Global Value Chains for sustainable development of primary producers of coffee in Mexico

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Aim

Analyze how the methodology of Global Value Chains can help primary coffee producers in making decisions about the best choices for production in terms of sustainable development.

Research took place in Oaxaca, Mexico.

Theoretical framework

- The analysis is carried out under the framework of Global Value Chains proposed by Gary Gereffi and Korzeniewicz (1994) in the nineties and its various developments to date (Gereffi , Spencer and Bair , 2002; Gereffi , Sturgeon and Humphrey , 2005 ; Gereffi and Lee, 2009; Bair , 2009; Ponte and Sturgeon, 2014; among others).
- It frames the study of productive chains from production to marketing, including not only the description of what is done in each link but the economic relationships between nodes.

Theoretical framework

- Input-output, which refers to products chained in a sequence of value-added services in each economic activity;
- spatiality, which is the level of concentration or dispersion of economic activities and includes economic geography of production and consumption;
- institutional framework, based on the institutional context in which it is framed;
- governance.

Governance

- Initially (1994) referred to the domain of the chain by the producer or the buyer; then was understood as coordination or linkage (2005) between the company and suppliers and; then it arose as normalization (2014), i.e. how the set of norms, rules and standards —understood as conventions— controls the chain.

Theoretical framework

- Importance and relevance of the theoretical framework

- Encompasses the complete chain
- Flexible
- Allows to introduce more variables, characteristics and dimensions
- Includes the study of the economic relations of power between each of the agents
- Lets make comparisons
- The latest studies are still in force (2014-2016)

Metodology in advanced

- Make a proposal that includes the three governance analysis and determines a set of parameters which are include within the dimensions.
- The proposal have to be dinamic and flexible.

Metodology

- Sources: Regional and sectoral studies
- Period: 1990s to the present
- Information:
  - Strategic variables of the sector
  - Geographic location
  - Type of economic relationship
  - Main characteristics of the sector
  - Kind of good

Metodology proposal

Governance typology

TYPOLOGY	DOMAIN	LINKAGE	CONVENTION	Indicadores						
				MARKET STRUCTURE	INTERMEDIARIES	COORDINATION LEVEL	ASYMMETRY	COMPLEXITY TRANSACTION LEVEL	HABILITY IN CODING TRANSACTIONS	CAPACITY OF RESPONSE OF THE SUPPLIERS
G1	Buyer	Market	Market	Traditional	Price	Low	Low	Low	High	High
G2	Buyer	Modular	Industrial	Several producers, one buyer	Key intermediary	Low	Low	High	High	High
G3A	Buyer	Relational	Domestic		Relational intermediary	Middle	Middle	High	Low	High
G3B	Producer	Relational				Middle	Middle	High	Low	High
G4A	Buyer	Captive	Domestic Industrial Opinion		Without intemediaries	High	High	High	High	Low
G4B	Producer	Captive				High	High	High	High	Low
G5A	Buyer	Hierarchical	Domestic Industrial Opinion	Monopoly, Oligopoly		High	Producer and buyer is the same agent			
G5B	Producer	Hierarchical				High				

Dimension	Category or variable	Indicators and variables for the coffee chain
Input - Output	Caracteristics of the export product	World coffee exports
		World coffee exports of green coffee, extracts of coffee and roasted coffee
	Income distribution along the chain	Final price in consumer countries
		Unit value of imports of green coffee
		Added value in the global chain of coffee in consuming countries
		Price obtained by the producer
		Costs of transport
		Storage costs
	Structure of the Global Chain	Participants in each link
		Producers and consumers countries in the world
Economic geography	Geoeconomic structure of production	Coffee production
		Socioeconomic characteristics of producers (place and high of the land, stratum of marginalization and human development index)
	Geography of export	Final export countries
		Destination of export
	Geoeconomic structure of conusmption	Final consumption
		Kind of consumers of final product
Institutional framework	Historical context	Changes in international institutions and agreements of coffee productions
	Quality	Variety of coffee
		Raiting qualities of coffee (gradations and defects of grain)
		Species, variety, growing area, land quality and farming practices

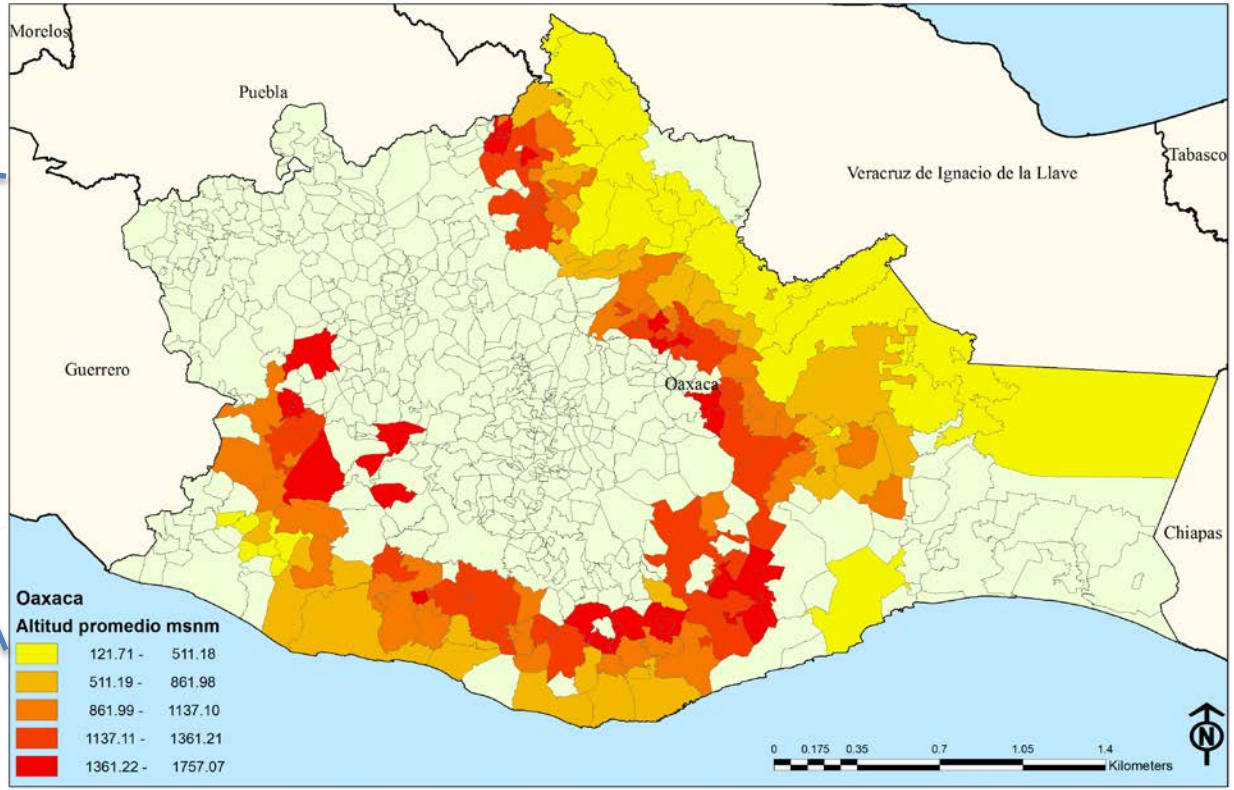
Governance	Structure: vertical or horizontal Capital: industrial or comercial Area of competence: research and development or design, advertising and brand Type of barriers to entry: economies of scale or scope Type of ownership of the company: transnational corporations or independent local businesses Main links in the network: investment-based or trade-based Coordination level (high or low) Asymmetry (high or low) Complexity in transactions Transaction coding Capacity of the suppliers Institutions that rules the chain Conventions Institutions and evaluation companies that grant stamps, permits or certifications of coffee Elements that determine the difference in price and product choice (quality, brand awareness and tradition, norms and standards evaluated by a third party, influence by collective, social or environmental well-being, creativity, innovation and uniqueness and / or judgments Specialists

Case studies

- Region: Oaxaca
- Case 1. Small and medium producers in the Pluma zone (San Mateo Piñas, San Pedro Pochutla, Santa María Huatulco and San Pedro Cafetitlán)
- Case 2. Medium producer with organic certification and friendly with birds
- Case 3. Small producers from Oaxaca CEPCO partners

Average altitud

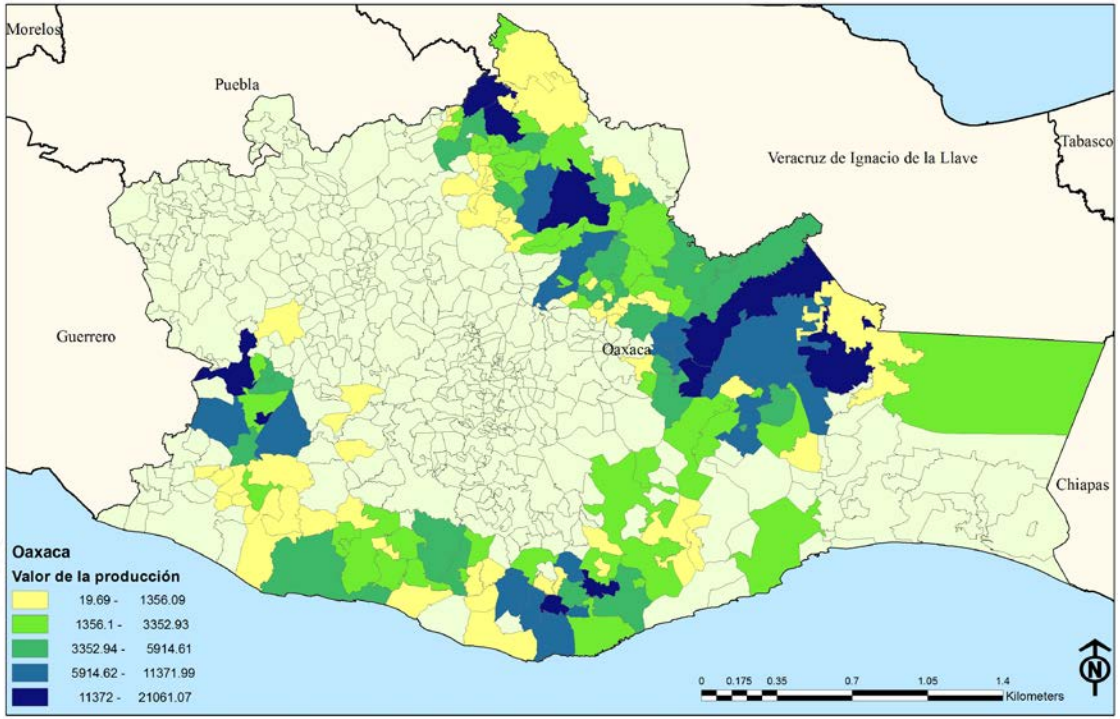
Production:
130 thousand tons
Municipalities:
151/570
Hectares: 141,643 -
1.2 average per
producer
Arabica coffee



Production value $

Value:
495 million pesos

From the final price of green coffee, the producers obtain 60%, but from this, they only get 30 cents of pesos of benefits, the other are production costs.



Main results

- Lack of basic services and housing
- Only 50% have some level of schooling
- Indigenous component – 1 of every three speaks some indigenous language. 70% of the small producers belong to indigenous communities
- Medium producers prefer no to export. Organized small producers (CEPCO) export to USA (Royal Coffee, Equal Exchange e Intelligentsia Coffee)
- Governance
  - Case 1. Middle producers Pluma – G3B
  - Case 2. Bioblas – G5B
  - Case 3. CEPCO – G4A

How this metodology helps!

- The producers in Oaxaca are middle or small, so they don´t have all the information of their product.
- With this parameters and analysis of their chain they can make decisions about what they can do to make their cuality of life better.
- They can be able to decide:
- What kind of coffee is better to produce in their zone, robusta or arabica, conventional or alternative.
- How to organize themselves to sell local or export.
- Where and how can they get financial sources.
- Compare prices and production costs.
- Extend or shorten the chain.
- Polyculture system.