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COFFEE
AND STATE AUTHORITY IN COLOMBIA

by Josh Frank

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clamor communique #46

The global coffee industry has endured colossal changes over the past fifty years. Production of beans has shifted from country to country.

Profiteering from the product has increased almost exponentially through huge sales at retail outlets such as Starbucks and Seattle's Best. But not all involved in the coffee market have benefited equally. Small coffee farmers have suffered tremendous loss. Environmental degradation has also increased as ancient forests have been cleared in hopes that the bare land can be transformed into fertile ground, worthy of growing cash crops. Countries have lost entire export industries as multinational corporations race to purchase the cheapest beans they can find. And no country has felt the pain of these transformations greater than Colombia.

In the mid-1970s coffee in Colombia accounted for 50 percent of their legal exports. During the global craze of the 1990s, as retail shops opened up on street corners throughout the industrialized world, Colombia‚s coffee industry bottomed out. By 1995, the country's coffee industry had suffered tremendously. Coffee dropped from 50 to 7 percent of Colombia's legal exports. Thousands of farmers fled the country, many more traded coffee for more lucrative crops such as coca and opium. And oil has now replaced coffee as the number one legal export, even though coffee farmers continue to employ the most workers of any industry in the country.

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who is included and excluded in global production networks. In the case of Colombia, as the FNC and the State allowed private players to manage the flow of coffee, they also became more and more irrelevant in countering the strong race-to-the-bottom market forces. The negative effects have been felt tremendously by the poor agricultural communities in Colombia.

As statelessness embodies these sectors, it becomes clearer and clearer that no governing organization is wholly representing these poor Colombian farmers. Left to the devices of neoliberalism alone, it is unlikely that coffee production in Colombia will again make up 50 percent of the legal export. It is also unlikely that the transfer of coffee to coca will decrease any time soon. Farmers simply want and need to make a living. Collectively, the strength of the new market is embodied by multinational corporations and private players, not State and local authorities -- sovereignty kneels to capitalism once again.

All in all, this indicates that free-market economics are powerful enough to benefit a few, as well as strong enough to crush the rest.

earnings for farmers has stagnated.

As the Colombian government fully endorsed these trade measures, their culpability in the debacle goes without question. However, industrialized countries, policy institutions like the IMF, and multinationals like Starbucks have in effect spearheaded the pace of globalization in the developing world. It has not been these countries' governments alone.

Coffee beans since the early 1900s have been primarily an export commodity.

Reliance on free-markets to dictate the flow of coffee, has been the famous mantra Colombians use when discussing supply and demand strategies. The FNC has historically monitored Colombian coffee markets, with an eye toward the industrialized future. As the FNC allowed multinationals to dictate production, they lost control of the coffee trade. In the past the coffee industry in Columbia relied on the FNC for regulatory measures more than they relied on the State government. So it can be said that the FNC has acted as a puppeteer for thousands of coffee farmers in Colombia since its inception early last century. And that puppeteer handed over the strings to the IMF and Nestle.

Now, third-world markets are managed more by transnational corporations and policy institutions, than State capacities. The development of economic transactions across borders, particularly international borders, undermines State autonomy. This in effect marginalizes the State and the FNC as an economic player in the global community. And the loser is the small farmer.

The neoliberal economy encourages private entities to dictate the flow of goods and capital. Therefore wealth and power has been transferred into the hands of private actors from the clutches of the FNC and the State. Such private actors decide

Coffee prices in South America peaked during the late 1960s to 1970s, a pound of coffee from the fields of Columbia sold at an average of $3 per pound. But by October 2001, the price of coffee per pound had dropped to $0.62 per pound.

The Colombian market at the time was regulated by The Colombia Coffee Federation (FNC); a quasi labor union that represented coffee producers.

The organization was founded in 1928, and quickly became the political voice for rural farmers who had little clout and minimal access to policy makers.

Almost all coffee farmers were benefiting during those lucrative years.

Agriculture was the business to be in if you wanted to make a safe living in Colombia. However, these boom years didn't last long.

The FNC since the 1970s has lost its once formidable power. Global demands have fractured the coffee community in Colombia through multiple trade factors, often referred to as the neoliberal model. This economic model draws on the old meaning of the word "liberal". It includes endorsing the free-market system; deregulation of sectors, privatization, and an overall disregard for government oversight and taxation. Now known to many in the US as Clintonomics, where President Clinton thrusted through NAFTA and fully endorsed the WTO and IMF.

As more and more farmers began producing coffee beans (estimates ranged from 750,000 to 900,000 farms in 1972), prices began to steadily decline. Well over 200,000 farms were lost by the mid-1990s, as the oversupply of coffee in Colombia reached record highs. Colombia was not alone in its over-production of beans. In late 2001 it was reported that 60 countries produced

132 million-pound bags of coffee, but the world only consumed 108 million bags.

Free-markets ruled the international coffee trade during the 1980s. Major multinational buyers like Nestle, Phillip Morris, and Proctor and Gamble raced to the bottom of the price chain. They looked to profit by buying the most inexpensive beans they could find. Colombia was sure to lose, as their beans were traditionally known for high quality and gourmet flavor. Production costs were also relatively high for a third-world country. The power of the FNC traditionally had raised the standard of living for the estimated 500,000 coffee farms in Colombia. Any drop in their per-pound production costs would greatly impact these farmers' standards of living.

Nevertheless, neoliberalism dictated the next winner in the world of coffee. Following the 1973 Paris Peace Accords, Vietnam quickly came into focus as a potential mass producer of cheap beans. Farm wages in Vietnam has always been rock bottom; in 1980 the average farm worker there made $0.09 a day.

The climate in Vietnam was also ideal for producing beans, and the world market was more than ready to capitalize on these prime conditions.

Free-market economists would argue this is standard supply and demand economics. The world's demand was flourishing, so it was only right for buyers to seek out the cheapest means of production. However, what this model fails to recognize is the harsh effects such policies have on small farmers in rural areas throughout the world. The numbers show this neoliberal failure with a sobering jolt.

By 1999 Vietnam nudged its way into the top three global producers of coffee. They tied with Colombia as the second largest producer at 12 million bags per year, trailing only

Brazil. A decade prior, Vietnam was a virtual no name on the world coffee circuit. Now they hope to one day topple Brazil.

As the neoliberal model created some winners, it has also produced many more losers. Transnational corporations and gourmet coffee dealers have posted record profits, as the price per pound has dramatically slumped. The largest victors in this market have been the retail chain Starbucks, and the largest multinational coffee buyer Nestle. As these corporations, bottom lines fatten, rural poverty in the countries they harvest is growing.

International coffee prices have now reached a 35-year low. The last 3 years have been the hardest on the global market, decreasing in value more than 50 percent. Taking into account inflation, the prices are lower than they have ever been in history.

Currently Colombia has $34 billion dollars in external debt. Because of this, the International Monetary Fund and World Bank dictate how best Colombia can pay back these dues. The debt has forced the country to expand production of exports to generate hard currency in order to pay back the loans. This macro-expansion has contributed to the overproduction of coffee beans, and a weakening of real wages. And the global demand for coffee has remained relatively stable since the 1980s, but the increase in production has yielded a massive oversupply of coffee beans. Unlike the subsidized agriculture in the US -- Colombia is not able to dump their goods on other countries -- the beans simply go to waste.

Under the guise of neoliberalism, restrictions on supply are nonexistent.

No regulatory measures are in place to halt the overproduction of coffee in Colombia. The impact has been horrific, as export revenues for multinational corporations have grown, real wage