Co-operative as economic bodies or political movements: A case study of Wayanad Coffee Cooperative

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Introduction

Wayanad is a district in Kerala with a large number of coffee farms. Significantly, almost the entire coffee sector here is dominated by small farms. A large population of farmers and workers are dependent on the coffee sector for their livelihood. According to Coffee Board data, 6,83,000 average daily number of persons are employed in coffee plantations of India (2023). In the period since neoliberal reforms, the vagaries of market fluctuation of coffee prices have precipitated a crisis in this sector, which has led to significant distress (George & Krishnaprasad, 2006). According to Joy (2004), Wayanad witnessed loss of income, loss of employment, distressed sales and subsistence picking due to higher production leading to higher loss. This is in line with global trends in the coffee economy, where repeated periods of booms and busts have led to distress among coffee farmers worldwide (Daviron & Ponte, 2013). Farmers have had to adapt to this distress through various strategies such as forming cooperatives and certification to capture more profits. They have also had to resort to changes in their cropping pattern to include other crops to reduce their risk from coffee price fluctuations. At the same time, many have given up coffee cultivation altogether, and others have resorted to depending on other sources of income in addition to coffee.

Coffee is an important primary commodity that has a worldwide estimated consumption of 166346 thousand 60-kilogram bags. This massive amount of coffee is almost entirely produced in countries in the Global South (Coffee Board, 2022). The vast majority of this coffee is consumed in importing countries, largely in the Global North. This situation makes the production and consumption of coffee a classic case of a Global Agricultural Value System. Coffee is such a ubiquitous commodity in the metropolitan capitalist countries, which also do not possess any means to produce the coffee and have to import it from the peripheral countries where the coffee is grown. Due to this, imperialism deploys political and economic strategies to ensure that this commodity is available at a cheap price, which does not destabilise the value of money in the metropolis.

The various strategies adopted in response to distress by the farmers must be seen in this regard as responses to the larger system. Cooperatives and certification have gone hand in hand and have been identified as among the significant strategies for a sustainable future for coffee (Daviron & Ponte, 2013). This case study examines how the cooperative operates and how short value chains emerge as an alternative to the global value system.

Global Value System of Coffee

The history of coffee traces the origins of the plant to ancient Ethiopia. Roasting the beans became popular around the 15th century in Yemen and Arabia. It is claimed that around 1600, a Muslim pilgrim named Baba Budan smuggled coffee, with the beans strapped to his belly, out of Yemen to India at a time when there was a strictly enforced policy of keeping the plant within the control of the Arabs (Wild, 2005). Morris (2019) explains that coffee became a colonial plantation crop after the Ottoman Empire imposed an embargo on the export of coffee out of its territories. This led to the Dutch initially and later other colonial companies establishing coffee plantations in the colonies. The British expanded coffee plantations in the Malabar in the early 19th century and ramped up production until an epidemic of leaf rust lead to collapse in the production and eventual substitution of coffee farms by tea plantations. In fact, coffee is the first large-scale plantation crop in India and Kerala. Today's coffee plant is of mainly two varieties, the *Robusta* and *Arabica* varieties respectively.

As the coffee plant requires tropical conditions for its growth it is exclusively grown in peripheral countries with the major growing countries including Brazil, Vietnam, Indonesia and India, among others. The vast majority of the product is exported to consuming countries, almost all metropolitan countries with the most significant markets, including the United States, European Union and Japan (Daviron & Ponte 2013).

The production of coffee after farming and picking includes various steps. The Plant is a woody perennial evergreen shrub that grows 9-12 metres high in the wild under shade. It is self-pollinating, producing a cluster of small, white, fragrant flowers. The number and size of flowers are largely weather-dependent. The flowering is sparked by showers. However, the fruits set best in dry cconditions. There are two or more flowering seasons where rainfall is greater. The seeds at the flower's base develop into drupes called coffee cherries. These ripen 30–35 weeks after flowering, changing colour from green to deep red; at this point, they are ready to harvest (Morris, 2019).

The coffee bean has to be extracted from the fruit; for this, either dry or wet processing is carried out. After this the bean is hulled, cleaned and sorted and then graded. This green coffee is then normally exported to various consuming countries. Various other value-addition procedures, such as roasting, grinding, blending, etc., may be carried out before the final product is branded and marketed. In these final stages of production, a large amount of value addition is carried out, and hence, the vast majority of the final profits are cornered by the companies engaged in this process. It is also important to note that coffee is an important component in the production of various other products, such as soft drinks, cosmetics, pharmaceuticals and so on (Daviron & Ponte 2013).

Most coffee producing and consuming countries came together to sign the International Coffee Agreement (ICA) in 1962. This was at the same time as various other International Commodity Agreements were signed in the period of national liberation or the dismantling of the colonial system between the end of the Second World War and the end of the cold war. These agreements were put in place to bring about stability in price which would protect the producers and producing countries from the volatility of price fluctuations in the international market. Several factors including the collapse of the eastern European socialist bloc, the ascendancy of finance and ensuing international reorganisation of capitalism along with structural adjustment programs, which called for end to price fixing and dominance of market led to the collapse of ICA in 1989. This collapse led to a great drop in prices in the international market and a general crisis stabilisation systems of producing countries (Daviron & Ponte 2013). This also resulted in the inability of governmental and quasi-governmental agencies, such as Coffee Board in India, to influence the international market.

Bargawi and Newman (2017) argue that the direct market forces of supply and demand are not behind the fixing of price of coffee but rather speculative activities in the New York Coffee Futures Exchange and London Coffee Futures Exchange. Large corporations and traders are engaged in trading of futures contracts which do not involve the buying or selling of actual commodities but rather speculation on whether prices will increase or decrease. This speculation is at the heart of the volatility in the international price of coffee. In 1980, the amount of coffee traded in the futures market was only approximately 4-fold the coffee traded in the physical market. By the early 1990s, the ratio had risen to 11 fold (Utrilla-Catalan et al., 2022).

Coffee Sector in India

In the post-colonial period, the breakup of a share-cropping pattern of plantations, which was favoured with coffee, led to coffee farming being dominated by small farmers in India. Smallholdings are classified as being less than 10 hectares. Currently, there are about 3,92,398 Coffee holdings in the country, of which, around 3,89,501 were small holdings with a holding size of less than 10 hectares which accounted for about 99% of the total holdings (Coffee Board, 2022).

India is the 7th largest producer and 6th largest exporter of coffee globally, accounting for almost 3.5 percent of the global production of coffee. In 2021-22, India produced about 3.48 lakh megatonnes (MTs) of coffee in an approximate area of 4.66 lakh hectares spread across about 3.92 lakh holdings. Robusta dominates the production in India by type of coffee, about 70 per cent, with the remaining being Arabica. About three fourths of coffee produced in India is exported, with the European Union countries being the major destination (Kumar, 2022).

Coffee Sector in Kerala

In Kerala, there is about 68900 ha of area under cultivation, with at least 77,000 holdings, and more than 99 percent of them are classified as less than 10 hectares. The Coffee Board data shows that there are only 277 holding above 10 hectares. Almost the entire area under cultivation is that of the robusta variety. Most of these coffee farms are concentrated in the district of Wayanad with about 80 percent. Wayanad has a long history with coffee with the first plantation said to have been set up in 1820s. The current set-up of small coffee farms traces its roots to the migration of farmers from Central Travancore in the 1920s. This got a fillip with the policy of settling the veterans from the British Indian Army in the 1940s (Joy, 2004).

In Wayanad, there are about 31,500 average daily number of persons employed in coffee plantations (Coffee Board, 2023). The price of coffee from the region increased initially in the period of liberalisation but nosedived at the start of the 2000s. The price which was 130 per kilo of beans in 1997 fell to 23 per kilo by 2002-03. This also resulted in the coffee trade witnessing formation of monopolies. At the same time as a sharp fall in price for farmers, the prices of coffee for consumers were simultaneously increasing. In the ensuing period, there was sharp rise in the number of farmer suicides in Wayanad district (George & Krishnaprasad, 2006). According to data from the Coffee Board, production as per post-monsoon estimate of 2022- 23 in Wayanad is 61,950 MTs. The Coffee Board also estimates that the average daily number of persons employed in coffee plantations in Wayanad is at least 31,500, with an average daily wage of 409 rupees.

Joy (2004) finds that 90 percent of the holdings in Wayanad were of small farmers with less than 2 hectares of land. He highlights that the majority of farmers practised mixed farming, with a significant proportion, in fact having a different crop occupying the biggest area of their land. The volatility of coffee prices had significant influence on the economy, and the fall in prices had caused loss of income and employment.

Brahmagiri Development Society (BDS)

The BDS was set up as a special purpose vehicle by the Governemnt of Kerala to carry out the Brahmagiri Dairy Project. What began initially as a cooperative effort in dairy later branched out into meat and poultry processing, packaging and marketing. The Malabar Meat brand of the society has become quite popular.

Under the BDS, the Wayanad Coffee project was begun in a similarly cooperative manner with more than 2000 coffee farmers. The idea behind the project is to directly procure coffee by the society from the farmers without any intermediaries or middle men and to aid the value addition of the crop so that the farmers would be able to get an additional income. The raw coffee crop is made into beans in the pre-processing units/curing units and then roasted in the roasting units, blended with various flavour and finally packed under the Wayanad Coffee brand.

As the value addition steps are where the MNCs in coffee make their enormous profits, the Wayanad Coffee project envisions the transfer of a significant share of value in the form of increase in the incomes of coffee farmers. However, the realisation of these incomes requires the marketing and sale of the produce as well. With coffee largely being an export crop, again the influence of volatility of prices in the international market creeps in with the bargaining power of the cooperative society as well being negligible in this scenario.

Short Value Chains

This is where the idea of the short value chain becomes significant as this entails the marketing and sale of the coffee directly to the consumer through the cooperative society. At the same time these shorter chains have other positive externalities as well by reducing the length of transportation and hence reducing emissions overall in the sale of the product. Further, whatever share of value is involved in the final marketing and sale is also retained within the region or country.

The BDS has a network of more than 150 outlets in the state. Through these the Wayanad Coffee is being marketed and sold. Further the state supported Consumer Federation is also marketing the coffee as are the tourism centres. The BDS has also entered into agreements with consumers cooperatives to market and sell the coffee. This signifies the power of the cooperative ecosystem by linking the producer and the consumer.

Limits

However, the domestic market for coffee still remains minor and this is a huge limitation on the potential of the brand. The majority of the coffee still has to be exported and this has to be done at the behest of large exporters, hence reducing the value returned to the farmers. The Coffee Board historically carried out procurement and if that role were reinstated, this would be a significant boon to such cooperative efforts. The Coffee Board also plays a major role in the promotion of coffee culture, which is not done effectively by the much-subdued board under neoliberal policies.

Further, as the cooperative sector in the state of Kerala has itself come under major strain, particularly with regard to financial policies and credit, the BDS has been severely affected. Political activities have also hampered the potential of the cooperative through frequent policy changes. These, however are severely exacerbated by the neoliberal environment that the cooperative finds itself in. This raises the question of how effective such initiatives can be when the entire political economy is ranged against their very logic and goals.

However, if we look at the cooperative not from a purely economic lens of effectiveness but also as a tool of mobilisation, raising the political consciousness of the farmers and the public against the larger political-economic system then even a cooperative initiative that fails in its basic economic goals must be seen as at least a partial success. Its failure itself exposes the hostility of the system to cooperation which is one of the basic aspirations of humanity. Thomas Isaac distinguished between cooperatives which serve purely an economic aim and cooperatives which have a political aim through their association with a larger movement for political economic transformation (2019).

Conclusion

The case study has discussed the potential and the limitations of short-value chains in addressing the challenges faced by small coffee farmers. The cooperative model offers an alternative within the global value system by reducing the role of intermediaries, allowing farmers to retain a greater share of the value generated by their crop. Short value chains can reduce transportation distances, lower emissions, and enable farmers to reach consumers directly through local networks, such as the Brahmagiri Development Society's (BDS) outlets and partnerships with other cooperatives.There is a potential to benefit farmers financially as well as achieving other goals such as regional growth and sustainability through such an approach.

There are however significant limitations of short value chains which are also highlighted by this case study. The limited size of domestic consumption of coffee in India requires that a substantial portion of coffee must still be exported. This would have to be done through the large exporters who dominate international coffee trade. The dependence on export to sustain the viability of the initiatives exposes even these cooperatives to the same price volatility and market uncertainties that have historically impacted the global coffee sector. Further, the bargaining power of the cooperative remains weak compared to the various multinational corporations that control the stages of production and circulation such as roasting and branding which constitute the highest value addition stages.

Additionally, structural challenges impact these cooperative initiatives. The cooperative institutions in Kerala in general have been facing an attack with political interference and also the neoliberal policy environment hamstringing the ability of the state and local governments to help out the cooperatives financially when required. The erosion of the coffee board’s role in procurement and its diminished capacity to promote coffee culture in India has also hindered the ability of alternatives to expand their market and achieve sustainable growth.

In spite of setbacks, the Wayanad Coffee Cooperative's efforts to establish such an initiative should not be judged merely on an economic weighing scale. The cooperative also serves as a platform for political mobilisation. It is a tool to unite farmers and workers in the larger struggle against the neoliberal policies which are affecting their livelihoods. In this sense, the cooperative is achieving a dual role in both providing welfare and also acting as a platform for mobilisation.

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