the cooperatives was not viable. Some of the cooperatives began to sell their assets to compensate, and others responded with more coffee volume from third parties.

What is the problem of buying coffee from third parties? Conventional coffee bought from traders, against whose practices the cooperatives originally emerged, is exported as if it were coffee from the cooperatives. In some cases that conventional coffee is exported as if it were organic coffee due to the deficient control on the part of the certifiers (see 5.1) and because of the growing autonomous role of the business side of the cooperatives, which makes the associative side of cooperatives disappear. Looking at Figure 3, and taking into account the weakness of the associative side of the cooperatives, the weakness of the cooperative´s committees, and the fact that the members do not have access to those third party transactions, significant financial advantages can accrue for the benefit of those in control. In addition, given that third party coffee (from traders and non member producers) lacks any quality control, by mixing it with coffee collected from the members affects the coffee yield (i.e. conversion rate of APO coffee to APS coffee[21]) and the quality of the coffee from the members. In return, the cooperatives that

[20] It is difficult to define exactly the percentage of coffee from third parties in the total coffee exported by the cooperatives, due to how careful the management structures are about that information. In reality this is a common and growing practice. We found an extreme case of a second tier cooperative with more than 400 members; in that cooperative they were accustomed to having a list of data for the certifiers, that included data for twice the area and volume of production for each member, in other words, if a member had 1 mz and produced 7qq of export coffee, the record would say that he had 2 mzs and produced 15 qq export coffee; this means that that cooperative was buying third party coffee and was passing it off as "fair trade" and "organic; it was a cooperative considered by many FT actors as a "model cooperative"; later that cooperative went bankrupt leaving its members indebted and without having been paid the organic nor the FT premiums for 7 years, not even for the volume of the real coffee that each member had turned in each year. When in a framework of trust we reflected on this issue with some of those first tier cooperatives, the members said: "they told us that it was to get out of debt and to cover costs", "that in this way more projects would come in."

[21] APO = Spanish acronyms for Arabica Parchment Sundried; APS = Arabica Parchment Dried (gross export coffee).

buy more third party coffee prioritize their resources for those purchases, which is why the members cannot receive loans with zero interest rates. Some members get loans with interest rates between 12-20%, and the rest do not get loans at all. In other words, the more a cooperative buys third party coffee and is a cooperative whose business side makes the principal decisions, the less it responds to its members, and the more they end up being harmed. Coffee transactions are not just "to fulfill contracts." Said another way, the more third parties sell their coffee to the cooperatives, the more the members in effect lose their cooperatives.

In a parallel fashion, the supply of coffee of the members to their cooperatives has dropped since the 2006-2007 cycle. In a study of 33 cooperative in Nicaragua, Mendoza et al (2011) found that only 32% of the coffee production of the members was turned in (or sold) to their cooperatives. This means that the members are selling their product to other markets, and that many are once again falling into the historical practices of the sale of their future coffee, a poverty producing practice. (Mendoza et al., 2013). Others reveal the resistance strategy that the producer families call "one pig for another", whose logic runs more or less like this: "If you are buying coffee from all over and are passing off chemically-treated coffee as organic, then if I get money I might as well put chemicals on my coffee and not say anything, if I'm going to be paid the same." [22] "I will sell only a little to my cooperative, in case some project shows up that I can take advantage of."

Under this mechanism, the business side of the cooperatives responds less to its members, and disregards their complaints, because it can buy third party coffee without any demand for transparency, reports, loans or technical assistance. In the face of questioning, the discourse of the manager/president, and many times also of the FT representatives, is: "purchases are to fulfill contracts…to get out of the crisis…to pay debts, because the members have low productivity and are extensive producers." This would seem to suggest that they are buying coffee from third parties because of their unproductive members! And if the members ask for information, the response of the manager and the FT framework is silence, always accompanied by some arrogant phrase, such as, "The organizations say that giving information to the members can harm the cooperative." In other words, for the administrative structures of this type of cooperative it is cheaper to buy coffee from third parties (without providing credit, technical assistance, or doing reports). In addition the practice allows them to use the coffee quality of the cooperatives (lowering the yield to the members that will mean paying them less) while the members and their cooperatives are being hollowed out. Generally the cooperatives that find themselves in this situation increase the centralization of information, which leads to taking this next step.

4.3 Coffee yield in the dry mill

At the beginning of the decade of the 1990s, the cooperatives criticized the private owners of the dry mills for cheating them through the weight (measuring the degree of moisture) and the quality control of the coffee in the dry mill. Concurrently, in the face of the market demand for better quality coffee, the cooperatives and the FT network understood that coffee quality could be improved, cheating by weight could be avoided, they could get a fairer yield (from APO to APS), lower the costs of dry milling and get better prices for the coffee. Accordingly the members – and in many cases through the support of international aid and/or loans – invested in the construction of dry mills and laboratories. In the first decade of this century the coffee quality of the cooperatives was recognized in the country and in the world, along with the importance of the cooperatives and the importance of the small producer families (Mendoza *et al*, 2012; Mendoza, 2012a). Nevertheless, producers in the second decade of this century massively changed the type of their planted coffee from caturra to catimor. The change came about within the context of several factors: the intensification of the control of market structures (section 3.1), the

[22] This practice is also known as "the cat tactic": the cat covers his excrement and then walks around as if nothing happened.

exodus of international aid agencies (section 3.2), the damage that coffee rust caused the fields (Mendoza, 2013) and the fact that the members felt that the improvement in the quality of their coffee was not receiving a better price. This catimor variety is known to be productive but lesser quality, so the differentiation of coffee was affected under the logic of responding to the market with volume, including third party coffee. Thus, the situation provided elements of regression: many of the members began to complain again, this time against some cooperatives, about the fact that they were been cheated in the weight (measurement of degrees of moisture), in the measurement of the imperfect coffee (or second quality coffee) and in the determination of the score from cupping their coffee.

How does this happen? A first dispute is around the weight[23] and whether the scales are calibrated uniformly in the different harvest collection sites that the second tier cooperatives tend to have. In the case of the CISA and Atlantic companies, the scales of their different harvest collection centers are calibrated between October and November, right before the harvest. They align the scales in their collection centers with their central collection center, but there is still a concern about how correct that scale is, given that the State does not supervise the calibration process. In the case of private collection centers that function with CISA and Atlantic financing, their scales are not calibrated with those of the company, allowing each one to adjust it as they wish. In many cooperatives the scales in the harvest collection centers are not calibrated with the central scale of the dry mill, and from there comes the complaint that “it weighed so much here, but there (in the mill) they said that it had a different weight,” a greater loss of weight than what is usually lost in the transport of their coffee.

The second dispute is over the coffee´s moisture, that also has to do with the weight. Table 2 shows percentage data from which the questioning comes. The institutionalized rule from more than six decades ago is that there is nothing intermediate: coffee is either wet or sundried[24]. If the coffee is wet, it is discounted 56%, and if it is sundried or moist it is discounted 42%. In other places they do not talk about 56% and 42%, but rather 14 and 7 lbs. If it comes in wet they apply 14 pounds to it, and if it comes in moist or sundried, 7 pounds. The operation is the same: the 14 lbs come from subtracting 42 from 56. (One extreme case of a cooperative is where they discounted 14 pounds when the coffee was wet, then applied 49% for moisture [91.4 lbs], 18% for milling [17 lbs]~~,~~ and in the end they were left 78 lbs APS (gross export). Compare that to Table 2 where the yield is 48.5%, and in the extreme case it is 39%. Another completely opposite experience of a first tier cooperative that exports coffee, is the following: “The coffee of my cooperative has a 49% yield. One day I took 100lbs of my wet coffee and I dried it in the patio of the dry mill until it was at 12% moisture content, then I put it through their mill, and it gave me a yield of 76%. The manager of the mill could not believe it! He told me, ´it is not possible´. Yes it is possible, I did it in their mill!” (Leader of a first tier cooperative).

These cases may be extreme, but they prompt us to think about what is at play in the yield (conversion of APO to APS). In light of all this, one of the achievements of the cooperatives in the decade of the 1990s was that their members became accustomed to turning in sundried coffee (42%). In recent years the complaint is that that coffee sundried to 42% is being considered more and more as if it were wet, and in some cases the now-unfair measure of 56% has been used.

[23] This situation with the weight is repeated with all the other crops: corn, beans, cacao, meat-cattle, pigs, etc. The same thing happens with the workers who pick coffee: the coffee that overflows the top of the can (or box) and the leftover that does not fill a can tends not to be paid to the pickers.

[24] Caley-Dagnall ended up having a bank precisely on that basis: introducing the pulper as a business (Wheelock, 1975: 144). Until 1920 the country exported “dry parchment coffee”. Then, in the first years of the decade of the 1920s, in addition to lowering the costs via the workers´salaries, the biggest profits came from the control of the pulper, the huller, the drying, the crop lien financing, etc. This was done by the Caley-Dagnall brothers, who had the coffee monopoly until the beginning of the 1950s, when other companies like CISA came in, and purchased coffee, provided loans for coffee and exported it (Wheelock, 1975: 144).

Table 2. Nicaragua: Calculus of coffee yield (lbs)						
APO (lbs)	Moisture (42%)	Total without moisture (lbs)	Milled (16%)	Total APS (gross export)	Imperfect (1.5%)	Net exportable
206 (minus 0.5 lb for defects= 205.5)	86.31	119.19	19.07	100.09	1.51	99.20
APO = Arabica sundried parchment; APS = Arabica dry parchment (gross export).						

The dispute is around the procedure for determining those percentages, and particulary in terms of the rule of "sundried or wet." There is a technology tool called Moisture Meter, commonly known as "termito." It has a screen to measure the moisture content of the export coffee, that should be between 10 and 12%, but generally it is not used in the collection centers. In those few that do use it, they get rather precise ranges that reflect "sundried" (42% means 0 pounds discounted), "moist" (42-46% means discount of 6 lbs), or "wet" (46-56% means discount of 14 lbs). Those who are responsible for the weighing in the collection centers very smugly explain their non-use of termito by saying, "it is easy: you grab a fistful of coffee, and if it sticks to your hand, the coffee is wet, and if it does not stick, it is moist or sundried." Experience shows that 100 lbs of wet coffee on being dried ("thrown out on the patio") until it reaches 42% moisture content, can lose up to 7 or a maximum of 8 lbs, but not 14 lbs, and obviously not more than 14 lbs!

In conventional commerce producers respond with the strategy of "one pig for another", and tend to react in this way: "No matter how dry I bring in my coffee, they classify it as "wet coffee", so some six kilometers before getting to the collection center I throw buckets of water on my sacks of coffee." This strategy nevertheless falls apart in the face of the response of the dealer: "No matter how wet the coffee comes in, I discount 14 pounds and set it out to dry. The most that that coffee will lose are seven or very rarely eight pounds. In other words, I profit from the remaining six pounds as a minimum just by throwing it on the patio" (see Mendoza, 2012b).

The third dispute is around the percentage from the milling. In Table 2 it is 16%, but in many organizations it tends to get as high as 18%. The variation depends on the variety (e.g. the coffee hull of catuai weighs more) and the quality of the coffee, and also on its handling.

Table 3. Coffee yield in the dry mill (assumption: 42% moisture content)						
	APO		APS		Price (U$ 140 + 20)	Total value
Ratio	Lbs	QQ	Lbs	QQ		
2.02	10000	100	4950.50	49.50	160	7920.79
2.06	10000	100	4854.37	48.54	160	7766.99
2.12	10000	100	4716.98	47.17	160	7547.17
2.16	10000	100	4629.63	46.30	160	7407.41
2.18	10000	100	4587.16	45.87	160	7339.45
2.20	10000	100	4545.45	45.45	160	7272.73
Ratio of 2.06 to 2.20 (4854.37 - 4545.45)			-308.91	-3.09	160	-494.26
Source: based on a series of interviews of owners of coffee mills, dealers and supervisors of harvest collection and processing areas.						

The following narrative and table are somewhat detailed and technical in nature, but they reflect the very tangible impact which seemingly slight changes can have upon the small producer. Table 3 shows the conversion data from APO coffee to APS coffee. The acceptable conversion ratio is between 2.02 and 2.06 "quintals" (qq) APO to 1.00 qq APS (gross export). 206 lbs APO equals 100 lbs APS (Table 2). Nevertheless, in the last six years this conversion ratio in the case of many cooperatives, and historically in the companies that are owners of the dry mills, has increased from 2.06 to 2.10, even 2.20, and in some cases over 2.30. In the table we see that 10,000 lbs (100 qq) APO, in a 2.06 ratio, is equal to 48.5 qq. Those same 100 qq in a 2.20 ratio end up being 45.45 qq APS, 3.09 qq less, which at a price of US$160 (minimum price + premium) is worth US$490. A small producer with 1.5 mz of coffee that produces those 10 qq APO, loses just in the dry mill close to C$14,000 (US$490), much more than the value of the FT premium. If their second tier cooperative exported 50,000 qq in a 2.20 ratio, having as a reference point 2.06, their members lost 1,544.5 qq (US$247,131). If the ratio is 2.12 or 2.16, using as a point of reference 2.06, the losses are less.

A fourth dispute is on the percentage of imperfect coffee (see Table 4). In the decade of the 1990s the cooperatives also improved the quality of the coffee, and the members became accustomed to turning in clean coffee. "In trainings and in each meeting they would demand clean coffee of us, and look, we have turned in perfect coffee, well selected, and in spite of this they would tell us that it was not good quality. In contrast, if I sold my coffee dirty to the dealer, he would take it and pay me right there, and even at the same prices as in my cooperative" (member of a cooperative, 2015).

From this it is alarming that today high percentages of imperfect or second quality coffee are being reported.

How is the imperfect coffee calculated? 350 grams of coffee are taken and the number of defects are identified within that amount (see Table 4). Then it is weighed and the percentage of imperfections is obtained. For example, 4 primary defects and 3 secondary defects are added up. Each one of them is weighed (e.g. 5 black beans give me 2 grams, those 2 x 100/350 grams = 0.57%). The same is done with the other defects, etc. Then the imperfection rates are totaled; it is assumed for this example that the calculation yields a 2.5% imperfection rate in the sample. That is the rate that is applied to all the coffee through the simple-three rule. SHG coffee (*strictly higher grown*) is specialty grade coffee (high quality), that tends to have 8-10 defects, among which there can be no primary defects[25].

Table 4. Defect equivalency table

Primary defects		Secondary defects	
Defects	Total defects (equivalents)	Defects	Total defects (equivalents)
Full Black beans	1	Partial black	3
Full Sour bean	1	Partially sour	3
Dried cherry	1	Parchment	5
Fungus damage	1	Floater	5
Foreign materials	1	Immature bean	5
Severe coffee bore damage	5	Withered bean	5
		Shell	5
		Broken/chipped/cut	5
		Dry hull or pulp	5
		Light coffee bore damage	10

Coffee buyers set the limit of defects for the coffee that they buy. The smaller the percentage of defects, the more expensive the coffee is. And if the buyers ask for coffee with fewer defects, the more work is done in the dry mill to respond to that request. It also depends on the market: the European market is more demanding than the US market in terms of number of defects.

The possibility for manipulation of imperfect coffee is as follows, according to a cupper:

> "If the buyer asks for twelve defects as a limit for a given price, and the managers respond asking whether they can accept fifteen defects, and the buyers accept, the managers report the required twelve. The

[25] I am grateful to N. Melgara and S. Granados for explaining this procedure to me.

Table 5. Size of sieves	
11	12
13	14
15	Quality that the buyers look for
16	
17	
18	
19	
20	Non existent

difference of three, weighed in grams and expressed in percentage of exportable coffee, is their profit" (cupper of a dry mill).

This happens because there is no control nor supervision on the part of the owners (members) of the dry mill[26], because of the defective functioning of its bodies, and because the FT principles and the principles of cooperativism have not been internalized to prevent abuse[27].

Finally, there is the sieve control (grain size) and the quality of the cup. There are sizes 10, 11, 12 and up to 20 (see Table 4). Exportable coffee is size 15 and up. The buyers propose a price for the coffee based on the size of the bean. If they want coffee from 17-18 size, they pay more than for coffee of 15-16 sieve. In addition, if the buyers want a cup with a quality of 85 or higher, the price undoubtably goes up. The quality of the cup of coffee (see Table 5) is calculated by receiving scores on its aroma, acidity, body, flavor and residual flavor. The scores are added up and then 50 points are added (Chemonics International Inc. and Star Cuppers of Central America, 2005). The larger the bean and the better the cup, the more the coffee is worth, and the more work is required to choose the coffee that meets those requirements. The possibility of manipulation happens when the coffee from the cooperatives has a good size and cups well, and therefore would get a good price and require less labor. But the members are not aware of that and are not physically present at the moment of determination, so they are paid as if their coffee did not have high quality and did not have a good size.

Table 6. Cupping	
Aspects to evaluate	Score
Fragrance/Aroma	0-10
Acidity	0-10
Body	0-10
Flavor	0-10
Residual flavor	0-10

If the cooperatives made progress in getting their members to turn in sundried coffee (42% moisture content) and better quality coffee, why is the conversion ratio reaching and surpassing 2.10 and the imperfection rate going up? It has to do with the growing practice of purchasing third party coffee –that generally is of lesser quality and has more moisture content –and the manipulations mentioned of the administrative staff responsible for the negotiation and management inside the dry mills. Their posture is self-serving while the reaction of the members is one of unconcern about the moisture content and quality of their coffee. The members labor under the notion of "one pig for another".

In the cooperatives that fall into these devices there are particular interests of certain individuals in conflict with the interests of the majority. Consequently, the information on yields is zealously protected by those people; they do not share it with the leaders of the first tier cooperatives, much less with the members. To a large extent this is due to the fact that the milling process lacks the oversight and control of the cooperative´s bodies. So discontent among the members grows. The response of the managers to

[26] The private sector tends to be managed by its owners or their children, and they have supervision mechanisms to prevent manipulation within the dry mills.

[27] On the internalization and control mechanisms, the case of the Mennonite community can be very illustrative. R. García (personal conversation, May 28, 2016) says that once he went to a Mennonite community in a rural area of Central America looking for training on making cheese. The Mennonite vendor told him, "I can teach because I know how to make cheese, but I would have to ask permission of my father, because he taught me what he knows, it is his knowledge." On another occasion he wanted to buy all the cheese that that person had to sell; the Mennonite replied, "I cannot sell it all to you. Why do you want it all? To resell? We sell cheese directly to families, it does not matter if I takes me awhile to sell it." In other words, the Mennonites have their control mechanisms in their community, that surely include accountability. Here we are highlighting that the good principles have been internalized in such a way that they are not broken when they are alone and outside of their communities. In contrast, within the FT network it seems, other ideas have been internalized that are not in line with FT.

this situation is, “the coffee yield is low because of climate change, rust, the members are not managing their coffee fields properly, and they are not picking the coffee properly.” The favorite refrain is “we are paying for moisture and rocks.” According to this explanation, like the purchase of third party coffee, the member producers are to blame, with perhaps a passing blame on climate change.

4.4 “NY price + 10”

Some cooperatives that have been trapped by the above-described mechanisms end up bankrupt. There are others that persist in spite of having fallen into these machinations. How? Behind their members´ backs, the managerial structure accepts proposals from some export companies: the “NY price +10”. That is, the private export company proposes exporting the coffee of their own company under the name of the cooperative, which means using the export license and the FT certification of the cooperative. For that operation the cooperative receives US$10/qq for the FT premium, and the company keeps the price for the coffee + US$10 in premium. There are also cases of large producers - non-members – who, due to their friendship with the management structure of the cooperative, sell their coffee under similar terms. If the transactions are for 20,000 qq, for example, the cooperative (or the management), without having collected coffee, and only lending out their papers, earns US$200,000, like the private export company. And if the cooperative obtains organic certification? Then it would be “NY price + 25”.

These transactions, that seem to be increasing every year, generally are done by the management structure of the company and of the cooperative. Some managers of cooperatives, on being challenged, argue that they see themselves forced to do it so that the cooperative might free itself from its debts[28]. In most cases, nevertheless, given the confidentiality of these transactions and the large gap between the management structure and the members, there are enormous personal profits generated at the cost of the cooperative and the FT network. This reveals two governance structures. One is that of the companies with their managers, where they have control mechanisms under the watch of their owners. The other is that of the cooperatives with their management structures, where the control mechanisms on the part of their owners (members through their cooperative bodies) are deficient and in many cases non existent. This phase implies that the cooperatives have reached the point of being practically privatized, functioning as private enterprises, even though presenting themselves as cooperatives.

So there are many factors that impact this phenomenon of cooperatives becoming trapped: payments that get “stuck” (FT premium, premium for organic coffee, quality differenital, cooperative premium, above market prices or readjustment), extra losses through weighing and determination of moisture content, purchase of third party coffee to the detriment of the entire FT chain, manipulation of the percentage of imperfect coffee and coffee quality, renting out the FT seal and organic coffee certificates to large private companies. All this reveals the dominance of destructive devices for manipulating the process, and the absence of cooperative control mechanisms on the associative side, which leads to the business side of the cooperative privatizing the cooperatives, or parts of the cooperatives, like the dry milling and/or the export services. The saying quoted at the beginning, “even an honest man sins in the face of an open treasure”, exactly captures the problem of a treasure that has been opened and is harming the FT and the cooperative movements, at least as a means for sowing justice and being an “alternative market.”

5. Institutional structure that facilitates the fall of the cooperatives into these destructive devices

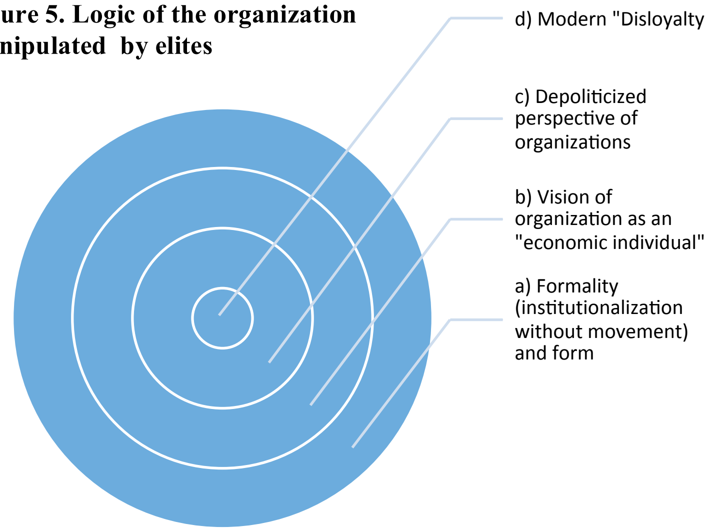
[28] These cases refer to cooperatives that changed managers and even Administrative Councils because of corrupt practices, which is why the cooperative was left so indebted that it had to resort to other modalities and manuevers to continue existing as cooperatives.

It is feasible to apply anti-risk strategies to not fall into the previously mentioned devices. Agreements can be reached with coffee buyers on cyclical purchases (setting prices for five years), and/or selling coffee as soon as it is being bought from the producers. More coffee could be bought from the members and thereby double the volume of coffee collected, without having to buy from third parties, and without having to fall into the device of "NY price + 10". Better control can be exercised over the yield (converstion of APO to APS), weighing, measuring of moisture content, imperfect coffee and the quality of the cup. Traceability can be assured so that the organic coffee is really organic and that it comes from the members of the cooperative. Why is this not done? In this article we are proposing three responses: one (already mentioned) is a more structural reason, refering to the all-encompassing power of the market; the second response (in this section) has to do with the FT institutional structure; and a third response is covered in section 6 having to do with glocal structures.

Here we argue that it would be difficult for a cooperative to fall into these destructive devices if the FT network (certifiers, social banks and buyers), in addition to the the members and the cooperative bodies, would fulfill their roles/functions rigorously, tranparently and in accordance with FT objectives. The destructive devices would be avoided if the organic certifier certified the real organic coffee areas and ensured that the coffee that is exported is really organic coffee; if certifiers did not simply certify "reviewing documents (formats that the cooperative itself fills out)", and provided advice to the member families about how to make progress in organic agriculture and, as they say in Guatemala, "went out into the countryside." These devices could not be used if the FT certifier ensured that the minutes of the cooperative meetings were real, that there was rotation in the leadership at all levels in accordance with the statutes of the cooperative, that the FT seal was used correctly and that the premium did not "get stuck;" if the social banks ensured that the credit that they provided really got to the members and was not used to buy third party coffee or was diverted by emerging elites. Communities would be strengthened if the buyers understood that they are buying coffee from a cooperative and not from an individual, and that they ensured that the prices that they pay and the projects they support did get to the members of the grassroots cooperative. In this scenario, many cooperatives would not be bankrupt or privatized, the producer members would be selling most of their coffee to their cooperatives, and the consumers in Europe, Japan and the United States would be certain of consuming organic coffee, and that the coffee came from the cooperatives, and that they were supporting small producers.

Why and how is it that the FT network is regressing and at the same time legitimizing the fact that the cooperatives are falling into these destructive devices? Figure 6 shows four responses to the series of questions. Even though the figure presents each layer separately, like an onion, in reality the layers are interdependent, each one supporting the next: a) the primacy of legal formalities; b) the concept of the cooperative as an "individual," which is made more visible because of the amount of members and the volume exported; c) the depoliticized perspective; and d.) the assymmetrical relationship of loyalties.

Figure 5. Logic of the organization manipulated by elites



5.1 Formalities and form

Formalities refer to the requirements that an institution needs to follow in order to access a loan or a certain certification. The form is the way in which an organization operates. The certification and analysis of the cooperatives tend to be reduced to the formality of criteria prepared by the management structure of the cooperatives and mediated by a test-judgement relationship. This includes signed minutes of the monthly meetings of the administrative council, records of activities on the organic farm, organic certification formats to be filled out, legal documentation of the cooperatives, financial statements, data on production areas and volume, and other information of this nature.

One example on organic certification: The registration of information on each organic farm is not analyzed by the certifier organizations, nor by the cooperative. It is only a formal requirement. Likewise the formats (questionaires) of data on each member and their farm that are to be filled out by the cooperative are rarely reviewed. Formally the organizations are the ones that request the inspection from the organic certifiers, which is why they tend to request them at the end of the harvest, when they are ready to export. This means that the certifier has to stick to the formality of inspecting the product within the context of the dry mill and rely on the data received. Consequently, the certifiers are not accustomed to corroborating the origin of the coffee as expressed in the report prepared by the administrative staff of the cooperatives, which says that "x" amount of coffee is from such and such a cooperative and such and such a member. "If we examined that member, about whether he really turned in 40 qq as the report says, the cooperative could sue us for doing a police audit, or look for another certifier and leave us aside" (inspector of an organic coffee certifier, Augsut 2016).

At the same time, so many laws and norms have been produced to ensure that the organic coffee of a producer is organic, that sectors with more economic capacity can buy conventional coffee and pass it off as organic coffee, manipulating the formalities. This leaves more impoverished families forced to produce organic coffee with low yields, many times without the capacity to get the organic premium. "The only thing left is the pulp to use as fertilizer, and yet with that pulp, the rust affected the organic coffee even more. When we buy some organic input they tell us that we first have to request authorization, and because of that paperwork, we are not doing anything" (member of a cooperative, December 2015). Within the framework of the power relationships, a member with a small area of land and few resources, even if that member has an ecological awareness, is afraid of violating the norms, while those with more resources and more commercial mindsets, manipulate the formalities to pass off conventional products as organic.

The paradox is that the more norms there are for ensuring that the organic product is organic, the more conventional product is passed off as organic (see, for example, section 4.2), and the more intimidated are the impoverished producers.[29]. Paraphrasing Anacarsis, the Greek philosopher, we would say that written laws are like spiderwebs, they ensnare impoverished families, but those who have more resources easily break through them.

Other examples involve the financial statements and audits. It is difficult for us to find members who know the audits and the financial statements. In fact, even if the members hear the report, it would be difficult for them to understand that accounting language. It is a simple formality to say whether the cooperative is doing well or poorly in its financial management, that everything is going well and that

[29] By way of illustration, see the sophisticated procedures of Flocert for the request for certification (http://www.flocert.net/wp-content/uploads/2014/02/CERT-Application-SOP-15-es.pdf), for the certification process (http://www.flocert.net/wp-content/uploads/2014/02/CERT-Certification-SOP-29-es.pdf) and for the audit (http://www.flocert.net/wp-content/uploads/2014/02/AM-Audit-SOP-17-es.pdf).

“such and such receipts must be corrected and such and such items be added in “x” table.” The audits are a formality, not to identify financial crises or acts of corruption, but to make the numbers balance, and their support in terms of receipts be duly registered. Because it is widely thought that the financial information is very important for the banks (be they social or not), or for other outside organizations, regardless of what is going on behind those numbers. The same thing happens with the information on yields, quality and prices, which is the exclusive knowledge of the leadership of the business side of the cooperatives. So the buyers know the price that they paid and the quality that they bought, but the leaders and members in this case are treated as non-entities, as if they were not the owners of that coffee and of the cooperatives.

To this formality is added the way external organizations operate, mediated by an assymmetrical relationship, like the relationship between one giving a test and one taking a test. This makes the administrative staff of the cooperative cultivate a logic of merely complying with what those organizations ask, while the organizations cultivate a logic of being like a judge that issues rulings (approves, sanctions, suspends and cancels certifications, approves or rejects loans). That same dynamic happens when the external organizations visit a member to “verify.” In this context, the most honest and critical member of the cooperative prepares to “pass the test.” In other words, he/she sticks to the directions of the technical/administrative staff. All this indicates that the conditions of formality and form encourage the administrative staff to govern the cooperatives *de facto.* Each person is looking out for their own interests based on complying with the formalities.

This *modus operandi* of the external organizations is mediated by the market relationships. Some organic coffee certifiers charge based on the volume of organic coffee exported and/or by the size of the producer. This an incentive for the certifiers to work with organizations that have more volume and that have producers that produce more volume, which in turn conditions them to comply with only the formalities. The certifiers thus do not “go to the countryside,” because that would require more time. In addition, any attempt to find out more about the origins of the coffee would lead to the cooperative (the manager or business side of the cooperative) preferring to hire another less demanding and more obliging certifier, which would mean a reduction in the income for the certifier.

All these practices distort the role of the cooperatives and affects the member families. How do they distort it? Let´s look at the following story of a member of the board of a first tier cooperative, who tried to question the operations of a second tier cooperative, and was criticized by the FT representative: “You (the members) have to love your cooperative [the manager and the centralization practices] because in that way you will get projects.” The cooperative that he was defending went broke a year later in the midst of very serious acts of corruption. “Love” seems to mean “be quiet, obey and be acquiescent,” which is contrary to the principles and practice of cooperativism, and opposed to FT principles (see Fairtrade, 2009). This viewpoint of domination is recognized by some members:

> When we criticize, they silence us in this way, that we should love the cooperative. When we want to strengthen our grassroots cooperative and continue by ourselves without the second tier one, they come and throw corn at us as if we were pigs, and tell us: “If you form a large cooperative, we will buy your coffee”. Of course, we see that we don´t have much coffee, but how are we going to unite with people who for years have denied us our premiums, and the above-market price for our coffee?” (members of cooperatives in Central America).

The members are seen as controllable and dependent beings, like the traditional patron used to see his fieldhands and small producers who depended on him. “ I keep these folks happy with just trifles”, the patron tended to say, listening to his own echo. The cooperative is seen as a means for collecting the coffee harvest, not as an organization that strengthens its members, which is more than coffee.

What can explain this way of operating? FT emerged as a movement. In the decade of the 1990s the cooperatives in Central America felt proud to be exporters, cooperative members, organic producers, to receive credit on favorable terms. They would host the visits of FT organizations in an environment of social commitment, learning with a great willingness to build horizontal relationships, and within a context of creating an alternative and fair path in the face of conventional and unfair trade that would hide information and manipulate coffee quality, weight and prices. Within a context of the large capital´s control over the market, this FT process became institutionalized and "professionalized," where being professional was conceived as something better than the rest of the people who were able to achieve university degrees, being "objective" and without social and political commitments to the organized communities. As the volume transacted grew and a new generation of professionals entered the FT network in a depoliticized context (see 5.3), the certifiers prepared their procedures, controls and ways of working. Meanwhile the cooperatives turned into companies that sold coffee, and NGOs that executed projects, providing reports to external organizations, but not to their members. At the same time, the evolving learning and movement character of FT was slowly lost.[30] The principal deficiencies of the FT network were: not having maintained the movement process; not demystifying the neoliberal market alongside its institutionalization and alongside its high growth; not having inspired the new generation to combine their professional capacity with immersion processes to feed their spirits and discern against what and in favor of what they were working/fighting; having been absorbed by that myth of the "natural market" that reduced their work of follow-up and certification to a simple business formality; having understood cooperativism as if it were an NGO or any business, without understanding its dual dimension, of being an association as well as a business, and above all, through those dual dimensions, being a means for producer families to be able to build a fair system.

This institutionalized deficiency means that FT organizations cannot detect when conventional coffee from third parties is passed off as organic coffee or whether it is a product of the cooperatives, because their way of verification ends with the table of information that the administrative staff itself prepares for them, and because their own interest is reduced to the financial return. They cannot – and many times do not want – to detect when the minutes of non-existent meetings are fabricated. And if the FT organizations actually wanted to fulfill their role, the person signing the minutes would simply state that they did attend the meeting, responding with the attitude of someone passing a test: they say what the external organizations want to hear, and show what those organizations want to see, because they believe that passing the test (deceiving) is being smart. Even though the FT officials know that there are cooperative leaders who have stayed in their posts too long in violation of the statutes of the cooperative – some holding the same position for 15 or 20 years - the external organizations simply follow the legal documents that fraudulently state that the leaders were just named to their posts.

Thus, for those engaged in organic coffee certification, it is not so important to verify whether the product is organic or not, as it is to comply with the formalities. The buyers are content with receiving the "certification", as is the entire chain. They cannot see that the FT premium gets stuck, because their way of proceeding focuses on the formalities; in other words, it is sufficient that there are the minutes of an annual assembly that approved such a decision. A rational person would be hard-pressed to imagine that an assembly which is held once a year for some 3-5 hours could make the principal decisions of an organization for the entire year, but that is exactly what is presented as fact. The aid organizations cannot conceive that there are solidarity stores (or cooperatives) in Europe that are prefinancing the coffee cooperatives, but that their money "gets stuck" in some part of the chain of actors and does not reach the producers. Because the formalities and economic interests engage all their attention, with a rationale of,

[30] Something similar is experienced in other fields. For example, international aid promoted development with participatory methods and processes where their staff had a deep social commitment. That changed over time. Since 2000 most of the aid agencies have looked for "results" expressed in "professional" reports, numbers that reflect "progress". See Chambers (2014) for a critical perspective on this approach.

"finding out where it gets stuck would be intervening in the lives of other organizations, it would be doing police investigation, and they could even fire us from our organizations" (supervisor of one of the certifiers in South America).

5.2 Perception of associative organizations as homogeneous entities

This institutionalization and professionalization conveys two ideas: *homo economicus*, the rational individual who maximizes his/her profits and erodes the procedural and "alternative" movement nature, moved by the idea of *homo reciprocans*[31], that of humans who seek cooperation. We distinguish between individual interests where the concerns of certain individuals prevail, and the interests of the cooperative, where the individual interests of its members would have to prevail. This is coherent with what Sen calls "ethical individualism" and not "methodological individualism" (see Bastiaensen et al 2015). The homo reciprocans, as opposed to homo económicus, understands that those interests depend on cooperation with other individuals, without allowing the interests of certain individuals to prevail by manipulating the "collective interest" and the organization.

The problem is that the organizations of the FT network perceive the cooperatives as if they were something homogeneous, as if the cooperative were an expression of only its business side, only the figure of the manager, and as if the cooperative were only something economic, buying and selling coffee. That perception of seeing an organization as something collective per se, and assuming that the economic part determines everything, is the big difficulty that drowns out the individual interests of most of the members. Correspondingly, FT actors deal with the cooperative manager believing that they are automatically contributing to the cooperative, when the cooperative is involved in multiple conflicts and relationships of internal cooperation, issues that need to be taken into account by the FT system.

There is another idea that goes along with this: that of seeing a good organization as one with large physical investments[32], hundreds of members, specializing in one crop, and trading large volumes of coffee. The approach of fordism underlies this idea of specialized work, mass production and consumption (Best, 1990. This perspective is pretty close to the ideas of Taylor (1911) on organization, separating head and hands to increase productivity and efficiency, and echoes the traditional idea of the haciendas [large estates], in their form of governance and extensive production and monocropping[33].

This second idea combines ideas that explain why coffee volume gets prioritized and pretexts are sought out, like climate change, to justify the stagnation and drop in product quality. It explains the split within FT, where FT-USA sought volume as the argument for having an impact on more people, and FLO was left with "small scale production" but also committed to volume (e.g. with the purchase of third party coffee and the fact that the FT seal is used (rented) by large global companies). It clarifies the pressure from the FT system on the first tier cooperatives to join the second tier cooperatives, organizations that are committed to volume and are not paying for the quality and differentiation of the first-tier products. It

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[31] Let us note that the word "homo" refers to the masculine gender, expressing the patriarchy of centuries. We note this to raise "the veil" on something that has become natural in our minds.

[32] On learning that a first tier cooperative had 80% of its own capital in their portfolio of half a million dollars, an international financial organization became interested in it. They visited them and concluded, "when you have an office and a manager, let us know so we can negotiate a loan with you" (conversation with the president of a first tier cooperative, 2013). That financial organization conceived of the organization of a cooperative as something visible and formal, a big building and professional staff with their manager. On their part, the State institutions conceive of the cooperatives from their formal aspect: " the cooperative is what the law and their statutes say; a cooperative is formed by being trained on that law, there is nothing more to say."

[33] For a historical perspective on the large estates and their relationship with the encomiendas, see Lockhart (1969).

reveals why the members are reduced to only working on production, and the first tier cooperatives are reduced to existing only on a letterhead.

If the concept of a cooperative is that it is like an individual (something homogeneous, like "sacks of potatos, according to Marx), then the procedure of formalities and form developed by external organizations to certify and make decisions on loans and purchases would be optimal, as we saw in the previous section. If the organization is dealing with an individual, it assumes that it only has to base itself on the formalities and stick to the form; and if all the information is centralized, that relationship deepens. In equating the cooperative with the management, external organizations legitimize their staying in their posts, while at the same time they sidestep the entire organizational structure that cooperativism entails. Some organizations even go beyond that: they name some managers as representatives of the cooperatives in international entities (and/or brands), when such individuals are not even members of the cooperatives where they work. At other times, external organizations even choose the manager of the cooperative, actually paying his/her salary.

Consequently, the FT actors cultivate relationships only with one individual of the cooperative, typically the manager. From their perspective they argue, "it is not up to us to see how the second tier cooperative is doing; this is up to the first tier cooperative, we respect that" (buyer of FT coffee). That vision (idea) and that procedure (formality-form) by external organizations makes them see the manager as equal to the cooperative and its members. Nevertheless, what they "respect" is precisely "disrespect", because they relate to a cooperative as if it were a private enterprise, believing that it "is not up to them" to look at the situation of the second tier cooperative. This approach in fact works in favor of the centralization and erosion of the cooperative[34]. According to that logic, the more an individual centralizes decisions and relationships (contacts), the easier it makes it for external organizations. Further, the deeper that relationship becomes, the more they relate to the business part of the cooperative, as if the cooperative was only a business and not a combination of business and association.

Let us look more closely at how the market has been taking over FT and the cooperatives, absorbing the management structure of the cooperatives. Under this approach, that individual manager is not obstructing the operations of the bodies and rules of the cooperative. On the contrary, he is a hero who is sacrificing himself for the benefit of the cooperative, something that managers end up believing about themselves. "Without me, the cooperative would go broke in a matter of months." And if the cooperative buys coffee from third parties and becomes a type of broker (intermediary), and those practices are questioned by the members, then the first ones to defend the leadership of the business part of the cooperative tend to be the actors of the FT system. Their rationale is, "it is to fulfill the contracts and benefit the cooperative," and "the cooperatives average out the prices from the sale of coffee to pay off the members." They take no notice of the collection of a substantial amount of coffee from third parties, coffee that later receives a FT premium and even organic premium, which in most cases will not be reported to the members, and that instead affects the quality of the coffee from the cooperatives, and negatively affects the members. Within the principal/agent framework, it would seem that an iron circle became the "principal" and the FT system became the "agent" that legitimizes the unfair practices of the "principal."

[34] Taylor, Murray and Reynolds (2005:203) found tension between what we call the associative side and the business side, and what establishes the fact that FT is connected to the business side. They say, "there is a fundamental tension between "formal democractic governance", that generates a rotation of leaders, and the desire for long term commitments on the part of the technical advisors. FT encourages the long term commitment of the buyers, that tends to favor the role of the technical staff, who have more continuity than the elected leaders. "One difference that we noted with many cooperatives of the region, is that some leaders also continue in their posts, be that by finding legal tricks or moving from their "seat", like in baseball, "in a different position but on the same field."

Returning to mythology, the spell of the sirens is that the struggle for the individual well-being of a minority overshadows the individual interests of the majority of the members of a cooperative, and in desperately seeking that individual interest, all fall into madness, they mutually go crazy. From the perspective of external organizations, the myth of Ulysses, the rowers and the sirens are read as something individual, as isolated actions (the cooperative on its part, each certfier on their part, the social banking sector for their part, the buyers on their part…), when in reality this myth talks about a collective arrangement that includes the paradox of "tying yourself up in order to free yourself." The market makes one read in the cooperatives only the action of Ulysses, moved by the "invisible hand" (the market). In contrast, in the language of FT, the action of Ulysses and the rowers would have to be mutually controlled to improve, something that currently does not seem to be happening. The task would be to explain the power relations objectively, precisely to make the cooperatives function as a means to benefit the members. Here let us remember the words of Nobel Prize Winner Elie Wiesel, who taught us that, "neutrality always aids the oppressor and not the oppressed."

5.3 The assumption of depoliticization

If the institutional structure and professionalization killed the movement character of FT, and the idea of *homo economicus* made the alternative perspective of FT disappear, the third influence of the external organizations was their concept of the cooperatives – and of all the organizations in the FT system – as depoliticized organizations, where the political is reduced to administrative procedures and *business as usual*. Under this idea, the cooperatives appear as harmonious and homogeneous units, while internal conflicts and the inequality mediated by the harsh power relationships are sidestepped. In addition the assymmetries and injustice that we have described in the FT chain remain invisible, concealed by a formality where there is not even room for the technical part. For example, to confirm that the organic coffee of a cooperative is really organic requires a laboratory test that costs, according to the certifiers, US$300. It is something technical and could be part of the formality, but the certifiers tend not to use it, "because that test the cooperative itself would have to pay for, and the cooperative does not want to." Such thinking sounds unreasonable when a responsible certifier would pay perhaps US$300 when it is charging as much as US$4,000 $10,000 or $20,000. Our hypothesis is that the certifiers do not want to lose their client, which suggests that the certifiers started out to ensure that the organic product was organic, but ended up falling prey to the idea that business is business. This is very similar to what is happening with banks and other financial enterprises, and it has not escaped notice. A cooperative leader, after seeing the international financial crisis and how the governments of the United States and Europe, instead of reforming financial policies, instead rewarded the banks, asked: "Is there anything more political than the acts of the banks that caused the world financial crisis, and then those same banks being economically rewarded with society´s taxes?" In other words, that technical something of certifiers and that financial something of global enterprises hides a common economic interest. That interest conceals a political decision that affects society, its members and consumers, helps erode the cooperatives and FT, benefits a small elite and responds to an economic rationality. In this way the political reality, so embedded in the social and economic reality and viceversa, is presented as the economic reality that is in control, but separate from the social and political aspects. Yet the political reality is denied in the cooperatives and in the agencies. "Friend, it is a matter of administering," is a phrase often repeated.

The "should be", referring to the type of cooperative that is desired, hides the "what is", that which each cooperative really is. "Should be" expresses the collective interests mediated by a perspective of harmony, which nourishes the discourse and denies the conflicts that could express different development paths and recover its alternative nature. "What is" refers to the way in which the cooperatives fall into the previously described destructuve devices (section 4) and institutional structure, the way in which the members are excluded from the decisions in their cooperatives, or the way women are omitted. The fact that the governing bodies are not functioning in a cooperative (i.e. education committee, oversight board and general assembly) reveals conflicts and the prevalence of individual interests over the collective ones.

The cooperative is seen as just economic, alienated from its social and political aspect. The actors of the chain appear focused on the business of producing, processing and selling coffee, and on the credit services. This is consistent with the traditional approach of economics, that says that in order to increase production (*output*) you just have to add inputs, a slogan that the producers also repeat who think that with credit (capital) they could improve their production, or with more projects they could quit being poor. Trapped in this perspective, the importance of the manager and the administrative and technical staff increases, or the members add to their responsibilities. The formal structure contributes to an environment where the manager gains importance and more work, because different external organizations are connected by way of the formal structure only to the manager, and therefore, only to the business side of the cooperative, as if the cooperative was only the business side. That separation of the economic from the political and social aspects, like the separation of the visible (*input and output*) from the invisible (power relations, human capacities), makes them think that the role of any committee revolves around the economic reality. So, for example, the education committee in the cooperative is conceived as separate from the economic and political aspects of the cooperative, and as something non-existent, except as a formality. It is not noticed that the committees are not functioning. The mutual "non-oversight" and the formality of the general assembly are policy decisions that figuratively untie Ulysses and the rowers, leaving them at the mercy of the sirens. The marginal roles of the leaders- linked to the associative (social) side- and the emphasis on the administrative/technical personnel- linked to the economic side- results precisely from that separation, and the denial of the political reality expressed by their actions, hidden by the administrative side.

5.4 Modern disloyalty

External organizations, feeling comfortable in their role of issuing opinions backed by the financial reality, are slowly being controlled by the "justice of the market" and not by "social justice." It is difficult for external organizations to argue lack of knowledge in the face of the destructive devices that entangle cooperatives (described in section 4). On the contrary, they are a principal part of the legitimation of these cooperative pitfalls.

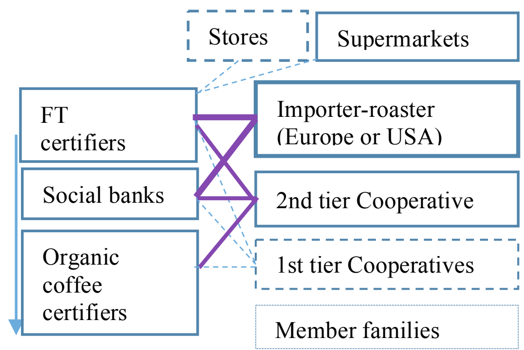
The logic of "market justice" gets imposed. The social banking sector is established with its purpose of generating profits. Correspondingly, if previously they worked only with the cooperatives, now they also work with private companies. To continue calling them "social banks" benefits them in *marketing* for their economic interests. Consistent with the previously described logic, the social banks tend to provide credit to private companies without noticing that the people who bankrupted other cooperatives tended to take refuge there, and that they continue to erode the current cooperatives. The social banks do not notice because the formality and the form, and their economic rationality, keeps them from doing so. Even in the case of FLO, their split can be seen as an expression of a double standard. It emerged to work just with small producers, while now the divided FLO, in its FTUSA expression, also works with large coffee plantations (large business owners), the organizations against whom FT precisely emerged. Among the buyers, for example, Green Mountain established itself in good measure within the FT framework. But now Green Mountain can get rid of the FT seal and devote itself solely to generating profits, because the FT seal has lost importance for consumer demand. "Business is business," they seem to say. So the FT seal, that once was a means for the small producers to sell their production, has been turned into a means for large businesses to expand their markets.

This practice of disloyalty toward those "from below" is reproduced all the way down the chain of participants. "there are the poor of the poor". The people "from above" think that those "from below" should be loyal to them, without protesting and without leaving[35], integrated into the logic of the market. If a cooperative has difficulties honoring its debts with the social banks, the buyers respond in solidarity with the social bank. If the certifiers or the social banks certify or provide credit to the cooperative, without verifying the organizational functioning of the cooperative or without verifying whether the organic coffee really is organic, then no one complains to them, no one sees that these actions harm the cooperative. Thus, there is no loyalty to the grassroots cooperatives. Nor is there acceptance of the complaints of the cooperatives against those "from above," who make the members and the grassroots cooperatives believe that working on their own path is like falling into an abyss, "because no one will buy their coffee, no one will certify them, no one will give them credit and no one will give them projects." Loyalty (or to phrase it differently, obedience or subordination) is toward the elites. In turn, elite loyalty is to capital and "they are the rich of the rich."

In spite of that unjust reality, the members and first tier cooperatives persist. They accept that their second tier cooperatives are disloyal to them, and many of them do not believe that they have the right to demand loyalty. A popular song that is heard in the bars and markets seems to express their feelings: "let him hit me, but don´t leave me." To that, the FT system seems to respond like the typical Latino macho: "I have the right to, because I am a man." That modern loyalty, in any case, is subordination to capital and the market.

6. The power structures and the hollowing out of cooperativism

Figure 6. Real structure of Fair Trade



* width of line indicates intensity of relationship

In the previous section we asked ourselves why the cooperatives cannot move beyond these devastating devices. Here is the third response. The cooperatives would not fall into these mechanisms if their members really acted as members, if their committees functioned, if their staff responded to the principles of cooperativism and to their committees. The regression of FT also has been due to the action of a small elite who, behind the cooperatives and the FT system, has been taking over- or privatizing – the cooperatives and FT. This elite is based on an historical power structure that is capable of hollowing out the cooperatives. How?

Figure 6 expresses the concentration of power (capital, positions, information and contacts) from where the entire chain in managed. Seen from the region, the second tier cooperatives concentrate the investments, in good part thanks to the FT and organic premiums, payments for quality differential, cooperative premium and profits (or above market prices). They are the door to the certifications, banks, markets and FT organizations, information and external relations. They are the ones who have what external organizations are looking for: reports, records, minutes, and information. Seen from the perspective of the whole chain, the iron circle is between the second tier cooperative, the buyers, certifiers and the social banks. Seen from the perspective of power relationships, if each organization acts

[35] For a theoretical perspective, see Hirschman (1970), who proposes the concept of exit, voice and loyalty. If there is a possibility of protest (have voice), there is a possibility of loyalty, and the risks of abandoning the organization can be reduced. The opposite would be: if you do not have the possibility of protesting, then you are subjugated, which means that you can only stay and resign yourself to the situation, or leave the organization.

according to their own interests, a tacit collusion is seen among various actors (individuals) of the FT system[36].

Historically, the patron and the foreman lived in the same community/zone as the peasant families and/or fieldhands. This closeness created more vertical control (from the patron to the foreman, and from the foreman to the peasant/fieldhand), and kept the peasant families or fieldhands from taking advantage, like paying with less product, or working less than planned. The patron would maintain control over the foreman through informal rules and with knowledge of what was happening on the ground. Thus he would keep the foreman from taking advantage as well. In the decade of the 1980s that structure changed. It was globalized. Now within FT the management/administrative structure is the equivalent of the foreman, in some cases together with the president of the cooperative. They manage the entire chain, because the new FT patron is geographically far away, and because the chain is full of formalities (laws and norms) and does not know the local reality. A constant in the old and new structure is that the peasantry (members of the cooperative) continues to be excluded from that structure, and at the same time internalizes that structure, and reproduces it. Another constant is that this informal structure, internalized, is what controls the formalities supported by the previously described ideas.

What follows illustrates this point. If a FT inspector or certifier tries to verify the formalities, they are absorbed by this structure:

> When the inspector comes in, in the cooperative we prepare the members to be visited. If he wants to visit some member from the list that we have not planned, we say that he is sick, or that he is not at home. The thing is to take him to members that we have already prepared (president of an export cooperative, 2012).
>
> On one occasion, an inspector chose from the list without heeding our suggestions, and visited members that did not even know the name of the president. So we tried to invite him out to eat, to butter him up, and he did not accept it. In that case, we had to write to the organization arguing that he had discriminated against the members, and the organization removed him as an inspector (president of an export cooperative, 2012)

This structure is an historical institutionalization of the patron-client relationships in our societies. This institutional structure says, "Fieldhand and peasants do not have the right to ask for information; the patron is the owner, and it is his right to not share information." And it has been this way for centuries[37]. The FT system takes on and intensifies this institutional structure. To the eyes of the member families, the management structure and the FT organizations behind that structure appear to be the patrons that have the right to not provide information. There are managers who say, "Not even my own mother knows that information." And to these patrons, the members appear to be ignorant and incapable of improving the coffee quality and productivity. The members see themselves as impotent in the face of their cooperatives, they see their cooperatives as foreign to them, never as "their" cooperative.

Within the cooperatives, among the individual interests there is also the underlying idea that "the president is the one who does everything", or "the manager is the one who does everything" instead of the asssociative side with its different bodies (assembly, administrative council, oversight board), that can

[36] Mendoza (2012b) analyzed this structure of *gatekeepers*, a transnational group that controls the keys to the economic, social and political power, by which they manipulate institutions and structures, and take over material and non-material resources.

[37] This institutionality also says, "Women have no right to receive inherited land, only the men,"and it has been that way for centuries. Even the most democratic "agrarian reforms" have intensified that institutionality, and the FT network has been absorbed by that structure.

manage the organization. This belief is institutionalized using as a reference the large estate *[hacienda]* that we referred to previously. But at the same time it is a belief that is in the process of changing, in some cooperatives more than in others. It is precisely these internal forces for change that need to be supported by the FT system, that are consistent with the FT principles, but that are frequently blocked.

All of this reminds us that, historically, the peasant families have not had true strategic allies. We could almost conclude that the external organizations have come in to use them. Some came in to form communal banks, and ended up creating their own banks and leaving the more impoverished families outside their credit policies, and worse yet, financing the large producers who are dispossessing the small producers of their resources. Other organizations came in to sell products with the peasant families, and after establishing those intermediations, left the peasant families as providers of products. And others came in to get them to join them as guerrillas and soldiers, who, after the dictatorships were defeated, left them abandoned to their own luck. Said figuratively, the peasant families have been like lovers for some nights, but never as spouses in a true alliance or marriage.

Under these conditions the first tier cooperatives are not able to influence the second tier cooperatives. If they try, a wall appears. "FT and the social banks say that you cannot remove me, because my signature is on the contracts." If there is a change in a manager who is a favorite of FT, the coop is told, "If you change the manager, we are not going to buy your coffee." If some cooperative dares to save and administer itself, and ceases to be a "minor," things go badly for them, as in being told, "You do not have the FT nor organic certification, and they are not going to give it to you, and no one is going to buy your coffee because you do not even know the buyers, or "If you don´t continue as a large cooperative run by the manager, I am not going to buy your coffee." If committed scholars seek information from FT bodies, the response is, "We only give information to the cooperative," meaning the small group that manipulates the devices and keeps their cooperative leaders and members from knowing the financial and commercial reports. The bodies of the cooperatives have become non operational, because they are limited to the formality of holding an annual assembly and a monthly meeting of the administrative council, and of doing the minutes. All this explains why the technical-administrative staff acquires so much decisive power, such as in the management of the moisture content-weight of the product, the APO-APS conversion, imperfect coffee, quality of the cup, loans, and projects.

This type of transnational collusion is what has been hollowing out the content of most of the first tier agricultural cooperatives. Most of them no longer provide savings and loan services, some are no longer collectors of the coffee harvest. Their board members do not meet monthly, even though "minutes" appear of monthly meetings. Their members are unaware of the activities and decisions in their cooperatives. They have internalized the notion that the motivation for being a member of a cooperative is just financial, and that you have to depend on the patron to receive favors such as credit or projects. And this reinforces the transnational collusion, because it does not face any resistance capable of challenging it. The unintended effect of this is that FT regresses, and along that path the cooperatives fall into crises and go broke, or continue as private entities, while the members are dispossessed of their organizations. The "new foremen" are now "the principal."

7. The reinvention of fair trade

Let us continue with the Greek myth: How to tie yourself up in order to free yourself? How can the FT system mutually control itself in order to improve? To cheat the death that the dictatorship of the market imposes, FT needs to reinvent itself. That reinvention contains many elements, such as creating an awareness that the economic, social and political parts form the same reality, and that they are present in each decision; recovering the sense of alternative trade with which it emerged and which is even more important today; recovering the character of a movement that FT had, combining processes and results;

turning its focus to the mulitple realities of the organized or organizing peasant families; trying to get the members, along with their families and the first tier cooperatives, to operate with more autonomy, and grow in differentiated products. In this way, FT empowers processes of repossession and tranforms the patron-foreman-client structure, not so that the "new patron" might control more and better, and that the members might be the "new little patrons", but to create a more horizontal relationship, a learning alliance among the different actors.

If a small group, trapped in the underlying neoliberal ideas of the last two decades and a half, was capable of diluting their awareness of justice and subverting original FT principles, then it is the task of the entire FT system – and not just one actor alone – to recover the FT mission of transforming trade to benefit the majorities. How can this be done? A group with a growing awareness of FT needs to recreate its alternative vision and reconceptualize why it is **fair** trade. In what follows we propose two complementary paths for reinventing FT, restructuring the current FT system, and at the same time generating a complementary movement in universities in alliance with producer families organized into cooperatives.

7.1 Re-thinking the structure of Fair Trade

Let us note that the FT structure deals with agricultural production, and therefore with the rural area, or so-called rural society. Generally in our countries that rural society is where there are more problems of poverty and inequality. At the same time, these are areas/societies that have historically expressed greater resistance to the political systems, at least in all of Latin America. It is where the policies of the different governments (and aid organizations) tend to fail, or even contribute to the dispossession of those societies. An illustration of that in terms of Nicaragua is described by the historian G. Romero:

> That has been the terrain, since the time of the Spaniards, that they were never able to dominate. That is why in Nicaragua there are only two colonial cities, León and Granada, but there was a third city that today is called Ciudad Antigua. It was called the Nueva Segovia, and it never prospered there, an aristocracy never emerged. The indigenous never left that group of conquerors in peace. You move then to the time of independence, the same, in the 40s of the 19th Century there were armed movements against the Government, the Government was not in charge. That is where Sandino´s guerrilla war emerged. Afterwards there was the guerilla war of the Sandinistas, and then that of the Contras. In the north it has always been that way, historically. (G. Romero, interviewed by E. Cruz, La Prensa Sunday, November 27, 2016).

Rethinking FT is also recognizing that complex and challenging rural reality. FT still has a chance to contribute to its transformation. How can it do so? We propose two dimensions, one that creates lasting bridges between the FT system and rural society, that helps it to understand and at the same time be understood, and that generates in it an emotional strength and political commitment to transform unfair trade. A second dimension is where FT reduces the gap between its discourse and its actions, and generates an institutional structure of transparency, a culture of mutual openness and accountability.

7.1.1 Construction of lasting bridges

Mendoza (2016b), studying the contribution of the cooperatives toward peace in Central America, found that there was a group of priests that between 1950s and 2010 connected with rural societies. What follows are quotes from two testimonies to show the importance of this type of work.

> It was 1968, I had spent 3 years working for myself. I was thinking of making money like the rich do. I was walking along when I saw someone unknown mounted on a mule. He reached out his hand to greet me, "I am the priest of Santa Fé, Héctor." I did not believe him. I responded, priests greet only the rich. "There is always a first time, I invite you to a meeting this Thursday." I do not have time for meetings, I reacted,

> lowing my head. “No? Those are the kind of people I am looking for, people who do not have time.” He left me floored. I went to the meeting. We sat in a circle. What I saw and heard made me think differently, and I changed forever.” J. Peña, cooperative peasant leader, Santa Fe de Panamá.

> Fr. Jack, when he saw two groups, one with money and education, and another group of poor people, being such an educated person, always went where the poor were. If we ran into one another along the road or in the street, he would stop to greet us. He liked rubbing elbows with us. He made us trust him, he gave us confidence. He wanted to know about the people, their problems, and defend us wherever it may be. And he did not like us callling him “father.” “Call me just Jack”, he would tell us. A. Maradiga, cooperative member, Jalapa, Nicaragua.

A chasm has opened up between the FT system and the rural population. In fact, that group of priests and lay people, inspired in the framework of liberation theology, or the openness in the social doctrine of the Catholic Church based on the Second Vatican Council in 1965 and the Second Latin American Bishops Conference in Medellin in 1968, has been slowly reduced with the conservatism of the Church itself, this time with the arrival of Pope John Paul II, followed by Pope Benedict. With the disappearance of those bridges, the separation is so deep, that it is common to hear within the FT system that “the illiterate do not think”, meaning that the peasant families do not know how to think and therefore lack the capacity to understand the FT numbers. Nevertheless, according to the G. Romero in the prior quotation, that society is precisely the one that has not been subdued by the dominant systems. We add, the very society that has been expelled to the highest mountains, today has the best quality coffee in the country, capable of contributing decisively to the reinvention of FT. That society, so deprived for so many years, opens its eyes and its hearts when they are given humane treatment and respond in the voice of one of their leaders, E. López: “The illiterate person is not the one who does not know how to read, but the one who does not understand the reality.” Consequently, it is important to build new connections with the movement side of the churches, now that there is a certain amount of openness under Pope Francis, and to form people with a sense of mission to build those bridges between the FT system and rural society. In the long term our vision would be that this FT network would be one that would build bridges, that would carry out the work that priests like Jack and Héctor, and some many others, have done.

Another complementary strategy is found in immersion opportunities (living from three to five weeks with the member families and in their communities) for FT actors. The generation of professionals who currently are working in the FT system – certifiers, buyer companies, roasters and sellers of roasted coffee –did not have the experience that the first generation had, of dealing with unfair trade, and working with the families that organized into cooperatives. Such experiences provide the opportunity to see cooperative realities from an entirely different perspective. Immersion does not automatically awaken awareness, but it provides the conditions for it. In other words, just like religious mediation made it possible for priests like Jack and Hector, and many others, to get out of their churches and look for God among the poorest, so FT mediation can make it possible for its members to seek and build justice among the poorest.

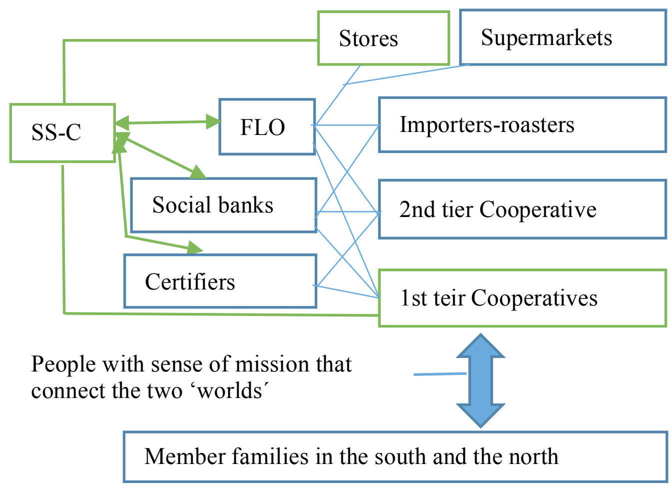
Let us remember that the social welfare state in Europe was due to several reasons. One of them was the experience of some soldiers in the Second World War, who, upon entering the homes to recruit young men, realized that many families were living in poverty, when it was thought there was no more poverty in Europe. That experience awakened many people. After the Second World War, it aided in the building of the social welfare state, precisely in order to not go back to suffering poverty and war[38] (See: Drèze and Sen, 1989, y Sen, 1995). Why do we bring up this historical reference? Because the power of immersion can be much greater than just going into the home of some families for a few minutes. As in the case of those soldiers who discovered poverty upon walking into those homes, professionals who work in the FT system, upon sharing for some weeks the lives of member families, can rediscover the injustice of the intermediation in all its forms, even in the current expression of FT.

[38] I am grateful to T. De Herdt for helping me understand this very important part of European history.

If these two forms of building bridges are organized and connected, a process that we call “insertion” can be generated, which is repoliticizing the processes of FT intermediation[39] and building a new vision of FT. That immersion experience connected to groups of people who work full-time building bridges with rural society will provide them with more elements to understand the full range of injustices: the injustice in which the families currently live; how the market functions and rules; what has happened with FT and cooperativism; how to learn with the member families; how to get beyond the institutional framework of “test-judgement;” understanding the importance of cooperativism in its dual roles, both associative and business; how to look at the world “from below” and in terms of the construction of connections, and that we are all part of that reality.

This recovery of the “sense of mission”, added to the training that the professionals from the FT system have, could help FT recover its movement character. Alongside its institutional structure built up over so many years, it could make the FT system a learning device at the service of knowledge societies for foreign aid. This would be a decisive point for the dimension that follows.

Figure 7. Second generation of FT



7.1.2 Reorganization of the FT structure

Equipped with this sense of mission, Figure 7 draws the elements for the restructuring of FT. First, the solidarity stores and the first tier cooperatives (SS-C) would build a space for direct communication, including the possibility that one might be a member of the other. The idea is that the SS-C would be a space for learning – and for the democratization of information – on prices, loans and certification, reviewing FT policies to ensure that the prefinancing and the premiums do not get stuck, and that they reach the members, that the consumers who buy organic coffee really are consuming organic coffee, and that such coffee really comes from the member families in the cooperatives.

This is possible if the SS-Cs support one another in an alliance with “institutes of development studies” in the countries of both the north the south. These organizations would do research on the entire FT chain, and in addition would accompany FT in their processes of improvement (innovation) and organization of their knowledge in an ongoing way. In the south, the institute would accompany the cooperatives and their members. In the north, another institute would accompany aid organizations, solidarity stores and corresponding companies. The ongoing study of these processes would allow one to see far and be constantly reawakening, and if the FT actors are also accompanied in their innovations, it would be possible to reduce the regression mechanisms and see, behind the adversities, opportunities for social justice.

Second, the certifiers (FT and organic) should respond to an entity of the SS-Cs. Their audits and verifications should contribute to good practices in the FT system. For example, it could verify the rotation of cooperative leadership, that the administrative side of the cooperatives does not usurp the roles

[39] Mendoza (2015), based on the experience of a group of researchers-promoters of development, and bringing together other experiences, argues the importance of immersion (living with impoverished families), insertion (forming alliances and building vision from that immersion), writing (taking notes and analyzing the information itself) and dialogue (hearing the logic of each human group).

of the cooperative bodies nor vice versa, that the FT seal and organic coffee certification be only for the coffee of the members, and that the coffee sold by the cooperatives come 100% from the cooperatives. Let us remember that the members are currently only turning in a little more than 32% of their production to their cooperatives. Therefore, in a context of change where the members would have confidence in their cooperatives and FT once again, they could turn in 40, 50, 70 and even more than 80% of their production[40]. Consistent with these practices, the certifiers, buyers, social banks and the cooperatives could demonstrate that they are part of an alternative trade movement by being transparent. Transparent access to information would make available on a webpage financial and organizational audits, the data on organic certification, the prices that the buyers pay for the product as the contracts indicate, the costs of processing the coffee (dry milling), the yields in the dry mill (degree of moisture, hulling, imperfect coffee and quality of the cup), and the amounts of loans made to clients. This assumes leadership overcoming the myth that making our information public is providing tools to our enemies. The reality is that the ones most affected by these devastating practices have been the member families. While those who have most benefitted from this myth have been precisely the elites who have privatized the cooperatives and FT, as well as the traditional companies and intermediaries.

In addition, it is the moment to rethink organic certification. If it is only to fulfill a formality, it seems unnecessary and even counterproductive. The best contribution of organic coffee is not so much the health of the consumers[41], but the autonomy of the peasant families (who depend more on their own resources) and the mitigation of climate change. In this sense it seems fundamental that organic coffee be considered a product of greater value, a special market-niche product, and that it be mediated by direct relationships between consumers, the coffee industry and producer families. It is a matter of trust, more than commercialized formalities.

Third, the first tier cooperatives must develop rigorous strategies for strengthening themselves. Such actions dictate that they create savings and loan services; systematically increase their own capital; take charge of the collection of their own harvest and measure the moisture content with the appropriate technology (e.g. using the Moisture Meter); decide about the use of 100% of the FT and organic premiums; that each cooperative have its own webpage with information about their areas, production volume, data on their membership broken down by sex, even on the inheritance left to sons and daughters; and that the rotation of leadership in their positions (associative side) and of the managers (business side) be a reality. Further, the second tier cooperatives should specialize in coffee processing to the extent that their income and costs allow them, but not as a result of foreign aid. They should publicize complete information about yields, qualities and prices; the management of lots of coffee by zones should include the names of the members, and that those members should know what prices their coffee is sold for. Those who produce quality coffee should receive the payment for that quality. The second tier cooperatives should help first tier cooperatives develop services in accordance with the opportunities in their surroundings and within their abilities; the FT and organic coffee certifications should be done directly with the first tier cooperatives, and those certification services should express reasonable prices

[40] Of the 35 cooperatives with which we have been working since 2010, we did a survey of 6 cooperatives –all of them were part of the group of 33 cooperatives that Mendoza et al (2011) reported turned in 32% of their coffee to their cooperatives in 2011. The results of the survy in 2016 for the 2015-16 cycle were: they sold (turned in) 70% of their total production to their cooperative, 11% to intermediaries, and 19% was for family consumption and sale locally. This shows us that more coffee is commercialized through the cooperatives when the first tier cooperatives directly export and/or improve their levels of internal confidence. That is also reflected in the coffee prices: the average price for the member-producers, according to the same 2016 survey, was 17% higher in the cooperatives. What a difference! More analysis on the survey that we have done will be published in early 2017.

[41] In terms of human health there is no differnce between organic coffee and coffee grown with chemical inputs, because in the process of roasting it to 400^0 F or more, any pesticide or fungicide is destroyed. Nor is it possible to determine the type of soil nor fertilizers used for its production. See: 'testing coffee' http://www.coffeeanalysts.com/faq/

freed from neoliberal ideas of being controlled by money. The first tier cooperatives should not face discrimination, there should be laboratory tests of the coffee of each cooperative with organic products; and an alliance should be developed with the members to improve the organic product and create a solid environmental awareness.

Fourth, the cupping of the coffee should happen in a triangulated way and that it be related to the improvement of differentiated coffees in specific micro-territories. Up to now the second tier cooperatives and the coffee import-roasting companies in the US or Europe do the cupping, which each one does independently and without sharing the information of their respective cuppings. We propose that they should also be cupping on the part of the first tier cooperatives, and that they three cuppings (the first tier cooperative´s, the second tier cooperative´s and the importer-roaster company´s) be shared and that they reflect on their similarities and differences, including the identification of the elements required to improve the coffee throughout the chain. In other words, the coffee cupping, in addition to helping to set prices, also can reveal what nutrients the coffee needs in the plantation (whether it is more nitrogen or potassium), what type of management is needed on the farm and in its processing. This implies that the triangulation of the cupping of the microlots of coffee would contribute to producing differentiated coffee in certain micro-territories with relative ecological homogeneity. This would include the improvement in its management, greater participation of the family of the member, organizational improvement of the cooperatives, and improvement in the quality of life (and salaries) of the workers (coffee harvesters and cooks).

Fifth, to keep the first tier cooperatives from being controlled by a small group, we need to work also at the level of the member families, consistent with what is proposed in 7.1.1. They will need to improve their capacities to negotiate, invest and save, to discuss their problems of inequality and to find their opportunities along with other members of the family. In this effort we reclaim the rural proverb: "The stronger the children are, the stronger the parents will be." The stronger the members are, the stronger their cooperatives will be; the stronger the cooperatives are, the stronger will be all of the FT bodies.

Sixth, the State in each country should include policies for controlling product weighing, the moisture content of the products, percentage of hulling and control over the quality of the cup. The State should increase the informational transparency of the transactions in the entire FT chain. The state should apply the law on the rotation of leaders, and keep the elites from doing legal tricks of "reforming" the statutes in order to remain in the same posts. All this will contribute to a real reduction in poverty and inequality, empower the families and their organizations, help to form shared leadership that responds to the members, recover the professional nature of the staff that works in the cooperatives, and silence the new song of the sirens, that says "*to make money in the new millennium you have to be the manager of a cooperative."*

With these elements in place, the model would be, "I support you so you can sell your excellent coffee" instead of, "I buy your coffee to sell it myself and keep the premiums, the additional price for quality and the other weights." With this model the producers would regain their trust in the system, turn in 100% of their coffee to FT, improve the quality of their coffee, and the consumers would appreciate consuming quality coffee and organic coffee, knowing that they are contributing to peasant families and mitigating climate change. Systematic corruption that impoverishes producer families would be avoided. The dignity and importance of managers, administrators, technicians and cooperative leaders would be recovered. While individually they may not be the causes, they are nonetheless dragged along by the force of the market at the service of global elites. The social banks would recover their loans at less cost, and that "social" part of the bank would not be just a title, but a clear reality.

7.2 Managing the coffee chain

In a parrallel and complementary fashion, recovering the spirit of FT connecting consumers and producers, we propose managing the entire chain with a direct learning relationship. How? In the university spaces in the north and south, students and professors would organize into cooperatives, and within the framework of an alliance with producer families organized into first tier cooperatives, would manage the coffee chain and co-invest in coffee shops within university campuses. This is an excellent space for experimentation that combines learning, research and collective action of an alternative cooperative – and FT – model.

The experience of Capeltic in Mexico, like the sale of packaged coffee in universities in the north, constitutes a good start. First, students and professors would form a cooperative and connect with a cooperative of organic coffee producers. They jointly organize the coffee chain, and get the support of the university authorities with this environmental and socially-just initiative, consistent with the university principles of learning, research and social outreach. Second, they would offer differentiated and high quality coffee products (and sub-products) and other items produced and sold by the cooperatives, such as crafts, honey, beans, granulated sugar and chocolate. They would share the new life stories that they are generating throughout the coffee chain, and show how processes of democracy in the entire chain are built within a constant struggle between internal and external authoritarian processes. Third, the staff that serves in these coffee shops would become members of both cooperatives (the student cooperative and the producer cooperative), to serve as ambassadors of a cooperative model with good changes. Fourth, the academic theses of the student members, whatever their academic discipline, would address any part of the coffee chain that reflects their involvement, and those extracts would be published on the webpage of both cooperatives. Fifth, to the extent that these experiences multiply, an international network would be built among these types of innovative initiatives.

In this way the coffee shop would be a “door” into the reality of rural families undergoing processes of reclamation in their struggle against dispossession, and in the development of democratic cooperative models with professors and students. In turn, those professors and students, after finishing their studies, could still remain connected to them. This model then constitutes a “door” to producing and managing knowledge that is an alternative to the homogenizing ideas of neoliberalism.

8. Conclusion

The FT movement and cooperativism are public goods that belong to humanity, and their principal role should be contributing to equity and the democratic processes that are embattled in our societies. FT, like cooperativism, emerged as an alternative movement, but slowly tended to be an expression of the “iron law of oligarchy” that Michels spoke of (1915; 1911). The enemy was commercial mediation as a producer of inequality; the challenge has been to do away with usury, and access markets through a transnational alliance. Nevertheless, if we calculate the injustice by cost, weight, yield in the dry mill, access to the premiums, quality, or access to donated projects, then the large number of producer families that are impoverished should not surprise us, nor the small number of families that get out of poverty. What is surprising is that what is described here tends to occur under the letterhead of “fair trade.” The system of injustice is like a spider´s web, it traps the weak and leaves them at the mercy of the large web of capitalism, that produces inequality. The paradox is that this current FT structure instead could be strengthening the mediation that is stripping the peasant families of their cooperatives, making inequality worse, destroying the sense of movement with which FT started, and over time eroding the associative side of cooperativism. Consequently, FT and the cooperatives more often run the risk of merely “seeming just”, as Plato warned, this time subordinated to the neoliberal market that presents itself as if it knows all, and subordinated to the patron-client institution of our societies and the structures of hierarchical organizations.

Why is this happening? Taylor, Murray and Reynolds (2005) identify the problem of FT in its governance structure, tensions between the democratically elected bodies with rotation of leaders and the continuity of the technical staff in the organizations. They therefore suggest FT monitoring and audits. Valkila (2009) argues, in the case of organic coffee, that the most marginalized producers with low productivity are trapped in poverty under the FT organic system.

In this article we follow the direction of Taylor et al (2005), but we go beyond the formality of governance. We agree with the findings of Valkila (2009), that FT reveals above all an organizational problem in the entire FT network, and a governance structure that has been absorbed by the neoliberal market. Within this framework, quality coffee and organic coffee do not yield differentiated prices for the producer families, nor do they make a difference with unjust conventional trade. FT benefits have been captured by the large glocal intermediation system, and that FT structure tends to exacerbate the most despotic power relations of rural society.

How has this happened? A small group has been learning the FT dynamic and has become capable of manipulating it to their own benefit. It is not the individual fault of any actor or actors. Each actor works out of good will, be they member, president, manager, inspector, director, seller of coffee in a university dining hall in the United States or Europe, even up to the consumer of coffee. It is a system expressed in devices and an institutional structure where the entire FT network exacerbates the inequality and poverty. That institutional structure is embedded in informal rules that respond to a social order of exclusion, informal rules that control a myriad of formal rules, and that at the same time are internalized and reproduced by the respective actors. These devices and institutional structure operate in accordance with the ideas of the "rational individual", fordism, the hacienda, and a hierarchical organizational structure, where the political reality is reduced to an administrative formality. The business part of the cooperative erases the associative part, and erases the justice in FT. This system has been globalized now for two decades, capable of producing a regression in FT. When that system operates, it is an expression of the saying, "with an open treasure, even the most righteous sins." It is a system that undermines the effectiveness of the bodies of the cooperatives, erodes the roles of the different FT organizations, and kills the movement nature of FT and the associative nature of the cooperatives. You or I, administering any organization of that network, would also likely sin. Under these conditions, any model, even the *direct-trade* that has emerged in the last five years is – and will be – absorbed by that system or structure. There is nothing *direct* in our terrestial world.

Why should fair trade be recovered? There is an expression that says "when one door closes, a window opens." In the current situation the actors are in the process of understanding the problems and consequences of FT, and also understanding the injustice of commercial mediation. We live in a moment of scarcity of external resources from foreign aid, which prevents injustices that occur within the FT system from remaining hidden. It prompts the members to ask where their FT and organic premiums are, ask why they are not being paid for the quality of their coffee, and begin to ask what is happening with the weighing, and the yields from APO to APS coffee. Consumers are also beginning to ask. The regression of FT can be like a "door" that is closing, and at the same time can be a "window" that is opening.

Why should fair trade be recovered? The more differentiated and recognized a product is, whether due to its quality or for being organic, the more rural families can improve their lives through generating more income, learning more, cooperating more and contributing more to their cooperatives. The more differentiated a product is, the more a cooperative movement with transparency and effective bodies is needed. And the more transparent and effective the cooperatives are, the more the entire FT network is needed, with transparency, combining its formalities with its nature as a movement, within a larger framework of "societies with markets". The more democratic the FT network is, the more possibilities there are for transforming rural societies, reducing poverty and inequality.

How can FT "tie itself up" to avoid going mad with the song of the sirens of market fundamentalism and the patron-client institutional structure? FT needs to reinvent itself, recreating its original vision of being alternative trade with the nature of a movement, re-politicizing its processes, cultivating its institutional structure and growing the volume of its transactions. Specifically, from below, members in first tier cooperatives must make their committees function and innovate in the interaction between the associative side and the business side of the cooperative. From above and from the middle, the FT institutional structure must return to working with FT principles, moving beyond the theory of modernization (or Eurocentrism) and market fundamentalism. And all actors must learn how to become connected and in alliance, building equity and justice on the basis of eroding despotic glocal structures.

What are the paths to follow? We propose two dimensions. The first dimension includes building bridges with organized immersions of professionals who are working in the FT network, immersions in both the south and the north, and attracting groups of people who in an ongoing way and with a missionary spirit would build connections between rural society and the FT network, making first tier cooperatives really be cooperatives. The second dimension includes two complementary components. One is the path of redoing a vision of FT, focusing on producer families committed to improving the quality of their products and their organizational processes; creating a space for communication-learning between first tier cooperatives in the south, and marketing cooperatives in the north, to energize the entire FT system; supporting one another in ongoing research on the entire FT chain and its different expressions (economic, social, political, cultural and environmental); and making all the transactions transparent, obtaining the traceability of not just the product, but of the actors that are involved in the product. In the second path, we propose that the students of the universities of the north and the south, organized in cooperatives, along with the family producer members in cooperatives, manage the entire coffee chain including coffee shops in the Universities, as spaces for learning and alliance, building justice and equity.

Finally, the Bible says "the love of money is the root of all evil" (I Timothy 6:10). Along these lines, the experience of Alcoholics Anonymous (AA) is very inspiring in the context described here: *"In the history of AA a moment of crisis was when the organization had assets, which was a cause of discord. So the principle was established to not have assets. That is why we do not have our own buildings, nor do we accept donations"* (conversation with R. García, 2016). FT struggles with assets, but the assets tend to respond just to the logic of the *homo economicus*, and erode cooperativism and the FT movement. The great challenge is to fight with your own assets, under transparent rules of the game and learning, and wearing down the unjust structures that are centuries old. This is reinventing the FT movement: that we change as people (un-learn), while simultaneously changing the devastating structures created by human beings. We are not alone in this aspiration. Let´s get going.

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