

# Have the Spin Doctors Cured Us of “Sustainability?”... *The Core Conditions Persist*

by Jim Kosalos

Our coffee importing business has been around long enough to have ridden the commodities roller coaster over a couple mountain tops. After passing the peak in 1997, we rode the market down into the 2002 valley of death like the “charge of the light brigade.” Many small producers did not survive, those working with us in Mexico survived because of our unique quality-based business model. After the most recent market peak last spring, it appears that we are facing new challenges; not only are the commodities being jostled by all the usual suspects, but now we also have major international banking woes and seriously rising costs of fuel and fertilizer. As these conditions again stretch the sustainability of coffee, our company increasingly finds itself heading in the direction of the intrinsic sustainability offered by a “Direct Trade” model.

One can learn a lot about sustainability in general by entering “The Politics of Sustainable Development, Susan Baker”<sup>1</sup> into the Google® search window to get an eyeful. She shows that we’ve come a long way from the seemingly simple concept where “sustainability is improving the quality of human life while living within the carrying capacity of supporting eco-systems”<sup>2</sup>: we now have scholarly works that investigate the idea of sustainability from all of its myriad environmental, social, and economic aspects, as well from every political viewpoint. Is there spin? You bet!

To become more “sustainable” in the coffee business we need to promote alternatives to commodities pricing for small coffee growers. Why is this? It is because commodities pricing guarantees the buyer the lowest possible price based on availability, but unfortunately simultaneously guarantees the seller a price that has nothing to do with his cost of

production. Although many large producers have the resources to “flywheel” over this short term “inconsistency” in price as supply and demand reach equilibrium on a time-scale measured in years, the small producers take the hit. Small producers are in the great majority worldwide and generally have few resources and little access to markets. They also have little access to credit or hedge accounts and need an alternative to sustain their livelihoods on a time-scale measured in weeks.

Small producers represent a very large population worldwide; in Mexico alone, 88% of the producers have less than 2 Ha in coffee (5 acres) acres in coffee and produce about 55% of Mexico’s coffee . It is estimated that less than 25% of these small holders have the opportunity to hedge their coffee with contracts against the “C” market<sup>3</sup>. This means that about 40 % of the coffee produced in Mexico (about 1.5 million 69 kg bags) is sold without protection from market volatility.

What’s more, notwithstanding the few with protective hedges, it is estimated that the total amount of coffee sold against commodities pricing schemes is over 90% of Mexico’s production.<sup>4</sup> “...Mission control, we have a problem.”

I believe that we urgently need to seek and promote strategies that consistently bring more money into coffee producing communities, simultaneously increasing access to credit, raising the level of education, and reducing reliance on commodities pricing.

Judging by the increase in the number of companies now offering “Direct Trade” coffee, many have reached similar conclusions. Direct Trade offers buyers an opportunity to short circuit commodities pricing and guarantee producers enough money to cover their cost of production along with a modest profit. For this to work, producers must be able to guarantee buyers a consistent source of consistent quality, fully traceable coffee. It is this exact point where there exists the greatest benefit for both parties, because producers are forced to adopt practices and process controls that permit them to make this promise.

It is our experience that with increased process literacy and with process controls in place, coffee automatically becomes fully traceable. The process oriented “culture” that produced the coffee, taken with the concomitant documentation trail makes it relatively easy for the producers to obtain nearly any certification.

We have found that the order and transparency that process controls force in to the system increase access to credit; bankers are much more likely to loan to those who can show where and how the money is being used; simply said, there is much less risk all around.

Process controls force transparency and traceability into the system at it’s base, e.g. between the coffee plantations and the exporter. The rest of the route to roaster customers is already pretty well controlled. This is significant because it means that adoption of a Direct Trade commercial model does not change the route that coffee takes from producer to the consumer, it only forces process controls, transparency and traceability into the entire chain, end to end. It is exactly this end-to-end transparency and traceability that is considered essential for solid economic growth.

We have been successfully using a Direct Trade model in Mexico for fifteen years and have worked with our Mexican associates at Cafés Sustentables de Mexico, S.A. de C.V. to develop the FincaLab coffee quality control system. The FincaLab is a portable Laboratory with process control software that provides all the necessary controls and transparency, as well as prints barcode labels with serial numbers on each bag that permit our customers to trace the coffee to it’s origin at [www.trackyourcoffee.com](http://www.trackyourcoffee.com). Our experience has been that the increased earnings that result from our model taken with along with the FincaLab have allowed the producers to develop their cooperatives, build infrastructure, and to gain the confidence to apply for their own pre-harvest financing.

We have been successfully making coffee more sustainable for our Mexican associates.

*Jim is the Company founder. He established working relationships with Mexican cooperatives in Nayarit, introducing a unique program of quality-based profit sharing. He guided company development as a broad based distributor of quality coffees with an emphasis on directly traded, exclusively marketed, and fully traceable coffees from Nayarit, Mexico. He developed the FincaLab, a portable laboratory and quality management system with proprietary software and a proprietary new, “hands off” precision sample roaster, and a laboratory huller for coffee sample preparation. The FincaLab is the core of a complete coffee process control system that outputs bar codes and serial numbers for all processed coffee that results full in Internet traceability through [www.trackyourcoffee.com](http://www.trackyourcoffee.com).*



#### Sources:

- <sup>1</sup> *The Politics of sustainable development: Theory, Policy and Practice within the European Union*, Susan Baker (1997)
- <sup>2</sup> *Caring for the Earth: A Strategy for Sustainable Living*, Gland, Switzerland. (2009)
- <sup>3</sup> Silvia Gutierrez, AMECAFE, personal communication
- <sup>4</sup> Ing. Manuel Higuera, CONAYCAFE, personal communication.



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