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Commodity: Coffee Industry in Our Societies

Nowadays, the influence of coffee on our societies seems to be increasing, as the supply of coffee has risen so rapidly in these few years. According to International Coffee Organization, we can find that although “the export of world coffee has a little decrease in 8.77 million bags in April 2012, compared with 9.93 million in April 2011,” it is still a great amount for the demand of the world market. In most people’s opinion, it is good to say that this kind of great influence of this huge market on our global economy is an interesting factor. It allows analyzing the whole chain of coffee industry, which runs from the raw material to the finished product and the events and processes it encounters along the way. Moreover, it is also good to note that the commodity chain of coffee industry has involved “producers, middlemen exporters, importers, roasters, and retailers before reaching the consumer,” which is more complicated than normal trade, consisting only of producer, roaster, and customer. Therefore, using Starbucks Coffee Company as the example of commodity chain of coffee industry is the best tool for us to figure out what has happened and what issues have been brought out during the process of trading coffee.

Since the stages of coffee trade from the producers to consumers are quite complicated, as the paper has stated before, it may be good to explain these steps in more detail so as to let people understand what is going on in the coffee industry. We can find that most of the producers in the coffee industry are the farmers from Brazil or Asian countries, such as Vietnam. By observing Starbucks Coffee Company’s trading structure, we could notice that these

producers have been managed by the middleman exporters from the coffee companies and the local governments controlling the export of coffee to other consuming countries, such as the United States. In this country, there are importers from companies that have great influence on the types of coffee that are sold to consumers. Moreover, sometimes coffee will go to the traders in the United States for ranging the sales. Then, that coffee will go from importers and traders to roasters who will normally sell pre-packaged coffee to large retailers and restaurants, and then to end consumers. However, since there are increasing costs in each step, it may lead to a situation that the middlemen, such as roasters, traders, and retail sellers earn more money, while the coffee farmers and workers only earn a little from the whole industry.

It is quite strange to find that coffee farmers and workers can only earn a small amount of money by selling coffee to a large coffee company. The reality is that these farmers can only get about 4 percent of the money for coffee that people buy from supermarkets or cafés nowadays. Some people have claimed that this issue is caused by the concept of traditional trade in coffee industry – futures trading. Futures trading means that “the consumers and producers of coffee can manage coffee price risk by purchasing and selling coffee futures. The coffee producers can employ a short hedge to lock in a selling price for the coffee they produce while businesses that require coffee can utilize a long hedge to secure a purchase price for the commodity they need.” As the price of future coffee is controlled by people involved in the economy, politics, and weather, the business people can easily control the original price of coffee, which the farmers and workers can do nothing about and cannot get what they want from this working environment. That fact causes a big issue to workers' rights.

For our coffee industry, we can find that there are also other numerous current trends affecting the industry nowadays, and one of these trends is the price of coffee. In these few years,

the unstable rates of coffee prices have led to problems, since some countries are dependent on the coffee industries, so the coffee prices have great effect on the economic growth of these countries. Moreover, there is also some evidence to prove that futures trading and the imbalance of coffee demand and supply have led to the decline of coffee price in the last few years.

According to the statistics given by the International Coffee Organization (ICO), “prices are likely to continue to fall as production is increasing at 3.6% a year and demand is only increasing by 1.5% a year.” As a result, this unstable rate of coffee prices can give the producers a bad effect, since most of them are from developing countries that rely extensively on the coffee industry. So it can not only affect the income of the whole country, but also the other socioeconomic factors of these developing countries, such as medical services, education, etc. Besides, this unstable rate may also influence the consumers, because the farmers sometimes may not have the money to buy better seeds for coffee, and this can cause the fall in the quality of these products to the consumers.

As the time goes by, people nowadays hope that large companies in the coffee industry will not only focus on the profit, but also on the working environment and the fair rights of coffee workers and farmers. So we can now find that consumers are trying to establish programs that form “equitable and fair partnerships between consumers in North America and producers in Asia, Africa, Latin America, and the Caribbean”, as the instability of coffee prices can prevent these workers from earning enough from selling coffee to support their families. Therefore, *Fair Trade Coffee* has been formed to protect coffee workers and improve the treatment and living conditions of producers around the world. Moreover, *Fair Trade Coffee* guarantees “producers \$1.26 per pound of coffee produced, which is a livable wage while the current coffee prices are around \$.50/lb”, according to the sources of Global Exchange. Some large companies also take

actions in response trying to solve problems, such as quality management. That helps to improve the balance between the demand and supply sides of coffee by stimulating demand through the provision of a better overall standard of quality to the market and market development, which increases the coffee consumption. Anyway, it is quite good to find that more and more large coffee companies participate in this program, including Starbucks.

In conclusion, we can find that the coffee industry has influenced our societies a lot, since more and more people buy coffee in their daily life. By analyzing the commodity chain of coffee industry, we can find that the whole chain is quite complicated. There are lots of middlemen involved in trade and how coffee transfers from producers to consumers over time. Moreover, we can see how the chain has affected the rights of coffee workers and farmers in the developing countries, because the price of coffee has affected them and the whole country to a large extent. Besides, it is reassuring to see that the fair trade has a great power to protect the rights of these farmers and workers. The chain can also help us know that consumers have the responsibility to learn more about the trading relationship between the United States and other countries. But the most important thing is that more and more large coffee companies start to participate in this kind of movements. Thus, they are trying to make up some policies which give benefits to all the members in the chain. Anyway, we can now see the hope that people are solving the issues, and there will be a good relationship between the members of every commodity chain of the world.

Works Cited

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