Straight to the Source: An Analysis of the Impact of Direct Trade on Coffee Producers in Huila, Colombia

by

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Abstract

This thesis examines the impact of Direct Trade (DT)–an “upgrading” strategy–on coffee producers, aiming to elucidate its economic and social implications. Through field research in Colombia, the third-largest producer globally, this thesis found that DT significantly boosts profits for coffee farmers by offering higher prices and short-term income stability. However, this economic benefit is counterbalanced by increased production costs and risks like delayed payments, making it most accessible to already better-off farmers. Additionally, DT alters social dynamics with some farmers experiencing a breakdown of social connections with neighbours and family members, jeopardizing future economic relationships. Overall, while DT offers immediate financial gains, it also presents challenges that necessitate a nuanced understanding of the impacts of DT on farmers’ lives.

Keywords: Specialty Coffee; Direct Trade; Colombia; Huila; Global Value Chain; Coffee

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1.

Introduction

Direct trade (DT) emerged as a strategic response to the pervasive inequality within the global value chain of coffee. By eliminating traditional intermediate actors, DT seeks to create direct relationships between roasters and coffee growers, increasing growers' negotiation power while fostering long-lasting relationships between stakeholders. Proponents of DT argue that this alternative model also encourages relationships conducive to sustainable practices and quality improvement, which many see as having a close positive correlation.

However, there is a lack of research exploring the efficacy of these marketing claims. At the source of DT, much like other alternative trade arrangements such as fair trade, lies a consumer with a guilty conscience and a provider ready to alleviate them of their guilt. These consumers pay higher prices for the promise of increased farm remuneration. Central to these claims is the discussion of socioeconomic implications embedded within the dynamics of DT and the global value chain, mainly the inequality of profit capture along the North-South divide. The question then becomes one of effectiveness and the extent to which these claims result in real sustained change.

Rooted in notions of upgrading along the Global Value Chain (GVC) as part of market-oriented development strategies, DT aims to reshape the buyer-driven industry by redistributing power amongst actors. However, DT arrangements occur within a complex landscape, both at the local and global levels. Therefore, this thesis delves into the multifaceted dynamics of DT, critically analyzing the implications of DT on the lives of Colombian coffee growers. This paper thus seeks to answer: to what extent does Direct Trade–upgrading along the value chain–benefit coffee farmers?

I argue that DT's impacts must be understood beyond its immediate economic benefits. While DT does result in immediate financial gains, it also puts farmers' economic future in jeopardy. While DT aims to reshape the power imbalances that exist in the GVC of coffee, farmers' power is limited by the larger structures of the coffee market. Growers still face challenges in taking advantage of the potentials of DT. In a market where the value creation process is determined by one's ability to determine what "good" coffee is, farmers continue to be excluded. For all the arguments of “decommodification”, coffee remains a commodity, interchangeable by buyers who retain a monopoly over the symbolic value creation of “good” coffee. Farmers are also the ones who bear the brunt of the risks associated with engaging in DT, both economic and social.

My fieldwork in Huila, Colombia showed that farmers’ benefits were mainly economic. Prices received by farmers engaged in DT ranged from 30-300% above farm-gate prices. The higher prices meant farmers could create savings, overcome debt, invest, and improve their operations. Most significantly, when there were long-term relationships–which was not always the case– DT also provided price stability. Farmers also identified market exposure and recognition of their hard work as a non-economic benefit as well as some knowledge diffusion, although most diffusion was reported to happen between farmers and not between farmers and buyers. However, DT relationships did not inherently mean long-term relationships as agreements are made season to season, and farmers do not know if buyers will return. Moreover, not all farmers were found to have negotiating capabilities in their relationships. Production costs were also found to increase when compared to non-DT coffees due to the cultivation of delicate varieties, increased pesticide use, labour costs, and additional logistic costs. DT agreements were also found to mean increased risk for farmers, both economically and socially. Most DT agreements were reported to result in delayed payment times, forcing farmers to rely on credit in the meantime or direct some of their production to commerce to cover immediate costs, potentially offsetting the benefit of higher remuneration. Many farmers also reported negative impacts on their social connections, posing risks to their future economic stability if the buyer did not return. Overall, the lack of assurance of long-term relationships highlights farmers’ precarity in DT arrangements as farmers must ensure not to overplay their hand and turn a buyer away by requesting unreasonable prices. This requires market knowledge and tact from the farmer. Moreover, as more and more farmers enter the specialty coffee market, their negotiation ability may be impacted in the long term as they become increasingly interchangeable. On the environmental side, the impact of DT was found to be inconclusive. Furthermore, the absence of an impartial verifying authority to authenticate the "DT" purchasers and coffee roasters results in multiple interpretations of what DT is. This leads to a range of circumstances on the field, each with its own distinct structure, which some may call forms of co-optations.

This thesis will first provide a discussion of the methodology engaged to accomplish its goals, including a statement of limitations. Next, there is a background exploration of coffee production and consumption patterns. This is followed by an analysis of the Global Value Chain (GVC) framework, with a specific focus on the three waves of consumption within the coffee industry. The thesis then examines of Fair Trade and Direct Trade models, comparing their principles, advantages, and limitations. A detailed country profile of Colombia's coffee industry is then presented. The results section presents findings from primary research, analyzing the economic, social, and environmental impacts of Direct Trade on Colombian coffee producers. This is followed by a discussion section that interprets the findings within the context of existing literature and theoretical frameworks, exploring the broader implications of Direct Trade for coffee producers and the industry. The thesis is then concluded.

1.1. Methodology

My research was conducted in Huila, Colombia from September 2023 to November 2023. Colombia and the region of Huila were picked as they are both recognized for having high-quality coffee. Today, most of the country's coffee is produced in the department of Huila (about 12.7 percent), the capital (Pitalito) and surrounding areas accounting for roughly 2.2 percent of the national coffee production (Ochoa et al. 2021). Huila has not only been the largest producer of coffee in the country since 2012, but it has also been widely recognized for its terroir. In 2013, the country's Industry and Commerce Superintendence awarded Huila a local Geographical Indication to commemorate and recognize the department's high-quality coffee production. It is also important to note that while DT has been around since the early 2000s, until recently it was a fairly niche market strategy and thus the number of growers involved in DT is limited. Because of this, the fieldwork for this thesis was completed in Pitalito and Palestina, Huila to increase the likelihood of identifying a grower involved in DT as I had no previous contact to help me identify these producers beforehand. By assessing DT's impact within the particular context of Huila, Colombia, this thesis aims to contribute to farmers' perspective on the broader literature of DT and alternative trade arrangements.

DT aims to reshape relationships between growers–landowners–and buyers. The changes thus only happen after the picking process and do not aim to alter labour relations. As such, only (growers) landowners were interviewed. Due to time constraints, only ten DT farmers were interviewed.

To provide a farmer's perspective and to substantiate or disprove previous claims of the advantages of DT, the research for this thesis was completed in part from secondary research and primary research where ten DT growers were interviewed as part of the conducted fieldwork in Colombia, the third largest producer of coffee in the world. Participants were found using publicly available information on DT websites, and social media, as well as using snowball recruitment methods. Interviews were conducted using a semi-structured method. For ethical reasons, the identity of growers was anonymized. NVIVO was used for coding and analysis of data gathered during fieldwork.

1.2. Limitations

This thesis has some limitations. First, the study focused on coffee producers in a specific region and may not be representative of all coffee-producing regions. A cross-region or cross-country comparison may be beneficial in understanding how countries' policies and regulations impact the extent to which farmers benefit from Direct Trade. As Colombia has an influential centralized coffee association that has led many development efforts and implemented policies to support coffee farmers, the findings may not fully capture the experiences of coffee producers in other countries where such organizational strength and institutional support are lacking. Moreover, as direct trade arrangements are a relatively new phenomenon, my study resulted in a small sample size and limited data availability.

Future studies may benefit from a larger sample size to further study the generalizability of results. Moreover, all the respondents that were interviewed were males. This may limit the perspective and experiences captured in the study, as gender dynamics and roles in coffee production could vary between male and female farmers. Therefore, a gender analysis may be beneficial in future studies to understand how gender dynamics influence the extent to which coffee growers benefit from Direct Trade as gender may affect farmers' ability to negotiate prices as coffee is a male-dominated industry.

2.

Background

As we delve deeper into the intricate world of coffee, it becomes evident that coffee is more than just a caffeinated drink loved by many. It is a source of income for millions of people, and like any other commodity, its production and consumption are embedded in local and global politics, and environmental, economic, and social dynamics. The following section provides a background exploration of the factors influencing global production and consumption patterns.

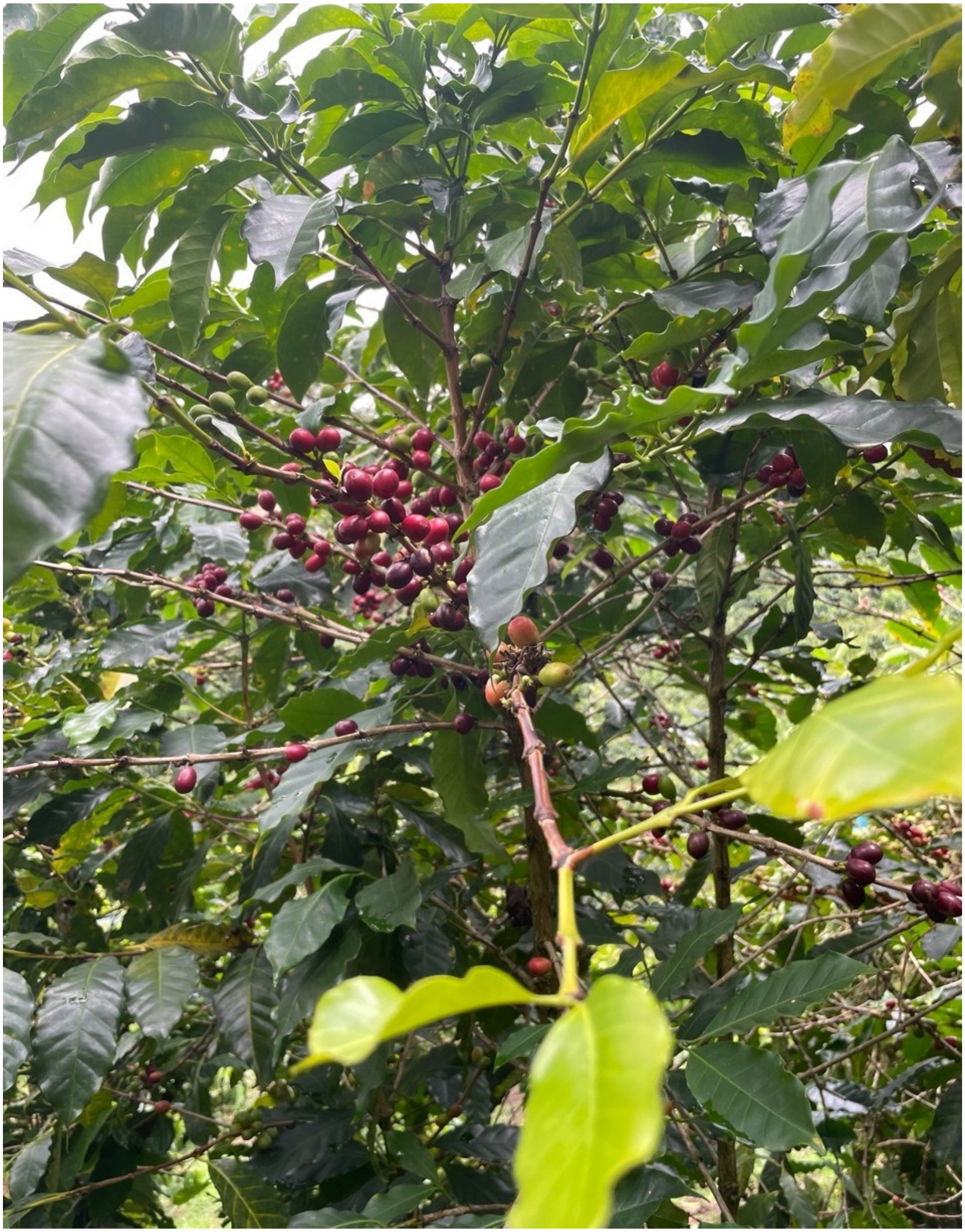

Figure 1. Coffee tree.
Credit: Picture taken by Author

2.1. Production

Historically, coffee has been a top-traded commodity, consistently ranking among the top ten globally traded. Coffee accounts for at least 20 percent of the total exports of many coffee-producing countries (Lewin *et al.* 2004, 11). This multi-billion-dollar industry is also an important source of income for roughly 25 million farmers worldwide (Guimarães *et al.* 2020, 1). Most of these farmers– approximately 67-80 percent of the 12.5 million farms on which coffee is grown worldwide–are small to medium-scale farmers. Coffee cultivation is thus a low-technology industry, mainly depending on hand labour, with the exception of Brazil.

Coffee production is a fairly straightforward process. Ripe cherries are harvested from coffee plots either by hand or by machines as is done in Brazil. These are then pulped, either through a “dry” or “wet” process. This is either done by the farmers themselves or by an intermediary such as a cooperative, a coyote[1], or a buying agent. In the natural process, cherries are sorted and then dried naturally in the sun with their skins on. This is mostly common in Africa. The bean will dry for two to four weeks. In the wet processing method, the beans are submerged to separate the unusable berries which will float to the top–this is the float process. Then, the de-pulping process happens where using a de-pulping machine, the seed (with its mucilage) is squeezed out of the fruit’s pulp. The seeds are then transferred to a fermentation tank where they will either be submerged in water or be kept dry in an open fermentation style. The fermentation time depends on many factors such as temperature and humidity, and on farmer preference. The fermentation process helps soften the fruit from its mucilage. The beans are then washed and agitated to remove the mucilage from the beans. This process can be done several times–usually three–to ensure that the coffee is clean and its parchment layer and ready for drying. In some cases, the coffee is further sorted with a sorting device. In the wet process, farmers will then either sell their product at this point or will dry the coffee themselves on drying beds. The coffee is then laid out on drying beds, being raked several times a day to ensure even drying. They will do this for one to two weeks depending on weather and altitude, until the coffee reaches a point of 8-12% humidity. Then, the parchment coffee will be transported and sold to an intermediary who will then hull/mill the coffee from its parchment and will sell and export it. There may be

[1] An intermediary buyer who purchases the coffee beans from coffee growers at low prices, often exploiting their lack of market access or bargaining power, perpetuating poverty in coffee-producing regions.

various intermediaries up until this point, and many more after before the coffee reaches the roaster.

2.2. Consumption

Coffee consumption has historically been on an upward trend. In the past two decades alone, the global demand for coffee has increased by 65 percent, reinvigorating the demand in traditional coffee markets where per capita consumption was already high (*The Coffee Guide* 2021). Much of this growth is in part due to the growing popularity of specialty coffees which have seen a meteoritic rise in popularity across the global supply chain. Although this number varies depending on how "specialty" is defined, the specialty coffee market accounts for 20 percent of the volume traded globally, and yet accounts for roughly 50 percent of the economic value of the coffee market, an industry valued at over US$200 billion in 2015 (Rafael 2020).

The exponential growth is best demonstrated through the American coffee market –one of the world's biggest per capita consumers of coffee. In 2000, the specialty coffee industry was responsible for a mere 17 percent of total green coffee imports by volume into the United States (Daviron and Ponte 2005, 77). In 2022, by contrast, 62 percent of all coffee cups consumed in the US were specialty grade, demonstrating a significant growth in the specialty coffee market (*2022 National Coffee Data Trends Specialty Coffee Report* 2022). Consumption patterns are also changing in producing countries where consumption is typically low. While the lion's share of the increased consumption in these countries has mostly been driven by soluble coffee and capsules, there has also been a general upward trend in the specialty coffee market. These countries have experienced a boom in the number of specialty coffee shops, indicating that out-of-home–mostly milk-based–consumption of specialty coffee is on the rise globally (Rafael 2020, 11).

With the rise of specialty coffees, coffee consumers have also been increasingly concerned with the ethical implications of what is in their cups. In their national survey, the American National Coffee Association found that coffee consumers strongly care about the quality of the coffee, the social dimensions (prices paid to farmers and treatment of workers in coffee farms) and the environmental sustainability of their coffee (*2022 National Coffee Data Trends Specialty Coffee Report* 2022). A prevalent and noteworthy discourse has revolved around the inequality that exists along the global value chain of coffee given that although the coffee industry has been valued at over

US$200 billion, as noted earlier, the majority of the profits are amassed by non-producing countries. It is estimated that in the 1970s, growers retained roughly 20 percent of the total income generated by coffee, whereas consuming countries retained almost 53 percent of the pie. However, “between 1989–90 and 1994–95, the proportion of total income gained by growers dropped to 13%; the proportion retained in consuming countries surged to 78%” (Ponte 2002, 1106). Today, only 10 percent of the aggregate wealth generated by coffee remains in producing countries, indicating a further decline in the wealth generated by coffee growers. As such, since 1997 several alternative models of coffee relations have emerged to address the inequality and ecological unsustainability of the coffee market, the latest being Direct Trade.

3.

The Global Value Chain Framework

GVCs can be understood as links which connect customers, workers, and firms around the world, and increasingly account for higher proportions of the international trade, employment, and countries' GDP. They can be understood as the "full range of activities that firms and workers perform to bring a product from its conception to end use and beyond". The GVC framework thus allows us to understand how industries are structured by examining the dynamics and arrangements of actors in particular industries. It helps us trace the changing patterns of global production, its actors, geographical divisions, and most importantly, the governance structures and dynamics that shape how actors interact with each other across the chain by focusing on the sequence of value added within industries, from beginning to end. As such, this framework allows us to disaggregate the international structures of production, trade, and consumption of commodities throughout the various stages which are embedded in a network of activities controlled by firms (Daviron and Ponte 2005, 26). It therefore provides a holistic view of global industries both from top to bottom (how lead firms govern other actors) and from the bottom up (how business decisions impact the economic and social upgrading or downgrading in given countries and regions) (Fernandez-Stark and Gereffi 2019, 55).

The framework has gained much influence in development thinking, including in institutions such as the United Nations, as many works on GVC suggest a relationship between industrial upgrading and economic development. In his 1999 article, Gereffi considers how participation in the global value chains could provide indirect access to know-how, allowing growers to eventually "move up" the value chain–or "upgrade" to capture higher revenues from their economic activities.

Gibbon identifies three more upgrading options to extend the GVC framework to "traditional" primary commodities. First, capturing higher margins for unprocessed commodities by moving up the quality ladder, increasing volume and reliability, securing more lucrative contracts and becoming active in hedging risks (Gibbon 2001). He argues that in developing countries where raw commodities are mostly produced by small-scale growers, the first form of upgrading requires public action such as state-supported cooperatives. To him, this "win-win" scenario is undermined by "free competition" as higher quality products will, in the long term, be undermined due to deflationary price pressures resulting from easy entry conditions and mature technologies. The second form of upgrading proposed by Gibbon is the production of a new form of unprocessed raw material, i.e. organic foods. The third form is localizing commodity processing as intermediate processing remains a necessary stage in many commodity chains for entry to the final processing (Gibbon 2001, 354). For these authors, GVCs provide countries with the ability to develop. Their ability to insert themselves successfully into GVCs is considered “a vital condition for [their] development” (Fernandez-Stark and Gereffi 2019). International trade is thus recognized as a key driver of economic growth, poverty reduction, and social development. This is best exemplified by the various initiatives in the coffee industry aimed at helping farmers retain higher profits, such as Fair Trade and Direct Trade.

However, the GVC perspective often fails to recognize the broader political, institutional, and power dynamics influencing an actor’s behaviours and ability to benefit from economic upgrading activities. As has been pointed out by authors like Miguel Dindial, Jeremy Clegg, and Hinrich Voss, participating in the GVC does not automatically translate into economic development. Commodity chains are undeniably embedded in the local and social milieu (Fernandez-Stark and Gereffi 2019, 56). In this way, the GVC framework can also help us understand the conditions under which “key or ‘lead’ agents incorporate subordinate agents through their control of market access and information” (Daviron and Ponte 2005, 28). Power dynamics must thus be considered to create a more nuanced understanding of upgrading initiates and profit appropriation is needed. There is consequently a need to understand the “dependence implications of upgrading initiatives, so as to understand the overall effect on bargaining power and value-added appropriation” (Dindial et al. 2020, 32).

3.1. Coffee in the GVC

To better understand the disrupting potential of Direct Trade being touted by scholars, it is important to understand the development and evolution of the coffee industry by discussing the three distinct and *co-existing* waves of coffee. Each wave represents a significant shift in coffee culture, consumption patterns, and supply chain practices. By understanding these waves, we can gain valuable insights into the changing values and priorities of the actors (consumers, buyers, roasters, etc.) involved in the coffee market which inevitably shape and influence the industry. Moreover, by understanding consumption patterns in Global North countries we can place the politics, economics, and dynamics of production, situating the market forces that farmers are subjected to in each market. We can thus understand each "wave" as a distinct market structure with unique demands.

The evolution of specialty coffee consumption may be classified by distinguishing three major waves of coffee consumption/production. While each wave has emerged sequentially, previous waves have not been replaced by subsequent ones, and the current coffee market is therefore divided among: First Wave, Second Wave, and Third Wave coffees (Fischer *et al.* 2021, 642). Each wave is defined and divided by different philosophies, priorities, and stakeholders. While each wave gives us an indication of the type of coffee produced/consumed, they mainly denote the dynamics within which coffees are produced. Thus, while instant coffee is most likely a First Wave product because it tends to be cheap and low in quality, some Second and Third Wave roasters have also begun entering the instant coffee markets with improved quality standards, targeting hipster outdoor enthusiasts and busy professionals who don't want to sacrifice flavour for convenience. The coexisting waves target different consumers, offering varying consumption experiences to their respective clients.

By examining the values and practices of actors in each wave, we can gain a comprehensive understanding of the diverse and dynamic coffee supply chains that have shaped the modern coffee industry. More importantly, this discussion will help illustrate what is expected from farmers in each wave and the market arrangements of each wave which will be discussed in the following section.

3.2. First Wave

The first wave of coffee marked the era of mass production and convenience, shaping a straightforward supply chain dominated by large-scale growers, processors, and retailers. In this wave, coffee farmers were, and are, primarily expected to focus on high yields and efficiency, often relying on lower-cost and mass-produced coffee varieties.

First Wave coffee refers to the mid-twentieth-century coffee consumption trends marked by the normalization of coffee as a commodity. This coffee is characterized as a largely undifferentiated but unadulterated product mainly sold in bulk. This market is also defined by large food corporation control such as now familiar grocery store brands like Maxwell House, Folger, etc. These companies established an implicit understanding of quality, normalizing daily consumption of coffee, moving the product from an exotic one to an everyday staple (Fischer *et al.* 2021, 242). While each brand had its own customer base, they each provide similar blends from similar beans. Thus, these companies compete mainly on price, not quality or flavour profiles. Consequently, First Wave coffee is characterized by poorer yet standard-quality coffee.

First Wave coffee's focus was–and still is– on standard and large-scale distribution. Growers are largely interested in volume, relying on low international prices and basic low-quality products to support their economic returns. This requires large quantities of scale and, like many other commodity markets, coffee production relies on cheap and exploited labour from the global south for the consumption of global north countries.

3.2.1. First Wave GVC

The cultivation of coffee–mainly First Wave coffee–has long been critiqued for its environmental impacts. The intensive production and monoculture–often the result of low coffee prices–of coffee have resulted in mass deforestation as farmers clear vast areas to increase their output levels (Haggar and Schepp 2011). The deforestation of new areas has resulted in the destruction of fragile and important ecosystems and habitats, threatening the existence of many species and has even caused a change in micro-climates making coffee crops more susceptible to damage (De Carvalho *et al.* 2021). In their study, De Carvalho et al. (2021) also found that unshaded coffee plots suffered from soil erosion, poor soil health, and poor water retention. This, in turn, affects crop productivity. These unsustainable practices require the use of chemical fertilizers and pesticides which can lead to environmental pollution, further soil degradation, and water contamination. Finally, by-products of coffee processing are highly acidic and if dumped untreated into nearby water streams, are highly toxic to aquatic life, causing eutrophication of the water systems resulting in dense growth of plant life.

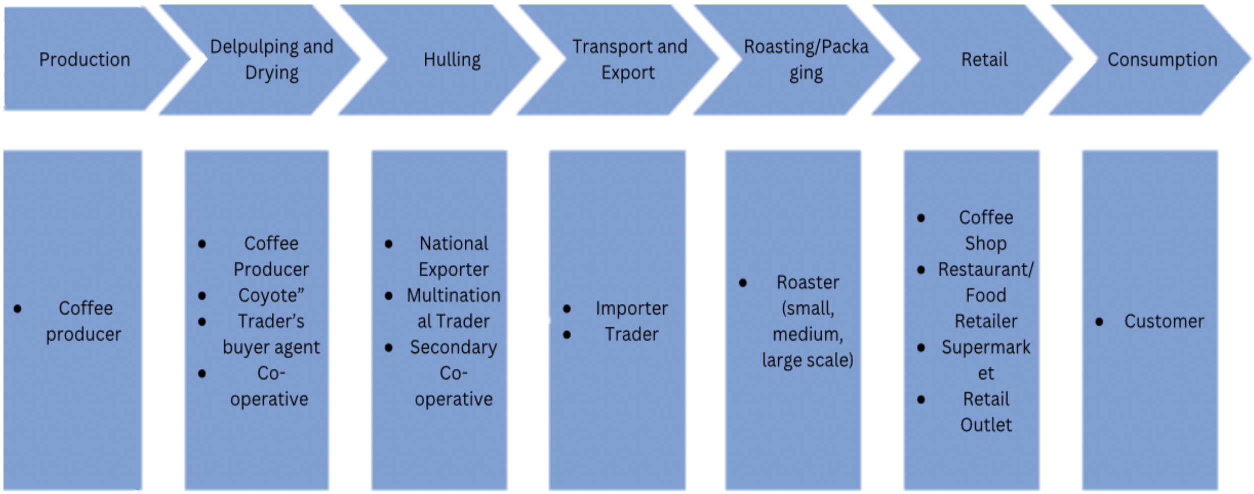

Figure 3. First wave GVC map.
Credit: by the author.

The GVC of coffee is also characterized by low farm-gate prices and inequality. Many scholars such as Gavin Fridell, consider that the end of the International Coffee Agreement (ICA) imposed a coffee quota system detrimental to the development of coffee-producing countries. For Fridell, the end of the ICA has resulted in erratic, unpredictable price swings and low coffee prices. He argues that during the ICA years, coffee-producing nations were able to attain higher and more sustainable prices for their farmers and workers as these countries were able to retain higher incomes from coffee (Fridell 2014, 68). He highlights how the current value chain of coffee has caused "chaos for thousands of poor farmers and workers while the coffee elite continu[e] to survive under intense price competition" (Fridell 2014, 69). He also points to the deep inequality that exists within the GVC of coffee, as most of the profits of the chain are captured by purchasing countries, leaving many farmers in precarious situations while roasters and traders capture the lion's share of the profits. Ponte highlights that "between 1989–90 and 1994–95, the proportion of total income gained by growers dropped to 13%; the proportion retained in consuming countries surged to 78%" (Ponte 2002, 1106).

3.3. Second Wave

The second wave brought forth the rise of specialty coffee culture, where consumers began to appreciate higher-quality, artisanal coffee experiences. This wave saw the emergence of specialty coffee importers, roasters, and coffee shop chains, as well as the rise of informed and discerning consumers. Farmers in the second wave were encouraged to adopt more sustainable and quality-oriented practices, cultivating specific coffee varieties known for their unique flavours, mainly washed Arabicas.

Second Wave coffee sought to differentiate coffee by quality. Starting in the 1960s, Second Wave coffee saw a shift in coffee as a commodity which powered the working class to an individualized experience. While First Wave coffee can be associated with grocery store coffee and large corporations, Second Wave coffee was pioneered by individual independent roasters such as Peet's in San Francisco, Zabar's in New York, and most notably Starbucks. These pioneers popularized expresso-based drinks in coffeehouse chains and the appreciation of specialty coffee.

Second Wave artisanal roasters and purveyors place a strong emphasis on premium-washed *Arabicas.* The Second Wave coffee movement also brings attention to particular geographic regions and broad flavour profiles. As a result, these coffee roasters and vendors shift their focus from price-based competition to instead prioritizing the pursuit of higher quality coffees. Second Wave coffees are thus coffees that generally score in the eighties on a hundred-point scale used on the SCA cupping form.[1]

Second Wave coffee also emphasized concerns for the sustainability of coffee markets as First Wave coffee is known for its extractive arrangement. Retailers highlight "symbolic values as part and parcel of their coffees, including a link to indigenous growers, a concern for the environment, and an artisanal commitment to quality" (Fischer *et al.* 2021, 643). Certifications such as Fair Trade and Organic are thus central to this wave. They assure consumers that their coffee was purchased at a fair price and was produced using sustainable practices and can thus enjoy their morning cup guilt-free. Fair trade is considered "an alternative approach to conventional trade that aims to improve the livelihoods and well-being of small growers by improving their market access, strengthening their organizations, paying them a fair price with a fixed minimum, and providing continuity in trading relationships" (Giovannucci and Koekoek 2003, 38). Although this initiative aims to create an alternative to conventional trade, it does not challenge the GVC arrangements, in the sense that the actors remain the same. The certification merely ensures a price premium to farmers. The dynamics of these certifications will be discussed at length in the following section of this thesis.

Second Wave coffees are often darker roasts and are often consumed as blended and flavoured drinks such as 'frappuccinos' or lattes. Ponte calls this the "latte revolution". To Ponte, Starbucks has undeniably led this change. He argues that "by combining ''ambience'' consumption and the possibility for consumers to choose type, origin, roast, and grind, Starbucks managed to de-commoditize coffee" (Ponte 2002, 1111). He argues that "the emergence of new consumption patterns, with the growing importance of ''conscious'' consumption, single origin coffees, the proliferation of cafe chains and specialty shops, and increasing out of home consumption poses new challenges to ''traditional'' roasters" (Ponte 2002, 1110). To him, despite the market consolidation of large coffee brands, roasters have retained control of "the coffee chain". While retailers must even sell their coffees at a loss to generate traffic, the change in consumer patterns has allowed the rise of specialty coffee shops, according to Ponte. Starbucks is thus the epitome of Second Wave coffee, creating a standardized experience across locations.

However, to him, the company has become the exact thing they once opposed, becoming a large international corporation, and providing a homogenized retail experience across all its chain shops. Thus, for Ponte, "if chains get bigger, they tend to (re)commoditize the supply chain and simplify business" (Ponte, 2002, p. 1111). The bigger question for Ponte is now whether the specialty coffee industry will permanently de-commodify coffee as

> "it is also not certain whether the specialty coffee industry holds much promise for coffee [growers], who are facing the lowest prices for green coffee in decades. What difference does it make to a smallholder if a consumer can buy a ''double tall decaf latte'' for $4, or if specialty beans are sold at $12 per pound in the United States if he/she gets less than 50 cents for the same pound of coffee?" (Ponte, 2002, p. 1111).

The above quotation gets to the root of the development problem, from the point of view of small farmers: that most if not all upgrading efforts in the coffee GVC are geared primarily to benefit buyers and roasters. With this industry being a buyer-driven GVC, this result should not be too surprising. Still, it remains to be seen the extent to which efforts by small farmers to keep a larger share of the value produced are successful.

Daviron and Ponte provide an important discussion on the GVC chain of coffee which allows us to place and understand the significance of the specialty coffee turn. In their influential book, the authors provide a nuanced analysis of the coffee commodity chain and its impact on development. They highlight that coffee (a commodity) is exchanged based on common standards grounded on measurable attributes. This is what coffee farmers produce and export. However, in the specialty coffee market, most of the value comes from coffee's symbolic attributes. This notion is further developed by Edward E. Fisher. Thus, for Daviron and Ponte "market power is a question not only of market share (and abuse of it), but also of capturing the most valuable attributes while undermining the value of the attributes that need to be purchased" (2005, 47). This examination highlights that while Second Wave coffee claims to decommodify coffee by emphasizing the sustainability and fairness of coffees, the root of the issue remains the same. Roasters and buyers retain the power. They are the ones who are able to tap into this new quality turn by making various claims, while the product sold by growers and its value remains essentially the same. As coffees are blended, roasters retain the ability to interchange producers and their coffees. This interchangeability is exactly what led to Third Wave coffee, both for quality and issues of fairness as roasters posit that by focusing on single estate, growers cease to be easily replaceable, furthering the decommoditization of their coffees.

3.3.1. Second Wave GVC

The GVC of Second Wave coffee is very similar to that of First Wave. In fact, if a coffee is certified–which many Second Wave coffees are–there may be additional intermediaries. These intermediaries will certify and guarantee that coffees are following certification requirements and that the value chain is not being contaminated along the way. This has been a major criticism of certified coffee: the premiums paid by consumers do not cover the additional costs incurred by farmers participating in certification schemes. Most of it goes to bureaucrats associated with certifications. If a Second Wave coffee is not certified, the GVC remains mostly the same as that of First Wave coffees, filled with intermediaries and a lack of traceability.

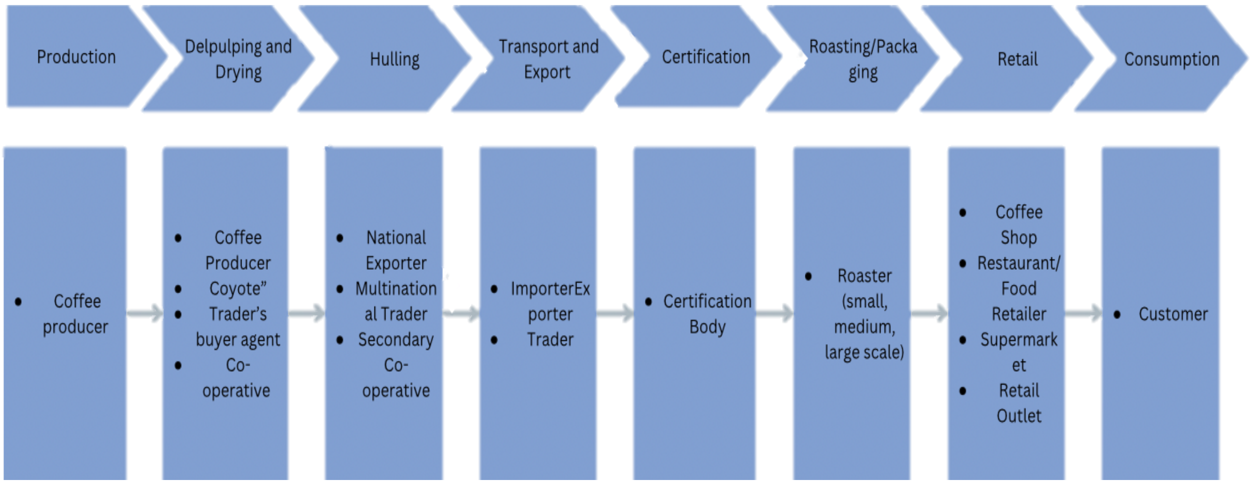

Figure 4. Second wave GVC map.

Notice the additional intermediary in this picture. Credit: by the author.

3.4. Third Wave

Building on Second Wave coffee, Third Wave coffee goes further in emphasizing coffee quality. It "represents a revolution in specialty coffee consumption through changes in product differentiation and consumption experience" (Boaventura *et al.* 2018, 255). Here coffee is elevated to the same level as artisanal products such as fine wine. Third Wave coffees are those that obtain eighty-five and above when graded on the CSA scale. Although differences between Second Wave and Third Wave coffee can sometimes be unclear as both waves are considered 'specialty' coffees, Third Wave coffees are premium quality coffees which are prized for their unique flavour profiles.

Third Wave coffee is differentiated by special characteristics such as origin, specialty–and increasingly heirloom–varieties, harvesting, preparation methods, and environmental and social concerns. The conceptions of rarity and *uniqueness* are also important. As such, Third Wave coffees are almost always micro-lots coffees. While there is no industry standard for what exactly a 'micro-lot' is, the term refers to smaller, distinct, and *traceable* batches of beans that are grown, separated, processed, and sold based on particular attributes. It is important to note that the term 'micro' does not particularly refer to size in this instance but instead refers to 'single' to illustrate that these coffees are not bulked or mixed; they are 'pure', as opposed to First Wave and Second Wave coffees which often depend on blends. This "feeds a narrative of terroir and authenticity, and claims of ever more exotic flavor profiles" (Fischer *et al.* 2021, 249). These high-end, Third Wave single-origin, micro-lot coffees with unique and distinct flavour profiles represent the highest-growing sector for the specialty coffee industry (Fischer *et al.* 2021, 249).

Third Wave coffee emphasizes connoisseurship with roasters taking centre stage in the value creation of this wave. Third Wave roasters and brewers prioritize consumer education, making significant investments in stressing the importance of terroir. As Hotvedt highlights, the Third Wave coffee consumer is educated, affluent, and coffee-obsessed. He argues that the high cost of the bean, high-quality equipment, and the time required for proper preparation limits the gourmet experience to a select few (Hotvedt 2012, 39). However, these consumers are cultivated through educational initiatives by Third Wave establishments which aim to persuade them to appreciate and willingly pay higher prices for exceptional and unique coffees. This process of value creation can also be seen in the distinct brewing methods of the Third Wave movement. Here, brewing techniques are elevated to a craft status where manual brewing methods such as pour-overs[2] are used to have absolute control over the brewing process and extract the best flavours from the beans. Many Third Wave coffee packaging will even suggest the best brewing method and technique to highlight the unique flavour profile of that particular bean, suggesting bloom–the act of dampening the coffee to provoke a release of carbon dioxide–and extraction times.

According to Edward Fischer, in the value creation system of Third Wave coffee, true power lies in one's control over symbolic value creation, rather than control over the means of production (Fischer 2022, 4). To him, Third Wave coffee "comes not only from the control of terroir but also from the translation of material qualities into symbolic and imaginative value domains" (Fischer 2017, 112). This feature highlights the movements' continual search for uniqueness and, in this search, it is the cultural powerbrokers that decide what flavours are desirable and thus what is of value. Fischer equates this action to a 'story creation' which acts to de-commodify what might otherwise be an undifferentiated commodity. This value creation relies on standardized instruments, such as cupping protocols, flavour wheels, and numerical metrics for sensory perceptions. The creation and industry-wide implementation of these tools helps to create the notion of a scientific and objective process.

The emergence of Third Wave coffee coincides with the broader alternative food movement which seeks authenticity, artisanal, and organic qualities (Fischer 2022, 17). Fischer et al. (2021) argue that while Second Wave coffee places a social premium through Fair Trade, Third Wave markets pay a quality premium. This points to the market's emphasis on the 'quality of the cup' as the intrinsic property of the beans and the 'sensory perception of the brew'. Small point differences on the SCA scale, therefore, often result in significant price differences, resulting in record-breaking prices. This dynamic is illustrated by beans fetching record-breaking rates of $500 per pound at auctions. Concerns for the sustainability of coffee production remain relevant but take on an implicit symbolic characteristic where sustainability is synonymous with quality.

The constant supply of high-quality coffees has resulted in Third Wave roasters investing extensive time and resources into building relationships with coffee growers. Third Wave coffee can thus be understood as 'relationship coffee', exemplified by DT market arrangements. However, the quest for quality and emphasis on single-origin coffees largely avoids co-operatives, favouring individual farmers as highlighted by the

[2] A brewing technique which involves manually pouring hot water over coffee grounds in a filter cone or dripper.

previous discussion on micro-lots, as coffees need to be from single estates and co-operatives tend to mix coffees, ultimately losing the traceability of the product.

The third wave of coffee blends the emphasis of second wave coffee of sustainability with a heightened focus on quality. In this way, concerns of quality “appeals to social justice in the conditions of production: it is a post-justice infatuation with artisanry and authenticity that *assumes* that expensive coffee will be produced under ethical conditions” [emphasis added] (Fischer 2022, 204). Thus, with its emphasis on sustainability, DT, and single-origin excellence, Third Wave coffee introduces new quality expectations for farmers. They are encouraged to focus on environmentally friendly farming practices, ethical labour standards, and traceability. Third-wave coffee consumers seek to connect with the story behind each coffee bean, fostering direct relationships with farmers. Considering all the above discussion, here’s what the Third Wave GVC looks like in graphic form.

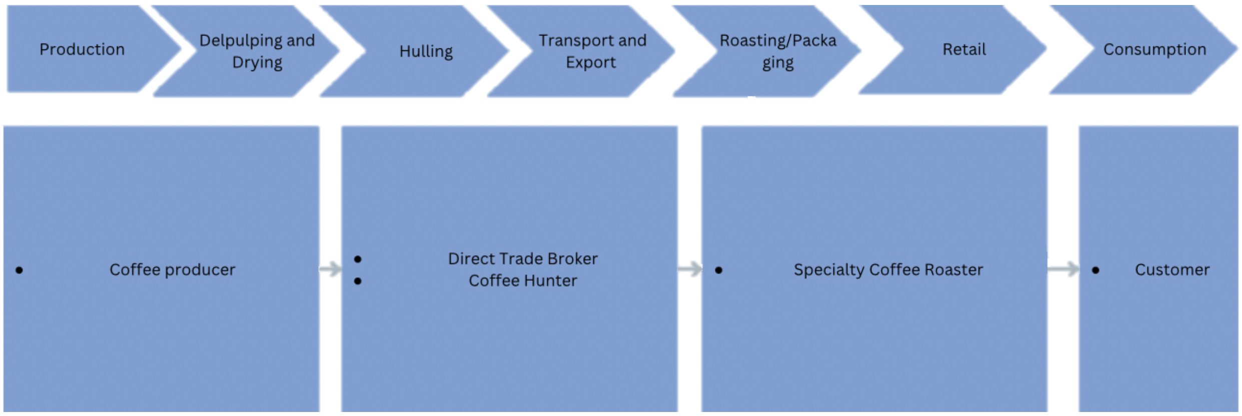

Figure 5. Third wave GVC map.

Notice the amalgamation of intermediaries, there are fewer of them and they are responsible for more tasks in the GVC. Credit: by the author.

3.5. Alternative Market Arrangements

Through the various coffee waves discussed above, it is evident that the GVC framework has become very influential in development thinking regarding coffee growers. This is best illustrated by Fair Trade and DT. The following section will explore the Fair Trade movement–an upgrading strategy–, and how it aims to challenge the mainstream coffee GVC and its shortcomings to favour small farmers and enhance sustainable production.

3.5.1. Fair Trade

Fair Trade is a certification scheme that aims to address the unsustainability of the coffee trade, both socially and environmentally. The Fair Trade movement "seeks to challenge historically unequal international market relations, transforming North-South trade from a vehicle of social exploitation to an avenue of growers empowerment" (Raynolds *et al.* 2004, 1). The movement seeks to connect "ethically minded" Global North consumers with organized groups in the Global South, granting coffee growers a fairer economic return for their work. This challenge is mainly economical as Fair Trade sets a price floor guarantee "at 20 cents higher than the price of commodity coffee on the New York Coffee Exchange, ensuring that when commodity coffee price goes up, the Fairtrade price will rise with and stay above the new exchange price" (Latta 2014, 3). The premiums offered by the certification scheme have been found to be highly lucrative for farmers who acquire the certification. The "Fair Trade premiums have been a lifeline for those able to gain access to this market" (Calo and Wise 2005). Thus, the Fairtrade certification can provide a means for poverty alleviation for those able to obtain it.

Fair Trade also seeks to increase the sustainability of coffee production. The certification can allow farmers to "cross-subsidize the transition to organic production, raising base prices to levels that can compensate [growers] for the costs associated with the transition" (Calo and Wise 2005,1). Certification, in turn, can reduce the impact of extreme climate events on farmers' operations, and protect the price premiums they receive through organic certifications as well.

However, after years of hopeful expectations regarding the potentials of Fair Trade, the evidence has been murky. While the Fair Trade premium could be economically beneficial, the certification scheme failed to address "wider problems that lead to [a] decline in quality of life," thus acquiring the certification does not directly result in economic development (Le Mare 2008). Fair Trade's "impact on [the] natural environment [has proven to be] ambiguous" contrary to sustainability claims advanced by Fair Trade proponents (Le Mare 2008). Moreover, Fair Trade standards may even be counterproductive as "for many [adopting fair-trade standards] includes changing time-tested farming practices which already avoid environmental destruction and have been effective means of sustainable production for decades" (Latta 2014, 4). Not only are some coffee growers forced to abandon more climate-friendly strategies, but the high cost of certification also limits its accessibility to many coffee growers, often those that would benefit the most from it (Dammert and Mohan 2015, 11). Finally, the certification has also been found to be co-opted by the likes of Nestlé, and other large multinationals, leading to the dilution of Fair Trade's impacts.

3.5.2. Direct Trade

These critiques of Fair Trade, among others, have led many growers and artisan roasters to seek alternative models of trade while still aiming to address the social and environmental unsustainability of coffee trading, the latest being DT. We can thus understand DT coffee – as an attempt by coffee growers to "upgrade" their position in the GVC to capture higher profits from their product (Neilson and Shonk 2014, Vicol *et al.* 2018a). It is also important to consider that when discussing Direct Trade, it refers to the direct trade of specialty coffee. Thus, coffee's symbolic attributes continue to play a central role in the value of this commodity.

The guiding theories of DT can be best understood through the working paper of Dennis Görlich, et al. (2020). These scholars find that most profits are retained by roasters in developed countries, while growers have struggled to improve their export outcomes. Taking a GVC perspective, they note that there is a disconnect between growers and consumers. As in the mainstream coffee chain, there are a myriad of intermediaries who capture a share of the value added. They argue that "through specialization and longer-term relationships, companies can become more efficient and product quality can be significantly improved" to support the development of coffee-producing states (Görlich *et al.* 2020, 47). Similarly, for Guimarães et al. this new model would allow roasters to create long-lasting relationships and give coffee growers more of a voice in the process. The lack of third parties allows roasters and growers to directly negotiate prices and other demands regarding environmental, economic, and social concerns. For them, DT thus encourages fair remuneration and sustainability within farms (Guimarães *et al.* 2020). Once more, we see an implicit belief that quality inherently means sustainability and that roasters will negotiate along these lines but as has been studied before with other commodities and products, firm-led initiatives still prioritize profit margins over other factors when their profit-making abilities are on the line. Moreover, the extent to which these claims have materialized in practice remains understudied and given that many market-oriented initiatives have failed to live up to their promises in the past, these claims warrant some investigation.

For Latta, DT is about creating unique relationships between growers and roasters/retailers. He highlights the commitment of specialty roasters to this relationship-building by regularly visiting coffee farms, and meeting the growers, their families, and workers. Latta argues that "they are forging relationships that go beyond contracts and trade agreements" (Latta 2014, 5). Here, the authors place growers and roasters as equals. Similar to Borrella et al., Latta highlights the importance of showcasing the beans and farmers to consumers to educate them on the effort that went into the process. Thus, "it has become more common for specialty coffee producers to label their coffee in a similar manner as many winemakers by including producer, country, region, and farm" (Latta 2014, 5). While this approach emphasizes the personal connections and storytelling aspect of Direct Trade, aiming to educate consumers about the origins of the coffee and the efforts of the growers, we cannot simply accept these claims. That would mean ignoring the power dynamics that exist within the coffee supply chain. It is possible that by bringing actors closer together, buyers may be able to exert more influence over the operations of farmers and potentially increase the vulnerability of farmers to the demands and pressures of a fiddle market. Therefore, it is important to critically examine the power dynamics at play in Direct Trade relationships and assess whether they truly prioritize fair remuneration and sustainability.

For Borrella et al. DT of specialty coffee is the de-commoditisation of coffee. While in the mainstream commodity supply chain, large players remain in control, and "almost 45 percent of green coffee imports is purchased by the five largest roasters," they posit that the coffee sector has been experiencing a process of decommoditisation (Borrella *et al.* 2015, 31). For them, this process is "driven by sustainability and quality demands" (Borrella *et al.* 2015, 32). To them, sustainability encompasses both notions of environmental and social processes. Central to this is the education of consumers.

Similarly, Andrea Marescotti and Giovanni Belletti, consider the trends in the specialty coffee market to offer coffee farmers an opportunity to improve their position in the value chain. They argue that the new trends in the production and consumption of coffee have the potential to de-commodify coffee through social, environmental, and territorial differentiation. Here, “de-commodifying a market means to differentiate the product [to] reduce the substitutability between the suppliers, and consequently capture a higher share of the total added value” (Marescotti and Belletti 2016, 2). Thus, high-quality specialty coffee and the construction of protected Geographical Indications (GIs) of “origin” are seen as opportunities for “upgrading”. For the authors, these GIs allow these farmers to improve their position in the value chain by producing recognized higher-quality goods. Thus, the prices for these coffees are detached from the stock market and are “decommodified”, increasing the market power of these growers.

Whether they call it "de-commoditization" or "de-commodification", these authors are referring to the same principle: making the grower and their coffee less replaceable. In other words, the debulkification of coffee where coffee is still traded in a market but is no longer exchanged at high undifferentiated levels. Instead, its value comes from symbolic values, such as other luxury goods where terroir and Geographical Indication (GIs) are attempts at differentiation. But what does this mean for the grower? Given that roasters continue to control the ability to determine what "good coffee" is, it remains unclear the extent to which growers can leverage their new position in the GVC–if they have one– to increase their bargaining power. Yes, roasters/buyers must negotiate a desirable price to obtain a high-quality product but there may still be power imbalances that prevent coffee farmers from fully benefiting from the de-commoditization process. This may depend on the number of buyers courting them for their product, their knowledge of the market, the stability of their relationship with buyers, and the buyers' willingness to meet the asking price. Roasters can still decide whose coffee they showcase and how often, the coffee could be a limited release or a long-term staple. So, while consumers may be willing to pay higher prices as a result of education initiatives by roasters, this does not necessarily mean that growers are being compensated fairly for higher-quality coffees. Therefore, more research is needed to substantiate these claims and explore the extent to which growers' bargaining power is increased as a result of their upgrading strategies.

In her analysis, Leeson argues that DT is beneficial for both roasters and growers. Growers ensure their procurement of high-quality beans agreed upon in conjunction with the growers through long-lasting relationship building. In her interviews, Leeson found that “notions of fairness, equity and the wellbeing of [growers were] important to the traders” (Leeson 2013, 76). For their part, growers benefit from higher prices while also enjoying “security in knowing they can rely on selling their coffee to specific buyers from year-to-year" (Leeson, 2013, 75). Leeson's analysis focused on roasters and buyers, exploring their self-declared values. Growers are excluded from this study and there is no analysis of the validity of these roasters' claims.

Scholars have also suggested that relationship coffees such as Direct Trade coffee lead to knowledge diffusion between buyers and growers. Vicol et al. find that closer long-term relationships lead to "the supportive role of overseas buyers willing to facilitate and encourage the upstream transfer of skills and knowledge", even if for a time (Vicol *et al.* 2018, 28). Similarly, Hernandez-Aguilera *et al.* (2018) argue that these alternative trade arrangements result in "increasing their knowledge and information about downstream segments of the value chain, and positively affected their expectations about the future of the coffee business". While these authors highlight the transformative potential of Direct Trade beyond immediate economic rewards through knowledge diffusion and capacity building, a more critical look at these claims highlights the need to explore the structural, institutional, and contextual factors influencing these dynamics, if they are even happening on the ground.

Many scholars have highlighted the lack of a central certification body for the Direct Trade movement as both a strength and a weakness. On one hand, the lack of a certification body allows flexibility for stakeholders to negotiate standards and requirements considering place-based solutions (Hotvedt 2012, Leeson 2013, Guimarães *et al.* 2020). However, this lack of certification, and thus of verifying body, makes the movement vulnerable to co-optation and greenwashing. Any roaster/buyer can claim their product is the product of a direct trade relationship with a farmer, however, there is no way of verifying this. Who is to say, that the farmer being named ever exists?

Looking at the GVC of coffee, Ponte has analyzed how large traditional roasters have recaptured the specialty coffee market by developing high-end lines or acquiring specialty roasters. Grabs and Ponte conclude that "although recent changes in the coffee GVC towards a more heterogenous and stratified product portfolio may lend constitutive power to producing country actors, particularly when proposing new specialty coffees, the overwhelming tendency in current re-consolidation efforts is one where large disparities in bargaining power persist—translating into buyers being able to impose increasingly stringent terms onto their suppliers" (Grabs and Ponte 2019, 823). Thus, Second Wave coffee did not challenge the institutional dynamics of the global coffee industry, leaving coffee farmers subordinate to global North actors. Regarding the potential of Third Wave coffee to disrupt GVCs arrangements, Grabs and Ponte admit that DT arrangements could in theory result in lower transaction costs, more transparent value chains, and long-term, more equitable terms of trade. However, they conclude that "demonstrative and constitutional forms of power play very important roles in the high-quality segment, and flow unidirectionally from the North to the South—casting doubts on whether specialization in differentiated coffees allows for sustained shifts in the socio-spatial distribution of value and risk" (Grabs and Ponte 2019). For these reasons, further research is needed to analyze the impacts of DT in order to fully understand its implications and real-world applications.

4.

Case study

The following case study aims to substantiate the claims made by proponents of DT, critically analyzing the validity of these statements. Thus, this thesis will explore the impacts of DT on Colombian coffee farmers, particularly in the department of Huila.

4.1. Colombia

Colombia is today the third largest producer of coffee in the world, behind Brazil and Vietnam. It is consistently responsible for 7-9% of all global coffee exports. In 2021, the country exported roughly US$3.22 billion in coffee (Coffee in Colombia 2024). The country is also the second largest producer of Arabica coffee globally and is known for its high-quality product, often cited as producing one of the best coffees in the world.

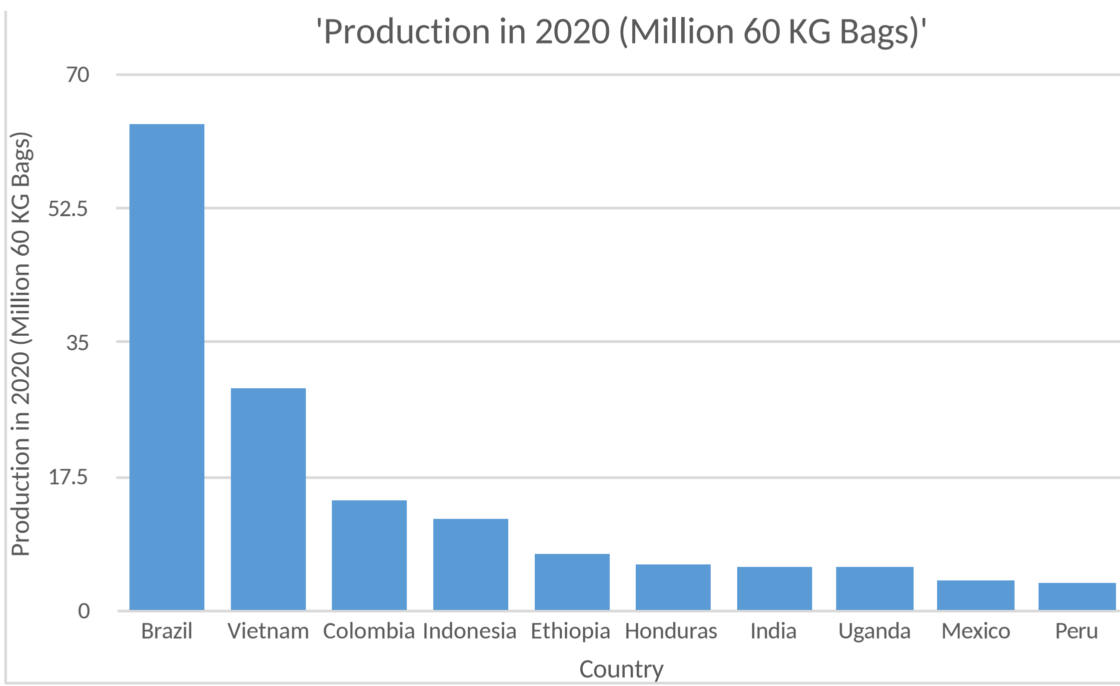

Figure 6. Coffee Production in 2020

Source: Information retrieved from https://www.weforum.org/agenda/2021/10/which-country-produced-the-most-coffee-in-2020/

Historically, coffee has been a primary export for Colombia. Introduced in the first part of the nineteenth century, coffee has been a dominant source of the country's income. In the 1980s, the coffee industry accounted for 8 percent of Colombia's GDP and 12 percent of the national government's revenue (Ferguson n.d., 6). While the country has made significant efforts to diversify its economy and reduce its reliance on the crop, coffee still represents 22 percent of the country's agricultural Gross Domestic Product (Suárez *et al.* 2021, 1). Moreover, according to the OECD, coffee still accounted for 7.57% of the country's exports in 2021, representing the country's third largest export (Colombia (COL) Exports, Imports, and Trade Partners 2024). According to John William Calle Cuartas, Colombian growers receive a measly 13 percent of the profits from the global trade of coffee (2017).

The mountainous geography that has allowed the county's coffee industry to thrive has also resulted in an industry made up of mostly small, family-owned farms. According to the National Federation of Coffee Growers (FNC), there are over 500,000 coffee farms in the country, with almost 96 percent of them being small-scale operations, averaging 1.3 hectares. Moreover, roughly 25 percent of the country's significant rural population produces coffee. According to the FNC, coffee directly accounts for 730,000 jobs or 25 percent of the agricultural employment in the country (FNC en Cifras). It also generates 1.4 million indirect jobs (Suárez *et al.* 2021, 1). Thus, the coffee industry continues to be of considerable significance for Colombia's economy, both rural and urban, and economic and social development.

The coffee industry in Colombia is male-dominated with roughly 30 percent of all coffee growers being women. While a quarter of all coffee grower households are headed by women, these households often live in more vulnerable and precarious housing situations (Colombian coffee growers launch gender equity policy, the first for an agricultural union n.d.). Women are often relegated to the domestic sphere where they are responsible for the workers' meals. That is not to say that women do not participate in the management and reproduction of coffee cultivation. Much like in other agricultural sectors, the coffee industry depends on unpaid female labour to reproduce itself. Moreover, "in farms of less than 1 ha and between 1 and 2 ha, 75% and 46% of the work is conducted by families, respectively, where the participation of women is important" (Baquero-Melo 2023, 256).

While DT aims to reshape the relationship between growers–that is the landowner–and the buyer, it does not aim to modify the labour relationships existent in the Colombian coffee industry. Colombia's mountainous terrain has resulted in an industry highly dependent on manual labour. Labour relations are highly informal, only 1.5 percent of pickers are employees, while 50 percent receive wages dependent on weight collected, and 37.5 percent receive a daily wage (Baquero-Melo 2023, 256). The work is highly seasonal with 3-4 months being work-intensive for coffee collection. Pickers can come from surrounding farms and the community, from other regions, or surrounding countries.

Colombia boasts favourable climatic conditions, volcanic soils, high altitudes, and a skilled and knowledgeable coffee farming sector, allowing it to consistently produce some of the world's best coffees. *Arabica* only grows between six hundred and two thousand meters above sea level and requires roughly 178 centimetres of rain every year with pronounced dry seasons, making particular regions in the country better equipped for coffee cultivation than others. As such, Colombia's main coffee regions are mainly located in the central and western parts of the country including the departments of Antioquia, Caldas, Tolima, Nariño, and Huila.

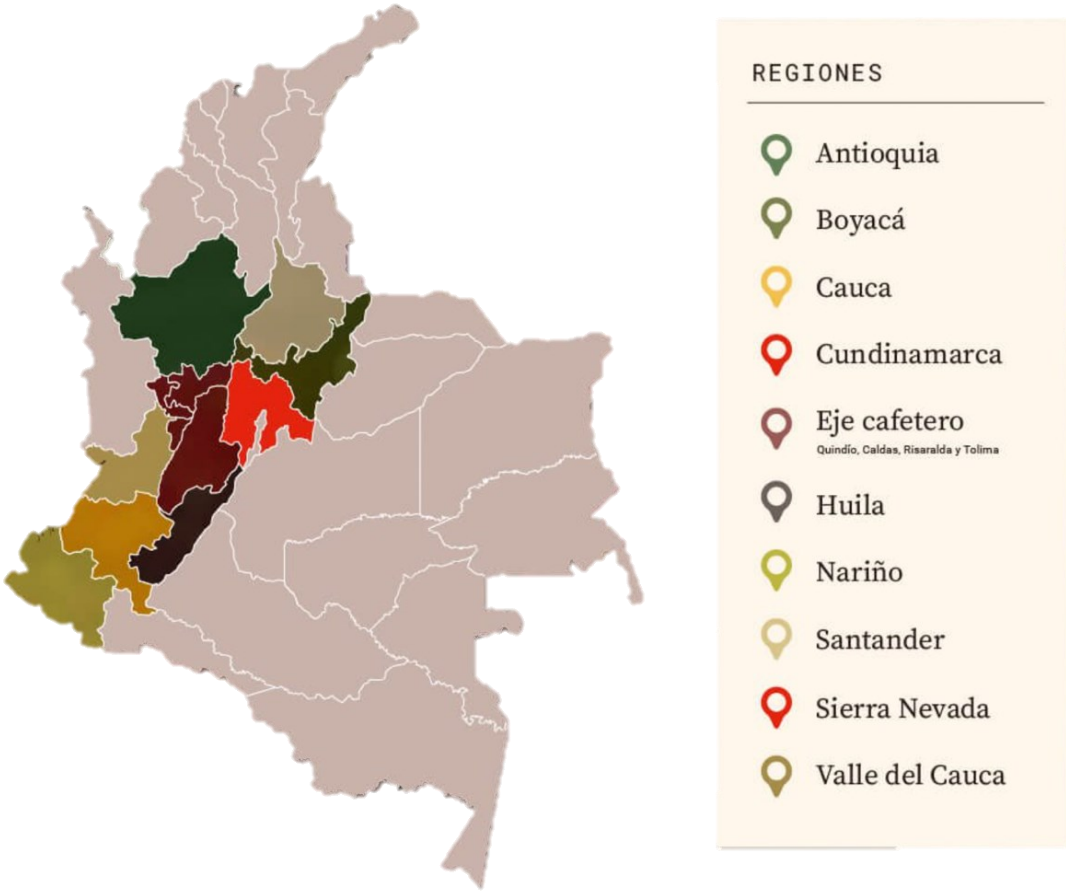

Figure 7. Coffee production regions of Colombia.
Source: Retrieved from https://racafe.com.co/en/specialty-coffee/regional-coffee/

4.2. Huila

Huila is one of thirty-two departments in Colombia. As of 2024, it is one of the major producers of coffee in the country. The department is made up of 101 630 coffee farms and 83 763 farmers (14 percent of the total number of coffee farmers in the country), employing 74 percent of the farmers in the department, and accounts for roughly 15 percent of the total coffee area planted in the country (Suárez *et al.* 2021, 2).

Huila not only produces high quantities of coffee, but it is also a producer of *specialty* coffee. According to James Hoffmann, a famous coffee connoisseur and winner of the World Barista Championship, "Not every region has a taste profile, many regions are just growing regions that are geographic but not taste, Huila definitely is one that you can taste that the coffee comes from this place". He is not the only one to have recognized the terroir of Huila's coffees. Many coffee experts/lovers have praised the region for its unique and distinguishable place-based flavours. This led the country's Industry and Commerce Superintendence to award Huila a local Geographical Indication in 2013: Café del Huila. GIs "refer to products with specific characteristics, qualities or reputations that result from their geographical origin"(Trujillo *et al.* 2021, 1). A subset of GIs are Denominations of Origins which are defined as "the geographical name of a country, region or locality, which serves to designate a product, originated in it, whose quality and characteristics are exclusively due to the geographical environment, including human (local knowledge and traditions) and natural factors (climate and soil)" (Trujillo *et al.* 2021, 1). This recognition has resulted in increased support by promoting and protecting the product locally and internationally due to its broad attributes and quality (Trujillo *et al.* 2021, 8).

5. Results

As stated previously, Huila was chosen because of its importance in Colombian coffee production, both in quantity and quality. The industry acceptance of the terroir of the region facilitated the identification of growers involved in DT. Some growers had previously been identified online DT websites and social media pages to corroborate the likelihood of DT growers in the region. However, they were not approached until I had made a contact in the area to help me create a social connection and give validity to my study. Subjects were then contacted, and interviews were scheduled, most often at their farms to facilitate participation. The interviews were semi-structured to give flexibility for growers to highlight feelings not anticipated at the time of the development of questions, while still giving structure to later identify themes during analysis. Participants were then asked to connect me with other growers they may think could be interested in participating in the study. NVIVO was later used to code data collected in the field.

5.1. Economic

5.1.1. Profits

All ten respondents reported increased profits from their DT relationships. For César, the DT relationship has resulted in higher prices than he would receive anywhere else: 30% above the commercial price and 20% above what local labs were offering. Here, “labs” refer to intermediaries focused on the quality of specialty coffees, they will test samples and cup them to determine prices before buying from growers. To César, prior to his recent dispute with his DT buyer, his alternative trade arrangement “*It has benefited me a lot because I was up to my elbows in debt. And today, thank God, I've been able to overcome that streak, I'm breathing easier. And I've made other investments.”*

Similarly, Lino reported receiving prices 30% higher through his DT relationships than he would get for the same coffee through intermediaries. However, this pales in comparison to what Dionel is receiving, which he claims is double what he would receive from a large local buyer, leaving him to save roughly 20% of his revenue for future expenses. This is similar to what Lino reported “*20%. It gives me enough to save, to go* *to the movies*", disposable income. Luis Orlando also reported receiving significantly higher prices. For example, when talking about the prices he received for his Geishas (a high quality known for its profile that will fetch high prices), he told me "*when normal coffees were at 2 million pesos for a few years, I was paid 7 million pesos. At other times, at 6. But it didn't go below 5.*" However, when I asked about what these prices had represented for him, he told me the higher prices were enough to meet the needs of his family and invest in his farm to increase its value, but weren't enough to grow his operations or save. Similarly, Orlando reported receiving prices three times as high as commerce prices. However, only a portion of his output went to his DT buyers as the high prices meant lower volume sales; the rest went to labs or to commerce to meet his immediate production costs. José also reported receiving prices that were twice as high as commerce prices, but ever since his participation in the Cup of Excellence,[3] these had gone up to three times as much as regular prices.

5.1.2. Investments

For some farmers, the higher prices required significant investments to attract a DT buyer in the first place. For José, this meant investing in a brand new drying set-up which for him was a big economic undertaking as the bank had refused him a loan for this purpose. He thus had to find the money elsewhere to build the elevated drying beds required by his *potential* buyer. Franky explained that these costs could be offset in the first three years after the tree started producing *if* a DT buyer was available. However, the other eight participants reported that the initial investment came during their transition period between regular coffee and specialty coffee production, not during the transition from specialty coffee production to DT production. This is because DT is the direct trade of *specialty coffee*. To produce specialty coffees often requires the improvement of drying set-ups, washing stations, etc. The goal of specialty coffee production is often to produce higher quality coffees that will eventually attract a DT buyer. Therefore, the initial investment required does not come *directly* from taking part in DT, but rather from the transition to producing higher-quality products.

When seeking international buyers, these growers must cultivate high-prized but often delicate varieties. These varieties often require more care, "*they must be cared for like spoiled children,"* according to Franky, as they are often more susceptible to coffee

[3] The Cup of Excellence, the most prestigious coffee competition, is an annual competition seeking the best coffees in the world. Coffees are then auctioned off to the highest bidder. Top-ranking coffees will often fetch incredible prices.

rust. For José "*the finer the coffee, the more pest attacks it... You have to take more special care."* This means increased use of pesticides and labour costs as [growers] must routinely send their workers onto the field to ensure their crops are healthy. Some participants were also involved in a natural process, which in itself is more delicate.[4] If the process is done wrong or if the temperatures are not right, the beans will go bad, forcing farmers to sell their coffees to commerce. This would mean a loss of the farmer's time and investment on this process, because he would get the lowest, most sacrificed prices for his coffee regardless of the variety as it would be considered a coffee with undesirable notes: low-quality coffee.

5.1.3. Production costs

Six out of the ten respondents reported higher production costs as a result of their DT arrangements, compared with specialty coffee. César described how the closer relationship with his buyer meant increased demands and thus increased costs. For him, this required different processing methods and more labour demands, both in the harvest and sorting. He felt that his buyer was becoming increasingly demanding without increasing his compensation. When asked if he noticed a difference in his production costs when comparing his specialty coffees being sold to local labs and his DT buyer, I got a resounding "*of course.*" When I asked Franky about this, he explained that some direct trade relationships require the farmer to be involved throughout the *whole* process of the chain, up until the exportation of the product. Buyers also had their particular specifications: "*All specific. Bags, packaging, gauges*". This meant "*more costs, more investment"* for him as "*you have to consolidate with an exporter to sell that coffee. You get more costs. You have to get phytosanitary registrations…records. Federation Coffee Contribution fees*."

Not only did the increased logistics mean additional costs, but the varieties that many DT buyers sought out also had higher production costs than other varieties. Franky explained that "*the production costs, even [if or when] they don't sell well, are high for those varieties... Because they are very delicate... Quality controls are different from the others*." Similarly for Luis, seeking international buyers was "*complex, so it is much more expensive to produce*". When asked to quantify this change, Lino reported a 10 percent increase in production costs when it came to his coffees directed to DT. To

[4] The natural process–drying coffee cherries with the skin on–requires particular climatic conditions to ensure the drying of the fruit and bean. If these conditions are not present, the fruit may mould, rendering the coffee unusable.

him, it all comes down to *quality*, "*for quality you need to pay more. More prices for pickers, plus the whole waiting thing, yes? Fertilize the farms more, more care, more work for the whole issue of processes.*" For José the costs that result of his direct relationship were "*costs that can be made because of the contract that one has. An ordinary person can't do it.*" When I asked him why he took extra care of his plots, he told me "*not so much for quality, to make things look pretty*" because his buyer liked *seeing* the changes around the farm. When asked about it, most respondents reported that their production costs ranged around 40- 60% of their revenue, about a 10 to 20 percent increase from their specialty coffee production.

5.1.4. Diversification

Overall, about half of the respondents were involved in other economic activities beyond coffee production. Two were involved with coffee purchasing, one with their own boutique company (Lino) and the other as an employee for a specialty coffee intermediary (Franky). Coffee still made up 90% of Lino's yearly income. Lino talked about leaving the coffee industry in the next ten years and had been looking at maybe cattle as a plan B. One respondent (César) had dedicated crops for extra income, such as sugar cane plantations, "*for the lean months.*" One respondent (Orlando) also worked for the mayor's office and his wife owned her own coffee shop which used their own coffee.

One respondent (José) owned the local gas station. This farmer had recently sold his farm citing frustrations with the coffee industry, saying prices were too low for all the extra hard work, and with the higher production costs, it evened out and therefore not worth it. Much like Lino, most respondents involved in economic activities off or on the farm not related to coffee production still reported receiving the bulk of their income from coffee production. One respondent (Luis) concluded that the real money came from selling the finished product (roasted coffee), and that would be his long-term plan.

5.1.5. Stability of prices

When asked, eight out of the ten respondents highlighted the price stability that came with their DT relationships. They expressed that their long-term relationship ensured that their farm-gate prices increased every year, even if not significantly. This can be very beneficial as international market prices are known for being erratic. For example, for Dionel "I've been working for 10 years now with specialty coffees...the price has remained the same and last year the prices weren't good, but... The prices that [we] received are maintained." When asked if his prices had been impacted by the low commerce prices, another grower told me: *"let's say yes, but there hasn't been, that is, it's not seen as a significant blow. But yes, of course, it has reduced, but then it does not reduce as in the amount that they reduce the currents [coffees]",* which he says have experienced a 50% drop in prices. This makes him appreciate the stability of his prices, which have only gone down by COP$4,000 or CAD$1.38. However, this stability of prices was also somewhat resented by some growers during times when commerce prices were particularly high. But during times of low prices, they admit that DT has been beneficial. This is best illustrated by Felix's explanation:

> "They handle themselves like this: right now the market price is at 1,300,000, 1,400,000. And if there was an agreement [with a DT buyer, he could say] I'll pay 2,000,000 for your coffee because it's good quality, yes or no? And he keeps [buying my] coffee at that price. Maybe he'll increase [the price] a little every year... But if the [international coffee prices] went down to 1,000,000 pesos I don't have a problem, [I'm selling my coffee at the previously agreed price]. But when the price goes up, that's where sometimes you see the problem. [The farmer may say]: how can I sell [my coffee] at 2,500,000 When [market prices are] at 2,500,000?"

The farmer may feel cheated if they are getting paid the same for their specialty coffees –which require much more work and investment–as other growers who are simply doing the bare minimum. Thus, while DT prices may benefit farmers during low market prices, farmers may also become resentful of the previously agreed prices if they are too similar to market prices.

5.1.6. Delayed Payments

Dealing with international buyers directly also involves delayed payments. While growers that sell their coffee to commerce receive their payments on the spot, DT coffee growers must often wait until their product has reached the buyer. For César, this means that *"Sometimes payments take 15 to 20 days"* after his coffees have been shipped. This does not account for the time it takes for the coffee to be washed and processed once it is picked, which can take another two weeks. Franky further explained that:

> "It can take you up to 15 days to do the [processes]. The [growers}, or almost the majority, don't have the patience or the time to say, "I'm going to wait those 15 days for payment to take the coffee". Even longer, up to a month, because when they are special, you have to leave the coffees after drying, stabilize for about eight days."

Franky has managed to arrange a 40 percent advanced payment schedule. However, he is an exception (with José). All the other respondents reported having to wait between one and two months for their payments, including Lino, who had been working with his buyer for 5 years. Farmers must then rely on credit, whether through banks or less official pathways or sell a portion of their production to commerce.

5.2. Buyer Relationship

5.2.1. Resources

When asked about their relationship with their direct buyers, only three reported direct non-economic benefits from their relationships. José highlighted how his long-term relationship has benefitted him. José has had the longest relationship with his buyers out of any other participants: eight years. He is also the only one to have reported having a contract with his buyers. Throughout these eight years, José has had constant access to a local team of agronomists as part of his contract. They regularly visit his farms to do studies of his soils and plants. José admits that without his buyers "*I wouldn't have an agronomist anymore.*" José spoke highly of his buyer, saying "*he is a great person and very attentive*". He told me that his prized Geisha came as a gift of Panamanian seeds that his buyer sent him after his travels. This was back when José only had Caturra–a lower variety– on his fields, which produces a good enough cup and can be sold at good prices, but nothing like Geishas. His buyer also had José host an expert on Geishas from Panama. The buyer "*brought him expressly to give us a talk so that we could raise the cup quality of Geisha*". Many farmers from the surrounding regions were able to attend this lecture. Dionel also reported having received technology from his buyers. He had recently received a humidity detector for his farm. He viewed it as a reward for his dedication and consistency which resulted in sustained coffee quality. Dionel knows this close relationship is unique: "*there are closer ties because they have already gone to the farms, they know the crops, the family, so they are closer*" with the domestic grower. No other participant shared having received any technology from DT buyers.

5.2.2. Market exposure

Farmers mostly discussed the exposure that arose out of DT due to their names being recognized on coffee bag labels. Franky highlights this as important saying "the marketing is higher and they give you recognition," telling me he will often get contacted by new buyers who have tried his coffee from a coffee shop, see his name on the label, and track him down. José also reported being sought out for his coffee due to social media exposure, "*I am very grateful to [the buyers] because they were the ones who have made me known abroad*." However, he was prevented from creating new commercial relations due to his contract's clause of exclusivity. For Lino, his name going on labels has meant "*that [my] name gets bigger, the recognition [of it]*", expanding his network and his image as a grower of high-quality coffee. Similarly for Orlando, Direct Trade has allowed the grower to "*make yourself known and they call you, [the] buyers, who are interested in your coffee*", allowing him to expand his network as well. One wonders what good it makes to become better known if you cannot expand the market due to an exclusivity contract. Can some fame by itself improve living standards? This question will be briefly addressed below.

5.2.3. Influence

For some, having Direct Trade agreements also comes with increased external influence on their operations. César's buyer has started asking him to improve to maintain his prices. This has included "*more investment in controls, in picking processes… more investment in the harvesting",* as well as his fermentation processes, as demanded by his buyer. César laments that "*I have sent several samples and they have been rejected,*" so he is unsure where his coffee is destined next. He went from selling roughly 80% of his production to his DT buyer, down to 30%, while the remaining 70 percent goes to a local lab and regular commerce.

Of the ten participants, only two of them mentioned having to change, or discussing with their buyers, the sustainability of their operations. When I asked Dionel about this, he told me he and his buyer have mostly discussed "*more regarding shading… Well, that has been mostly to improve the quality of the bean and improve the environment."* However, there was no sort of requirement or demand from the buyer's part for the continued relationship. For his part, Lino reported having discussed the topic with his buyers but admitted there was never any sort of audit done to ensure his operations were sustainable, telling me: "*the only thing that matters to them is the quality.*" Luis shared a similar sentiment, telling me: *"they just come to buy.*" Only José reported having to meet certain "good practices," "*He demanded a dryer, he demanded registration, he demanded practically what a Rainforest stamp has, or something like that. That minors should not work here, as much as possible, that the workers' salary should be no less than a minimum…*" For the most part, therefore, there seems to be a varied degree of influence from buyers, with a tendency for a light touch on interference, given that growers are approached for DT relationships once they already produce high-quality coffees.

5.2.4. Negotiation ability

Direct Trade mostly came with the ability to negotiate prices, as reported by eight out of the ten interviewees. Luis states that "*the price can be worked with*". The first time that happened, it was a shock for César. He told me he has usually been happy with the prices agreed upon with his buyer, until now. For Dionel, after six years, "*she offered me [a price], I asked her for a little more, and yes, she said yes.*" However, for Gerson, part of negotiating coffee prices is knowing the market while being strategic. He told me that price negotiation "*is linked to the fact that if the price is competitive, we will have a higher sale. Yes? But if the price is too high, what it will generate is stagnation and not a rotation of the product*". So, for him, coffee farmers must also be flexible with their prices if they wish to sell in higher quantities.

Some farmers, though, have positioned themselves to be able to set the prices with some buyers. Franky told me: "*I set the price and they don't say anything,*" regarding his relationship with Finnish buyers. However, with his Chinese buyers, he has to be ready to negotiate while still knowing his production costs. This is the same for Lino: some buyers will accept whatever price he asks for, while the one he has been working with the longest, "we haggle lots". However, Lino prefers the latter buyer, telling me "*so that makes us have a very equal relationship for both of us*", as this buyer pays fair prices and appreciates all of Lino's hard work. When I asked Orlando what his relationships looked like, he told me about two DT relationships. With the one "*that's where we negotiated. She first says to me, what's a good price for your coffee?... And I told her. She accepted at once, [from] the first time she accepted and we continued working*" since then, "*she always says yes*". This is a big benefit for Orlando since he laments that with other buyers, he simply must accept whatever price they offer for the same coffee. This allows Orlando to receive much higher prices than anyone else. After eight years of his DT arrangement, José has reached a place where he can finally set his prices. He told me of the most recent contract negotiation where *"I told him, my coffee is worth so much, take it or leave it because there is someone else who is going to pay for it*". This was the result of his name becoming synonymous with good coffee thanks to his market exposure mentioned above, and his participation in the Cup of Excellence, which he was not able to do before due to his contract. However, José is an exception. While most of the other growers have the ability to negotiate the prices received for their coffees, they must still keep in mind what specialty coffee prices are to "be reasonable", only José can *set* his prices. This is a result of his increased fame, but mostly the length of his relationship with his buyer, and his buyer's personality. As there is no certification for DT, each buyer and grower define their own unique relationship.

5.3. Knowledge/ technology

5.3.1. Diffusion

Participants did not cite/identify much diffusion of knowledge and technology between DT buyers and themselves. Of the 10 participants, only three discussed sharing and learning from DT buyers. For example, César, who has had a direct relationship with an international buyer for six years, considers that his buyer *' has taught us so much"*. He looks forward to her visits every year, telling me about the recommendations about his operations she has made throughout the years to improve his operations. For his part, Lino has developed a closer relationship with his buyer: "*he's a person who is constantly sending me market trends and recommendations."* This constant communication and sharing of knowledge please Lino as he knows from personal experience that not all buyers do this. For example, when dealing with his other current buyer, Lino tells me they simply reach out, via social media platforms or WhatsApp, and ask what is available and pricing. Dionel has also developed a similar relationship with one of his buyers. When prompted about it, he proudly shares that they talk "about the market, yes, where she brings the coffee. And she's opening up new markets as well and she's told me [about them].". For his part, when prompted about the same thing, Franky shared a level of frustration as he felt he had to "guess because I even ask them and they don't answer me. I say, what's the trend or what do you want to try? [They'll say]: send everything and I'll choose." He continues *"then I have to go to the market trend and look, and send [what I think they'll like]*." Franky's experience highlights the uniqueness of the three farmers mentioned above.

Seeking international buyers also comes with the risk of reading the markets wrong as tastes are constantly changing while coffee plants usually take three years before becoming fully productive. This means it is hard for farmers to quickly adapt their operations to meet changing demands or can lead to an oversaturation of the markets of a variety of coffee. Franky explained: *"those who don't have customers, if they have the varieties, they have to sell it to [the labs or commerce]"* again losing their extra work and investment. This was the current situation for César: *"Right now we're in a tough* *squeeze... There's too much, too much coffee of that variety that I handle"*, forcing him to sell to the highest bidder as quickly as possible, as his buyer had many growers to buy from. However, this highest bidder may not be offering prices significantly higher than the commerce of lab prices, potentially losing his extra work and investment.

Most respondents discussed knowledge diffusion between farmers and/or local laboratories (buyers). When discussing his experience with a local Direct Trade lab–an intermediary–Orlando reported not receiving help from the buyer but from the laboratory which eventually helped him make contact and create a relationship with an international buyer. He reported receiving advice where *"I would take samples to a [lab], and the cuppers, they would tell me: do this to improve the acidity, so [the coffee] comes out sweeter. Let it ferment for this number of hours. So, I actually did learn from them"* (Orlando). For him, his experience with the local lab helped him define what was a "fair" price for his coffee: "*you base it on the prices that [the lab] gave you, so you quote it a little higher and that's it,"* using their prices as a base to negotiate with Direct Trade buyers. Gerson also reported having learnt from a local farmer who eventually opened up his own laboratory and took him under his wing where "*he was one of the people [that opened up their lab to me], it was where we started cupping."* Felix also credits his relationship with his local labs and neighbours saying: "*I learn from them."* When asked about how he learned and improved his practices, Lino told me: *"I talk to dedicated [growers], I talk to people that are dedicated, that are also trying to make changes,"* highlighting how central other farmers were to his innovation.

Most of the knowledge diffusion, however, seems to have come from the National Training Service (SENA)'s Yamboro. Here, students can learn everything there is to know about coffee for free after proving their parents are farmers. For Gerson, *"SENA was one of the… fundamental parts in the development of our ethos for us. And more, in this case, there are two instructors, the one who trained us as tasters and the one who trained us as roasters. I mean, those have been instructors for us who gave a, let's say like a transcendental turn in us because they taught us what we needed."* Dionel attributes much of his continued success to his daughter's formation at Yamboro as she does much of the cupping for his samples and can then suggest changes or improvements in his fields or processes. Franky highlighted how central this previous knowledge was to "get" a DT buyer. For him*, "a seller must know the entire production chain of lines from a coffee shop to the exporter. And people aren't trained to do that,"* he lamented.

5.3.2. Desire/pressure to innovate

Of the 10 participants, seven reported feeling pressure to constantly innovate. For César, "…*You have to innovate, as they say, I can't just sit there doing the same thing and the same thing and the same thing*." Franky shared a similar sentiment, claiming *"that's where you come in, to not always produce the same thing, but to innovate".* He views innovation as a safeguard, "*if you manage all the lines, you can offer a broader portfolio to the client for them to select from. I send him 10 and he can select 2."* Lino explained to me that *"what happens is that coffee farming is changing a lot. For example, if you ferment coffee now in the normal tank... You see, everything is changing. You can't go on with the traditional coffee farming of a few years ago, no."* For him, *"coffee has to be improved, of course, it has to be improved".* For Luis Orlando, innovation is imperative: *"you have to be at the forefront of innovation in crops, with nutrients, whether they are biological, organic, whatever, but you can't [stay away from it]."* José highlighted this as well: *"we have always been characterized by not being one of the bunch",* wanting to be unique and innovative. For his part, Luis described himself as *"I have been very restless, I have developed here on the farm my own varieties, that is, varieties that nobody has, nobody has them here on the farm, which is also something very new",* saying this has been imperative to finding international buyers.

5.4. Social Connections

5.4.1. Positive

Participants reported DT having a positive impact on their social connections with other farmers. Franky had noticed *"an exponential growth as a person, an example for other coffee growers, for other people and young people"* as a result of his success in DT. Gerson's cupping laboratory has also become a place where other young growers who are interested in cupping their samples can go and learn how to handle various equipment, how to cup, or even get advice on what to improve in their processes. Felix considers that his DT relationship has inspired other farmers to take the risk and try cultivating higher-quality coffees. Lino explained that his success had positioned him as a person of knowledge in his community, where his neighbours regularly sought him out for help to improve their operations, making him a highly regarded person in the community. DT growers also make connections with other knowledgeable growers which may then lead to more buyers as they can be recommended if purchasers are looking for coffees with particular profiles that they themselves may not have.

5.4.2. Negative

Coffee growers also reported a negative impact on the quality of their social connections. José lamented "*I have…many acquaintances but few friends*." He reported envy from other growers when he refused to "trick" buyers by slipping other growers' coffees in with his, putting his commercial relationship at risk. He shared that he had tried to teach his techniques to other growers, but they would often get frustrated with him if these recommendations to improve quality did not work the first time around. For José, *"[this experience] impacted me, but kind of in a negative way, you know? Because they're going to say, oh, but this man is vain, he doesn't want to help me."* For Gerson, "*more than social relationships, there are sometimes even family relationships"* that have been impacted. He explained that "*In most cases, there is envy, resentment…[I have experienced] the disappearance of family ties because of that."*

By engaging in Direct Trade, growers may be putting their relationships with local buyers (intermediaries) at risk. While DT buyers often offer significantly higher prices than the local intermediaries, their return is not always guaranteed. Buyers may be looking for new profiles and as such may seek new farmers to work with. The previous farmer's quality may have dropped, or they may simply prefer a different region or country. This uncertainty may leave the growers without a buyer for the following harvesting seasons. However, intermediaries may feel threatened by DT relationships which seek to bypass them and will often seek to penalize growers that have been involved in DT. According to Gerson, "many of these middlemen don't want the [grower] to know what [quality their really coffee is]…they don't want the [grower] to learn." Here, Gerson is highlighting a general distrust that growers have of intermediaries, as they feel that intermediaries will try to cheat them to get high quality coffee for as cheap as possible.

Intermediaries may refuse to buy from DT growers for a while or may simply pay lower prices as a form of punishment to deter DT relationships. César told me "It's tough... It's not that easy because the merchants here… are very jealous." For Luis Orlando, his past DT relationships had been a learning experience, "there are times when you make a mistake when you sell [your coffee] to those who come as well as, as a regular person (a DT buyer)... [They] gave a little higher price, but that's it." For him, this was a learning experience whereby seeking even slightly better prices one season, growers may be abandoning other benefits, such as social and economic support, from local labs. While DT buyers may only purchase once, participating in DT may damage the relationship that growers have with local labs, harming future economic opportunities. Loyalty is highly valued by these intermediaries. This is why, he explained, sometimes good intermediaries are better than the DT buyer even if they offer lower prices as they will often have social programs which a grower may lose out on if they pursue international buyers directly. This mostly happens if the direct buyer is “poached”, and not if the buyer is found through a different channel, according to Gerson. He shared: “And that's where the middleman, I mean, it's like getting kicked in the face, literally... Because obviously, well, it's profitability for them." This “poaching” is mostly detrimental to growers as they are the ones who will bear the consequences of cutting out the intermediary as these intermediaries will continue to deal with international buyers in the future despite their past missteps.

Many growers told of stories where a buyer offered significantly higher prices than the original local buyer that farmers were already dealing with, one year but did not come back the next (or offered much lower prices), leaving the DT grower without a buyer as “loyalty is highly valued by buyers”. By seeking higher prices, growers could lose a stable yearly buyer. Coffee growers are therefore very careful with who they sell to, and their reputation, because “the world of coffee is big, but it’s also small.” Specialty coffees, especially DT coffees, are not paid right away like commerce coffee, and so some either depend on credit to pay workers and other immediate costs, and others also grow commerce coffee to sell to market to hold them over while the other money is deposited.

Getting involved in a DT relationship can often be an exercise of trust for these farmers. All but one of the respondents had agreements “of honour”. Orlando explained that in most cases, “it's more trust-based because you don't know her and she sends her coffee. And it takes about a month [. . .], a long month for the money to be sent to the farmer. So, if there's no contract, there's nothing, it's like trust." Payments are most often made upon receipt of the coffee abroad. This means that the first time a farmer sends their coffee to a new time buyer, they must run the risk of having to wait up to “four, five, six months” not receiving payments at all. When asked how he mitigates that risk, Orlando told me “I did some research before sending the coffee. I found out who she was before and got good references for her." This discourages farmers from “shopping” around for prices with DT buyers, as is often done with other intermediaries. José summarized it best: “*es mejor lo malo conocido que bueno por conocer*” (roughly equivalent to “better the devil you know than the devil you don’t.”

5.5. Environmental

No participant reported having to change his operations concerning environmental sustainability as a result of their DT relationships. Partial shade was commonly utilized in plots, predominantly with plantains, while only three participants reported using a greater variety of trees, including some indigenous ones to the area, to increase the biodiversity on their plots. Franky highlighted the need for shade in his plots, however, when prompted he replied only partial shade could be used to prevent decreasing his production levels. Notably, all respondents but one had treatment tanks for their "*aguas mieles".* Aguas mieles refers to the process of washing the coffee cherries to remove any residual pulp before drying the beans. Growers all reported having these tanks before, prior to their DT relationships. Moreover, all ten participants reported treating the coffee skins for composting in their home garden. All respondents reported using chemical fertilizers and pesticides roughly 3-4 times a year, which they admitted was on par with what other growers in the region applied. César reported using roughly 40 percent organic fertilizer in his fields *"because I've realized and researched that organic helps to recover the topsoil."* To him, this has increased the quality and health of his coffee. Three more participants stated using 20-30% organic products in their fields. Only two participants opted for a reduced application frequency of once or twice yearly. Six participants did not report a significant difference in their water usage except with the natural process, which four participants reported engaging in periodically. José's lower self-reported levels of water usage had to do with his usage of newer technology which reduced the water required when de-pulping coffee.

5.6. Satisfaction Levels

5.6.1. High

When asked about their levels of satisfaction with their DT experiences, half reported having high levels of satisfaction. For César, "*Despite the risks. Despite the accounts, the loans I had with the banks,"* and even his current dissolution with his DT buyer, he still saw DT as an overall positive strategy for coffee growers. DT had allowed him to buy "*a nice house in the city, to help a daughter... And also, because we already got the van and education for the children."* For Orlando, *"I wish all the people and all the coffee growers had a direct connection with the buyer."* When asked about their wishes for future generations, seven respondents replied they saw a future for them in coffee as baristas, cuppers, or exporters, but not as growers.

5.6.2. Medium

Four participants reported having medium satisfaction levels with their DT experience. For Lino, while it did improve his social standing and increase his income, he still considered leaving the coffee industry in the next ten years and had been looking at maybe cattle, which he thought would be more lucrative with more stable prices. When prompted about it he told me "*the issue of coffee as well, it's not that it's completely quiet,"* referring to the constant care required for specialty coffee production. For Dioner, DT meant *"let's say you don't have that much income, but you do have enough to sustain yourself more solvently. Not having to borrow for groceries or the inputs."* Luis similarly concluded that the real money came from selling the finished product (roasted coffee), and that would be his long-term plan.

5.6.3. Low

One respondent reported having low satisfaction levels with DT. José owns the local gas station and reported often having to use profits from it to support his coffee production. He had recently sold his farm citing frustrations with the coffee industry, saying prices were too low for all the extra hard work and, considering everything, it evened out.

6.

Discussion and Conclusion

This thesis has sought to explore the extent to which Direct Trade has benefitted coffee growers. The research revealed that DT played an important role in increasing profits for specialty coffee growers in Palestina, Huila. While for the majority of respondents, DT prices were 30% above market prices, some farmers received prices 200-300% above commerce prices. For many, DT has allowed them to create some savings, roughly 20% of their revenue. This alternative trade arrangement has also benefited them by allowing them to overcome debt, improve on-farm operations, and make other investments. Prices were also found to be more stable than commerce prices as they are not tied to the stock market. The direct contact between buyers and growers also allowed growers to negotiate prices.

Production costs were also reported to increase by approximately 10 percent. When seeking international buyers, growers must cultivate prized but often delicate varieties, which often require more care due to their susceptibility to coffee rust. This means increased use of pesticides and labour costs as growers must routinely send their workers onto the field to ensure their crops are healthy. Many farmers were also quick to point out that only a portion of their production went to DT. Only Dionel and José sold over 75% of their production to their DT buyer. However, for some, attracting a direct international buyer required considerable investment which according to one of the participants could be offset in the first three years if the farmer was successful in working directly with a buyer. Moreover, DT agreements were also found to mean delayed payments for farmers. Growers reported having to rely on credit or set a part of their production to commerce to meet their immediate expenses.

DT was found to have non-economic benefits. Three respondents reported non-economic benefits such as access to an on-call agronomist, guest lecturers, and expensive equipment. However, the biggest reported benefit was the market exposure that resulted from growers' names being on the labels. growers shared being contacted by potential new buyers who had previously tried their coffee from another roaster. Farmers also described seeing their name on labels as a recognition of their hard work, of being seen and appreciated by roasters. However, for some growers, DT also meant increased demands being placed on them, but surprisingly only two respondents reported discussing the sustainability of their operations with buyers. Three growers also reported increased knowledge diffusion as a result of their DT relationships. They described their periodical conversations regarding market trends and even received recommendations from their buyers. However, this feature seemed to be unique to some farmers, as others voiced frustration with their own experiences where buyers did not engage in these sorts of conversations, leaving the growers to “guess”. Moreover, most of the knowledge diffusion seemed to be happening within the local community where farmers and laboratories shared knowledge, helping growers improve their production to eventually attract an international buyer.

DT was also found to impact growers’ social connections. Some growers shared seeing their social connections with neighbours improve, being seen as examples and knowledge holders for other farmers. However, other growers also reported neighbours feeling envy and resentment of their success, seeing social ties with community members and even family as a result of their DT relationships. Most importantly, they reported having their economic ties to local intermediaries being severed as a result of direct trade arrangements with international buyers. Working directly with buyers was also found to be risky as farmers must often rely on trust and a long waiting period for payments. Payments are typically made upon receipt of coffee abroad, causing farmers to risk missing payments. To mitigate this risk, farmers research the buyer and obtain references, avoiding "shopping around" for prices. Overall, only half the respondents reported high satisfaction levels with DT experiences, four reported medium satisfaction levels, and one reported low satisfaction levels.

Economically, DT unequivocally leads to higher farm gate prices for coffee growers. This is undeniably beneficial for growers in a market known for having erratic and unpredictable prices, which may not even cover production prices, as was the case during my field research from September to December 2023. These results support scholars' arguments, such as Leeson et al. and Guimarães et al., that the lack of intermediaries leads to higher price capture by farmers. Despite the increased costs of production of Direct Trade coffees, most growers reported that the higher prices received outweighed these additional costs, resulting in higher overall revenues. The increased farm-gate prices allowed them to create savings, pay debts, invest in their farms, and even make additional off-farm investments. However, as my research highlighted, there is a significant variation in the prices received by DT growers compared to commerce prices ranging from 30 to 300%. It is unclear what these differences can be attributed to: quality of coffee, length of relationship with a buyer, growers' bargaining power? More research could be beneficial to better understand why some growers received more than others and why some have been able to position themselves as price setters while others have not.

My research provides supporting evidence that being involved in Direct Trade shields coffee growers from price volatility common in international coffee prices, providing a more stable and predictable income for the farmers. That is true, for as long as the direct trade relationship remains intact. This result supports Marescotti and Belletti's discussion on the decommodification of specialty coffees in so far as specialty coffees become detached from stock market prices. However, as discussed by Fisher, Global North buyers retain their control over the symbolic values of coffee where the maximum value creation comes from the ability to control the narrative about what constitutes "good" coffee, and what is desirable. Therefore, while Direct Trade growers may benefit from the increased traceability of their coffee, even seeing their names on coffee labels, this still does not make their product entirely unique or irreplaceable. This point was best illustrated by César's case where the variety he produced was becoming more common and made his coffee less unique. Buyers retain the ability to share a coffee's profile, tell a customer what a coffee is worth, feature it, or simply replace it.

My fieldwork highlighted the necessary initial investment required for growers to attract DT buyers. As was discussed in the results section, increasing one's quality requires the planting of new, and often more delicate, varieties, new infrastructure (i.e., quality controls and processing facilities), and most importantly the know-how. This learning implies that many of the growers who are able to make the necessary changes are those in positions to access credits and social connections that can facilitate their transition to higher-quality coffees such as local laboratories or neighbours. They must also be able to sustain themselves economically while investment starts to pay off as it takes roughly 3 years for a coffee plant to start producing. Therefore, those reaping the ultimate economic benefits from DT are already better off than others in their community, as explored by Vicol et al. in the Indonesian case.

While much research places the roasters/buyers as benefactors to poor rural farmers, my research suggests that, in reality, the improvement of coffee quality is an active effort by community members seeking to improve their position in the global value chain of coffee. These growers learn from the national coffee institute (Yamboro) and from each other, experimenting and investing heavily in their coffee production to reach higher quality standards and attract international buyers. These buyers must then pay higher prices for access to these differentiated products, acknowledging the efforts and investments made by the farmers. As was suggested by Grabs and Ponte, however, power imbalances remain between global North-South actors: while some growers have been able to create relationships where they can negotiate or even set their current prices in direct Trade arrangements, others may experience increased scrutiny and influence over their operations as new growers enter the specialty coffee industry, as can be seen from cases such as César's. Even if and when changes are made, there is no guarantee that buyers will purchase coffees from that grower. As Grabs and Ponte suggested, much of the risk is still disproportionally borne by the grower, which is typical of the agricultural industry in general. This risk is further highlighted by what at first glance may seem counterintuitive, but upon closer examination reveals significant power imbalances within the Direct Trade system. Economically, Direct Trade's economic gains offset the increased production costs. But roughly half the growers still voiced some degree of dissatisfaction with the coffee GVC where one participant had already sold his farm as a result of poor satisfaction levels, another one was considering transitioning out of coffee as well, and another was looking into moving higher up in the GVC. These levels of dissatisfaction are best explained by the increased level of influence that buyers have over growers' operations and buyers' increasing demands year after year, such as in the case of César. Dissatisfaction indicated that despite higher prices and increased stakeholder interaction, there is still a significant power imbalance between actors. Such imbalance keeps growers susceptible to pressures from buyers and forces them to continuously look for new coffee varieties or processes, to meet the changing demands of the market and maintain their position in the global value chain. Thus, the relatively few Global North buyers still set the terms of Direct Trade relationships while the large multiplicity of Global South growers must either meet them or be replaced. This imbalance is further demonstrated by the length of the relationships between actors. While most scholarly works about DT have focused on the potential for "long-term" relationships, my research shows that this is not always a feature, as many growers have rotating or one-time buyers. This trait illustrates how buyers are still the ones who decide how long a relationship will last and if they will return to the same growers year after year. While farmers may turn down a buyer if they feel there is too much risk, buyers can find alternative growers to work with or can simply buy specialty-grade coffee from local labs.

Hernandez-Aguilera et al. discovered that increased interaction between growers and buyers facilitates the diffusion of knowledge among stakeholders, enabling growers to gain more insight into the future prospects of the coffee industry. However, my research indicates that this occurrence may be infrequent. Gerson’s comments regarding international consumers' purchasing ability support Hernandez-Aguilera et al.'s findings of increased knowledge and information about downstream segments of the value chain. However, only three of my participants reported periodically discussing market trends, while others such as Franky, reported relying mainly on their own knowledge and other local farmers to predict future profiles desired by international consumers. The interviews conducted during my field research actually support Guimares et al.'s discussion regarding intermediaries (such as labs): "[I]n addition to sharing market information, [they also play the role of] ‘translating’ them in terms of quality and other attributes in order to facilitate understanding." Local labs thus play an important supporting role for some intermediaries in the specialty coffee global value chain. By participating in Direct Trade, growers may be limiting their access to this valuable information sharing in their local communities. By participating in Direct Trade relationships, therefore, growers may be hindering their access to local valuable technical know-how which could be indispensable to growers in the future in the case of falling quality in their fields.

While proponents like Borella et al. argue that Direct Trade fosters more sustainable and environmentally friendly practices due to the close relationship between buyers and growers, my research reveals a nuanced reality. Despite the potential for Direct Trade to incentivize sustainability through buyer demands, a significant portion of participants in the study reported minimal discussions about sustainability with their buyers. Even when these discussions occurred, they often did not translate into tangible changes in farming practices. This discrepancy suggests that factors beyond Direct Trade relationships may be driving sustainable practices in coffee production. Alternatively, the emphasis on sustainability could be a strategic marketing tool employed by growers to attract international buyers or capitalize on the higher premiums associated with specialty coffees. While Direct Trade may play a role in promoting sustainability, its impact may be more nuanced than initially assumed, requiring a deeper examination of the broader economic, social, and market dynamics influencing farming practices in the coffee industry. Thus, it may be erroneous to simply assume that Direct Trade, due to closer relationships between stakeholders, results in more sustainable practices. Either way, the onus remains on farmers to actively pursue and adopt sustainable practices without any support or recognition from buyers as there is no premium for the sustainability of growers ' practices. Once again, only wealthier growers may be able to attract international buyers as they may be the only ones able to afford the necessary investment to increase their farms' sustainability. If this is the case, then only a select few are benefiting from the Direct Trade model, while the majority of small-scale coffee farmers continue to face challenges in accessing necessary resources and support for sustainable practices. However, more research is needed to discern the nuanced impacts of Direct Trade on the sustainability of growers' farming practices.

This thesis has also underscored the necessity of understanding the impacts of Direct Trade in the coffee industry beyond its economic context to encompass the broader social implications for growers. For instance, while DT may enhance the social standing of growers vis-a-vis their neighbours by recognizing their efforts and expertise, it simultaneously strains their economic ties with local intermediaries and neighbours who may perceive them as privileged or exclusive. These new relationships may even strain family ties and friendships, isolating growers engaging in Direct Trade. Moreover, as Direct Trade relationships are unpredictable in the long term, growers may face increased risks and vulnerabilities compared to those participating in more traditional trade relationships once their established buyers decide to cut economic ties with them. This dual impact suggests a complex interplay between economic gains and social challenges in DT arrangements, emphasizing the importance of adopting a holistic perspective to understand the full spectrum of implications for coffee growers engaging in Direct Trade. A study focusing on the long-term implications of Direct Trade for the social and economic dynamics within coffee-producing communities would be valuable in further exploring these relationships.

These findings suggest that, while growers' attempts to upgrade are resulting in increased remuneration, Direct Trade does not disrupt or modify in any significant way the power imbalances that exist in the GVC of coffee. These growers are still excluded from the value creation process of Third Wave coffees where roasters retain the ability to determine what "good" coffee is. It thus seems unlikely that Direct Trade alone can address the market inequalities that exist within the GVC. Much like Fair Trade, Direct Trade reflects a further "encroachment of a neoliberal market mentality into the ethical world of solidarity" (Fischer 2022, 186). Direct Trade, even with its emphasis on long-term relationships and direct engagement with growers, does not fundamentally alter power dynamics within the coffee value chain and fails to significantly address the inequalities faced by growers. This feature of DT points to the limits of firm-led voluntary regulation schemes.

The significant variation in the impact, particularly economic, of Direct Trade highlights previous commentary on the weakness and strength of Direct Trade: the lack of a certification body. The inconsistency of answers regarding price premium, the distribution of benefits, and the overall well-being of coffee growers suggests the potential benefit of a third-party certification body to substantiate buyers'/roasters' claims of the benefits of their "long-term" relationships with growers. While there are claims that the benefit of a third-party certification may undermine the flexibility and potential for place-based solutions, this approach implies that growers and buyers are working closely to improve the practices of farmers both in quality and sustainability. However, as my fieldwork suggests, this is not the case. Instead, buyers often arrive at communities, identify growers with already high-quality coffees, and purchase directly from them. There was no indication that it is standard for buyers to work closely with farmers to improve the quality, standards, or long-term (economic and environmental) sustainability of growers ' operations. While some farmers did benefit from access to some technology, seeds, or even market discussions, these were not standard practices and seemed to vary depending on the buyer and the length of the relationship.

In conclusion, this thesis has provided a comprehensive examination of Direct Trade's impact on coffee growers, particularly focusing on its economic, social, and environmental sustainability dimensions. Through a combination of theoretical exploration, comparative analysis, and primary fieldwork in Colombia, important insights have been uncovered regarding the benefits and challenges of Direct Trade. The results of this thesis highlight that the benefits of Direct Trade are mostly economic in nature. While growers may have access to higher prices, their direct involvement with international buyers also risks harming their social connections and ultimately their future earnings potential. The barriers of entry also ensure that only the better-off growers are able to participate in Direct Trade, limiting the benefits this trade model may have on wider communities.

Nevertheless, the research underscores the importance of adopting a nuanced understanding of Direct Trade's impacts, recognizing both its potential for empowering coffee growers and the need for mitigating its potential drawbacks, such as through a third-party certification body. It remains unclear whether a market-led strategy can address the inequalities that are propagated by the current coffee trade system, particularly for small-scale growers in developing countries. Further research on the implementation of Direct Trade in other countries would provide valuable insights into its broader impacts across different contexts.

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