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

Even an honest man sins in the face of an open treasure. 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, in our case study in Nicaragua and Central America, we show that the institutional structure of power relationships under the market control of elites is like the sirens in the myth, capable of seducing the FT network, turning it against its own principles, and turning solidarity into just a bunch of words, numbers and papers. How can FT tie itself up so as 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 a given that there are exceptional cooperatives, organizations, and people who confirm the importance of organizing and cultivating global solidarity, and that there are 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 involution, and on that basis we suggest its reinvention. To do so we focus on coffee, which constitutes 70% of the volume of what is sold through FT.

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 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 with improved designs: the solidarity stores sold combinations of coffee, tea, honey, sugar, cacao, nuts, bananas, flowers and more. In 1988 the "Max Havelaar"[1] seal began operating. In 1997 the International Fair Trade Organization was created (FLO, or Fair Trade Labelling Organization) so that, according to MacDonald (2007) the producer families might deal with their adversities and vulnerabilities and improve their organizational skills.

The appearance of FLO signified a substantial change in the FT movement: from marginal sales of alternative chains criticising capitalism, to entering the *mainstream* capitalist product and brand markets, transacting large volumes. The argument for this was 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 turn away from an Alternative Trade Organization (ATO) governance structure, that emphasized direct relations between consumers and producers, to a more impersonal brand with a conventional strategy of the search for market niches. This turn was accompanied by greater control over FLO by the countries of the north, where the votes of the producer organizations did not have much weight; it was the beginning of a FLO with a democratic deficit.

[1] 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 the colonial abuse of 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.

Over the years this FT boom 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 FT in 2011: Fairt Trade in the United States (FT-USA) withdrew from FLO (see: Mendoza et al 2012 and Mendoza, 2012a). FT-USA proclaimed "fair trade for all", proposed increasing the volume of coffee exports on the basis of including large plantations (large producers), regardless of whether those producers were members of cooperatives or not (Valkila, 2014), arguing that it would thus also benefit the workers of those plantations.[2] As an effect of this split, and to maintain the support of small producer organizations, in 2012 FLO accepted the fact 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), that represented 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.

Far from freeing itself from that crisis in 2011, the FT structure[3] faces new challenges. The FT seal faces ever more competition from other seals with similar attributes, like Rainforest Alliance, UTZ, and Café Practices. Many coffee buyers and roasters are opting for the new *direct-trade* approach, an approach which has emerged in the specialty coffee industry (coffee differentiated by its quality, aroma, origin and intangible attributes like social and environmental sustainability) and which "are based on building direct and transparent relations between coffee roasters and producers", which are called "connected businesses" in markets with better prices and stability (Borella et al, 2015). And many cooperatives are facing a mixture of governance crises and being "privatized" by their own leaders, be that parts of their physical investments, or that the cooperatives are managed as if they were "private organizations", with the consequences of turning 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 that correspondingly molds changes in the production and commercialization chains. This reveals for us the paradox of FT, growing and involuting: 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 (Giddens, 1988). The structural perspective alone runs the risk of determinism, while just looking at the actors and their actions runs the risk of voluntarism. A balance is needed between the theory of agency and structures located in"time-space relations inherent in the constitution of all social interaction" (Giddens, 1988:3). Structures are expressed in rules and regularities, collective and persistent phenomena, like "undercurrents" below the waves. Social actors are like "the ocean waves", which produce and reproduce the structures, interpreting them in their actions. Structures, like conventional brokering or that of FT, limit and facilitate the actions of social actors

[2] P. Rice, manager of FairTrade USA, in the New York Time, asked,"do we want a small and pure fair trade, or do we want fair trade for all?" (see: http://www.nytimes.com/2011/11/24/business/as-fair-trade-movement-grows-a-dispute-over-itsdirection.html?scp=1&sq=fair%20trade&st=cse6). Rice reiterated it again in the Los Angeles Times: "the change is needed to reach a large number of coffee workers who do not have land and who are the poorest of the poor" (see http://articles.latimes.com/2012/jan/22/business/la-fi-fair-trade-20120123#.TyWI8SaFV8s.mailto). In that same interview, D. Cycon from Dean´s Beans Organic Coffee Company of Massachusetts, responded: "Starbucks, Green Mountain and other coffee companies will become 100% fair trade, not because they have changed one iota in their business practices, but because Fair Trade USA changed the rules of the game." This debate is discussed in Mendoza et al (2012) and Mendoza (2012a).

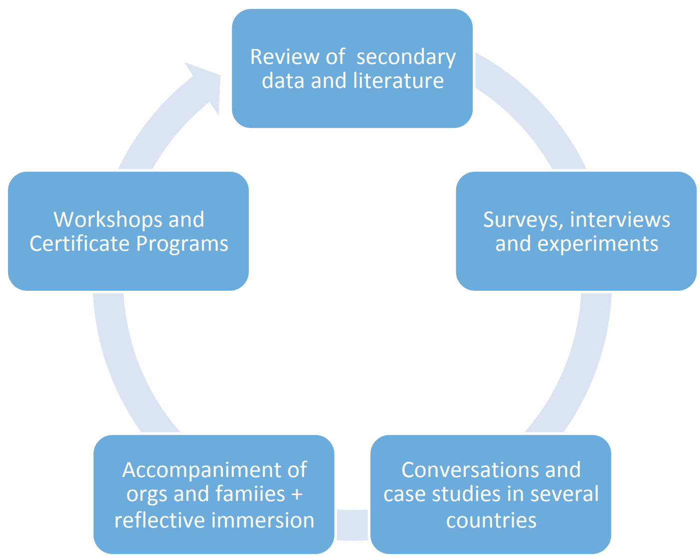
[3] Strictly speaking, current FT is the international organization FLO (Fairtrade Labelling Organization International) and Fair Trade-USA (FT-United States). We call the "FT structure" the set of cooperatives, certifiers, social banks and buyers who operate unde the FT seal.

without 100% determining them; from there come reciprocal relations between individual and collective actors.

In this article we focus on that interaction between structures and actors. In light of this framework we are not proposing that FT resolve the paradox of "growth with involution", going back to how it was when it was an ATO working with small economic transactions. Rather we are proposing that FT resolve that paradox of "growth with involution" increasing its current growth while it deepens its democratic structures and improves its capacity to control those markets for 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[4]: see Figure 1. First, we made use of conventional methodologies, like reviewing studies that have been published in recent years, and analyzing relevant secondary data in order to locate ourselves within the findings of the accumulated knowledge.

Figure 1. Reflective Methodology



Second, we have organized 500 surveys of member families of 7 organizations, from which information was obtained on the production and commercial destination of the coffee. We did interviews of managers of companies, buyers and individual producers on the side of the conventional and private coffee chain, as well as with some buyers that form part of the *direct trade* movement. And we experimented with the weighing of coffee in its cherry state up through its export quality state, cupping was done parallel to the cupping that the organizations and coffee buyers did, and conversations were held with buyers and cuppers to understand the process of those operations and what is in play.

Third, we have held conversations with member families, 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, 2017a, 2017b, 2017c, 2017d; Mendoza and Peña, 2017)), and we have visited cooperatives in Bolivia, Colombia, Italy and the United States. This helped us to wiegh the similarities and the differences between cooperatives, at the same time that we finished our reading of FT from the side of coffee buyers and solidarity stores in Europe and the US. By saying "conversations" we are distinguishing them from interviews, which are more one-way, someone asking and the other person responding. A conversation is interactive, assumes mutual listening and reflection to generate and explain knowledge. Conversations between 1 to 5 people is an exchange of ideas, questions that we ask and questions that we are asked, information that crosses back and forth, group analysis and its translation

[4] We have followed the issue of fair trade around coffee since 1996 (see: Mendoza 1996, 2003, 2012[a] and 2012b; Mendoza & Bastiaensen, 2002).

into proposed actions. In some cases we held conversations through Skype and through email; and we nourished ourselves from online reactions to the ongoing publications that we have been doing about the processes that we are encountering on rural development. In all this we have learned that every person has information (in their head, written down in minutes or notes, receipts, promissory notes, contracts and even tables of data) and the capacity for analysis (e.g. analize the conditions of their area and their resources before planting corn or coffee), and correspondingly every person is susceptible to change to the extent that they learn, be they members of a cooperative or facilitators.

Fourth, 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; and we collaborate with dozens of organizations from Honduras, Guatemala, El Salvador and Panama (see Mendoza 2016a, 2016c, 2016d, 2017a, 2017b, 2017c and 2017d; Mendoza and Peña, 2017). This has impelled us to do reflective immersions (living with the families and thinking about that experience as a unique event) in the lives of their members, in the lives of the organizations and in the lives of the accompaniers, providing us an understanding from within the cooperatives and over several years time[5]. In this we have learned that the meanings behind the numbers are very important, and this is obtained to the extent that we "put ourselves in the shoes" of the member families, and accompany them along their path, which includes not just understanding, but building friendships. It is this relationship that advances an understanding that causes changes in them and in their accompaniers.

Finally, we have held dozens of workshops and Certificate Programs[6], 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 striking 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, reflective immersion and facilitation that has cultivated a reflective 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 involution. The fourth, fifth and sixth sections discuss the processes of how that involution 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

From our experience 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

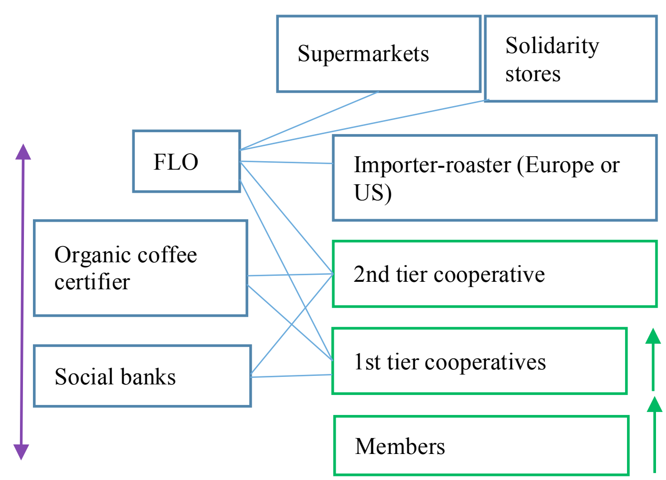
[5] As part of that accompaniment, in this year (2016) 7 cooperatives have surveyed their members, which will be repeated every two years. We want the cooperatives to organize their information and in time analyze it to refine their policies. These surveys allow us to weigh the changes that are happening in the lives of the member families and the influence or not of the policies of the cooperatives – and of fair trade. In 2017 this sample will be expanded to 15 cooperatives.

[6] 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 are based on prior studies and on topics that are common challenges, in order to reflect collectively in those spaces. They are spaces where the leaders have a voice.

mediates their access to markets. The first refers to people who distrust other forms of organization beyond the "extended family" (family unit of parents and children + uncles and aunts, brothers and sisters, cousins). This institution of the extended family offers them a protective network that keeps their members from getting worse and enables them to survive, but at the same time it keeps 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 at the same time limit people from being able to create linkages and initiatives beyond a close circle with limited opportunities for growth. It is an institution made to resist the systematic harassment of stripping them of their lands, becoming monocroppers, and leaving behind their strategy of feeding the family, and it is a form of organization coherent with the logic of diversifying (or organizing the "cornfield") to reduce risks that would make them worse off.

The second obstable refers to the intermediation network under patron-client relationships that combines usury, low prices and cheating on product weight and quality[7], that is mediated by relationships of loyalty (submission) and hidden information, and that moves under the premise that "the height of poverty for a poor person is not having anyone to exploit them"[8], because in moments of extreme urgency (e.g. sickness of some family member), that network gets the impoverished families, or those who fall into misfortune, "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;" while 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." Both institutions complement and reject one another, coincide in the moment of preventing someone from falling into extreme poverty ("well"), accentuating the institution "that we always need a patron", and clash when the commercialization network dispossesses peasant families and the family institution resists.

Figure 2. The fair trade structure



In the face of both institutions, FT responded with an holistic perspective and an alternative path- explicitly against the unjust mediation and implicitly helping families to organize. Figure 2 shows the whole FT framework: cooperatives, certifiers, social banks and buyers who operate under the FT seal; on

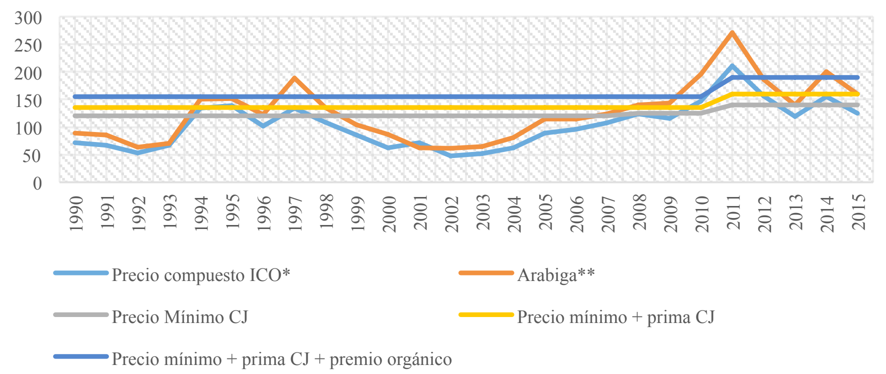
[7] Usury and the crop lien system, which is the purchase of their "future coffee" at 40% of the value of the coffee, constitute centuries old intermediation institutions, part of the rural-urban structure around agricultural activities. (See: Mendoza, Fernández and Kuhnekath, 2013).

[8] With the support of F. Hybrechs we use a phrase from the economist J. Robinson (1903-1983) who said,"the misery of being exploited by capitalists is nothing compared to the misery of not being exploited at all." With a certain irony she expresses the harshness of exploitation that does not compare with the harshness of not being exploited; while in the quote above, the exploited person, in spite of how denigrating and unjust it might be, is better than not being exploited, because then he lacks work or buyers who would purchase his product, which is the "height of poverty". From here can be seen the connection between this phrase and the one that says, "we will always need a patron."

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* sets the policies and rules, and the *agent* executes them under the direction of the *principal*, we see that there are multiple *principal-agents* in the chain, and that interact 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*, then these leaders are the *principal* in relation to the administrative staff, who are the *agent* (see green arrow: the logic of the member families who create their medium, the cooperatives). In FLO their members 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 organizations (cooperatives, certifiers, social banks, buyers) are the *agent*, in terms of building justice for the benefit of the producer families. It is social justice, and not the justice of the market, which moves these chains of actors.

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



* Composite price by weight between arrabica 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 are distinctive to FT. First, so that the producers avoid usury and ensure the product, the 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 good part of this credit is prefinancing that is 50% of the value of the product that they eventually will buy at an interest rate of 0%.

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: US$1.20/lb until 2008, US$1.25/lb until 2011, and since then it has been US$1.40/lb. In other words, following Figure 3, if international prices fall below these prices, the coffee in the FT chain follows the minimum price. In addition, FT provides US$0.20/lb as a FT premium and US$0.30/lb as organic premium, in the case of organic coffee, and generally rewards product quality with an additional amount that varies from buyer to buyer. The FT premium is conditioned on a plan that the assembly of

Table 1. Prices and incentives (coffee $/lb)

	Minimum price	FT premium	Organic premium	Total
Cooperative part of FT with conventional coffee	1.4	0.2	0	1.6
Cooperative part of FT with organic coffee	1.4	0.2	0.3	1.9

the cooperative has to approve (Fairtrade, 2009)[9], 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); while it is agreed that the organic premium goes to the producer.

Third, so that the product might be traceable and to built trust in long term relationships, there are organizations that certify *in situ* compliance with the agreements and policies; for organic coffee, international certifiers do it, for the FT premium and practices FLO CERT does it; the buyers – in addition to requiring a coffee sample and specific 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 side, 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.

This highlights the combination of commerce, finance and production in a transnational structure of north-south partners, 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 producer families.

Table 2. Evolution of Fair Trade

	Phase 1 (1980-2000)	Phase 2 (2001-2010)	Phase 3 (2011-2020)
Approach and relations in the FT chain	Alternative Trade Organizations (ATO): direct relations between producers and consumers through education campaigns and visits of consumers to	-Quick growth of coffee transactions to the conventional market -better price for the producer particularly between 2001 - 2006 -solidarity market niche and	-high volume of transactions -price difference between FT chain and conventional coffee is non existent -massive market and solidarity market

[9] 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.

	producers -market niche (solidarity) -demand for product quality -minimum price: 1.20 - FT premium: 0.15 -organic premium: 0.20	massive market -diminish importance of product quality -minimum price: 1.25 (since 2008)	-standard coffee, less emphasis on product quality. -minimum price: 1.40 (since 2011) - FT premium: 0.20 -organic premim: 0.30
FT structure	-associative organizations -FT organization -buyers	-Starbucks, Green Mountain, Proctor and Gamble, Dunkin' Donuts… join the FT brand -other brands emerge: Rainforest, UTZ, -670,000 small coffee producers in LA, Africa & Asia (Reynolds et al 2004: 1112)	-Starbucks and Green Mountain withdraw from FT -FLO & FT-USA divide. -fierce competition among brands -small roasters opt for *direct trade*
Context	- ESAF policies: trade opening, privatization and reduction in role of State -large amounts of international aid (donated projects)	-upsurge of neoliberal thought -large amounts of international aid -first half of 2000s low international coffee prices; afterwards high prices.	- neoliberal thought -reduction of international aid -high international prices for coffee persist -cooperatives go into crises

So far we have described the vision under which FT emerged, how it organized to carry out that vision and the evolution that it had. As this innovative and important FT system has grown, and the context of the market has expanded and solidified, we argue that FT has involuted, particularly in the last 15 years. This 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 the market and those of international aid. Having the "terrain ready", like a spiderweb awaiting its victims, mechanisms were introduced under which this absorption turned into an involution, 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 roots, as a fundamentalist belief, while it promotes markets rooted in the interests of international capital under manipulated regulations (e.g. tax-free for rich families; regulations that penalize the importation of more processed products from developing countries). In contrast to this myth of the biased market, along the lines of Polanyi (2001) we understand the market as always socially and institutionally embedded.

This myth of the fundamentalist market sees 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 elites is needed, not less. The FT movement precisely constituted a type of market deeply embedded in the majorities, in 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?

Looking at coffee price formation over the last 80 years, we see that the historical tendency is that the producer families have been losing. In the decade of 1930, the price to the producer was 33% of the final value of roasted and ground coffee (Wickizer, 1943); 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[10]. In addition, Valkila, Haaparanta and Niemi (2010:266) found that consumers in Finland pay more for FT certified coffees than for other coffees, but that only 11.5% of that additional price goes to exporting countries. So the gap between the consumer price and the price the producer receives has gotten ever wider; in other words, the FT idea that the consumer would pay a higher price to redistribute more to the producer families apparently has not happened. A second FT idea has been to get around the intermediary sector to benefit more 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 himself (2016) recognizes that management did not change anything. It seems that the case of coffee also expresses that reality.

Observing the increase in the value of coffee, we find that the final product increasingly contains more and more inputs that have increased its aggregate 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 are subject to product demand – in the required quantity and quality, and at the determined time. So if the market demands coffee, all the actors, including the cooperatives, run to respond with the quantity and quality of coffee at the time indicated. This is when intensive technology is used, and/or innovation methods emerge like post-fordism and total quality control to increase the productivity of the crop, and in this way respond with efficiency and effectiveness to market demands. Those who do not respond to the market take "a step aside" and as losers no longer are part of 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, in addition to being costly, almost as much as the FT premium (Valkila, 2014:44)[11], has lost consumer appeal and faces ever more competition, because several seals have emerged that claim different environmental and social attributes. So in the last three years, for example, large coffee buyers with the FT seal, like Green Mountain[12] and Starbucks, have jettisoned the FT seal[13]. In addition, many buyers and

[10] If the calculation 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 coffee shops.

[11] Valkila (2014:44) calculates that in 2006 15 cents of a euro per package of coffee went to the producer country, while the FT licensing cost and the cost of certification in the producer country were 13 cents of a euro per package of coffee. He concludes that the consumers are paying with their "donation" almost the cost of the FT administration, in addition to benefitting distributors and roasters in Finland.

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

[13] This situation of buyers leaving the FT seal is also happening with other products. For example, one of the best known brands of chocolate in the world, Cadbury, part 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

increasingly coffee roasters opt for the *direct-trade* approach instead of *fair trade,* as we said in previous pages, because they are looking for better quality ecological coffee, and above all, because they want the additional prices that they offer to reach the producers, instead of being left in the administrative structures - or in other words with the intermediate part. 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 and its *Café practices* seal 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); also a cooperative in Panama that organized the coffee chain from production to roasting (see Mendoza, 2017a). Both of these cases express a configuration that breaks with the model of the market of the elites[14]. 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 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, and even used by other initiatives.

So on the one hand FT is absorbed by the market that demands coffee volume and not so much by the market that demands differentiated products[15], but that behind this product flow is this market embedded in the interests of transnational elites; and on the other hand FT faces greater competition in this *mainstream* path on which it finds itself, competition not just from other seals but from small roasters with a social commitment, while other models flourish trying to communicate with consumers and producers. An expression of this dual absorption is the division of FT-USA and FLO.

3.2 International aid in fair trade

During the same period in which market power embedded in the interest of the elites was growing and FT was increasing in volume, international aid also increased. Based on experiences that we got to know in Central America, 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, in this way contributing to the members lack of concern about the efficiency and effectiveness of their organizations, which accelerated the involution process of FT[16].

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

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has to do with much more than just prices". See: Thomas (2016). I am grateful to D. Bojorguez for giving me this information.

[14] Another case in Nicaragua, responding to the elite market, is the Casa del Café chain of coffee shops owned by the CISA export company, that in this way controls the entire coffee chain in the country.

[15] Ruben and Zuniga (2011), based on a study in Nicaragua of the PRODECOOP cooperative, found that the private sector offered more incentives for quality products: "The paper finds that Fair Trade provides better prices compared with independent producers, but private labels out-compete Fair Trade in terms of yield and quality performance. While Fair Trade can be helpful to support initial market incorporation, private labels offer more suitable incentives for quality upgrading."

[16] We do not go into depth here on another effect of international aid, the "NGOization" of cooperatives and international associations of FT organizations, that compete among themselves for external resources instead of responding to the mission for which they were created.

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, even without having economies of scale and the profitability that would allow them to have management structures, joined the trend of having managers and technicians[17], even technicians for activities like filling out the formats of certifiers under the myth that "only the technicians can fill them out."[18]. 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.

These structures, given the boom of projects and the fair trade premium, the organic premium and other price premiums, had no problem providing some benefits to the members under the form of loans or donations ("coffee renovation", "wet mills", "chickens and pigs", "backpacks for the children", "medical attention for women", "reforestation"…), who believed that these benefits were for being efficient cooperatives and for selling their coffee through FT. Nor was there much of a problem in the cooperatives for paying the costs of the FLO certification, as well as the costs of organic certification in the cases of the cooperatives with organic coffee, as well as paying the costs of other seals like Rainforest Alliance and UTZ, that do not promote organic products but low use of chemicals. 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", and contributed to the fact that the cooperatives took on a salary structure and investments that were not in accord with their organizational capacity and level of economic-business growth[19]. These donations even delayed member families from taking steps in the direction of improving the productivity of their farms[20]. In most cases, the organization of second tier cooperatives, and the fact that 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 real aid that would make a positive difference for the organized families[21]. Why? Having observed and evaluated so many experiences in Latin America, we argue that international aid tends to revive the old modernization theory (many times

[17] Subsidies covering costs of organizations is common in Latin America: see case of Ceibo of Bolivia (Bebbington, et al 1996) and that of SOPPEXCCA in Nicaragua (Donovan & Poole, 2017).

[18] "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).

[19] In Nicaragua many cooperatives would have large investments in places where they did not even have members; their members were in other municipalities; this happened due to the donations that some organization gave the coops to build their offices or their investments in a certain municipality, and 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 funded projects, so they can no longer pay those high salaries" (D.R., consultant of a French company that buys cacao in Nicaragua).

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

[21] 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 really did help." The latter we describe in another work, see: Mendoza (2016b).

with the adjective "Eurocentrism"), conceptualizing the situation of the countries of the south today like what Europe was in the past. Clearly international aid concludes that it already knows that past, and its future (which is Europe´s present). This, in turn, underlies the idea that peoples do not have their own history[22]. Thus generally international aid does not try to study-learn about the reality of the cooperatives and their members, they apriori assume that international aid helps, and they do not perceive the damage that a good part of that aid causes the member families who, as we will see later on, as an effect have lost their own organizations at the hands of new emerging elites, precisely with the support of international aid.

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 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 at times appear to be empty of content, many of them not even coffee harvest collectors. Cooperative structures with high salaried administrative-management staff that are not in line with the economic capacity of the cooperatives. Generally second tier cooperatives have gotten large investments that the first tier cooperatives did not consider their own. By way of illustration, concerning the second tier cooperatives that received the most international aid, we observed: Mendoza et al (2012:4) list 13 second tier cooperatives in Nicaragua dedicated to selling coffee, five years later there were 6 cooperatives left functioning the same or better than in 2012; of the remaining 7, two went broke and closed their offices, 2 were left with little or no operations, dragged down by their crises, one split up and another 2 were in crisis seeking other routes for exporting their coffee[23].

In other words, while the dictatorship of the market embedded in large capital intensified, the drop in international aid "deflated" the supposed capacity of the cooperatives, which accentuated the control of the business side over the associative side of the rural organizations.[24] They began to feel the problems, in many cases to sell their assets to prolong their crisis, in other cases they went completely broke, in other cases they resigned themselves to having their cooperatives privatized by new elites, and 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 and the FT premium, the organic coffee premium… It was when management sought to increase the volume of coffee sold at whatever cost… It was when the associative side of the cooperative, along with its organs, 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.

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

[23] 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, she told me: "almost all are in crisis, corruption, bankrupt cooperatives; the cooperatives that are not involved in administrative crises are a total 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). On the situation of the cacao cooperatives, see Mendoza (2017e).

[24] This role and impact of international aid should alert countries of Africa and Asia with organizations that are a part of FT. Alert in the sense that the aid could be, likewise, "inflating" costs and eroding the competitive capacity of the organizations. And alert the aid agencies that act responsibly so that they study the impact of aid on Latin America and study each organization in Africa and Asia before continuing with the spiral of projects.

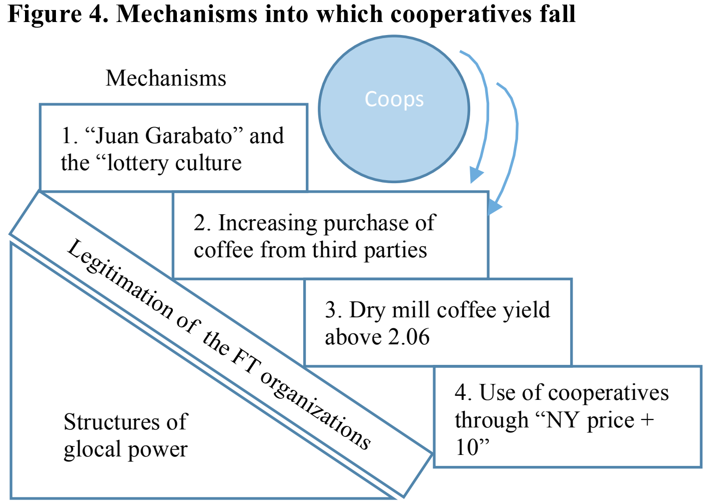
3.3 Structural elements of fair trade

At the end of a half century of FT, what has happened? So far we have seen how the market forces embedded in the elites and the international aid industry shaped the FT network, including the cooperatives. On one hand, they subjected the cooperatives to the demand for commodity products, turning them into simple companies (or administered as if they were companies), and on the other hand, they "NGO-ized" them as organizations implementing projects dependent on international aid. 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, likewise FT split, its seal lost competitiveness, their product has become more volume-oriented than differentiated, another approach and organization - like *direct-trade* - gained ground, and another model that is able to connect producers and consumers began 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 getting worse; like the global inequality that Milanovic made evident.

These are the conditions ("terrain") on which FT is involuting, and this process is affecting the cooperative movement. In other words, this conventional mediation with markets embedded in large capital and the type of "aid that does not help" leave FT and cooperativism "hobbled." In the face of this situation, the cooperatives – and FT in its entirety – have two options, they either "swim against the current" making their own path, or they begin to fall into the mechanisms presented in Figure 4.

After providing the framework in this section, in the next three sections, following Figure 4, we study the situation where the cooperatives and FT fall into certain mechanisms that explain the involution of FT and the cooperatives [25].

Figure 4. Mechanisms into which cooperatives fall



How is it that this involution happens? Based on our research, Figure 4 lists the mechanisms that lead the cooperatives to involute, a FT structure that produces this involution, and the glocal (global and local) power structure that cultivates it. In other words, as a cooperative falls into each one of the four mechanisms, that fall generally is legitimized by the FT structure that also is involuting and is pushed by the glocal power structures (global and local) 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 market of big capital and by the "aid that does not help", and begins to fall into the the mechanisms of Figure 4, then that cooperative goes downhill, without brakes nor curbs to stop it.

[25] 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, 2017a), the Case of the COMAL network in Honduras (Mendoza, 2016c) and the case of the La Voz Cooperative in Guatemala (see Mendoza, 2016d).

Returning to the principal-agent approach, this time looking at FT in this new framework, we see in a first look that small groups of people in the cooperatives from the FT structure 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, but act under its name and shadow. In a third look, the principles of the "invisible hand" (market embedded in large capital elites) have become the *principal* and the FT structure has become the *agent*. In a fourth look, we ascertained that the members, consumers and FT principles no longer count. Within this framework a crucial point of governance is the top-down power relations in the entire chain. This 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, which in the cooperatives 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 mechanisms presented in Figure 4. We describe the mechanisms on the side of the cooperatives (section 4). Then we move to the FT transnational framework that contributes to the cooperatives falling into these mechanisms (section 5). And then we describe the power structure with its corresponding cooperative depletion that maintains and shapes them (section 6).

4. Mechanisms that trap the cooperatives

How do these mechanisms work? Once an organization is trapped by one mechanism, it pushes it into the next one. Once the second mechanism traps it, it moves it into the third. Many organizations hold up under this third mechanism and maintain the formality of their organization – meetings of its organs, minutes and financial statements. But when they fall into the claws of the fourth mechanism, the cooperatives operate as privatized entities by their manager and/or president. The more mechanisms that the cooperatives fall into, the larger is the gap between the manager/president and the members, and the more the cooperative is privatized, and the greater the probability of going broke.

4.1 Intermediation and the "lottery culture"

In section 3.1 we showed data 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 terms (% of total aggregate value) 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 due to 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 reaches the members (producers) unequally: some do not get anything for many years, others get something.

To augment the rigour of this 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 the FT premium, 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 up to 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 tend to know less and receive less; if the cooperative that exports is a first tier one, its members know a little more, they participate more in the decisions about the use of the premium, and receive more of the organic premium. Nevertheless, in the assembly of their cooperative the members are not accustomed to complaining, the assemblies are held once a year almost just to fulfill the formalities of holding assemblies; sometimes, contrary to their receipts, the member even reports having received both premiums, or that they have produced double the real volume of coffee. This happens because of the dominant social structures in which the members have existed for centuries (see section 6), where "the fieldhand does not speak in front of the patron", even less if some international organization is present in the assembly; another institutionalized belief also has an impact here, that "their dirty laundry they wash out at home", even though "they don´t wash it out" and even some "hide the dirty laundry" of their members; the silence of the members is greater if prior to the assembly or the meetings they were warned about the arrival of the some organization and the possibilities for 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. This structure that has grown would also be limiting the establishment of a more fluid relationship between the producers and consumers, the cooperatives and FT. Let us remember that Valkila, Haaparanta and Niemi (2010) found that only 11.5% of the additional payment from consumers in Finland went to the exporting countries, which reveals that the larger part of the additional price paid by consumers stayed in the "intermediation" in the north. In the "national" intermediate part of the 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 (Table 3). The tendency is paradoxical: if it is a second tier cooperative and has high volume, the gap is larger; if it is a first tier cooperative with less volume and members, the gap tends to be smaller. It is paradoxical: because it should be the reverse, at least following conventional economic logic,
the larger the volume of coffee exported, the lower the costs per quintal, and the larger the prices paid to the member/producer. But this theory remains dormant by the intermediation elites.

Table 3. Mediation Costs (2015/16 cycle) (in dollars)

	1st tier cooperative (exporter)	Successful 2nd tier cooperative	2nd tier cooperative in crisis
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 responsible 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 as much because of the power of the neoliberal market (section 3.1) and the dominant type of international aid (section 3.2), as because actors of the intermediate sector manipulate the rules of the entire FT system in light of the dominant elite market. Second, asked about the causes, the managers of 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 mechanism of the "lottery culture" and the "Juan Garabato" strategy. The former consists in 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 are paying prices above the local market, which is why they decide to buy coffee at high prices and later see themselves forced to sell that same coffee at a lower price, which is popularly known as “Juan Garabato”, an ironical fictional phrase that rhymes in Spanish: buy high and sell low[26].

Most likely, a combination of the three causes (expansion of the intermediate sector, inefficiency and erroneous commercialization strategy) makes the cooperative tend to have resources get “stuck” in the intermediation nodes, and begin the “downhill” path of the mechanisms listed in Figure 4. 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, as year after year the members lose confidence in their organization and in the FT framework. If the cooperative loses again, their desire to make up for it increases, going back again to the “lottery culture” and the “Juan Garabato” strategy in the following cycle, a situation that is accompanied by 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, 100% of the coffee that the cooperatives exported came from their members, with few exceptions. In that cycle international coffee prices began to rise and all FT grew in volume; for example, 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 et al, 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; and it is since the 2011-2012 cycle that the purchase of third party coffee began to take off, in some cooperatives getting as high as 70% of their total exports[27]. This would seem to indicate, rather, that in some cases coffee is bought from members to “fill out” the contracts that the business side of the cooperatives has made with buyers.

Note that as the market demanded more products and foreign aid was reduced, it became more evident that the cost structure of the cooperatives was not viable, and therefore the more the cooperatives sought to increase the volume of their exports through the purchase of coffee from third parties.

[26] In some cooperative the possibility exists that the producer member can decide when to get paid for 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. In other cases, when the board of the cooperative decides the prices at which it is going to sell the cooperative´s coffee, the same thing happens, they hold off selling hoping for better prices, which may or may not happen.

[27] 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: “it is that they told us that it was to get out of debt and to cover costs”, “that in this way more projects would come in.” And when we did studies on this situation and shared it with various FT actors (social bank and FLO), they did not listen to us, until the cooperative went broke. We have found a similar situation in Honduras and Guatemala.

What is the problem of buying coffee from third parties? Some cooperatives buy coffee from non-member large producers and even from municipal and provincial buyers to sell it as if it were coffee from cooperatives; in other words, coffee is bought from buyers, precisely those people whose practices the cooperatives were originally formed to counteract. In some cases that conventional coffee is exported as if it were organic coffee due to deficient control on the part of the certifiers (see 5.1) and because of the growing "autonomous" role of the business side of cooperatives, which makes the associative side of cooperatives disappear. Looking at Figure 3, and taking into account the weakness of the associative side of cooperatives, the weakness of the cooperative´s organs, and the fact that the members do not have access to those transactions, significant financial advantages can be deduced from those operations. In addition, given that the purchase of third party coffee (from traders and non member producers) lacks any quality control over the coffee, by mixing coffee bought from third parties with coffee collected from the members, the dry mill yield is affected (i.e. conversion rate of APO coffee to APS coffee[28]) and the quality of the coffee from the members. So the cooperatives that buy more third party coffee prioritize their resources for those purchases, which is why the members do not get 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. From this we see that the purchase of third party coffee is not just "to fulfill contracts;" said another way, the more third parties sell their coffee to the cooperatives, the more the members lose their cooperatives.

In a parallel fashion, the delivery of coffee of the members to their cooperatives has dropped since the 2006-2007 cycle. In a study of 33 cooperative in Nicaragua, we found (Mendoza et al, 2011) 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 institution. (Mendoza et al., 2013). Others reveal the resistance strategy that the producer families call "one dirty trick deserves 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 put chemicals on my coffee and not say anything" [29], "I will sell only a little to my cooperative, in case some project shows up through them".

Under this mechanism, the business side of the cooperative 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 done to fulfill contracts…to get out of the crisis…to pay debts", "because the members have low productivity, they are extensive producers" – which 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 structure is silence, always accompanied by some arrogant phrase from some manager: "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 ends up being cheaper to buy coffee from third parties (without providing credit, technical assistance, or doing reports), and 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 in their work content. Generally the cooperatives that find themselves in this situation aggravate the centralization of information, which leads to taking the next step.

[28] APO = Spanish acronyms for Arabica Parchment Sundried; APS = Arabica Parchment Dried (gross export coffee).
[29] This practice is also known as "the cat tactic": the cat covers his excrement very well with soil, making its strong odor disappear, and then walks around as if nothing happened.

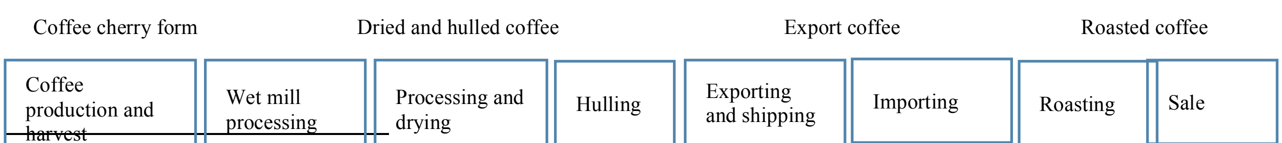
4.3 Coffee yield in the dry mill

At the beginning of the decade of the 1990s, the cooperatives criticized private owners of the dry mills for cheating them through the weighing (measuring the degree of moisture) and the quality control of the coffee in the dry mill. In the face of market demand for better quality coffee, the cooperatives and the FT structure 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. So the members – and in many cases with 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).

In the second decade of this century, nevertheless, within the context of the intensification of the control of market structures, the exodus of international aid agencies, the damage that coffee rust caused the fields (Mendoza, 2013) and because the members felt that the improvement in the quality of their coffee had not received a better price, member families massively accelerated the change from the caturra variety to catimor, and paca estrella and paca mara, varieties that are characterized by being resistant to coffee rust, with high yields but low quality, particularly in the case of the catimor variety[30]. In spite of this change of variety, according to cuppers consulted, the quality of the coffee from the member families continues to be high. Nevertheless, the complaints of the member families about their cooperatives are growing, that they end up being harmed in the weighing (measurement of the degrees of moisture), in the measuring of the imperfect coffee (or second quality) and in the determination of the coffee´s quality through its cupping.

How does this harm occur? A first dispute is around weighing[31]: whether the scales are calibrated in the different harvest collection sites that a second tier cooperative tends 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, with which they align the scales in their collection centers with their central collection center, leaving a doubt about how correct that weighing is, given that the State does not supervise the calibration. In the case of private collection centers that function with CISA and Atlantic financing, their scales are not calibrated with the company´s scales, which is why we assume that each one manipulates it as they wish. Then in all the scales it is believed that the buyers or harvest collectors "put a foot" on them to manipulate them to their advantage. 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; in many cases there is also the doubt about whether the harvest collectors are "putting a foot on the scale." See Figure 6 to locate ourselves in the coffee chain.

Figure 6. Transformation of coffee



[30] In a survey of 472 members of 6 cooperatives and 1 association, in 2003 9% of their coffee was catimor and 75% was caturra. By 2016 that percentage had changed drastically: it was 46% catimor and 20% caturra. There were also increases in catuai, paca mara and paca estrella in smaller percentages.

[31] This situation in weighing is repeated with all the other crops: corn, beans, cacao, meat-cattle, pigs... The same thing happens with coffee picking: 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 paid by the owners of the coffee, be they members or not.

The second dispute is over the coffee´s moisture, that also has to do with its weight. Table 4 shows data with pretty fair percentages, above those numbers is where the questioning emerges. The institutionalized rule from more than six decades ago is that there is nothing intermediate: the coffee is either wet or sundried[32]. 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; that is, 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 found is that they discount 14 pounds when the coffee is wet, then apply 49% for moisture, when it should be 42% as APO, and 18% for milling – in other words, they subtract 14 lbs from 200 lbs of coffee, and then from those 186 libs they discount 49% (91.4 lbs); then they discount for the hulling (17lbs), and in the end are left some 78 lbs APS (gross export coffee) – compare with Table 4 the yield is 48.5%, and in this extreme case of the cooperative found 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); this case is extreme on the positive side, it is valuable for considering what is in play with the issue of the yield (conversion from 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%); while in recent years the complaint is that that 42% sundried coffee is being considered more and more as if it were wet, and in some cases treated beyond the already unfair measure of 56%.

Table 4. 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 a Moisture Meter, commonly known as "termito," that has a screen to measure the moisture content of the export coffee, that should be between 10 and 12%. Nevertheless, generally it is not used in the collection centers, and in some that do use it, they get 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: "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!

[32] 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, the biggest profits, in addition to lowering the costs at the expense of workers´salaries, came from the control of the pulper (wet mill), the huller, the drying, and the crop lien financing on the part of the Caley-Dagnall brothers, who had the coffee monopoly until the beginning of the 1950s, when other companies like CISA came in that made a living on coffee purchase, crop-lien lending and export. (Wheelock, 1975: 144).

In conventional commerce they follow the strategy of "one dirty trick for another", which is why the producers 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 "victory" nevertheless falls apart in the face of the response of the buyer: "No matter how wet the coffee comes in, I discount 14 pounds and set it out to dry; the most that coffee will lose are seven and rarely eight pounds; in other words, I profit from the remaining six pounds as a minimum just by throwing it on the patio" (coffee buyer in El Cuá, see Mendoza, 2012b).

The third dispute is around the percentage from the milling. In Table 4 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) , the quality of the coffee, and also its handling.

Table 5 shows the manipulation of the conversion of coffee from APO to APS. The accepted conversion ratio is between 2.02 and 2.06 qq APO to 1.00 qq APS (gross export); 206 lbs APO equals 100 lbs APS (Table 4). 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 Table 5 we see that 10,000 lbs (100 qq) APO, in a 2.06 ratio, is equal to 48.5 qq, and 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.

Table 5. Coffee yield in the dry mill (assumption: 42% moisture content)

	APO		APS		Price (US$ 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.

A fourth dispute is over the percentage of imperfect coffee (see Table 4, darkened columns). In the decade of the 1990s and in periods of low coffee prices, coffee buyers demanded quality and the coffees transacted through FT became a reference point for coffee quality (Valkila and Nygren, 2009), because the cooperatives improved coffee quality and the members became accustomed to turning in perfectly clean coffee: "in trainings and in each meeting they would demand clean coffee of us, and look, we have turned in clean 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 price as my cooperative" (member of a cooperative, 2015). From here it is alarming that high percentages of imperfect or second quality coffee are reported today.

Table 6. Defect equivalency table

Primary defects		Secondary defects	
Defects	Total defects (equivalents)	Defects	Total defects (equivalents)
Full Black beans	1	Partial black	3
Full Sour beans	1	Partially sour	3

How is the imperfect coffee calculated? 350 grams of coffee are taken and the number of defects are identified within that amount (see Table 6), 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 weigh 2 grams, those 2 x 100/350 grams = 0.57%); the same is done with the other defects. Then the imperfection rates are totaled and let us assume that 2.5% ended up being the 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[33].

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, 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 buyer accepts, the managers report the required twelve; the 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 through their organs) of the dry mill[34], because of the defective functioning of the organs of their cooperatives, and because the FT principles and the principles of cooperativism have not been internalized to prevent abuses[35].

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 7). Exportable coffee is size 15 and up. Buyers propose a price for the coffee based on

[33] I am grateful to N. Melgara and S. Granados for explaining this procedure to me.
[34] 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.
[35] 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 the fact that good principles have been internalized in such a way that they are not broken when individuals 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 principles.

Table 7. Size of sieves	
11	12
13	14
15	Quality that the buyers look for
16	
17	
18	
19	
20	Non existent

the size of the bean. If they want coffee from 17-18 size, they pay more than for coffee of 15-16 sieve, and if in addition, if they want a cup with a quality of 85 or higher, the price undoubtedly goes up. The quality of the cup of coffee (see Table 8) is calculated 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 they are paid as if their coffee did not have high quality and was not a good size.

Table 8. 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 with the manipulations described that respond to the interests of a part of the administrative staff responsible for the negotiation and management within the dry mills, and with the reaction of the members who turn toward coffee varieties with lesser quality and do not worry about maintaining their coffee quality.

In the cooperatives that fall into these mechanisms the underlying reality is that the particular interests of certain individuals are put above the interests of the majority, consequently the information on yields is zealously protected by those individuals (“dirty laundry is hidden”), 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 dry milling process lacks the control of the cooperative´s organs. In the face of this situation, there are opposing reactions: members express their discontent, and the managers protest: “coffee yield is low because of climate change, rust, because members are not managing their coffee fields properly, and are not picking the coffee properly.” The favorite refrain of the managers is: “we are paying for water and rocks.” According to this explanation, like the purchase of third party coffee, the member producers are to blame, with perhaps in general a passing blame on climate change, which is a way of “hiding the dirty laundry” and keeping that “dirty laundry” from being washed “at home”.

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) exporter 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/qq of the premium. There are also cases of large non-member producers 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, “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 questioned, argue that they see themselves forced to do it so that the cooperative could get out of debt[36]. 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, that of the companies with their managers, where they have control mechanisms under the watch of their "operative owners", and that of the cooperatives with their management structures, where the control mechanisms on the part of their "owner-members" (members through their cooperative organs) are deficient and in many cases non existent; in addition, these two governance structures with their respective managements are mediated by asymmetrical power relations, thus the 50-50% distribution of the FT and organic premium can be even less for the cooperatives, and in some cases the cooperatives have reached the extreme of being practically privatized, even though presenting themselves as cooperatives.

So there are many factors that impact this phenomenon: payments that get "stuck" (FT premium, premium for organic coffee, quality differenital, cooperative premium, above market prices or readjustment), extra losses through weighing and 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 mechanisms 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." Within this framework the reaction on the part of the members summarized in the phrase that"one dirty trick deserves another" reveals that when a moment of distrust is reached, a vicious circle is unleashed of action-reaction: tit for tat, be it introducing chemical inputs on an organic farm, selling coffee to other buyers or resisting paying loans received.[37]

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

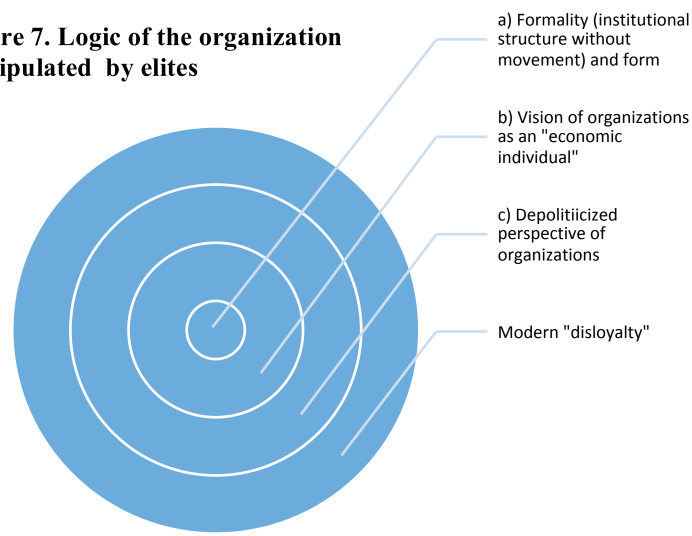
It is feasible to apply anti-risk strategies to not fall into the above mentioned mechanisms. Agreements can be reached with coffee buyers on "cyclical purchases" (e.g. setting prices for five years), and/or on selling coffee as soon as it is being bought from the producers. More coffee could be bought from the members to the extent that the coop is also loyal to them, and double the volume of coffee collected, without having to buy from third parties, and without having to fall into the trick of "NY price + 15". Better control and transparency can be exercised over the yield (conversion 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. All this can be done if the members and the organs of the cooperatives, and if the FT structure (certifiers, social banks, and buyers) would fulfill their functions rigorously, transparently and in accord with FT objectives.

Having described how many cooperatives are falling into these destructive mechanisms, in this section we we argue that this fall is permitted by the FT structure. If the organic certifier certified the real organic

[36] 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.
[37] Tit for tat is a reprisal strategy (reaction to an action) used in game theory in economics, particularly in the so-called Prisoners´Dilemma. It is the immediate reaction of two actors that potentially can end up trapped in a "death spiral". See Axelrod (1984).

coffee areas and ensured that the coffee that is exported is really organic coffee from the members – as they say in Guatemala, “if you go to the countryside and not just review papers that they ask the cooperatives themselves to fill out”, if the FT certifier ensures that the minutes of the cooperative meetings are real, that there is rotation in the leadership at all levels, that the FT seal is used correctly and that the premium does not “get stuck;” if the social banks ensure that the credit that they provide really goes to the members and is not used to buy third party coffee or is diverted by emerging elites; if the buyers understand that they are buying coffee from a cooperative and not from an individual, and that they ensure that the prices that they pay and the projects they support get to the members of the grassroots cooperative… the cooperatives would not be going bankrupt or being “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 was from the cooperatives, and that they were supporting small producers.

Figure 7. Logic of the organization manipulated by elites



Why and how is it that the FT structure legitimizes the cooperatives falling into these desctructive mechanisms? Figure 7 lists four responses. Even though the figure presents each layer as separate from the next, like an onion, in reality they are mutually interdependent, each one sustains the next: primacy of the legal formality, conception of the cooperative as “an individual” that is made more visible based on the number of members and the volume exported, depoliticized perspective, and the asymmetric relationship of loyalties. Like the onion whose layers are connected at the root, these 4 layers also are moved by the logic of the market, optimizing profitability and prioritizing economic sustainability.

5.1 Formalities and form

Formality refers to the requirements that an institution has for organizations to access a loan or a certain type of certification, requirements that tend to be reduced to aspects done by the management structure of the cooperatives, without concern about the real progress of organizations. The form is the way in which an organization operates, generally mediated by a test-judgement relationship, where the members and their organs when visited by institutions believe they are “passing a test” or like they are in “a trial”, and the staff of those external institutions assumes the role of “examiner” or “judge”. We provide three examples of formality in what follows.

First example, FT certifiers. This organization seeks to ensure the fairness of trade, its environmental sustainability, gender equity and helps to disseminate just practices among the buyers, producers and brands. A key element in this is the annual inspection. We should recognize that in recent years FT certifiers have made an effort also to visit members and board members of grassroots organizations. Nevertheless, their procedure limits them, it is enough to look at a large number of cooperatives whose presidents – and delegates to the second tier organizations – have held their posts since the founding of their cooperatives; it is also common to find that it is difficult for the certifiers to know that cooperatives are in crisis, realizing it even 2 to 3 years after the cooperative is involved in a serious administrative crisis. Formality limits them: 1) on basing themselves on written and legal sources and trying to know them in only one visit and on their own, without support from other sources, including studies of those organizations; 2) the written sources as well as the signed minutes of the monthly meetings of the administrative councils and the oversight board or general assemblies can be easily manipulated and therefore can be fabricated without any meeting having happened; 3) when leadership rotation is seen, the largest cooperatives easily present them with legal minutes where those leaders were just named as delegates, or those leaders proceeded to change the statutes; 4) visits to members and board members under time pressure are not adequate spaces, because diverse voices are not expressed there, but rather what the inspector wants to hear. In the case that the inspector wants to make a real change and board members have things to hide, they run into this manuever on the part of the board:

> When the inspector comes, we in the cooperative prepare the members to be visited; if they want to visit some member that we have not foreseen, we tell them that that person is sick or that they are not at home; the thing is to take them to members that we have already prepared. And if even still we can´t get them to visit another member, then the technicians go ahead on the motorcycle to give the statutes to that member, train him on what he has to say…
>
> On one occasion, an inspector, without paying attention to our suggestions, chose from the list of the members. We realized that they were members who did not even know the name of the president of the cooperative. It was out of our control. So we tried to invite him to eat, to please him. The inspector did not accept it. In that case we had to write to his organization arguing that the inspector had discriminated against the members, and the organization pulled him out as an inspector (president of an export cooperative, 2012).

When the formality is "overcome", manipulation on the side of the cooperatives enters into play. Be it from the side of the certifiers, or from the side of the cooperatives, they move within the formality, leaving out the reality of what is happening in the cooperatives.

Second example, formality in organic certification. In addition to requesting information and filling out forms for the cooperatives, the certifiers also require that information be recorded on each organic farm, a registry that generally the technicians help the producers to fill out, but that neither the certifier nor the cooperative analyze; it is only a requirement. Likewise the data formats (questionaires) on each member and their farm are to be filled out by the cooperative. In addition the formality indicates that the organizations are the ones that request the inspection from the organic certifiers, which is why in many cases they tend to request them at the end of the harvest, when they are now ready to export, which obliges the certifier 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 indicates that "x" member had "x" amount of coffee. "If we fully investigated the origin of the coffee, going to where the member is to see if he really turned in 40 qq as the report says, we run the risk that the cooperative might sue us for doing a police audit, or replace us for another certifier" (inspector of an international organic coffee certifier, August 2016).

In a parallel fashion, we see that in the United States and Europe an enormous amount of laws and norms have been produced to ensure that the organic coffee of a producer is organic.[38] Nevertheless, this formal

[38] 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

increase of laws and norms means that the certifiers are more careful in compliance with that formality of the reports and evidence on paper, and have opened the possibility for sectors with more economic capacity to manipulate them in favor of their own interests. Complying with the formality is what is important for them, not so much "going to the countryside." Those who manipulate the certificates to their interests are able to get those certificates to establish a production volume larger than what the members are going to turn into the cooperative, a volume gap that can be manipulated: "we had 100qq of organic coffee left, and the owner of the private mill told us that they would fill up the container and that we would sell it as organic using our certifier where the total volume was much larger than our capacity to collect coffee" (manager of a cooperative, May 2017). "The inspector of the certifier told me that if we lent our certification to another cooperative that had conventional coffee, we would have a larger volume than what we could collect" (cooperative administrator, May 2017).

We deduce from the testimony of managers/administrators that organic coffee certification probably includes the estimate of the coffee harvest as the total coffee that a cooperative is going to export, assuming that 100% of that coffee of the members will be turned into their cooperative. When that assumption does not happen, then a volume is left on paper subject to being manipulated by those who know that information – the certifier, administrative staff of the cooperative and the owners of the dry mill and/or exporters. Given that in this type of certification the formality is important, complying with the procedures, the FT structure turns a blind eye to the passing off of conventional coffee as organic coffee, and that the members are losing their organizations. The paradox is that the more norms there are for ensuring that the organic product is organic, the more the opposite tends to occur, and the more it is sought to formally support the impoverished families, the more they are negatively affected. Paraphrasing the Greek philosopher Anacarsis, written laws are like spiderwebs, they ensnare impoverished families, and can be broken by those who have resources and are located in key posts.

Third example, social banks. In addition to the normal financial evaluations that they do as any financial bank, the social banks also evaluate the organizational governance. Concerning the finances, they evaluate the financial statements, balance statement, income/expenses, cash flow and commercial sale of coffee with detail on the buyers, and audits are requested that the organization does annually. These accounting-financial tools prevent administrative crises and contribute to the proper administration of the organizations, in addition they serve for the approval of loans; nevertheless, these instruments become simply formalities that might justify the apparent good fortune of the organization in question, without studyng what is moving behind those numbers, particularly when small groups in the cooperatives are manipulating the cooperative with those numbers. Another indicator is governance, with which they corroborate the functioning of the organs, the controls that they have to prevent fraud and the risks that exist. Nevertheless, it is difficult for those indicators to help them get information on the coffee yield (APO to APS, coffee quality, distribution of prices, rotation of leadership and of administrative-management staff), and much less to discern how the institutions of society are taking over the governance of those organizations and the financial statements against the interests of the majority of its members[39], nor whether the social banks are contributing to member families being freed from the institution of debt or rather are intensifying that historical dependency[40].

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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).

[39] Close to the perspective of the FT structure, looking at the governance of the cooperative, without understanding the penetration of societal institutions in the organizations, is expressed by Donovan and Poole (2017:49), who studying a second tier cooperative in Nicaragua think that the leaders of the cooperatives lack enough skills in financial and business administration, and that they have limited access to information.

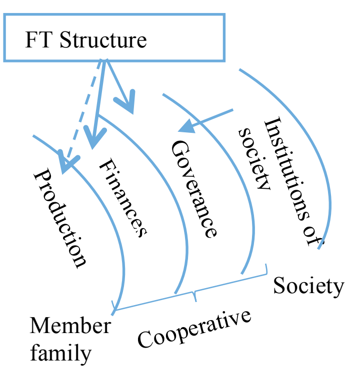
[40] On page 12 of this text we show that the 13 second tier cooperatives that were functioning in 2011, five years later only 6 remained. The other 7 cooperatives were broke or in crisis, and generally the first reason was being indebted. How can they be indebted if the FT buyers- in theory – provided them with 60% of prefinancing of the value of the

To this formality illustrated by three examples, is added the way aid organizations operate and the way the cooperatives react – staff, leaders and members. This is mediated by a asymmetrical power relationship between those who give the test and the ones being tested, which makes the administrative staff of a cooperative cultivate a logic of doing what the external organziations ask, and the external organizations cultivate a logic of being like a judge who requires and issues rulings (approves, sanctions, suspends and cancels certifications, approves or rejects loans) based on paperwork. That same relationship happens if the organizations visit a member to "verify"; in the face of the visit, the most honest member and the one most critical of his cooperative, prepares to "pass the test", in other words, sticks to the directions of the technical/administrative staff to "pass" – makes the visitors hear what they want to hear.

This *modus operandi* of the external organizations is mediated by market relationships, and not by relationships of collaboration and alliance. Some organic coffee certifiers charge based on the volume of organic coffee exported and/or by the size of the producer, this provides 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 formality, to not "go to the countryside," because that would require more time, and in addition, any attempt to find out more about the origins of the coffee would lead to the cooperative (the managerial structure of the 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. For the social banks, expanding their studies and committing to a long term alliance type relationship, as the precepts of FT indicate, would mean more costs in the short term.

These practices distort the role of cooperatives and affect the member families. If the social bank makes a mistake with their formality of providing credit, or following their formality provides credit that ends up in the hands of elites, they tend not to recognize their errors and insist on the members paying it (see Mendoza 2017d and 2017f). There are cases where the social bank finances organizations founded by managers that were expelled for acts of corruption in other organizations, which happens because of the long and close relationship those managers have cultivated with the social banks, and because the social banks are not accustomed to cultivating partner relationships with local organizations dong research on rural organizations that could help them to understand how pernicious institutions of society penetrate organizations (see Figure 8). If new leadership and new commitment of the members is imposed on the elites, including the legitimation that the FT structure gave to those elites, the social banks tend to collect the debt from them without assuming their own responsibility in the erosion of the cooperative (see Mendoza 2016d, 2017d and 2017f).

Figure 8. Work Area of the FT Structure



It is also common on the part of FT organizations to block initiatives from below: let´s look at the following story from a board member of a first tier cooperative, who tried to question the functioning 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 that is how you will get projects" - that cooperative that he was defending went broke a year later in the midst of very serious acts of

coffee that they were going to buy from them, and the social banks provided loans with an estimated interest rate of 9%? This also happens with the member families, the bankruptcy of a second tier cooperative generally leaves them with larger debts than they had before being cooperative members.

corruption. If "love" is keeping quiet, it goes against the principles of cooperativism and FT (see Figure 4; see Fairtrade, 2009). This perspective of domination is identified 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" our way 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?" (Leader of a first tier cooperative in Central America).

The members are seen as controllable and dependent beings, like the traditional patron used to look on his fieldhands and the small producers who depended on him. " I keep these folks happy with a pittance." 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, and of receiving 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 hid information and manipulated weighing, quality, and prices. This FT process, within a context of large capital control of the market, as the volume transacted grew and a new generation of professionals entered into the FT structure within a depoliticized context (see 5.3), became institutionalized and professionalized (conceived as something superior to the rest of the people[41]). The certifiers prepared their procedures, controls and ways of working, while the cooperatives became companies that sold coffee, and NGOs that executed projects, turning in reports to external organizations and not to their members. Along with that the evolving learning and movement character of FT was slowly lost.[42] Thus the greatest deficiency of the FT network is not having maintained the movement process, demystifying the neoliberal market alongside its institutionalization and alongside its high growth, not having gotten the new generation to combine their professional capacity with immersion processes to feed their spirits and discern what FT was against and what it was for, having been absorbed by that myth of the "natural market" that reduced their work of follow-up and certification to a simple business formality, and 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, of being a means for producer families to build a fair system[43].

This institutionalized deficiency means that FT organizations do not detect when conventional coffee from third parties is passed off as organic coffee and as a product of the cooperative, because their way of verification ends with the table of information that the administrative staff itself prepares for them, and

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[41] Professionalization is conceived as "separating oneself" from the communities, and a division is assumed between knowing (university major) and ignorance (rural communities). For a critical reflection on professionalization, see: Chambers (1993).

[42] 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.

[43] Probably from this context we can agree with Beuchelt and Zeller (2013), who argue that from the point of view of contributing to improving the situation of small producers, what would make the most difference is if the producers and cooperatives improved their operations and got to manage themselves well, instead of being capable of being certified and selling their certified coffee.

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 they wanted to fulfill their role, the person signing the minutes would state that they did attend the meeting, because he takes on the attitude of passing a test, shows what they want to see, because he believes it is a matter of "passing the test (deceiving) and that is "being clever". Even though the FT officials know that there are cooperative leaders who remain in their posts in violation of the statutes of their cooperatives, the external organizations stick to the legal documents that state that the leaders were just named to their posts – even though they already have been in the same post for 15 or 20 years. Thus, in organic coffee certification what is important is complying with the formality, the buyers are content with receiving the "certification", as is the entire chain. They do not see that the FT premium gets stuck because their way of proceeding is having the minutes as proof, and not knowing what happens with the distribution of the FT premium. Can a rational person 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? Outside organizations do not consider the fact that there are solidarity stores (or cooperatives) in Europe that are prefinancing the coffee cooperatives, money that "gets stuck" in some part of the chain of actors without reaching its desintation, because the formality and the economic interest absorbs them: "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. The idea of *homo economicus*, the rational individual who maximizes his/her profits, and erodes the evolving and "alternative" movement nature, moved by the idea of *homo reciprocans*[44], that of humans who seek cooperation. We distinguish between "individual interests" where the interests of certain individuals prevail, and the interests of the cooperative, where the individual interests of its members should prevail - which is coherent with what Sen calls "ethical individualism" and not "methodological individualism" (see Bastiaensen et al 2015). Homo reciprocans, in contrast to homo económicus, based on "individual interests", 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 structure perceive the cooperatives as if they were something homogeneous, as if the cooperative were an expression of only its business side, only by the figure of the manager, and as if the cooperative were only something economic, buying and selling coffee. So they deal with the manager believing that in that way they are automatically contributing to the cooperative, when probably the cooperative is involved in multiple conflicts and relationships of internal cooperation, issues that precisely need to be taken into account by the FT system. That perception of seeing an organization as something collective per se, and assuming that the economic part determines everything, is a great difficulty that drowns the individual interests of the majority of the members.

There is another idea that goes along with this: that of seeing a good organization as one with large physical investments[45], hundreds of members, and specialized in one crop, which is why it trades large

[44] 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.

[45] 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 as something visible and formal: a big building and professional staff with their manager. On their part, the State institutions conceive of the

volumes of coffee; underlying this idea is the approach of fordism - specialized work, mass production and consumption (Best, 1990), ideas that are very close to the those of Taylor (1911) on organization, separating head and hands to increase productivity and efficiency, and is close to the traditional idea of the haciendas [large estates], in their form of governance and extensive production and monocropping[46].

This second idea explains why coffee volume gets prioritized and pretexts are sought out, like climate change, to justify the stagnation and drop in product quality; why the split within FT, where FT-USA looks to volume as the argument for having an impact on more people, and FLO is 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); why the pressure from the FT system on the first tier cooperatives to join the second tier cooperatives, in spite of the fact that they are going into crisis, betting on volume and not paying for the quality of the product that groups of members and grassroots cooperatives are producing in a differentiated way; why the members are corraled to only work in production, and the first tier cooperatives are left reduced to existing without more content.

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. If the organization is dealing with "an individual", it assumes that it only has to base itself on the formality 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 remaining in their posts, while at the same time they sidestep the entire organizational structure that cooperativism entails; even some organizations go even further: 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; other times, external organizations name the manager of the cooperative paying his/her salary.

They cultivate relationships only with one individual of the cooperative, 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 cooperatives, we respect that" (buyer of FT coffee). That vision (idea) and that procedure (formality-form) of external organizations makes them see the manager as equal to the cooperative and its members; nevertheless, what they "respect" is precisely "disrespect", because relating 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, is precisely intervening in favor of its centralization and its cooperative erosion[47]. The more an individual concentrates decisions and centralizes relationships (contacts), the easier it is for external organizations; and 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 a business and an association. In this way the market takes over FT and the cooperatives, absorbing the management structure of the cooperatives.

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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."

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

[47] 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 one "seat" to another, like in baseball, "in a different position but on the same field."

Under this approach, that individual manager is not obstructing the operations of the bodies and rules of the cooperative, on the contrary, that person is a hero who is sacrificing self 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 cooperative (that is, the decisions of the leadership of the business part of the cooperative) tend to be the actors of the FT system: “It is to fill the contracts and benefit the cooperative,” “the cooperatives average out the prices from the coffee sales to pay the members”; without noting 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 which affects the quality of the coffee from the cooperatives. Within the principal/agent framework, it would seem that an iron circle has become the “principal” and the FT system became the “agent” that legitimizes the unfair practices of the “principal.”

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 succumb to the madness, they mutually go crazy. From the perspective of external organizations, the myth of Ulysses is is read with the rowers and the sirens as something individual, as isolated actions (the cooperative on its side, each certfier on their side, the social banking sector on its side, the buyers on their side…), 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 only the action of Ulysses in the cooperatives, 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 by both 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 nature of FT, and the idea of *homo economicus* made the alternative perspective of FT disappear, the third element is the depoliticized perception that exists about the cooperative and the entire FT structure. The political is perceived as reduced to administrative procedures, the cooperatives appear as harmonious and homogeneous units, while internal conflicts and inequality mediated by tough 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 whether the organic coffee of a cooperative is really organic requires a laboratory test that costs, according to the certifiers, US$300, something technical-financial that the certifiers tend not to use, arguing that, “the cooperative itself would have to pay for that test, and the cooperative does not want to.” This justification seems irrevelant for responsible certifiers, because it is doubtful that they could not pay US$300 when they are charging as much as US$2,000 $10,000 or $20,000. Probably the real reason is that the certifiers do not want to lose their client, which means that the certifiers, started to ensure that the organic product was organic, are prey to the idea that business is business.

Something similar happens with banks and businesses. A cooperative leader, after reading about the international financial crisis and how the governments of the United States and Europe, instead of reforming financial policies, 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, like the fact that the technical-financial aspect of global enterprises hide their economic interest at the cost of society, this technical-financial aspect of the certifiers is also eroding the cooperatives and contributes to the fact that they are dispossessing the cooperative families of their organizations. These decisions underly an asymmetry of power relations, because they are decisions where society or the majority of the members have no participation, but they are affected by those decisions. The political aspect is so embedded in the social and economic reality, that the elites split into two appearing as organizations fighting only for the economic part – just credit, certification, prices, coffee or only audits. “Friend, it is a matter of administering,” gets repeated to us.

The cooperative is considered only for its economic side. Also by critics of FT like Griffiths (2012), who see the political as something that disrupts the economy. The actors of the FT structure appear focused on the business of producing, processing and selling coffee, and in financing or pre-financing coffee. 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 just credit (capital) they would improve their production, or that with more projects they could quit being poor. Trapped in this perspective, only the business side of the cooperative appears, and so the prominence of the manager and administrative and technical staff grows. This vision of the economic separated from the political, and the cooperative seen as “a-political”, makes the different organizations of the FT structure only relate to the management, and therefore only the business side of the cooperative. That separation of the economic, social and political, 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 whose existence is justified if it is functional for the economic part. It is not noticed that the lack of functioning of the committees, the mutual “lack of oversight” and the formality of the general assembly are an expression of policy decisions that – in a figurative sense - 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 role of the administrative/technical personnel linked to the business (economic) side, results precisely from that separation from the political reality.

This same situation happens in the FT structures. Its movement and alternative nature with which it emerged, precisely alluded to the political part: it questioned the *mainstream*, the intermediation that was impoverishing the peasant families, and FT was organized in the face of that reality. With the passage of the years that political character was buried by an economic vision, where its alternativeness and the questioning of intermediation disappeared, which expresses the power relations of the large enterprises taking over FT. As D. Cycon used to say, large enterprises “will get to be 100% fair trade, not because they have changed one iota in their business practices” (see Footnote No.3). There is the political part, where that large intermediation controlled by large enterprises did not change “one iota of their business practices” and rather changed those of FT. In this criticism and resistance of people like Cycon and the cooperative producers is also the political aspect. Is there anything more political than this?

5.4 Modern disloyalty

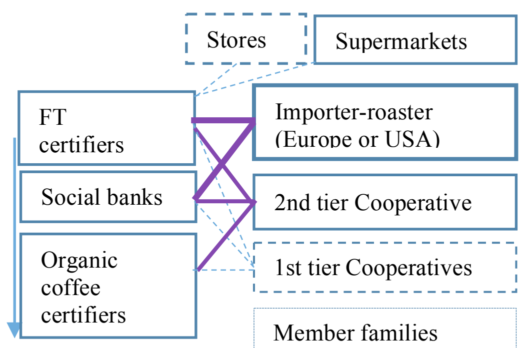
External organizations, feeling comfortable in their role of issuing opinions backed by the financial side, are slowly being controlled by the “justice of the market” and not by “social justice.” The purpose of generating profits is what is being imposed on the FT structures. For example, given that many cooperatives financed by social banks have been falling into crises, the social banks, instead of doing a self criticism of their policies and rethinking their partner relations with these organizations, prefer to increasingly include private enterprises as their clients. In FLO, its split seems to express the control of “market justice”: it emerged to work only with small producers, now FT-USA also works with large coffee plantations (large business owners) and the FT brand also serves large companies, without that access meaning better prices for producer families, as we saw in previous sections. Even more, buyers like Green Mountain, in establishing itself as a business in good measure in the FT framework, have dispensed with the FT brand and have dedicated themselves to their businesses.

That loyalty to "market justice" means disloyalty to producer families and consumers. The elites, "from above" on down, ask for loyalty from those "from below": "they are the poor of the poor". Loyalty is requested, without protesting and leaving[48]. 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 whether those resources are really getting to the members, or without verifying whether the organic coffee really is organic, no one complains to them, no one sees that these actions harm the cooperative. In other words, there is no loyalty to the members and their organizations to improve their functioning. If a first tier cooperative questions the second tier cooperative, and raises their voice to actors of the FT structure, it is generally blocked and discouraged: they make the members and the first tier cooperatives believe that working in an autonomous way is like "falling into the 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." They demand subordination (not loyalty) toward to the one who is "the highest up"…toward capital: "they are the rich of the rich."

Many first tier cooperatives accept that they are being "disloyal" to them, and some believe that they do not have the right to demand loyalty. One 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" – it is not even to them, in the heart of it is the subordination of the entire FT structure to capital and the market embedded in the interests of the elite.

6. The power structures and the hollowing out of cooperativism

Figure 9. Real structure of Fair Trade



* width of line indicates intensity of relationship

Why do the cooperatives not move beyond these destructive mechanisms? Here is the third response to this question that pursues us. The cooperatives would not fall into these mechanisms if their members really acted as members, if their committees functioned, and if their staff responded to the principles of cooperativism and to their committees. Nor would the FT structures legitimize these involutive processes if it maintained its original mission. It is the action of a small elite, behind the cooperatives and the FT system, that has been taking over- or privatizing – the FT structure. On what basis is this elite capable of hollowing out the cooperatives and the FT structure?

Figure 9 expresses the concentration of power (capital, positions, information and contacts) from which 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), as well as resources that come from international aid. They are the door to FT certifications, banks, markets and organizations; to information

[48] For a theoretical perspective, see Hirschman (1970), who proposes the concept of exit, voice and loyalty. If there is a possibility of protest (having 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 or resign yourself to the situation, or leave the organization.

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 that group from the business side of the cooperatives, the buyers, certifiers and the social banks. Seen from the perspective of power relationships, if each organization acts according to their own interests, a tacit collusion is observed among various actors (individuals) of the FT system[49].

Historically, the patrón and the foreman lived in the same community/zone as the peasant families and/or fieldhands. This closeness created more vertical control (from the patrón 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 patrón 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 – this is the principal/agent relationship. Since the decade of the 1980s that structure changed: it was globalized; in FT the management/administrative structure is the equivalent of the foreman, in some cases along with the president of the cooperative. They manage the entire chain, because the new FT patrón is geographically far away, and moves in accordance with formalities (laws, norms and procedures), which keeps them from having information about the "foreman", and they, precisely because of the distance and their skill of moving within the formality, take advantage. There are two constants in the old and new structure: the peasantry (member of the cooperative) continues to be excluded from that structure, and at the same time internalizes that structure, reproduces it; and that informal structure, internalized, is what controls the formalities supported by the previously described ideas.

This structure is an historical institutionalization of the patrón-client relationship in our societies. This institutional structure says, "Fieldhand and peasants do not have the right to ask for information; the patrón is the owner, and it is his right to not share information"- a centuries old institition[50]. The FT system takes on and intensifies this institutional structure: in the eyes of the member families, the management structure and the FT organizations appear as the patrons that have the right to not provide information; so 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 president who do not give orders is not a president", "the manager is the one who does everything" instead of the fact that the asssociative side, with its different organs (assembly, administrative council, oversight board), can 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, and that are consistent with FT principles, but that instead are frequently blocked.

All of this reminds us that, historically, peasant families have not had true strategic allies. We could almost conclude that external organizations have come in to use them: some came to form communal banks, and ended up creating their own banks and leaving the more impoverished families outside their

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

[50] 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.

credit policies, and worse yet, financing large producers who are dispossessing the small producers of their resources[51]. 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," they are seen in a bad light, "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; "if you don´t continue together as a large cooperative run by the manager, I cannot buy your coffee." If committed scholars seek information in FT organizations, the response is, "We only give information to the cooperative," – read as the small group that manipulates the mechanisms and keeps their cooperative leaders and members from knowing the financial and commercial reports. These blockages contribute to the fact that many members and leaders give up, that the organs of the cooperatives become inoperative.

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 patrón to receive favors (credit, projects). And this reinforces that transnational collusion. The unintended effect of this is that FT involutes, and along that path the cooperatives fall into crises and go broke, or continue as privatized entities in practice, while the members are dispossessed of their organizations. The "new foremen" became "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: create an awareness that the economic, social and political parts form the same reality, and that they are present in each decision; recover the sense of alternative trade with which it emerged which is even more important today; recover the character of a movement that FT had, combining processes and results; turn its focus on the mulitple realities of the organized or organizing peasant families; try to get the members, along with their families and first tier cooperatives, to operate with more autonomy, and grow in differentiated products. In this way, FT would empower processes of repossession and tranform the patron-foreman-client structure, not so that the "new patrón" might control more 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 involuting FT, it is the task of the entire FT system – and not just one actor alone – to recover the FT mission of transforming unjust trade to benefit the majorities. How can this be done? A group with a growing awareness of FT needs to recreate its alternative vision

[51] On the political role of finance in a "domino effect" dynamic of the rural agricultural sector, see: Huybrechs et al (2015).

and reconceptualize why it is **fair** trade. In what follows we propose two complementary paths for the reinvention of FT, restructuring the current FT system, and at the same time generating a complementary movement in university spaces 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, with the rural area, or so-called agrarian society. Generally in our countries that rural society is where there are more problems of poverty and inequality. At the same time, they are areas/societies that have historically expressed greater resistance to the political systems, at least throughout Latin America. It is where the policies of different governments (and aid organizations) tend to fail, or many times deepen 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 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 thing, 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; and another dimension where FT reduces the gap between its discourse and its actions, and generates an institutional structure of transparency, and a culture of mutual openness and accountability.

7.1.1 Construction of lasting bridges

We propose two ways of building lasting bridges, motivating and forming people with a sense of mission, and the FT structure itself (social banks, buyers, certifiers) organizing "reflective immersions" in organized agrarian societies.

Concerning the first way, Mendoza (2016b), studying the contribution of the cooperatives toward peace in Central America, found that there were dozens of priests, sisters and lay people that between 1950s and 1990 left their chapels, convents and daily lives, and connected with rural societies. I quote in what follows two testimonies that reveal these people intoxicated with a sense of mission, ongoing immersion, role of facilitation and accompaniment, and building bridges between rural society and institutions.

> 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 do not believe you," 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, lowering 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, he 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.

Mendoza (2016a and 2017a) refers to the experience of the priest Hector Gallego in Panama, who accompanied the communities of Santa Fe, connecting them to external institutions like high schools, technical and cooperative training institutes, and helped, as part of this process, to found the "Hope of the Peasants" Cooperative, that today continues inspiring rural families. Priests like Jack Moynihan lived with peasant families and from there promoted connections between peasant families and state and market institutions, some of these initiatives allowed cooperatives, peasant stores and/or rural associations to be formed (for the case of Honduras, see Mendoza 2016c and 2017c). They were priests and lay people inspired by liberation theology or the openning of the social doctrine of the Catholic Church based on the Second Vatican Council in 1965 and the Second Latin American Bishops Conference in Medellín in 1968.

Many cooperatives emerged from this type of experiences[52], and many of those cooperatives continue connected to the FT structure. Nevertheless, over time a gap has opened between the FT structure and the rural population; it is a gap that has been widening. In a parallel fashion, that group of religious and lay people has been slowly reduced with the turn of the Church toward conservatism in the hands of Pope John Paul II, and Pope Benedict. Currently the separation is so deep that it is common to hear within a good part of the FT system that "illiterate people do not think", meaning that the peasant families do not know how to think and therefore lack the capacity to understand the FT numbers (the business side of the structure).

Nevertheless, according to the G. Romero in the prior quote, that society is precisely the one that has not been subjugated by the dominant systems. Even though a good part of that society is not freed from its dream of "becoming the oppressor"[53] and moves about in traditional and cooperative intermediation, its practices of productive and market diversification define their position of resistance. This is what turns them into a society that resists, something to be assessed by the FT structure in its struggle against intermediation that is dispossessing them.

That society that resists is also an opportunity for change. That society that has been expelled to the highest mountains today has the best quality altitude coffee, capable of contributing decisively to the reinvention of FT. That society, so dispossessed for centuries, opens its eyes and heart 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, now that there is a certain amount of openness in the Church under Pope Francis, new connections can be built with the movement side of the churches (Catholic and Protestant), and people formed with a sense of mission to build those bridges between the FT system and rural society. In the long term our vision is that this FT network would precisely be the one that would build those bridges

[52] Here we are emphasizing the inspiring role of the Churches in that context and because of the type of work that the religious and lay people carried out. In those times there were other inspirations and dynamics, for example, peasant union organizations that emerged in the framework of the Alliance for Progress of the US government, and whose peasant leaders contributed to the formation of local organizations and to the implementation of agrarian reform policies.

[53] On refering to agrarian society, even though its practices are those of resistance, we do not ignore the fact that their mentality requires awakening. In this respect, let´s recall two phrases from two famous people: "the oppressor would not be so strong if he did not have accomplices among the oppressed themselves" (Simone de Beauvoir, French philosopher 1908-1986); "when education is not liberating, the dream of the oppressed is to become the oppressor" (Paulo Freire, Brazilian educator 1921-1997).

between rural society and state and market institutions, that would carry out the work that priests like Jack and Héctor, and so many other lay people, have done.

Concerning the second way, the organization of "reflective immersions". The generation of professionals who currently are working in the FT system (certifiers, social banks, buyer companies, roasters and sellers of roasted coffee) did not have the experience that the first FT generation had, confronting unfair trade, and working with the families that organized into cooperatives. So we propose that the FT structure organize a program of "reflective immersion" (living from 3-5 weeks with member families and in their communities) to awaken and become aware of the reality.[54] Immersion does not automatically awaken awareness, but it provides the conditions for it, and we call it "reflective" because these people take notes of their conversations and at the end of the day reflect and go back to talk with the families with whom they share that brief period of life (time). Looked at another way, like the religious mediation made it possible for priests like Jack and Hector, and so many other lay people, to get out of their churches and look for God among the poorest, thus transforming religious mediation itself, FT mediation also can make it possible for its members to seek and build justice among the poorest, actions with which they might transform the mediation of FT itself.

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 homes to recruit young men, realized that many families were living in poverty, when they thought there was no more poverty in Europe. That experience raised the awareness of many people and facilitated, after the Second World War, the building of the social welfare state, precisely in order to not go back to suffering poverty and war[55] (See: Drèze and Sen, 1989, y Sen, 1995). Why do I 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; the professionals who work in the FT system, upon sharing for some weeks the lives of member families, like some soldiers who discovered poverty on opening the door of those homes, can rediscover the injustice of intermediation in all its forms, even in the current expression of FT, and can from that reality contribute to rethinking FT.

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[56] and building a new vision of FT. In other words, 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 injustice in which the families currently live, how the market functions and controls, what has happened with FT and cooperativism, how to learn with the member families overcoming the institutional framework of "test-jjudgement", understanding the importance of cooperativism in its dual role, both associative and

[54] Valkila (2014) tells about when he was a student in Finland he used to admire FT, and that is why he decided to do his graduate thesis on FT. Nevertheless, he continues telling us that when he began his field work, he changed his topic on seeing the difficulties of fair trade. Valkila realized that the discourse of FT was one thing, and the reality was another. "When I started to do fieldwork in Nicaragua and to study Fair Trade more closely in academic discussions, I began to notice slight discrepancies in Fair Trade rhetoric and reality. This made me change some of my views on Fair Trade. The effectiveness of Fair Trade in transforming the lives of farmers and workers seemed superior in Fair Trade promotional materials to what appeared to be taking place in Nicaragua." (Valikila, 2014:30). These immersions with different experiences can have a decisive impact on the lives of people and contribute to change in FT.

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

[56] Mendoza (2015), based on the experience of a group of researchers-promoters of development, and bringing in 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).

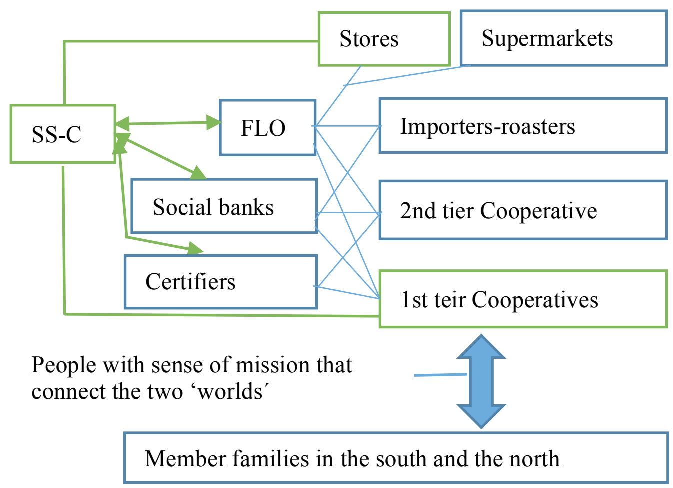
business, looking at the world "from below" and in terms of building connections, and that we are all part of that reality.

This "sense of mission" element, added to the training that the professionals from the FT system have, could help FT recover its movement character allong with its institutional structure built up over so many years, and could make the FT system a learning mechanism at the service of societies of knowledge for cooperation. This would be a decisive point for the dimension that follows.

7.1.2 Reorganization of the FT structure

Equipped with this sense of mission, Figure 10 draws the elements for restructuring FT[57]. First, the solidarity stores and the first tier cooperatives (SS-C) should 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 get to 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.

Figure 10. Second generation of FT



This is possible if the SS-Cs support one another in an alliance with development studies institutes in the countries of the north and institutes in countries in the south, that would do research on the entire FT chain, and would accompany the FT structure in their improvement processes (innovation) and organization of their knowledge in an ongoing way. In the south these institutes would accompany the cooperatives and their members, and in the north these institutes would accompany aid organizations, solidarity stores and corresponding businesses; and these organizations and institutes could organize international conferences on FT to deepen the learning and as part of the continuous improvement of FT. A studied process allows a long term view and constant awakening, and if in addition the FT actors are also accompanied in their innovations, it would be possible to overcome the involution mechanisms and see, behind the adversities, opportunities for social justice.

[57] In general we share with Valkila (2014:40) the challenge of democratization that FLO should carry out, particularly with the producer families and the workers. "This highest decision-making body of FLO used to be controlled by Northern actors, including representatives of national initiatives for Fair Trade and businesses. The degree to which small-scale farmers are involved in decision-making concerning Fair Trade is still questionable, as many of them do not even know they are Fair Trade certified and their understanding of the system remains very limited (Article I). Laborers in coffee processing and on coffee farms are also not represented in any deliberations on how Fair Trade should be organized, at least in Nicaragua. Additionally, the General Assembly only meets once a year. The board runs the system in practice, and it continues to be controlled by Northern actors, with only four of 14 members from producer countries (FLO, 2012c). Democratic governance of the Fair Trade system therefore continues to be a challenge."

Second, the FT and organic certifiers should respond to an entity of the SS-Cs and open themselves up to public scrutiny. Their audits and verifications should contribute to good practices in the FT system; for example, ensuring the rotation of cooperative leadership, that the administrative side of the cooperatives do not usurp the roles 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.

About the delivery (or sale) of the coffee of the members to their cooperatives, we note the following. Of the 35 cooperatives with which we have been collaborating since 2010 in Nicaragua, the members of 6 of those cooperatives were survcyed. All of them are part of the group of 33 cooperatives that Mendoza et al (2011) reported on for 2011, cooperatives that turned in 32% of their coffee. The results of the survey in 2016 for the 2015/16 cycle are surprising; 70% of their total production was sold (or delivered) to their cooperative, 11% to intermediaries and 19% sold locally and for family consumption. This shows that more coffee is commercialized through the cooperatives when the first tier cooperatives export directly and improve their levels of internal trust, and do it within a framework of collaboration that includes organizational accompaniment and coordination for their financing. This volume mentioned also is reflected in the prices for the coffee and its distribution: average price for the member-producers, according to the same 2016 survey, was 17% higher in the cooperatives,. What a difference! In a particular context of change and trust, the members could turn in 40, 50, 70 and even more than 80% of their production.

This is possible if the certifiers also rethink their role. Given that many companies are prefering to obviate organic certification, and given the observations made in this work concerning its effectiveness, we suggest that the role of the certifiers go beyond the formality and combine economic and social interests. Let us remember that the greatest contribution of organic coffee is not so much to the health of consumers[58], but to the health of the producer families, freeing themselves from pesticides and fungicides, and to the autonomy of peasant families, depending more on their own resources and less on industrial chemistry, and mitigating climate change. In this sense it seems fundamental that organic coffee be considered a product of greater value, a niche market, and the result of trust between producers and the FT structure. Demonstrating and ensuring this purpose and these benefits would be a role for the organic certifiers, including taking a sample of the coffee of each cooperative to a laboratory every year, and cultivating a strong relationship with the members to improve the organic product and create a solid environmental awareness. It is a matter of trust, more than commercialized formality.

Consistent with these practices, certifiers, buyers, social banks and cooperatives should demonstrate that they are part of an alternative trade movement by being transparent. This means that financial and organizational audits, data on organic certification, prices that the buyers pay for the product as the contracts indicate, costs of processing the coffee (dry milling), yields in the dry mill (degree of moisture, hulling, imperfect coffee and quality of the cup), and amounts of loans made to clients, etc would be available on the webpage. This assumes getting beyond the myth that “making our information public is providing tools to our enemies”, which sounds ironic when FT is in the *mainstream* market; because the only ones most affected by these devastating practices have been the member families, and those who have most benefitted from this myth – in addition to traditional companies and intermediaries - have been the elites who have privatized the cooperatives and the FT structure.

[58] 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. See: ‘testing coffee’ http://www.coffeeanalysts.com/faq/. In fact, some roasters told us that they use the same roaster for organic coffee and conventional coffee.

Third, coffee cupping be triangulated, committed to differentiated coffee. Coffee cupping detects its quality and also can deduce the type of inputs that are required to improve its quality – inputs like phosphorus, nitrogen and/or potassium. Having information on this seems fundamental for producer families. So we suggest that coffee cupping be done 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 that export and the coffee import-roasting companies do the cupping, which each one does independently. We propose that there should also be cupping on the part of the first tier cooperatives, and that the 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, and the type of management 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).

Fourth, there be a commitment of the FT structure to invigorating first tier cooperatives. That the cooperatives develop savings and loan services, systematically increase their own capital[59], be responsible for the collection of their own harvest and measure the moisture content with the appropriate technology (using the "Moisture Meter"), decide about the use of 100% of the FT and organic premiums, have their 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 possible. This implies that the second tier cooperatives would specialize in coffee processing to the extent that their income and costs allow them, that the management by lots of coffee according to zones would include the names of the members and that the members would know at what prices their coffee was sold, and would receive payment in accordance with its quality, and that they would support the first tier cooperatives in developing services in accordance with the opportunities in their surroundings and in accordance with their abilities, and that they would disseminate on a webpage information on yields, qualities and prices for the coffee. So the FT and organic coffee certifications would be done directly with the first tier cooperatives, and for reasonable prices without requiring the cooperatives to hire technicians to do the work that is really the job of the certifiers themselves. On having these conditions, then external audits (proposed by Beuchelt and Zeller, 2013) would be necessary to prevent bad management and corruption, and that the FT structure, following Valkila (2014), would finance the extension services and audits of the cooperatives.

Fifth, our focus should be turned to the member families themselves. The territorialized process around differentiated coffees contributes to the organizational improvement of the first tier cooperatives; nevertheless, there is also the risk that a small elite might set itself up in the grassroots cooperatives themselves that would manage the organization in accordance with their own interests. Consequently it is also important to work on the member family level. That they would improve their capacities to negotiate, invest and save, that they would discuss their problems of inequality and 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.

Finally, there is the role of the State in contributing to equity. The State in each country should include policies for controlling product weighing, moisture content, percentage of hulling and quality of the cup. The State should increase the informational transparency of the transactions in the entire FT chain. The

[59] Beuchelt and Zeller (2013) suggest that the capital reserve of the cooperatives increase in a transparent way so that its members might see that their capital is increasing.

state should apply the law on the rotation of leaders, and keep elites from doing legal tricks of ”reforming” the statutes in order to remain in the same posts. All this would contribute to a real reduction in poverty and inequality, empower the families and their organizations, help form shared leadership that would respond to the members, help 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 of the FT structure would be, “I support you so you 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 additional cost that consumers pay.” 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 that is 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, who individually are not the causes, but are 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 the “social” part of the bank would not be just a letterhead, but a clear reality.

7.2 Managing the coffee chain

In a parrallel and complementary fashion to the recovery of the spirit of FT and its restructuring, we propose managing the entire coffee chain with a direct relationship to learning. How? In the university spaces in the north and south, students and professors organized into cooperatives, and producer families organized into cooperatives, would manage the coffee chain and co-invest in coffee shops within university campuses. This would be a privileged space for experimentation that would combine 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, jointly organize the entire 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 products such as crafts, honey, beans, granulated sugar, 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 in 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), the people who sell the coffee at the same time would be bearers 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 in which they are involved, and those extracts would be published on the webpage of both cooperatives. Fifth, that this would begin with pilot experiences so that, on the basis of lessons learned, these experiences would multiply and build an international network 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 who even after finishing their studies could still remain connected to them, and it might be a “door” to producing and managing alternative knowledge 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). The enemy was commercial intermediation as a producer of inequality, and 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, access to donated projects… then we should not be surprised by the large number of producer families that are impoverished or that find it difficult to get out of poverty, 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 FT structure could be strengthening the intermediation that is stripping the peasant families of their cooperatives and making inequality worse, and could be destroying the sense of movement with which FT started, and eroding the associative side of cooperativism. Consequently, FT and the cooperatives more and more run the risk of merely "seeming just", as Plato warned, this time subjugated to the neoliberal market that presents itself as the one that knows and believes that better prices (that never get to the producer families) or optimizing financial profits empower the member families[60], and subjugated to the patron-client institution of our societies and the hierarchical structures of organizations. Social innovations that involute end up dispossessing their own members.

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, 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) and believe that it is expressed in the entire FT structure. So we find that the FT system expresses an organizational problem, a governance structure absorbed by the neoliberal market and by the most pernicious institutions of our society. Within this framework, quality coffee and organic coffee do not have 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 coffee consumer. It is a system expressed in mechanisms and an institutional structure where the entire FT network exacerbates the inequality and poverty, and 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 at the same time are internalized and reproduced by the respective actors. These mechanisms and institutional structure operate in accordance with the ideas of the "rational individual", fordism, the hacienda, and hierarchical organizational

[60] Jaffee (2007), based on his book on fair trade in Mexico, finds that in spite of the benefits of FT for organic producers, FT is not a panacea for solving the problem of poverty and hunger, and particularly being part of markets for certified coffee does not mean that there is progress in gender equality. Valkila (2014) in his doctoral thesis also corroborates that FT has not changed working conditions in favor of the workers in coffee production.

structure, where the political is reduced to an administrative formality and they let the market decide, make the business part of the cooperative erases the associative part, and erase justice in FT. For two decades now this very old system has been globalized, capable of producing an involution in FT. When that system operates, it is an expression of the saying, "*Even an honest man sins in the face of an open treasure*", because it is a system that undermines the effectiveness of the cooperatives` organs, erodes the roles of the different FT organizations, and kills the movement nature of FT and the associative nature of cooperatives. You or I, administering any organization of that network, would also likely "sin". Under these conditions, any model, even the *direct-trade* model 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 rescue fair trade? 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, the injustice of commercial mediation, and the actors are also becoming aware of the perspective of optimizing life instead of optimizing financial profits. 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, and makes the members ask where their FT and organic premiums are, why they are not being paid for the quality of their coffee, and begin to ask what is happening with the weighing, the yields from APO to APS coffee… Consumers are also beginning to ask how much of the additional price they pay is reaching the producers. The involution of FT can be like a "door" that is closing, and at the same time can be a "window" that is opening.

Organizations can be reinvented when the opportunities and capacities of organizations mesh with one another, when the aspirations of most of the actors are profound and when there is a strong alliance for reinvention. In organizations like the FT system, that reinvention means solving the dilemma of being economically sustainable and socially and environmentally equitable at the level of the member family, grassroots organization, community and the entire FT structure.

Why rescue fair trade? The more differentiated and recognized a product is (for its quality or for being organic), the more rural families can improve their lives (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, the more the entire FT network is needed (with transparency, combining formality with its movement nature, results and processes) 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. The more the optimization of life is pursued instead of profits, the more profits will be a consequence and not the goal, the more FT will respond to the imperative of social justice.

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 must reinvent itself, recreating its original vision of being alternative trade with the character of a movement and re-politicizing its processes, along with cultivating its institutional structure and the volume of its transactions. Specifically, from below, members in first tier cooperatives making their committees function and innovating in the interaction between the associative side and the business side of the cooperative; from above and from the middle, with a FT institutional structure that goes back to working in accordance with FT principles, moving beyond the theory of modernization (or Eurocentrism) and market fundamentalism; and both, connected and in alliance, building equity and justice on the basis of eroding despotic glocal structures.

How can FT be rescued? Donovan et al (2017), using the value chains approach and with interviews of leaders of value chains of coffee, cacao, horticulture and milk, suggest applying this approach broadly for greater collaboration among actors outside and inside the chain. Nelson (2017), summarizing studies on the impact of FT, state that FT needs "to learn about its effectiveness in different contexts and places of the value chain in order to find ways of responding in a flexible way and adapted to the local conditions and its assumptions". Meyer (2017), studying community banks in Brazil, conceives them as community social enterprises that create and govern the commons as a response to the deficiencies of market and state institutions, from which we could understand the FT chain as a chain of community social enterprises.

Based on these authors and taking concrete steps, we set forth two modalities and within this framework we list some changes. First, attact groups of people who would build connections between rural society and the FT structures, making the first tier cooperatives really be cooperatives. Mendoza (2016b), studying the contribution of the cooperatives to peace in Central America, finds that there were hundreds of religious and laypeople between 1950 and 1980 who, inspired in the changes in the church at that time, made connections with rural societies and built bridges between a good part of that society and organizations working for change. Observing that a good part of that rural society, expelled to the highest mountains of Central America, currently have the best quality coffee of the region, there is a need for groups of people like the aforementioned religious and laypeople to return to the countryside, this time to decisively contribute to the reinvention of FT. This is possible if we build connections with the movement side of the church that is now beginning to open up and with Universities so that the students might be formed with a missionary sense building those bridges – between the FT structures and that historically destitute part of rural society.

Second, building bridges with immersions organized in the south and in the north (Mendoza, 2015). That the generation of professionals who work in the FT structures, that did not live the experience of the first generation, facing unfair trade and working with families that were organized into cooperatives, might have the opportunities of "reflective immersions" (living for three weeks with member families, taking notes and at the end of the day reflecting on those notes) to raise awareness about the reality. Immersion does not automatically awaken awareness, but it does provide the conditions for that to happen. Like religious intermediation made it possible for the religious to leave their chapels and seek God among the poorest, thus transforming religious intermediation itself, so the FT intermediation can make it possible for its members to seek and build justice among the poorest, action with which they would transform FT intermediation itself.

What paths should be followed? We propose two dimensions. In the first dimension, building bridges with organized immersions of professionals who are working in the FT network, immersions in the south and the north, and attracting groups of people like the religious and non religious 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. In the second dimension we propose two complementary routes; the path of redoing a vision of FT, focusing on producer families and committed to improving the quality of their products and their organizational processes, creating a space for communication-learning between first tier (producer) cooperatives in the south and marketing cooperatives (in the north), to energize the entire FT system, supporting one another in ongoing research in the entire FT chain and its different expressions (economic, social, political, cultural and environmental), and making all the transactions transparent, obtaining the traceability of the product, prices and costs throughout FT system. In the second path, we propose that the students of the universities of the north and the south, organized in cooperatives, and the producer families associated in cooperatives, would manage the entire coffee chain including coffee shops in the Universities, as spaces for mutual learning.

Under these two practices we list some possible changes. That the members wouuld turn in 40, 60 and even 80% of their production to the cooperatives. That the certifiers, buyers, social banks and cooperatives would place on their webpages the audits, organic certification data, sale prices recorded in the contracts, costs of coffee processing, dry milling yields (degree of moisture, hulling, imperfect coffee and cup quality), and amounts of loans made to the cooperatives, including their purposes. That the first tier cooperatives would develop savings and loan services, increase their own equity, be responsible for collecting their coffee harvest and measure the moisture content with appropriate technology and decide 100% of the use of the FT and organic premiums. That the rotation of leaders in their posts and managers would become a reality. That the second tier cooperatives would specialize in coffee processing to the extent that their income and expenses allow for it. That the FT and organic coffee certification be done directly of the first tier cooperatives.

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 deal with their own assets, under transparent rules of the game and learning, and wearing down the centuries-old unjust structures. This is reinventing the FT movement: that we change as people (un-learn), while we change the devastating structures created by human beings. We are not alone in this aspiration. Let´s get going.

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