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**The Golden Bean: Coffee, Cooperatives, and Small-Farmer
Decision Making in Costa Rica**

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August 1993

Thesis submitted to the Faculty of Graduate Studies and Research
in partial fulfilment of the requirements of the degree of
Doctor of Philosophy



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Deborah R. Sick

Thesis Short Title

Coffee Cooperatives and Small-Farmer Decision Making in Costa Rica

Abstract

Coffee production in Costa Rica has brought prosperity to many small farmers, but conflicts of interest with the companies which process and market coffee are still a problem. In addition, producers and processors are plagued by the periodic market cycles of agricultural commodities. Various agencies have promoted cooperatives to help small farmers deal with these problems, but they often fail due to poor management and lack of participation.

This thesis, a multi-layered study of coffee production, processing, and marketing, examines how household producers manage the constraints and opportunities posed by the international market, the Costa Rican state, and the coffee tree itself. A comparative analysis between cooperative and private coffee processors; between two rural communities; and among households in these communities provides the ethnographic context in which the effectiveness of cooperatives as mediating institutions between producers and the world market is analyzed.

Résumé

La production du café au Costa Rica explique la prospérité de nombreux petits agriculteurs, mais les conflits d'intérêt avec les sociétés qui torréfient et commercialisent le café constituent toujours un problème. En outre, producteurs et torréfacteurs sont victimes du caractère cyclique des produits agricoles. Divers organismes ont créé des coopératives pour aider les petits agriculteurs à surmonter ces problèmes, mais en vain souvent à cause d'une mauvaise gestion et d'un manque de participation.

Cette thèse qui est une étude à plusieurs niveaux de la production, de la torréfaction et de la commercialisation du café se penche sur la façon dont les petits producteurs parviennent à gérer les contraintes et les débouchés du marché mondial, du Costa Rica et du caféier même. Une analyse comparée des coopératives et des sociétés de torréfaction privées, de deux communautés rurales et des différents foyers de ces localités présente le contexte ethnographique à l'examen de l'efficacité des coopératives comme établissements de médiation entre les producteurs et le marché mondial.

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Chapter 1
INTRODUCTION: COFFEE, COOPERATIVES AND DEVELOPMENT

El grano de oro (the golden bean), as coffee is called in Costa Rica, has been the mainstay of the Costa Rican economy since the mid-19th century, shaping not just economic, but social and political development, as well.¹ Coffee has brought direct prosperity to many, from large processing and exporting companies to small farmers, and indirect benefits to others by providing the state with revenues for national social programs. But prosperous booms have been tempered by busts at the other extreme, which periodically plague primary commodity producers everywhere. Like many developing nations which have followed agro-export models of development, Costa Rica also has experienced the adverse affects of agricultural market cycles. Yet, in Central America, Costa Rica's experience with export coffee production has been unique.

Studies by social scientists of commercial coffee production in Latin America reflect a long-standing concern with its consequences for social and economic development, in particular its effects on small farmers (see e.g. Collins 1988; Hall 1985; Roseberry 1983; Seligson 1980; Winson 1984; Wolf 1956). As well as adding to this diverse literature on the impact of coffee production on development in Latin America, this thesis addresses the relationship between global economic processes and local development. Yet, this is not a world systems analysis such as those following in the tradition of Wallerstein (1979). Such analyses tend to portray the capitalist world system as an omnipotent force which controls and shapes all that it touches, overlooking the effects of specific local structures and history which have shaped contemporary societies (Ortner 1984: 143; see also C. Smith 1984), and rendering those on the periphery of the world system as passive recipients of the system's central forces. In this thesis, I focus not just on the effects of the global economy on local processes, but on

how household producers actively and creatively manage the constraints and opportunities posed by an ever-changing global environment. Thus, this research contributes not just to issues of rural economic development in Latin America, but to the scant anthropological literature on Costa Rican rural communities, as well.

My approach differs both from a world system approach and from most "traditional" ethnographies in its attempt to apply an interactive analysis to macro and micro issues of commercial coffee production and rural development. This interactive approach brings an important perspective to studies of commercial agricultural production and economic development. The formulation of appropriate development policies for small rural producers requires a thorough understanding of the relationships among the social, economic, and political environments surrounding coffee production at various levels.² The coffee industry in Costa Rica comprises a variety of actors, including, the state, the processors and exporters, and the producers. The slightest fluctuation in the international market affects each.

While my aim is to examine the interplay among a variety of forces affecting coffee production, my analysis focuses mainly on the producer-processor relationship. My reasons for emphasizing this relationship are twofold. First, for Costa Rican coffee producers the primary relationship in the coffee-producing hierarchy is with the processing factories, an historically tense relationship. Second, as elsewhere throughout Latin America, since the 1960s Costa Rica has actively promoted the formation of agricultural cooperatives as part of its agrarian reform and rural development programs. Joining a cooperative is one of the many strategies farmers have used to offset some of the problems of agricultural commodity production.

Like similar programs throughout the world, Costa Rica's promotion of cooperatives has, in part, been based on the assumption that through more equitable distribution of resources and the economies of scale that result from group action, cooperatives will "contribute to increased production and economic output . . . provide new opportunities for the poor and

contribute to social equity" (Attwood and Baviskar 1988: 8). Yet, despite its popularity among planners and administrators, the cooperative as an organizational form for economic development has yet to prove itself.

Coffee cooperatives in Costa Rica have provided smaller producers an alternative to the private, mostly multi-national firms which have controlled the processing and export of coffee. But despite the boom in coffee cooperatives since the 1960s, these organizations have had their share of problems, and many have failed due to poor management and lack of member participation. Research demonstrating the differential success of cooperatives (e.g. Attwood and Baviskar 1988; Baviskar and Attwood 1992; Esman and Uphoff 1984; Fals-Borda et. al. 1976; Worsley 1971) raises questions regarding their promotion in rural development schemes. Can cooperatives effectively help small rural producers and contribute to sustainable, equitable development by mediating some of the adverse affects of primary commodity production?

This thesis, then, is an "ethnography" of Costa Rican coffee production, processing, and marketing. Its multi-layered approach provides a broad context in which to analyze the reactions of both producers and processors to conditions set by the international market, the Costa Rican state, and the coffee tree itself. While much of the data come from anthropological research in two coffee-producing communities, this thesis is not a "traditional" community or regional ethnography. Rather its grassroots perspective on rural households, communities and the region of Perez Zeledon provides an ethnographic context in which the effectiveness of cooperatives as mediating institutions between producers and the world market can be analyzed.

The Agro-Export Model of Development

Throughout Central America, participation in the world market system via export agriculture has affected not only economic development, but social and political policies, as

well. The impact of agro-export policies, such as those that have promoted coffee (not to mention bananas, sugar, cotton, and beef) production throughout Central America, has long been debated. Agro-export policies are predicated on the notion of comparative advantage, each country producing those commodities which it is best suited to produce and trade with other nations. Historically, the production of agricultural exports indeed appeared to herald economic progress. For example, real income per capita in Brazil increased tremendously in the latter half of the nineteenth century during that country's coffee and rubber boom (Furtado 1965: 163-64, in Evans 1979: 57). Likewise, according to Bulmer-Thomas, from 1870-1920 Central America experienced steady economic progress, based on two export crops (coffee and bananas) which were suited climatically to this region and had found a place in the world market (1987: 1).

Neo-classical economists and institutions such as the World Bank and International Monetary Fund still see export agriculture as a positive approach to economic development in much of the developing world. Simply put, agro-exports are seen as a way in which developing nations can be integrated into the world market, maximizing their trading potential, and creating export earnings which can be used to invest in domestic economic development.

Studies, such as Paige's 1975 classic work on the relationship between agricultural export economies and social movements, have shown that the impacts of agricultural export production have been varied. The economist Brockett argues that in Central America, "the results of the agro-export development model have been much less than its promise" (1988: 4). Increasing landlessness and social differentiation, extreme inequalities in wealth, failing national economies, and the repressive regimes that are found in many parts of Central America often have been associated with agro-export development (see e.g. Cancian 1987; de Janvry 1981; de Janvry and Vandeman 1987; Gudeman 1978; Seligson 1980). An important school of thought argues that the lack of a rural middle class and the vast economic gap

between rich and poor throughout Latin America are evidence that export agriculture has benefited a land-accumulating elite. As a result, the rural poor majority have "suffered from diminishing land access, food supply, and employment opportunities" (Brockett 1988: 92; see also Bulmer-Thomas 1987; de Janvry 1981; Sheahan 1987).

In addition they argue that export-oriented agriculture creates dependent economies which are extremely vulnerable to adverse changes in international markets (see e.g., Booth and Walker 1989; de Janvry 1981; Evans 1979; Sheahan 1987). Export commodities are vulnerable to the vagaries of an erratic world market, and heavy reliance on one or two primary export commodities can be especially risky. Evans summarizes the nature of this type of "classic dependency" in his discussion of Brazil in the early part of this century. With an economy almost entirely dependent on coffee and rubber exports, Brazil was nearly devastated in the 1930s when coffee prices dropped by 60 percent. Foreign trade earnings dropped dramatically; but with no industrial base of its own and with less trade income, Brazil was unable to pay for necessary imports of industrialized products and even large amounts of food (1979: 55-60).

Brockett notes that this problem has been seen as particularly acute in Central America, where the dependence of

economies and governments on the export earnings of a few agricultural commodities left them tightly bound to, and therefore vulnerable to, an international economic system over which they had only the most minimal influence (1988: 36-37).

Costa Rica has not been immune to these problems of social and economic inequalities and mono-cultural production, but, as we shall see, with its strong agro-export economy and a thriving middle class of small farmers, it is somewhat of an exception in Central America.

Latin American nations began to address these issues of economic vulnerability and inequality in the 1950s and 1960s through the efforts of the Economic Commission on Latin America (ECLA), though with varying commitment and success. Export diversification and import substitution became primary goals, though agricultural exports today continue as

economic mainstays in countries desperate for foreign exchange. As we shall see in Chapter 2, various agrarian reform programs attempted to address problems of unequal access to resources, landlessness, and small farmer production and marketing problems, through land redistribution efforts and by actively promoting agricultural cooperatives.

The formation of peasant cooperatives does not address the issue of monocrop dependency created by agricultural export policies. Political agendas aside, the promotion of cooperatives has been instead an effort to help small producers compete with larger producers and survive within the existing system. The vagaries of monocultural export production remain, and small farmers, like national economies -- perhaps even more so -- continue to suffer from the risks associated with dependence on production of a single export crop. My concern here is whether cooperatives are useful for helping small producers mitigate the dual problems of competitiveness and lack of diversification associated with monocrop dependency.

Cooperatives

In theory, cooperatives are egalitarian structures in which "all are equally workers and managers, and so exploitation is absent" (Nash and Hopkins 1976: 8). While this ideal may underlie many cooperative organizations, in reality, the structure of cooperatives varies tremendously, as do the political agenda and rationale for their creation. As economic organizations -- whether intended as radical alternatives to private capitalist enterprise or simply to increase productivity and market participation -- governmental and non-governmental development organizations promote cooperatives because of their assumed ability to provide an institutional framework within which the goals of increased productivity and equity can be achieved.

The economies of scale created through cooperative organization theoretically enable small producers to compete with larger and more powerful producers (Carroll 1971; Eckstein

and Carroll 1976). Research shows that like private business, cooperative competitiveness comes from undercutting monopolies; eliminating costly middlemen through better coordination of activities; improving packing, grading, storage and shipping practices; reducing transportation costs; reducing production costs (e.g., by lowering the costs of farm inputs); and increasing productivity by providing technical assistance and better access to credit (Scott and Fletcher 1971: 216; see also Helm 1968: 33).

Development practitioners and cooperative idealists see the non-economic benefits of cooperatives as important reasons for their encouragement. Cooperatives often become important institutions for distributing social services and providing a means for social and political expression (Apthorpe 1971: 79). The cooperative ideology is "decentralizing, participatory, communitarian, [and] sometimes utopian and pacifist" (Worsley 1971: 11). Often, promoters consider the non-economic benefits of cooperative organization the most important.

The popularity of cooperatives for rural economic development is evident not only in their promotion and support in agrarian reform programs throughout Latin America, but in the growing number of cooperatives promoted by international aid organizations. In Latin America, governments, as part of land reform programs, as well as churches and private individuals and organizations, have sponsored the formation of cooperatives (Fals-Borda et al. 1976: 439-440). The active promotion of cooperatives throughout Latin America in the 1960s was, in large part, a result of U.S. President Kennedy's Alliance for Progress, which in effect was a response to concerns about political unrest that were sweeping the region following the Cuban revolution in 1959. At the time, it was believed that some form of agrarian reform and redistribution of resources to the poor via the formation of cooperatives would help to disperse tensions in the region.

Likewise, with an increasing emphasis in the past two decades on grassroots, participatory, community-level development (see e.g. Berger and Neuhaus 1984; Cernea 1988;

Chambers 1983; Esman and Uphoff 1984; Korten and Klauss 1984; Stull and Schensul 1987), many development programs focused their attention on cooperatives as intermediary organizations for development efforts. While the grass-roots approach does not dismiss the impact of global forces, it emphasizes the utilization and promotion of existing skills and resources at the local level. Cooperative ideology fits well with this bottom-up approach to development. Thus many development practitioners have widely promoted cooperatives not only for their presumed ability to provide small producers with economies of scale and more equitable access to resources, but for the participatory nature of their organizational structure.

As an alternative to purely capitalist or socialist economic organisation, some cooperatives, such as the Victoria cooperative in Costa Rica and the Cotia cooperative in Brazil, have improved conditions for small farmers by providing access to credit, technical assistance, and organizational skills, as well as to larger markets and thus better prices (Carroll 1971: 209). Attwood describes the success of the sugar cooperatives of Maharashtra in India in similar terms, i.e. as organizations which have enabled small farmers to produce commercial crops profitably (1992).

Cooperatives in general have a doubtful track record as effective development organizations. They have been accused of disproportionately benefitting large farmers and elites (e.g. Bennett 1983; Bhowmik 1988; Peterson 1982) and of being unable or unwilling to improve economic conditions for landless agricultural labourers and rural women, both often among the poorest of the rural poor (Baviskar 1988; Deere 1987; Esman and Uphoff 1984; Sharpe 1977). In addition, cooperatives frequently have failed by not meeting basic production goals.

Increasingly, in an effort to determine the circumstances under which cooperatives can work effectively, development practitioners and researchers alike are monitoring the successes and the more frequent failures of cooperatives, in both economic and non-economic terms (see e.g., Baviskar and Attwood 1992). Explanations for the differential success of these

organizations vary. Some have emphasized local obstacles to cooperative organization such as the relationship between pre-existing social organization and cooperative success (e.g., Alderson-Smith 1976; Almy 1988; Bandyopadhyay and Von Eschen 1988; Baviskar 1971). Others have examined the effects of internal factionalism, corruption, and mismanagement on successful cooperative organization (e.g. Dore 1971; Esman and Uphoff 1984; Levin 1988; Tendler et. al. 1988). Still others have studied the role of the cooperative ideology as a factor in successful cooperative organizations (Fals-Borda et al. 1976; Suarez 1953; Van den Berghe and Peters 1988).

Governmental agencies, development practitioners, and enthusiasts from the cooperative movement often promote cooperation for its own sake, to "encourage desired attitudes", without regard for economic efficiency (Joy 1971: 62). Yet, the Laguna ejido, a collective farm in Mexico, serves as an illustration of the point that economic planning and efficiency cannot be ignored. Despite the richness of the agricultural area, the ejido virtually collapsed. According to Eckstein, rather than plan economically viable farming units, administrators were more concerned with apparent equity in the distribution of land to assuage political and social pressures; the result was an unrealistic venture which failed economically and so did not survive to impart its social benefits either (1970: 280). Such examples have led Eckstein and others to conclude that if cooperative organizations are to improve economic conditions for the rural poor, sufficient attention needs to be given to effective economic organization (Ibid.; Apthorpe 1971; Scott and Fletcher 1969).

External conditions also greatly influence the ability of cooperatives to function as organizations to improve conditions for the rural poor. First, cooperatives do not exist in vacuums and may face intense and even hostile competition from private enterprises (see e.g. Hopkins 1988; Peterson 1982; Sharpe 1977), or opposition from the state if judged too politically active (Gagnon 1976; McClintock 1981). On the other hand, if state and

cooperative ideologies converge, then cooperatives may find a favourable environment in which to develop.

Second, if cooperatives are exogenously instigated organizations, the state or other agencies may control and constrain their activities. Research concerning the relationship between state control and success of cooperatives indicates that state-initiated cooperatives fail more frequently than grass-roots organized cooperatives (Baviskar and Attwood 1992; Esman and Uphoff 1984: 70; Hyden 1988). The high failure rate of state-controlled cooperatives suggests that in order to operate effectively, cooperatives need to remain under the ownership and control of members, rather than the state (Mathers 1969). That is, they need to be democratic and legitimate participation.

Many development specialists and social scientists question whether cooperatives are the best organizations available for rural economic development (see e.g. Joy 1971; Peterson 1982; Scott and Fletcher 1971). Two basic questions arise concerning the effectiveness of cooperatives in rural economic development. First, do cooperatives provide unique economic advantages not found in other types of organization? Second, can cooperatives improve economic and social conditions for the rural poor? (If so, how?) There are a variety of factors which influence the viability of any cooperative, but as Flanders observes of the creation of native Alaskan corporations: "if one is attempting to provide a means for people to improve themselves, appropriateness rests on the likelihood of the institution proving successful" (1989: 300). In other words, unless development organizations such as cooperatives can compete economically with private enterprises, then no matter how noble their goals, they will be unable to survive to help their members without government (or other) subsidies.

The Study: Aims and Methodology

The primary aim of this study is to examine the effectiveness of coffee-processing cooperatives in helping small-scale domestic producers to compete in the export market. This objective involves a three-pronged approach which explores the relationship between a particular crop (coffee), a specific kind of organization (a multi-purpose coffee-processing cooperative), and small-scale family production units.

First, I describe the nature of coffee, the international coffee market, and state policies that shape the environment in which both coffee-processing factories and coffee-producing farmers operate. Second, in order to evaluate the effectiveness of cooperatives operating within the coffee-processing sector, I examine how cooperative and private processing factories operate. How do these factories respond to the changes in the international coffee market and how do they relate to the needs of their client producers? Finally, in the principal part of this study I focus on the coffee producers themselves. To determine whether and how coffee cooperatives might effectively help small producers, I first consider the effects that participation in primary commodity production has on small farmers and their families. What are the constraints and opportunities under which coffee-producers operate and how do they respond to economic changes at the national and international levels? What perceptions do producers have of processors? What role do coffee-processing factories, both cooperative and private, play in household economic strategies? In order to answer these questions, I rely on the ethnographic data of the economic anthropologist.

Throughout this study I employ a comparative method of analysis: between cooperatives and private coffee processors; between two rural communities in the canton of Perez Zeledon; and among households in these communities. An understanding of global and national market forces is of great import in illuminating the opportunities and constraints under which rural producers must operate, but the primary focus of this study is on the effects of these forces on the well-being of coffee-producing households and the responses of small farmers to

changing economic conditions as seen in household economic strategies and in particular, participation in the local cooperative. This comparative analysis will illuminate the differences that exist among producer households, communities, and competing economic institutions in Costa Rica, and will contribute to a wider understanding of local development processes.

Households and Community Analysis

"The household" is not a naturally occurring, or unambiguous unit for analysis, as researchers who have attempted to study it in fieldwork are well aware. The problems of household definition and classification have been widely noted (see e.g. Collins 1986; O. Harris 1984; Wilk 1989). As Wilk points out

While in every society a householdlike group or thing can be found, in each place it performs unique mixes of activities and functions. Even in the same small community, each household can appear different: some may be cohesive, some very diffuse; some will be involved in production, others will not. There are, in fact, no universal functions (1991: 34-35.)

Though difficulties in comparing households may still arise, this does not mean the household cannot be used as a unit of analysis (Wilk 1989 and 1991).

Schmink says that household studies can provide a useful bridge between microeconomic approaches which focus on the behaviour of individuals and the broader historical-structural approach of political economy (1984: 87) and it is her basic definition of the household which I have used in defining my unit of analysis: "a coresident group of persons who share most aspects of consumption drawing on and allocating a common pool of resources (including labour) to ensure their material reproduction" (Ibid.: 89).

While this definition guided the way in which I classified households as units of analysis, I do not present "households" as isolated or uniform social units, harmoniously pooling their resources under the direction of an assumed male "head." Household membership and economic strategies are ever-fluctuating and resident members often have competing goals

(see e.g., Bossen 1984). Members of a household, commonly related by consanguineal and/or affinal ties, may work toward a common goal of maintaining the group and trying to improve their standard of living, but the political, social and economic relations among members of any household are complex. Sen notes that, "members of the household face two different types of problems simultaneously, one involving *cooperation* (adding to the total availabilities [resources]) and the other *conflict* (dividing the total availabilities among the members of the households) (1990: 129, emphasis in original). I try to convey a sense of the diversity that exists among and within coffee-producing households, but for comparative purposes, the household has been classified and analyzed as a unit throughout this study. My analysis of households focuses on their production strategies in terms of both the constraints and opportunities presented by social and economic forces from the external environment, as well as those presented by variations and changes in the internal environment of the households themselves.

As households are not isolated units, but part of larger communities, this study also focuses on the nature of the communities of which the sample households are a part, the relationships among households within a community, and how these factors affect household economic strategies and participation in the cooperative.³ After several tours of the region, I chose Palomas and Santa Cruz, in part because the two communities are of comparable size, infrastructure, and resources.⁴ In both communities, most of the land is dedicated to the commercial production of coffee and sugarcane. More important at the time, I chose Palomas and Santa Cruz because I had wanted to contrast households who sell their coffee to a cooperative with those who sell to private factories. (Perez Zeledon has one cooperative and four private coffee-processing factories.) Agricultural extension agents and cooperative officials had reported that Santa Cruz had a high proportion of cooperative members, while Palomas was known for having very few cooperative members. Thus, during the initial stages of field research, I had hopes that community-level factors would provide important

explanations for why some farming households sell coffee to the cooperative while others do not. The research revealed, however, that these community contrasts were exaggerated. Households in both communities presented a more complex pattern of production and marketing strategies.

Fieldwork in the Two Communities of Perez Zeledon⁵

During my stay in each community, I lived with local families. In Santa Cruz, I boarded with a family who lived about two kilometres from the village centre. In Palomas I rented a room from a single, elderly woman in the centre of the community. In order to observe work patterns throughout the entire agricultural season in both communities, I stayed alternately two or three weeks in each community. These living arrangements enabled me to observe close-up a variety of activities and inter-personal relationships in these communities. My "adopted" families were warm-hearted and extremely supportive. My incorporation into these local households as a temporary "family" member, not only provided me with companionship and moral support, but allowed me to gain a better understanding of household and family dynamics.

A principle aim of my research was to compare household economic strategies of small coffee farmers, focusing on the decision criteria they used in choosing to sell their crop to either cooperative or private coffee-processing factories. I collected data in three stages in each community. First, I conducted an initial census of all households in each community to determine the size and composition of each community and to identify the coffee-producing households.

As I began this first stage of my research, residents were curious as to my objectives. Initially, a few people suggested I might somehow be connected with the Costa Rican government and asked if my work would result in an increase in their taxes. I explained that I was a doctoral student from Canada and that my objectives were to learn about Costa Rican

coffee farmers and the problems they were experiencing in producing and marketing their crops. I also reassured them that my study was academic, that I was not connected with the Costa Rican government, and that their names would not be used (pseudonyms are used here). Most people had no qualms about providing me with general census data. I encountered only three refusals in the two communities. Though no doubt some suspicions remained, as I became better-known as "buena gente" (good people) within the communities, people were very cooperative and more forth-coming with personal information.

With this initial census data of all households, I was able to get a general picture of the communities and roughly classified the different types of households in each community according to how household labour is used, taking into account the occupation of each adult household member (age 12-65), male and female. In this way, I classified the household unit as a whole, for example, by distinguishing households in which all adults are engaged in agricultural activities on their own lands from those in which some members also are engaged in wage work off the farm.

I categorized coffee-producing households into three distinct groups: those with little land who farmed coffee, but who also sold their labour elsewhere (Group I); a middle-class of farming household which produced coffee using only household labour and who did not sell their labour on a regular basis (Group II); and a category of large producers which used permanent hired labour to help them produce their coffee (Group III). I chose to classify farming households according to the use of household labour rather than size of landholding, because a household's economic status is related not just to landholding, but to the size of the household, as well. I felt that this classification by use of labour (which also reflects size of landholding) would more accurately distinguish the different strata of farming households found in these communities. Social and economic differences in these communities are not great, but nonetheless are evident. I wanted to see if patronage of the cooperative was related in any way to these economic differences.

Next, using these categories of farming-household, I selected a disproportionate stratified random sample of coffee-producing households in each community. By stratifying my sample, I could ensure that the very few "large" producers that had already been identified in the initial community census would be included in my study. In a simple random sample, these few large farmers may have been left out. In addition, by selecting a stratified sample, the total sample size was slightly greater than had I used a simple random sample and I felt more confident that I would be getting a better representation of the community. As a result of this disproportionate stratification, these sample data are weighted for analysis.⁶

With this stratified sample of coffee-producing households in each community (38 in Palomas and 42 in Santa Cruz), I conducted two follow-up interviews. In the first, I requested detailed information on landholdings, agricultural production, processing-factories used, and reasons for their selection, and probed the general attitudes and responses of producers to changes in the Costa Rican economy. As I had already met these families during the initial census and had come to know some of them quite well, these interviews were more relaxed than the first, and were often characterized by friendly joking and lively banter and frequently accompanied by coffee (of course) and something to eat (tamales, cakes, and rice pudding were frequent treats). Rural Costa Ricans are so hospitable that more often than not I was sent home with a backpack full of fresh oranges, mangoes or other farm surplus. (Conducting research in these communities was a real pleasure!)

I conducted these interviews primarily with senior male members of the household. There was a wide range of reactions to my questions. With few exceptions, I had difficulty in obtaining detailed information concerning incomes, though most men did not hesitate to provide information concerning production, marketing strategies, and yields. Though about ten women (about one-quarter) in each community eagerly answered any question I posed, the majority of the women were hesitant to discuss coffee production aside from discussing whether or not they participated in the harvest. For particulars concerning production I was

told I must return to speak with their husbands. Usually these same women were present during the later interviews with their husbands, participating to various degrees in the discussion. Women were more enthusiastic in talking about their other income activities, particularly the few who were engaged in entrepreneurial activities in their homes.

A second follow-up interview was conducted between three and six months later, so that I could reconfirm data gathered during the first session and collect additional information on political activities, community involvement and non-agricultural income-producing activities. I interviewed both the senior men and women (separately) within the household concerning these latter topics. These interviews went very smoothly, though with busy lives, it was not always easy for these families to schedule time to talk to the "gringa" anthropologist.⁷

In all my data gathering, I sought both quantitative and qualitative data. Fine qualitative data are the trademark of the anthropologist and provide the crucial ethnographic context within which quantitative data need to be analyzed. Though I do no elaborate statistical analyses, I gathered quantitative data, as well, as this type of data enabled me to check and double check the assumptions and hypotheses that I formed daily from less "structured" types of data. Often, assumptions which I had formed on the basis of information obtained through interviews and casual conversations were shown to be erroneous when I actually sat down and looked at what the quantitative data were saying. As in previous research I have conducted, I found this "double check" to be invaluable. Thus, throughout this research, I have tried to strike a balance between these equally important types of data.

In addition to formal interviews which I conducted alone in Spanish, I also learned about household production activities, labour use, and social activities by attending bi-weekly community development meetings, monthly meetings of the cooperative's Women's Group, picking coffee, helping with cattle vaccinations, and through the all-important afternoon "gossip" sessions on neighbours' front porches. The eagerness of neighbours to befriend me and, in their turn to extract information from me, provided me with many opportunities to

learn from them, not just about their lives, but about their perceptions of me and my work, as well. I had little trouble communicating in Spanish and collected much of my data through these conversations. For additional background information, a local research assistant in each community helped me by gathering genealogical data on sample families.

Finally, to understand the operations of the coffee-processing factories and the working of the international coffee market, I interviewed factory managers and employees and gathered information from primary and secondary sources provided by the factories and by the Costa Rican Coffee Institute (ICAFFE). Coopeagri, the coffee-processing cooperative in Perez Zeledon, was particularly open and helpful, giving me full access to any data requested.

As an analysis of the macro- and micro- level responses of an economy shaped by agricultural export production, the thesis begins by examining the general nature of agricultural commodity production, providing an overview of the global and national environments in which Costa Rican coffee-producers have been operating. Chapter 2 discusses the specific historical development of commercial agricultural production in Costa Rica, and attempts to answer some of the questions concerning the role agro-export policies have played in shaping the character of Costa Rica and other Central American nations.

Chapter 3 continues with this macro perspective by providing an overview of the production requirements of coffee, the international coffee market, and the development of the Costa Rican coffee industry. In this chapter I examine how the structure of the international market molds the organization of production nationally and regionally.

Chapters 4 through 7 shift the focus from the international and national level to the local level. How are producers and processing plants responding to the constraints described in chapter 3? In order to understand how a cooperative might mediate some of the adverse affects of commercial agriculture, I have approached coffee production in Perez Zeledon from three perspectives: the region and community, the household, and the processing factories.

Chapter 4 sets the stage for the analysis of household data by providing a description of the regional setting of the canton of Perez Zeledon and an overview of the two communities of Palomas and Santa Cruz. Here I examine the nature of the regional economy and how it compares to the rest of Costa Rica. I show how coffee production plays a primary role in the economies of these communities, and how in such an economy, few other economic alternatives exist.

Chapter 5 moves to the household level and examines the general characteristics of sample coffee-producing households in each of the two communities. Here I conduct a micro-analysis of the coffee producers themselves and examine the precise role coffee plays in the domestic economy of these households. I then discuss the nature of coffee production in detail, the division of household labour, and some of the alternative economic activities undertaken by household members.

Chapter 6 provides an overview of the historic development of cooperative and private coffee-processing factories in the canton, as well as contemporary operations, clientele, and operating policies. In addition to presenting background information on how the factories operate, I show how competition among the canton's five processing factories has affected both the factories and the farmers. The chapter focuses most heavily on the canton's only cooperative, comparing and contrasting it with the private factories.

Chapter 7 continues to examine the producer-processor relationship, but from the perspective of the producer. In this chapter I analyze household economic strategies, marketing strategies in particular. I focus on producers' perceptions of both the private and cooperative coffee-processing factories and the factors which influence farmers' decisions regarding which processing factories to utilize. In short, what are farmers' strategies concerning how and where to market their coffee crop?

In Chapter 8, I summarize the results of this study and draw conclusions concerning the effectiveness of cooperatives in the development process. Here I emphasize that in order to

evaluate the potential contributions of cooperatives to rural development, it is essential to understand the international, national, and local contexts in which they operate. It is possible then to theorize as to the kinds of circumstances under which such organizations might provide rural households with solutions to the economic challenges they face.

Notes

1. In 1989 coffee was surpassed by bananas and tourism as the prime export earner.
2. An understanding of the biophysical environment is equally important, though it was beyond the scope of this study.
3. Like households, "community" is not easily definable. In rural Costa Rica, concentrations of populations interspersed with less densely populated areas and the bounds of community are often difficult to delineate. For the purposes of this study, I focused on those residents who shared a specific locale for daily activity. My primary criteria were the opinions of the residents themselves.
4. The names of the two communities and their residents have been changed in order to protect the anonymity of those people who cooperated with me in this study.
5. I conducted the principal part of this fieldwork from April 1990 to May 1991. This research was funded in part by a McGill Graduate Faculty Research Grant; Friends of McGill and Max Bell Fellowships from McGill University; a summer bursary from the Department of Anthropology at McGill; and a Laidlaw Fellowship for Cooperative Studies from the Canadian Association for the Study of Co-operatives.

Previous to this research, in 1987 I participated in a USAID training program for Costa Rican nationals at New Mexico State University and in 1988 I conducted a two-week evaluation of that program in Costa Rica.

6. The total of 78 sample households were categorized and weighted in the following manner:

A. PALOMAS (36 households)

<u>Household Category</u>	<u>Sample N</u>	<u>Weight</u>	<u>Weighted N</u>
Group I (small farmers who farm and sell labour)	21	1.7	35
Group II (medium farmers who work own farm only)	12	1.3	15
Group III (large farmers who hire permanent labour)	3	1.7	5

B. SANTA CRUZ (42 households)

<u>Household Category</u>	<u>Sample N</u>	<u>Weight</u>	<u>Weighted N</u>
Group I (small farmers who farm and sell labour)	21	1.4	30
Group II (medium farmers who work own farm only)	18	1.9	34
Group III (large farmers who hire permanent labour)	3	1.0	3

7. The term "gringa" is not used perjoratively in this area, but is simply a descriptive term. Attitudes toward North Americans are generally not hostile.

Chapter 2

COFFEE AND COSTA RICA IN THE CENTRAL AMERICAN CONTEXT

Costa Rica has long been considered unique among Central American nations, most notably for its democratic political system, the high standards of living of most of the population, and until recently a dynamic economy. A small republic of 51,100 km² with a population of just 2.7 million in 1989, social and economic indicators show Costa Ricans to be significantly better off than the rest of Central America (see Tables 2.1, 2.2, and 2.3). In this chapter, I first examine why Costa Rica should differ so dramatically from the rest of Central America. I then address how Costa Rica has specifically confronted issues relating to agricultural export production that are not unique to it alone.

Export agriculture in general, and coffee production in particular, have played a key role in the formation of the economic, political, and social institutions found throughout Central America. While "the impact of the coffee boom was substantial everywhere" (Brockett 1988: 21), the results have varied. The reasons this is so are many and complex. To begin, while the production and marketing characteristics of coffee as a cash crop allow for a wide range of organization in terms of labour and landholdings, they do not dictate that organization. In many coffee-producing regions, such as Guatemala, El Salvador and Brazil, historical circumstances led to the domination of production by plantation owners, who relied on a system of coercive debt-peonage and "vagrancy" laws for their labour. In other areas, such as Costa Rica, Puerto Rico and Honduras, the absence of a powerful class of large landowners coupled with the production and processing requirement of coffee allowed household producers of coffee to enter and compete in the export market.

Striking differences can be easily perceived between the history of coffee cultivation in Costa Rica--with its early origins and with the absence of any large-scale process of land concentration, and its effects on the organization of the labour market--and the Guatemalan and Salvadorean experiences (Cardoso 1977: 165).

Table 2.1

Basic Indicators for Central America

Country	Pop. (mil.) (1989)	Area (1000 km ²)	Life exp. (1989)	Infant Mortal. (per 1,000 live births)		Matern. Mort. (per 100,000 live births) 1980	% of Age Group Enrolled in Education (1988)					Devel. Human Dev. Index (1992)+
				1965	1989		Primary Tot.	F	Secondary Tot.	F	Tertiary (Total)	
Costa Rica	2.7	51	75	72	17	26	100	99	41	42	24	42
El Salvador	5.1	21	63	120	55	74	80	81	29	31	17	96
Honduras	5.0	112	65	128	66	82	*106	*108	*32	-	*9	101
Guatemala	8.9	109	63	112	55	105	*77	*70	*17	-	*9	100
Nicaragua	3.7	130	64	121	57	65	*99	*104	*43	*58	*8	97

Source: World Development Report (World Bank 1991)

* figures for years other than indicated

+ UN Human Development Report (1992): HDI combines national income with adult literacy, mean years of schooling, and life expectancy. Canada = 1; Japan = 2.

Table 2.2

Average Annual Growth Rate
(percent)

Country	GDP		Agriculture		Industry		Services	
	1965-80	1980-89	1965-80	1980-89	1965-80	1980-89	1965-80	1980-89
Costa Rica	6.3	2.8	4.2	2.8	8.7	2.7	6.0	2.8
El Salvador	4.3	0.6	3.6	-1.2	5.3	-0.6	4.3	2.8
Honduras	5.0	2.3	2.0	1.8	6.8	2.7	6.2	2.3
Guatemala	5.9	0.4	5.1	0.8	7.3	-0.6	5.7	0.6
Nicaragua	2.5	-1.6	3.8	-2.7	4.2	-2.4	1.1	-0.5

Source: World Development Report (World Bank 1991)

Table 2.3
Income and Social Investment in Central America

Country	Real GDP per capita (PPP\$) 1989	GNP per capita (US\$) 1989	Public exp. on education (as % GNP) 1989	Public exp. on health (as % GNP) 1987
Costa Rica	4,413	1,780	4.4	5.0
El Salvador	1,897	1,070	2.0	0.9
Guatemala	2,531	910	1.8	1.2
Honduras	1,504	900	4.9	3.3
Nicaragua	1,463	n/a	3.9	5.0

Source: United Nations Development Program (UNDP) Human Development Report (1992)

Export agriculture has had a profound impact on all of Central America, but to focus attention solely on the nature of commercial agriculture and capitalist development fails to recognize the specific historical relationships between the formation of agro-export economies and land/labour organizations that are unique to each region. There is no doubt that since the mid-1800s, the production of coffee as a major cash crop in Costa Rica has dramatically altered the lives of small farmers. Still, in order to fully understand the situation of contemporary Costa Rican coffee producers, the development of coffee production in Costa Rica should be analyzed within the larger regional context of the development of Central America.

Central America Under Spanish Colonial Rule

The arrival of the Spanish in the New World in the fifteenth century was a critical event which marked the beginning of a new era. According to McLeod, the early Spanish colonists were "entrepreneurially ambitious," perceiving the New World as an opportunity for the rapid accumulation of wealth (most of which eventually returned to Europe).

For the newly arriving Spanish colonists, the New World appeared to have an abundance of both land and labour available for their use. Under the *encomienda* system Spanish colonists were provided with lands which included the "right" to exact service and tribute from local inhabitants. In practice, labour was often severely exploited. Yet, Spain held tight political and economic control over its colonies and, by law at least, colonists were not entirely free to do what they would with land or Indian labour. "New Spain took its place in a planned economy in which its economic decisions were subject to revision and censorship by a superior authority thousands of miles away", an authority that objected for political reasons to slavery and the *encomienda* system as methods for controlling labour (Wolf 1959: 188).

Though the encomienda system was originally a Spanish institution, Spain felt the need to impose limits on the colonial class who had received land grants in the New World ¹. Political struggles between noble Spanish colonists and the crown soon developed. Still, until the system was officially banned around 1620, tributes to encomienda holders were allowed, forcing many Indians to the coastal cacao plantations to earn money they could not obtain in the highlands (MacLeod 1973: 142).

While early economic enterprises focused on easily obtainable resources, such as surface minerals and slaves, attention was later focused on the development of a successful export crop, soon found in cacao. In this drive for rapid profit, the Spanish had little concern for the environment and by the late 1500s shrinking forests, deep plowing, and large cattle and sheep populations were contributing to severe soil erosion, which in turn began to affect production outputs - particularly that of basic food crops.

In addition to widespread exploitation, populations in the New World were perhaps most severely affected by widespread epidemics, which from the 1570s - 1630s killed thousands of Indians and left the Spanish encomenderos without an adequate labour force to meet their entrepreneurial needs. By the late 1570s, Indian populations had been severely decimated, causing a demographic catastrophe which seems to have played a major role in the development of colonial social and economic institutions in Central America. For the Spanish colonists who had come to rely on the export of cacao for their wealth, labour was more important than the control or ownership of land (MacLeod 1973: 97). Though Seligson (1980) points to conflicting reports concerning the initial numbers of Indians both in Costa Rica and elsewhere in Central America, it is clear that by the end of the 16th century these populations had been severely diminished. This loss of population to disease, combined with the Church's effort to "congregate" dispersed native populations into concentrated settlements, allowed the Spanish to monopolize vast amounts of prime agricultural lands.

The rapid decline in a readily available labour force in most parts of Central America prompted the introduction of coercive methods of obtaining and retaining what indigenous labour was available. The *encomienda* system could not function without a captive labour supply. To replace the proscribed *encomienda*, a system of *repartimiento* was introduced in which each indigenous village was required to fill a labour quota for the completion of public works, though often this labour was also used for private enterprises. Hacienda work provided an alternative from *repartimiento* duties; choosing the lesser of two evils peasant farmers often chose to work for the haciendas (Brockett 1988: 16). Regardless of where peasant farmers fulfilled their labour requirements, this system of forced labour severely limited their ability to work on their own lands and thus to satisfy their subsistence needs.

Costa Rica's historical development differed from that of the rest of Central America. A region with little gold or other readily exploitable resources and a rugged terrain, Costa Rica had been largely bypassed by most Spanish colonists until the late 1560s. As one of the smallest, poorest, and geographically and culturally most isolated of the provinces of the Audiencia de Guatemala, Spanish colonists were not enthusiastic about settling there. Those that did settle in Costa Rica found they were frequently neglected by the crown² (Biesanz 1982; Blutstein 1970; Hall 1985; Seligson 1980).

Spanish settlement in Costa Rica had been sparse since early colonization. The extremely small indigenous and Spanish colonial populations meant that *all* colonists needed to remain and work on their farms themselves, rather than administer them from the cities as was common elsewhere. Despite attempts by the Church to concentrate populations into towns, it had neither the power nor the economic resources to do so (Seligson: 6-7). In addition, the lack of a significant agricultural surplus (the result of little labour and few resources) precluded the creation of trading centres. Thus, the social and geographic separation of the elites and masses that occurred elsewhere in Central America was minimized in Costa Rica (Seligson 1980).

Throughout the rest of Central America during the late sixteenth and early seventeenth centuries, cacao proved to be such a successful export commodity, that the Spanish were producing little else. According to McLeod, it was this reliance on cacao as a monocultural export crop that eventually led to economic depression. While the rest of the Audiencia de Guatemala was concentrating on the production of cacao, Costa Rica was busy supplying foodstuffs such as beef, suet, flour, tallow, and hides to the merchant population of Panama City (MacLeod 1973: 274-5).

By the mid-1600s, the Central American cacao industry, severely effected by the dramatic decline of the Indian population, crop disease, external competition, and poor transportation systems, collapsed (MacLeod 1973: 95). Absentee Spanish landlords who had previously resided in the cities, now fled to the countryside not for commercial enterprises, but to ride out the hard times (Ibid.: 301-2). In this changing economic environment from the 1580s - 1630s, the "self-contained small landowner or hacendado [became] a dominant feature of social and economic life," though little was being exported by these haciendas (Ibid.: 287). A rise in informal debt and peon relationships occurred as a means of ensuring steady labour to the new haciendas, a form of labour control which continued into the twentieth century. By "trading" land use, credit, and loans for labour, the hacienda was assured a workforce. It was not until the mid-1600s when cacao production was floundering elsewhere, that production began to flourish in Costa Rica. Tobacco, too, became an important Costa Rican export during the latter half of the seventeenth century.

The success of neither crop lasted long. The unhealthy climate of the lowland plantations and fierce invasions by both pirates and Indians contributed to the demise of cacao. Already troubled by a scarcity of labour, the production of tobacco faltered when Spain imposed new controls and heavy taxes in 1766 (Seligson 1980: 12). Through the 1700s it gradually became more profitable for Costa Ricans to engage in smuggling rather than in export production. The extreme poverty of colonial Costa Rica was most evident during the

17th century depression when coined money was so scarce that by 1709, cacao had become the official currency (Blutstein 1970: 16; Seligson 1980: 9).

During these difficult times, the separate regions within the Audiencia drew apart economically amid rising resentment against the central government in Santiago de Guatemala. Dyes such as cochineal (through the 1600s) and indigo (until the 1720s) became important exports in some regions, though these too, eventually fell to outside competition. Export production was not revived on a large scale until the 1830s.

Independence and the Development of Modern Export Economies

In 1821 the provinces of the Audiencia de Guatemala declared their independence from Spain, forming the Central American Federation. Though independence came to Central America with virtually no struggle with the mother country, there since has been continuous tension within the region between separatists and those wanting political unity (Weeks 1985: 9). Conflict plagued the first few years of the Federation as Nicaragua, Guatemala and Mexico tried to establish control over the region (Biesanz et al. 1982: 18; see also Woodward 1987). For the most part Guatemala, which had received a privileged monopoly on trade with Spain at independence, continued to dominate Central America until the 1890s. According to Weeks, before the coffee boom, problems with establishing a united federation stemmed in part from the lack of a cohesive and powerful elite to dominate and establish national interests (Weeks 1985: 10). One by one the republics began to withdraw from the Federation and by 1838 it existed in not much more than name.

Paths of economic development varied during the first few decades of post-colonial Central America. Drawing from the work of Carlos Araya Pochet, Sanders says that most of the republics turned economically inward. Costa Rica was the exception, engaging in the small-scale export of such goods as, tobacco, sugar, cacao, and timber (1986: 13). Seligson remarks that prior to the introduction of coffee as an export, no real means of extracting easy

profits from Costa Rica had been found (1980: 12). The difference seems to be that Costa Rica's exports during this period were not developed on a large scale. Further investigation may confirm that Costa Rica exported a diversity of goods before coffee was adopted as its chief export in the mid-1800s.

Costa Rica was the first in the region to establish a coffee export economy beginning in the 1840s. By the 1880s, coffee was established throughout Central America, though large-scale production did not reach Honduras until after World War II (Brockett 1988; Bulmer-Thomas 1987; Weeks 1985). According to Biesanz et al., Costa Rica was able to build its coffee export business because there were no rival products to claim time, energy, and investment, and because the sparse indigenous population in the Costa Rican highlands could make few competing claims on the land (1982: 19). Others agree that this early move towards a coffee-export economy has played a key role in Costa Rica's economic development.

The relative affluence of Costa Rica can be explained by its head start in developing the export sector. Not only did it establish coffee exports before the rest of Central America, it was also the first in the field of commercial banking, Atlantic railways and banana exports (Bulmer-Thomas 1987: 10).

Nevertheless, the extent to which Costa Rica's twentieth-century affluence can be attributed to its "head start" in developing an export sector has yet to be demonstrated. The rest of Central America had earlier been promoting export products, from cacao to cochineal, and Costa Rica's relative well-being could be argued to be a result of its early neglect by Spain and lack of a strong dependent relationship at the time of independence. Demographic factors may have been important as well. Low population densities, which meant a shortage of cheap labour, increased the value of labour and encouraged technological innovations, which in turn contributed to Costa Rica's early affluence. Indeed, in the mid-1800s, in response to this labour shortage, Costa Rica was one of the first to import and use coffee-processing equipment (Brockett 1988: 27; Seligson 1980: 19). Such processing technology gave Costa Rican coffee an edge in the world market.

Between 1870 and 1920, coffee and, increasingly, banana production provided Central America with steady economic growth (Bulmer-Thomas 1987: 1). The production of coffee in the more hospitable and healthy climate of the highlands was undertaken primarily with domestic investment, while the swampy, humid coasts, for the most part, attracted foreign capital (e.g. the United Fruit Company) for the production of bananas. Initially, labour for newly established banana plantations had to be imported, as well. In labour-scarce Costa Rica, for example, Costa Ricans preferred the profits and climate of highland coffee to wage work in the lowlands, and so banana growers imported Jamaicans to work the banana plantations.

While commercial coffee production has been the backbone of the Costa Rican economy since the 1840s, the organization of production there has differed notably from production in the rest of Central America. There are several factors which contributed to this difference. During the colonial period, the paucity of desirable natural resources, an environment which Europeans found inhospitable, and a relative scarcity of indigenous peoples for cheap labour did little to lure new colonists or stimulate the Spanish Crown to invest in the region. Costa Rica was left with virtually no colonial infrastructure and an extreme shortage of labour, which continued after independence into the late nineteenth century.³

Why did not Costa Rican coffee growers import labour to the highlands, as banana growers did in the lowlands? Although a scarcity of labour in the colonial era may have precluded the development of some labour-intensive systems of agricultural production, as we shall see in chapter 5, apart from the short harvest season, coffee (unlike bananas) requires little labour throughout most of the year. It is likely that for highland coffee production, imported labour was not practical, for an imported labour force would need to be supported during the long season when coffee labour demands are low.⁴

Low population density and the chronic shortage of labour during the colonial and early republican periods appear to be major reasons why land concentration did not occur in Costa Rica to the extent that it did elsewhere in Central America. Colonial elites (such as they were) and commoners alike were forced to work their own lands. Compared with the rest of Central America, larger landowners in Costa Rica treated agricultural labourers well in order to ensure that they would remain in the vicinity and provide labour, rather than move to the frontier and claim their own land (Stone 1983: 462). Many small farmers worked on these larger estates for additional income, but until the 1930s, land was available elsewhere and the monetary incentives of coffee production made relocation to the frontiers an attractive alternative to agricultural wage-work of the Meseta (Gudmunson 1983: 431; see also Samper 1990).

According to Samper,

peasant-farmer access to land and successful involvement in commercial agriculture was one of the factors which made wage labour continue to be a scarce commodity through the early stages of agro-export growth, and thus restricted the establishment of very large coffee plantations during that period in Costa Rica (1990: 3)

Yet, as he points out, "coffee production by domestic units was not only a goal for peasant-farmers themselves, but also [was] fostered actively by the ruling elite of merchant-planters" (Ibid.), who "sold or gave land to attract settlers and potential labourers, made loans to the colonists and bought their harvest effectively stimulating commodity production on domestic units" (Samper 1990: 245). Unable to totally restrict access to land and forcibly recruit labour to work on large estates, large estate owners encouraged peasant-farmer settlement.

Small farmers provided labour for the estates, at least seasonally, but as we shall see in chapter 3, although these mercantile elites generally possessed the larger agricultural properties, their role in production was relatively insignificant (Perez Brignoli 1989: 39). Rather than seek to control land, the newly rising coffee entrepreneurs found it more profitable to leave land in the hands of small and medium producers and control, instead,

processing, export, and credit (Biesanz et al. 1982: 49; Cardoso 1977: 177, 196; Perez Brignoli 1989; Samper 1990; Winson 1989). Thus, as Samper suggests, "the owners of capital contributed to the rise of a strong sector of commercial peasant farming while pursuing their own economic objectives" (1990: 3).⁵

In addition, this labour scarcity led to relatively higher wages for Costa Rican coffee workers. Seligson argues that high agricultural wages were one cause for the concentration of land and the "massive proletarianization of the Costa Rican peasantry" (1980: 21-23), implying that small landowners gave up farming entirely for rural wage work. Brockett (1988) and Weeks (1985) credit high wages as an important factor which helped to foster a strong rural middle-class by allowing agricultural labourers (most of whom also owned some land) to reap more of the benefits of commercial coffee production. There is little evidence to support Seligson's argument and I am inclined to agree with the latter position, that higher wages contributed significantly to the formation of a strong middle class. According to Perez Brignoli, "a correlation seems obvious between the low population densities of Costa Rica, the predominance of relatively small farms, and the extended use of family labour; in brief, the existence of what we might call a 'rural middle class'" (1989: 38).

Elsewhere in Central America, the success of coffee as an export crop had different consequences. For example in Guatemala, the steep, mountainous highlands that previously had been deemed undesirable and left to Indian communities were now recognized as prime coffee-cultivating land. According to Cambranes, as early as the late 1850s Spanish-Americans and European immigrants were invading communal lands and illegally planting coffee, which often led to violent retaliation on the part of the Indian communities (1985: 72). The few Spanish Crown safeguards that had prevented direct access to Indian land and labour during colonial rule were rescinded by liberal reforms. As the success of coffee exports brought the lure of profits, those in power in the new republics now had the political freedom to devise their own ways of gaining access to land and labour (M. Harris

1964: 22). The density of native populations and their effective lack of political rights enabled the powerful to easily enact their reforms. "Consequently, in areas coveted for coffee growing, Indians often lost their communal lands as land titling reforms were instituted to foster coffee growing" and systems of debt peonage created to ensure a coffee labour force (Brockett 1990: 23).

The situation was the same elsewhere in Central America as the value of coffee rose. As exporters strove to gain control of more land, they designed widespread liberal reforms to retitle land and promote the concept of private property. During the last three decades of the nineteenth century, Guatemala, El Salvador, and Nicaragua passed laws in which communal holdings, including indigenous and Church properties, were ordered converted to private holdings.

While in theory indigenous communities had the right to petition for titles to their lands, in practice they were disadvantaged by language and culture in their legal and economic endeavours and they rapidly lost most of their lands to non-Indians. For example, according to Brockett an 1878 decree in El Salvador stated that "access to common lands was no longer a right and that private title to such lands could be received upon cultivation of specified (export) crops"; yet indigenous and peasant communities were constrained by the capital requirements of coffee and often were unable to retain their lands (1988: 25). In 1881-82 communal lands were abolished altogether in El Salvador and though some small and medium farms survived, most land was consolidated into the hands of a small oligarchy which came to be known as the "fourteen families" (Ibid.).

Costa Rica also differed from the rest of Central America in its failure to apply strict "vagrancy laws". These laws forced peasants to perform a determined number of days of wage labour per year to prove they were not unemployed. The fact that Costa Rica did not enforce such laws is of interest, for as coffee production increased, so did Costa Rica's labour needs. Though vagrancy laws were enacted, they were not enforced with repressive measures.

According to Seligson this phenomenon that "can be best explained by the ethnic homogeneity of the population" (1980: 156). He argues that elsewhere, as in Guatemala and Mexico, elites could more easily "justify" the application of such laws to the large indigenous populations by claiming indigenous "laziness and deceit;" in the predominantly "white" population of Costa Rica, the oppressive and selective application of such laws in a more homogeneous population may have been harder to justify. It is likely that the enforcement of such laws in Costa Rica was less practical, as they might also have frightened away potential settlers.

Despite the fact that Costa Rica has been distinguished from the rest of Central America as having developed "a kind of agrarian democracy" (Leon 1948: 444) of small and medium farmers, the country has experienced social unrest, the growth of a commercial elite, and the economic vulnerability associated with the monocultural production of agricultural exports. Seligson cites the introduction of coffee as the point when land concentration began in Costa Rica and argues that, on the Meseta Central in particular, the coffee boom precipitated social inequalities and landlessness and led to the decline of the small farmer (Seligson 1980).

In contrast, Hall (1985) and Cardoso (1977), argue that though some small farmers lost their lands to large landowners through debt, the majority of coffee producers were still small and medium farmers. And indeed, there is much evidence to show that as coffee production flourished, so did small producers. According to data published by the Instituto de Defensa del Cafe', circa 1935 55.74 percent of coffee farms had less than 1,000 trees (less than .69 has.)⁶; 19.85 percent had between 1,001 and 2,000 trees (between .69 and 2.00 has); and just 0.28 percent had more than 150,000 trees (over 100 has.) (in Winson 1989: 13).

Nevertheless, while land concentration may not have occurred in Costa Rica to the extent that it did elsewhere in Central America, "land tenure was far from egalitarian even if there was a much larger middling coffee-farmer population than in several other, but not all, Latin American cases" (Samper 1990: 175). The persistence of small coffee producers did

not preclude the emergence of a dominant elite. Still, the coffee elite in Costa Rica differed from the elite elsewhere in Central America. Rather than focusing on owning and managing land as did the *latifundista* plantation elite elsewhere in Central America, Costa Rican elites concentrated their efforts on the commercial aspects of coffee processing and marketing. Still, this commercial coffee bourgeoisie continued to stake claims on uncultivated lands that were opening up in the various frontier regions of Costa Rica. Their interest was more in land speculation than land management, but it nonetheless sparked social unrest. As early as the 1920s, landless farmers from the Meseta were squatting on uncultivated farmlands claimed by members of the Costa Rican elite, both in the Meseta and in the frontier regions (Samper: 236). (This social unrest as it related to coffee production in Costa Rica will be discussed further in chapter 3.) By 1942 the problem was such that the Ley de Ocupantes en Precario was passed to aid landholders on the Meseta whose land had been squatted.

Export Agriculture After World War II

Following World War II, agricultural development in Central America was increasingly oriented toward large-scale export agriculture (Weeks 1985: 108). While the nations of the region experienced some increase in GNP and improvements in infrastructure, they built their economies on one or two agricultural exports (coffee was a primary commodity throughout the region). The monocultural nature of production left Central American economies extremely vulnerable to uncontrollable fluctuations in international market prices. To reduce the risks of monocultural production, during the last four decades, Costa Rica (as did other Central American nations) began to encourage diversification of agricultural exports -- increasing production of alternative commodities, such as beef, cotton, and sugar (Bulmer-Thomas 1988: 275). Efforts also were made to stabilize prices with the Latin

American Coffee Agreement in 1958 and the International Coffee Agreements of 1959 and 1963 (see Chapter 3), and the Costa Rican government implemented certain structural changes through agrarian reforms programs, which frequently included the formation of cooperatives.

The Central American Common Market

Another problem perceived to stem from agro-export development policies was a dependence on imported manufactured goods. During the 1950s, the combination of falling export prices and rising import costs created an unfavourable balance of payments for most Central American governments. The Economic Commission of Latin America (ECLA) promoted import-substituting industrialization and urged unification of the region in order to overcome the problem of limited national markets, and in 1960 the Central American Common Market (CACM) was formed. (Costa Rica joined in 1963.) While regional gross domestic product (GDP) growth rates rose steadily for two decades (see Table 2.2), by the early 1980s, the region was experiencing a severe decline (Irvin 1988: 8).

According to Irvin (*Ibid.*), there are three basic explanations for the failure of the CACM. The neoclassical position blames national customs-union protectionism and an inefficient state bureaucracy for stifling growth, while the Marxist position argues that it was "the perverse nature of peripheral capitalism" that was to blame for the crisis (*Ibid.*: 9). The basic ECLA position argues that import-substitution policies were implemented without adequate structural changes. Several factors left the region "highly vulnerable to exogenous shocks": national governments continued to favour export agriculture, but neglected domestic food production, while extreme inequalities in income distribution limited the demand for CACM manufactured goods (*Ibid.*: 11). External shocks came in the form of deteriorating prices for agricultural exports and sharp increases in oil prices during the late 1970s. Overall, the

combination of these factors with continued rising costs of imported capital-goods needed for manufacturing, resulted in unfavourable balances of trade throughout the region.

Agrarian Reforms

Despite attempts to strengthen local economies through diversification and import-substitution policies, export agriculture has remained the mainstay of Central American production and with it the chronic problem of land. Yet, throughout most of Central America, by the mid-twentieth century, labour scarcity was no longer a central problem for producers; instead, excess labour, due to rapid population growth, had forced wages down and the new land-poor and landless farm workers found the wages they received for agricultural labour were insufficient to support their families (Barry 1987: 107).

In addition to inadequate landholdings, fluctuating market conditions, oppressive political policies, and deteriorating natural environments forced many to adopt new and diverse strategies in order to survive. Growing peasant unrest, land invasions, and even rebellion attest to the fact that landlessness in Central America was a growing problem. According to Brockett, there is a "direct relationship between the widespread violence in recent years in rural Central America and the intensified competition for land between peasants and large growers, a result of the spread of commercial agriculture" (1988: 72). North (1981) supports this view, arguing that El Salvador's violent rebellions and subsequent violent suppressions can be directly attributed to an oppressive coffee oligarch, accustomed to cheap, subordinate labour.

The figures in Table 2.4 show the extent of inequalities in land distribution by country in Central America for 1970. According to these figures, while Costa Rica had slightly below the Central American average for landless and *minifundia* (less than four hectares, i.e., farms too small to support a family), inequality in distribution appears considerable. Still, as with the earlier debate concerning the impacts of coffee production on land distribution, the post-war data concerning land distribution in Costa Rica are confusing and interpretations vary.

Table 2.4
Distribution of Rural Families
and Agricultural Land, 1970

Country	With <4 ha.		With >350 ha.		% Landless
	% of pop.	% of ag. land	% of pop.	% of ag. land	
Costa Rica	45.3	1.8	0.7	41.3	26.3
El Salvador	60.5	13.6	0.2	30.9	26.1
Guatemala	57.3	12.3	0.4	42.4	26.6
Honduras	34.4	6.3	0.3	27.5	31.4
Nicaragua	25.7	<1.0	0.1	41.2	33.8
Total:	49.4	6.6	0.4	38.0	28.1

Source: Weeks 1985: 112

For example, according to Barry, 65 percent of farms in 1973 could be classified as *minifundia* (1987: 9), while Weeks gives a 1970 figure of 45.3 percent of farms under 4 hectares (1985: 112). Calculations from agricultural census figures reported by Seligson (1980: 147), show that farms under 4 hectares comprised 32 percent of total farms in 1973.

While such figures suggest a significant proportion of farms in Costa Rica are unable to support a family from farming alone, they are misleading to an extent as they do not account for regional variation, nor type of household; they also are not directly linked to any one type of production system, (i.e., coffee or cattle). Winson, for the same period, shows a decrease in "capitalist" coffee farms (classified as over 20 hectares) in both number and area. He goes on to argue, though, that because small, semi-proletarian farms had less access to production inputs than the larger producers, a "polarisation in class terms among the country's coffee producers" occurred (Winson 1989: 121).

While problems pertaining to the distribution of land, in particular those related to commercial agriculture, need to be acknowledged, Rivas suggests that it would be

misleading to interpret such structural factors as mechanically determined by post-war capitalist expansion and the production system to which it has given rise; politics is at once a reflection of, and a conditioning factor in, this process (1985: 38).

Regardless of the exact extent of land concentration occurring during this period, as land became more of a problem, from concentration or population growth or both, like the rest of Central America, Costa Rica, saw an increase in rural unrest in the form of land invasions and squatting. The incentives for and means of achieving agrarian reform in Central America have varied. Social scientists like Weeks suggest that agrarian reform is key to the alleviation of poverty and the improvement of the "quality of peasant life in Central America" (1985: 125. See also Barry 1987; Brockett 1988). National governments more likely saw land redistribution as a means of quieting the unrest that was perceived to stem from increasing landlessness.

There are three basic types of post-reform organizational models: 1) individual, owner-operated family units, 2) centrally managed state enterprises, and 3) cooperative or collective farms (see Eckstein and Carroll 1976: 2). Some reforms have been ushered in by widespread rural rebellion (as in Nicaragua), while others have been promoted for economic and political reasons by local elites (Barry 1987: 106-7; Flores 1970). Table 2.5 summarizes the types of reforms undertaken in Central America since WWII. Cooperatives have been a basic part of agrarian reform everywhere but Guatemala. They have played an important role in Costa Rican reforms, and continue to play a large and active role in the country's development. The role of cooperatives in the Costa Rican coffee industry will be discussed at greater length in Chapter 3.

Guatemala was the first to consider ambitious agrarian reforms in 1944 and by 1952 had redistributed about 20 percent of its arable land, much of which had been appropriated from the U.S. owned United Fruit Company (Brockett 1988: 89). (Other lands had been expropriated from domestic latifundia and German holdings during the war.) In 1954 the U.S., supporting United Fruit Company interests and crying "communism", sponsored an overthrow of the Guatemalan government; counter-reforms were implemented which returned much of the land to its former owners.

Following the Cuban Revolution in 1959, membership in agrarian leagues, strong demands for access to land, and peasant unrest increased throughout Latin America, stimulating action toward agrarian reform. As export-agriculture spread, domestic food production dropped, forcing many Central American countries to import basic foods (see Barry 1987; Brockett 1988; Bulmer-Thomas 1987; Weeks 1985). Concern for basic food production rose, and rightly so, prompting a series of reforms which purportedly were to ensure adequate domestic food supplies. Despite the rhetoric, these reforms were "centred not so much on the issue of food production as on the containment of peasant political pressures (de Janvry 1981: 199. See also Barry 1987: 108). This same concern for political

Table 2.5
Central American Agrarian Reform Programs

Country	+Redistributed Crop Land/rural person (ha.)	+Beneficiaries (% rural pop.)	+Total Land Distributed (x 1000 ha.)	+Farmland Distributed (percent)	++Organization of Production
Costa Rica (1962-84)	.37	1.1	258	13	IH,PC*
El Salvador (1980-84)	.34	3.3	320	24	IH,PC*
Guatemala (1952-54)	.44	4.6	729	27	---
Honduras (1962-84)	.94	2.2	294	6	IH,PC
Nicaragua (1970-84)	1.15	7.9	1561	32	S, IH, PC

Sources: + from Brockett 1988: 196
 ++ from Deere 1987: 23
 * International labour Review 1962: 390

KEY
 IH = Indiv. holdings
 PC = Production coops
 S = State productions

stability structured Kennedy's Alliance for Progress program, which was endorsed and put into action in 1961 by the Organization of American States under the Punta del Este charter (Barry 1987: 108). The program called for land reforms which would give land-poor rural cultivators greater access to land.

Most reforms undertaken during the 1960s and 1970s were of a very limited nature, focusing on the colonization of "virgin" lands; adjudication of land disputes; the legal titling of land holdings; and some redistribution of expropriated/owner-compensated property. De Janvry, among others, argues that the reforms of the late 1960s and 1970s were largely inadequate in solving land distribution problems.⁷ Rather than deal with the social and economic problems of the landless poor, agrarian reforms were used to promote "agricultural production in the commercial sector through the spread of Green Revolution technology, while relying on functional dualism with the peasant sector to obtain cheap labour" (de Janvry 1981: 200). The first agrarian reform law in Costa Rica which was aimed at addressing the problems of the landless was passed in 1961 as a response to increases in squatting and land invasions (Seligson 1980: 32, 126). But like reforms implemented during the same time in Honduras, reform action was directed at colonization and land titling rather than actual land redistribution and inadequately met the basic needs of many rural cultivators (Weeks 1985: 124).

Summary

Costa Rica, like the rest of Central American nations, has confronted a number of problems related to agro-export development, in particular economic and social inequalities and the risks of monocultural production. But, while evidence from Central America countries such as Guatemala and El Salvador suggests that reliance on agro-export development can lead to gross economic and social inequalities and repressive political

regimes, Costa Rican patterns of land ownership and labour supply have defined a distinctive, more democratic and less polarized society. In Costa Rica early coffee production developed in a situation of relatively equitable land distribution and labour scarcity which has been associated with a more equitable social and economic structure.

Sheahan, in his discussion of growth led by primary exports in Latin America, also concludes that the impacts of primary commodity production depend more on the existing concentration of land ownership and labour supply, than the inherent nature of agro-export production

In Colombia and Costa Rica, as contrasted to Brazil and El Salvador, the coffee exports important to all of them were produced mainly by small farmers: the same export crop helped to lessen inequality in the first two countries and probably to increase it in the latter two. Costa Rica's combination of available land and scarce labour, with no significant Indian population to exploit made it one of the least unequal of all the Latin American countries (1987: 80-81; see also Brockett 1988: 93).

Thus, what appears to be more critical than the agro-export development model, is the existing demographic and social structure to which it is introduced.

Nevertheless, while Costa Rica has fared relatively well by Central American standards, Brockett notes that "substantial increases in both population and the share of land devoted to cattle raising have created serious land pressures, while the world economic crisis of the early 1980s crippled the economy, eroded financial security, and aggravated social tensions" (1988: 94). Since the beginning of the 1980s, Costa Rica has been facing a severe debt crisis. In 1984 the country had the dubious honour of having one of the highest debt ratios in the world, with an external debt of \$3.826 billion, representing 111 percent of the gross domestic product (Sanders 1986: 15; see also Hall 1985). Though the situation has improved somewhat, the crisis is not over (see e.g., Castillo 1988; Rodriguez 1988). Costa Rica also faces, as does the rest of Central America, increasing population and land pressures, and subsequent deforestation and environmental degradation. Between 1970 and 1980, Costa Rica saw a 29 percent decrease in forest and woodland areas, the largest decrease in Central

America (Leonard 1987: 119.) Moreover, while Costa Rica fares better than most of Central America in terms of real GDP per capita and GNP per capita (see Table 2.3), Leonard maintains that 40 percent of the rural population still live in poverty (Ibid.: 76).

Coffee in Costa Rica is slowly losing ground to bananas, tourism, and "non-traditional" export crops, but it remains a dominant force in the economy and the mainstay of agricultural household production. And while conditions in Costa Rica may have been more favourable to small producers than elsewhere in Central America, Costa Rican producers must nevertheless continue to contend with the volatile external forces of the international coffee market. This issue is the subject of Chapter 3.

Notes

1. The Church, too, wished to ensure its access to sufficient labor and so supported controls on *encomienda* holders.
2. According to Hall, the economic development of Costa Rica was hampered by a negligent administrative system that was based so far away in Guatemala that communication often took months or even years; several times, Costa Rican colonists petitioned the authorities to transfer them to the *audiencia* of Panama, where there was a close market for their produce (1985: 54).
3. Though reliable 19th-century population density figures are not available, figures from 1960-70 show Costa Rica to have a much lower population density than most of the rest of Central America. Weeks calculates populations densities per km² as follows: Costa Rica 53; El Salvador 246; Honduras 41; Guatemala 79; and Nicaragua 28 (Weeks 1985: 41). He cautions that these figures may be somewhat misleading as they do not account for uneven internal distribution due to environmental conditions. Nicaragua is most affected and has an actual density of closer to 50/km² in the Pacific region (Ibid.). Assuming similar population growth rates throughout Central America, we can extrapolate into the past to get a rough idea of the relative population pressures in Central America that may have affected resource competition during the early years of commercial coffee production.
4. Once banana production was firmly established in the Atlantic zone, high wages and steady, year-round work kept the Jamaican immigrants from migrating to the highlands.
5. In addition, despite growing political and economic power (see chapter 3), those elites who did continue in coffee production in Costa Rica ran their farms and processing plants themselves, thus maintaining direct contact with their laborers, and according to Stone, this contact made them more adaptable to political and social change (cited in Biesanz et. al. 1982: 49-50).
6. 1,000 coffee trees is average for one *manzana*, or 0.69 has. of land.
7. Deere examines the role of political agendas in agrarian reform projects in El Salvador and Nicaragua and concludes that the Salvadorean reform, aimed at pacification of the peasantry, was a less successful redistributive measure than the Nicaraguan reform, which aimed for true structural reforms by integrating rural workers and peasants into the transitional process (1982). In a later work, she discusses the gender inequality of most agrarian reforms (Deere 1987; see also Madden 1985). Many women are principle agricultural producers. Without access to reform benefits, these women are consistently put at a disadvantage.

Chapter 3 COFFEE: EL GRANO DE ORO

In Chapter 2 we learned that while agricultural export development, in particular the commercial production of coffee, can be linked with increased landlessness, repressive labour laws, exploitation of the peasantry, and unstable national economies in parts of Central America, the degree to which these effects are evident varies. For all its emphasis on the production of coffee for export, Costa Rica's experience with export agriculture has been significantly different from the rest of Central America and the country continues to boast a large agricultural middle class. Still, a number of very real challenges face Costa Rica's coffee producers. Firmly tied to a global market, producers are confronted with constraints which usually are beyond their immediate control.

In this chapter, I hope to illuminate the nature of the problems facing Costa Rican coffee farmers by providing an overview of the production requirements of coffee and the structure of the coffee industry. The discussion covers three significant aspects of commercial coffee production: 1) the basic production and processing requirements of coffee as they affect the market value of the crop, 2) the organization of production and processing in the context of Costa Rica's national economy, and 3) the organization of the international market.

Coffee: Cultivation and Marketing

A member of the *Rubiaceae* family, coffee is generally believed to have originated in Ethiopia. First recorded as being used as a beverage in Ethiopia in 575 A.D., coffee consumption and production spread and in 1640 the first commercial shipment of coffee was sent to Amsterdam from Yemen (Mwandha et al. 1985: 2). Today, among primary commodities, coffee ranks second only to petroleum as an export, providing more than 25

percent of the foreign exchange earnings of 16 countries in Latin America and Africa and employment for at least 20 million people (Ibid.: xii).¹

Coffee is believed to have arrived in South America in the early eighteenth century. By 1850, when disease had destroyed coffee plantations in Ceylon and the Dutch Indies, the centre of world production had passed to Latin America where Brazil, Venezuela, and Costa Rica were already major producers (Palacios 1980: 15). Though it is unclear when coffee first reached Costa Rica -- some place it as early as 1740 (Stone 1975, in Seligson 1980) -- Costa Rica was the first in Central America to establish an export economy with regular exports of coffee beginning in the 1840s. By the 1880s, coffee was established throughout Central America and Colombia, though large-scale production did not reach Honduras until after World War II (Brockett 1988; Bulmer-Thomas 1987; Weeks 1985).

Studies of the production of coffee as a commercial export crop have been conducted throughout Latin America.² While it is clear that the crop in and of itself does not determine the social relations of production, the production and marketing requirements of the crop do have an influence on the organization of labour and land use. As Wolf noted in his study of coffee-growing peasants in Puerto Rico, "Crops with different characteristics make different kinds of demands on the people who grow them. Such demands may of course admit of more than one response" (1956: 178-79).

As we shall see below, the quality of coffee is affected to some extent by the manner in which it is processed, but in general, it is a relatively non-perishable crop which requires little technology for processing, and once processed can stand some delay which might result from slow transportation to marketing centres. The result is that a peasant family can perform most of the processing at home and still deliver an acceptable product to buyers. In Costa Rica and Colombia in particular, and increasingly in Kenya, small and medium producers are the backbone of the industry. According to one study, in 1963, 90 percent of the 34,775 coffee

farms in Costa Rica were less than 50 hectares in size and were producing 60 percent of the total coffee crop (Cartay Angulo 1969: 2).

Of the many species of coffee, the two most important are *Coffea arabica* L. (arabica coffee) and *Coffea canephora* L. (robusta coffee). From these two species, three main categories of commercial beverage coffee are recognized: *milds* ("washed" arabicas), *Brazils* ("unwashed" arabicas), and *robustas*. The specific qualities of each determine their places in the world market. Coffees are bought for their distinct flavours and usually are blended to satisfy various consumer preferences. For example, in France and Italy robustas are preferred, while in Scandinavia and Germany milds are used almost exclusively (Spencer 1967: 118). There is, of course, good and poor quality coffee in each category, but the quality of mild arabicas is generally recognized as superior to the cheaper robustas and Brazils, which are used primarily for blending. The Brazils, because of their neutral flavours, are preferred over the robustas for blending with the better quality milds, though the robustas, because they are cheaper, are used in the blends of most large companies (Kummer 1990: 118).

Heartier than the arabicas, robustas are grown in tropical conditions, primarily Uganda, Tanzania, and Indonesia, and require from 100-180 centimetres of rainfall per year. Yields for robustas are generally greater than those for arabicas, but the fruit is coarser and has a distinct flavour. They are generally processed by the cheaper "dry" method (see below), which also contributes to its overall poor quality. Robustas do have certain characteristics, including a slightly higher caffeine content (2 percent as opposed to 1 percent in arabicas), which make them particularly desirable for the production of soluble coffee.

Arabica coffee is mainly a highland crop which grows best in sub-tropical conditions from 650-2,800 metres and requires about 190 centimetres of rain per year. Milds are produced in Central and South America (other than Brazil), Kenya, Tanzania and more recently a few other African countries. Because they are grown at higher altitudes, usually with better cultivation techniques and processing methods ("wet" method), mild arabicas are

generally considered to be superior to either the *robustas* or the *Brazils* and command the highest market prices. *Brazils*, primarily grown in Brazil and Ethiopia, are also *arabicas*, but are considered of lesser quality than the *milds*, in part because like the *robustas*, they too are processed primarily by the "dry" method.³

At this point, it should be noted that new varieties of coffee are constantly being developed. The most important in recent years have been *bourbon*, *caturra* and *catuai*, varieties noted for their high yields on small, easy to harvest trees. While they yield better, these new varieties do require greater inputs such as fertilizers and pesticides which means greater costs for the farmer.

Unlike some crops such as sugar, the production of coffee is seasonally labour intensive and apart from processing, as yet does not benefit from mechanization. This means that large estates do not necessarily have an advantage over small farmers. Basically, for six to eight months of the year the care of coffee involves planting, weeding, pruning shade trees, and applying fertilizers and pesticides. These are tasks which for the most part involve relatively little labour.

By far, the largest, most important, and most labour consuming task is the harvest. In Brazil coffee tends to ripen fairly uniformly and has typically been harvested all at once by shaking the trees, then collecting the fallen fruit from the ground. This manner of harvesting tends to require a great deal less labour than in areas where the cherries ripen over a period of three or four months, and workers pick only the ripe beans, making several passes through each coffee field during the course of the harvest season. This is how coffee is harvested in Colombia and Central America, where the "harvest accounts for 60 percent of total labour input" (Palacios 1980: 95).⁴ Harvest labour demands are also affected by the size of the crop, which in turn is affected by weather conditions, the use of fertilizers and pesticides, and the variety of tree grown. In addition, cycles of pruning, which are recommended every five to eight years depending on the variety of tree, also affect farmers' yields.

As with any commodity, the quality of the final product is a key to its success in the market and has become more so with the elimination of quality neutral international quotas in 1989. The quality of coffee is affected by the climate, in particular altitude, soil quality, variety of tree, and cultivation techniques such as spacing and the application of fertilizers and pesticides. In Costa Rica, coffees produced for export are classified according to the quality of the bean that results from climate and altitude. These are, in descending order of quality: 1) Strictly Hard Bean, produced at 1200+ meters; 2) Good Hard Bean, produced mainly in the Central Valley between 900-1200 meters; 3) Medium Hard Bean, 700-1000 meters, 4) High Grown Atlantic, produced on the Atlantic coast 900-1200 meters; 5) Low Grown Atlantic, up to 600 meters; and 6) Pacific, grown on the pacific coast 300-1000 meters (Rojas Vargas et al. 1978: 20). Quality is also greatly affected by care in harvesting -- i.e. ensuring that only ripe cherries are picked -- and processing. Processing is a major factor affecting the quality of coffee and accounts for much of the difference between *milds*, *Brazils*, and *robustas*.

In order to produce "green" coffee -- the unroasted state in which coffee is sold on the world market -- the pair of coffee beans which lie at the centre of each "cherry" (the term used to describe the pulpy fruit surrounding the beans) must be extracted. To do so, the fruit must first be processed to remove an outer shell and a sticky pulp, a thin inner membrane called the silverskin, and an inner husk which covers the bean, called the parchment. There are two main methods for processing coffee: "wet" and "dry". Today, most mild *arabicas* are processed by the "wet" method, while most *Brazils* and *robustas*, are processed by the "dry" method, though more and more these too are being processed by the "wet" method. As Costa Rican coffee is processed exclusively by the "wet" method, a greater focus will be placed on this process.

In the dry method of processing, the cherries are picked, then dried either in the sun or by mechanical driers, then hulled in machines which remove the husk and skins in one

process, leaving the "green" coffee which is then bagged and sold.⁵ The cherries are dried by farmers themselves. For small farmers in both Africa and Brazil, the dried cherries are then taken either to central "hulleries" -- either private and co-operative -- or to local *maquinistas*, as those who hull the coffee are called in Brazil, who will hull dried coffee on commission. Larger estates usually have their own machines for hulling the dried cherries and, according to Rowe's (1963) observations in the early 1960s, some of the small robusta producers in Tanzania had bought small hand pulpers and were beginning to hull their own coffee.

The wet method of processing, used for the majority of mild arabicas, is more complicated and expensive, but produces a higher quality of coffee. The cherries are first washed, and leaves and unripe or rotten cherries float to the top of the tanks and are skimmed off. Next the washed cherries are put through pulping machines which remove the outer shell. The beans are then fermented in tanks, washed again to remove the pulp and silverskin, and then dried. The beans are now said to be at the parchment stage, as there remains to be removed only the thin parchment covering the bean. Once the parchment skin has been removed by milling, the "green" coffee, or "cafe de oro" as it is called in Costa Rica, is bagged for sale. If processing is not begun immediately after harvest, fermentation begins to set in. For washed coffees, it is particularly important that the processing begin within 24 hours. While a longer delay does not render the beans totally useless, the quality is affected.

Though modern machinery, which allows for more uniform processing in greater volumes and greater quality control, facilitated and came to dominate the wet-processing of coffee in Costa Rica, centralized factories with sophisticated equipment still are not essential to the operation. The degree to which wet-processing has been mechanized and centralized varies from place to place. In Colombia, the world's largest and most important producer of mild coffees, farmers, large and small, themselves still process their coffee to the parchment stage.⁶ This involves depulping, washing and drying the beans -- and investing in equipment

to do so: a small depulping machine, a tank for washing and fermenting, a drying patio, and some means of protecting the drying coffee from the rains.⁷ Though some families cannot afford to own a depulping machine and must pay a commission to someone who does, according to Reinhardt most households in her study owned small hand-depulpers (1988: 162). The parchment coffee is then sold by farmers to either the Federation Nacional de Cafeteros de Colombia (FNCC) or to private merchants who mill the coffee to the green stage for both export and domestic consumption.

Like their counterparts in Colombia, coffee farmers in Venezuela also perform most of the processing themselves. In an effort to raise the quality of their coffee, the Venezuelan Ministry of Agriculture set up a program in 1958 which encouraged the use of machinery for the wet-processing of coffee. Rather than establish central mills, they chose to mechanize individual farms, arguing that because the modern wet process required the cherries to be depulped within 24 hours, poor transportation systems and a widespread growing-region would make central mills untenable (Roseberry 1983: 158). According to Roseberry, as of 1975 the smaller farmers were still processing their coffee by the dry method and receiving low prices for their crop; only those who could afford the capital investment in equipment (tanks, drying patios, depulpers) were wet-processing and reaping the benefits of higher market prices (ibid: 166-167).⁸

In Kenya, there are basically two coffee industries: the non-African estates and the small African farms. The large estates have their own pulping plants, but must send their parchment coffee to a central mill. The small African farmers bring their cherries to central, cooperative pulperies which process the coffee to the parchment stage before sending it to the central mill for the final polishing (Rowe 1963:107-117).

Production and Processing in Costa Rica

During the earliest years of coffee production in Costa Rica, (through the 1830s) cherries were picked, washed, and then trampled by oxen to extract the beans -- a process which produced for that era an acceptable coffee with a minimum of technology and capital (Seligson 1980: 18). With the advent of more sophisticated techniques in the 1840s, which mechanized and in some cases centralized coffee processing, coffee of the quality produced in this manner could no longer bring a good price in the world market and mechanised processing factories became the norm in Costa Rica. Today in Costa Rica, the organization of processing is entirely mechanized and takes place in centralized factories, both private and cooperative.

Though there is disagreement as to the exact date Costa Rica first started importing coffee-processing machinery, by the mid-1800s the mechanical processing of coffee was well under way and had a tremendous impact on the industry. A higher quality coffee was produced and widely sought after on the London market. Wolf noted that for Puerto Rico, while processing machinery facilitated large-scale operations, harvest labour, and not machinery, was the limiting factor in production (Wolf 1956: 262). This was no doubt the case in Costa Rica where labour was scarce, but as Seligson suggests the "mechanization of the processing stage permitted the expansion of production by diverting workers from the processing stage to the harvest" (1980: 19).

These processing plants, or *beneficios* as they are called in Costa Rica, required large capital investments and were established only by those with adequate financial resources, often with foreign capital. Coffee processed by the old method (trampled by oxen) was not highly valued in the international market and small and medium farmers became dependent on the *beneficios* to process their coffee (Winson 1989: 21). Thus, since the late 1800s, the production and processing of coffee in Costa Rica has taken place in two separate domains: production on the farm, processing in the factories. Coffee is grown on large and small

farms, but unlike production in Colombia, the unprocessed cherries are then sold to either private or cooperative *beneficios*, where they are washed, pulped, dried, and milled. It is the *beneficios* which undertake to market the green coffee, through licensed export companies which frequently are owned by the same firm which owns the processing plant.

This central role of the *beneficio* made it a powerful institution in the coffee industry in Costa Rica. It is precisely this nature of the *beneficio* and its subsequent relationship with the producer that is of import here. In order to understand this relationship as it exists today, let us look briefly at the historical development of the *beneficio* in Costa Rica.

The Producer-Processor Relationship

As was noted above, the processing of coffee in *beneficios* is a fairly capital-intensive business, and as technology advances is becoming increasingly so. Nevertheless, while small and medium farmers were dependent on the *beneficios* to process their coffee, the *beneficio* owners were dependent as well on these smaller producers. To make their capital investment work they needed to process more coffee than they typically produced themselves, so they relied on other farmers for a substantial amount of raw coffee. In the early days of the *beneficios*, farmers brought their cherries directly to the factory themselves, by ox cart or whatever means they could muster, and so sold their coffee to the *beneficio* closest to them. This changed with the advent of the automobile (Seligson 1980: 33). With motorized transportation, the *beneficios* were able to set up a system of *recibidores* (receiving stations) to expand their operations throughout the countryside. It is this system that is still in operation today.

In this system, farmers deliver their coffee to these receiving stations, where it is weighed by a *beneficio* employee. At the end of each day trucks are sent around to collect the coffee from each *recibidor* and take it to the *beneficio* where it is washed and processed. As this process should be begun within 24 hours, it was the decrease in transportation time

afforded by the automobile and better road networks that allowed processors to expand their operations.

Once the coffee has been delivered and weighed at the *recibidor*, the farmer receives a receipt for that amount. These receipts are then taken to the *beneficio* office where the farmers are paid. As the final price of the coffee is not determined until nearly a year later, *beneficios* set a base price and farmers are paid in instalments throughout the year. Loan payments are deducted from their payment checks. At the end of the year, when all of the coffee has been sold, a final price is calculated for each *beneficio's* coffee and accounts are settled.

According to Seligson, "the system of recibidores initiated a phase of competition between *beneficios* which proved advantageous to the small producer," who now had a larger choice of factories to which they could sell their coffee (1980:34). Until World War II, each of these factories concentrated on producing high quality, brand name coffee and Europe's extremely discriminating coffee market kept most of them in business. With the close of the European market during World War II, the United States became Latin America's primary coffee buyer, but it refused to distinguish among brand name coffees and set a single price for all coffee in each country. Seligson argues that this allowed the larger, better financed *beneficios* to process all grades of coffee in ever-larger factories, eventually forcing the smaller factories to close; farmers again found themselves at the mercy of the processors (1980: 34-35). Drawing from work of de Andrade (1966, in Seligson 1980) and figures from the Costa Rican Oficina del Cafe (ICAFE), he notes that in 1887 there were 256 *beneficios* in Costa Rica, a number which had been reduced to 114 by 1972 (Seligson 1980: 32-33). Though his comparison of figures 90 years apart tells us little about exactly when or why such a decline occurred, the overall number of *beneficios* did decline, reducing competition or eliminating it entirely in some cases.⁹ As well, a number of *beneficios* are owned and operated by the same owners, who have, in effect, established chains of factories throughout the country.

Nevertheless, no complete monopoly was ever created and competition among *beneficios* continues to benefit farmers, as we shall see further in chapter 5.

The control of the processing and exporting market gave *beneficio* owners a great deal of control over the smaller coffee producers. While the control of land and labour may have been the key to the power held by the coffee elite in other countries such as Guatemala, El Salvador, and Brazil, as was mentioned in chapter 2, this was not the case in Costa Rica. According to Gudmundson, "in Costa Rica landownership was not the distinguishing feature of the elite; instead it was a combination of commerce, office holding, and diverse investments in urban and rural real estate" (1986: 57). Rather than seek to monopolize land, where labour costs were high, the newly rising coffee elite found it more profitable to leave land in the hands of small and medium farmers and instead put their efforts into the control of processing, export, and credit (Biesanz et al. 1982: 49; Cardoso 1977: 177 and 196; Cazanga 1987: 73).

The control of credit by processors has been a particularly important factor in the producer-processor relationship in Costa Rica. The costs of producing export-quality coffee are high. Investment must be made in coffee seedlings of high-yielding varieties. Likewise, fertilizers, pesticides, and harvest labour must all be purchased in advance of the final coffee payment, and as coffee trees bear fruit only after the first three or four years, farmers must be able to wait several years before receiving any kind of return on their investment. To even enter into coffee production and then survive the difficult early years, credit is essential for most small and medium producers.

Prior to World War II, financing for the highly valued Costa Rican coffee was supplied by the London market, buyers for the European market being ready to advance payments to ensure receiving a steady supply. This credit was then distributed to producers through the *beneficios*. By the 1940-41 harvest, this financing had dried up due to World War II, forcing the Costa Rican national banking system to finance the crop itself (Seligson 1980: 39).

Nevertheless, the same system of distributing credit through the *beneficios* was still used, and remains today. Creditors supply financing to the *beneficios*, usually in three stages. The *beneficios* in turn make this credit available to farmers. A first advance is made to help farmers cover the costs of production, e.g. fertilizers, insecticides, weeding, pruning, etc. A second advance is made to help cover the costs of harvest labour. The third credit instalment stays with the *beneficio* and is used to make initial payments to its clients.

The Costa Rican government's *laissez faire* policy toward the coffee industry during the late nineteenth and early twentieth centuries had two results: little taxation of the industry and no control or regulation of the economic relationship between farmers and those who controlled processing and export. With respect to taxation, the entire industry from small farmer to exporter stood fast to avoid any form of taxation and for many years, because of the power of large coffee interests in government, were able to do so. The first tax on coffee was put into effect in 1841, though it was small tax of one *real* per *quintal* (100 lbs.) of coffee; the first major tax on coffee was put into effect in 1893 in order to help with the country's foreign debt payment, followed by a series of other taxes through the 1920s (Seligson 1980: 45-46). According to Seligson, "new power bases were developing in urban areas with sufficient power to elect their own representatives to the assembly; once elected, these representatives would begin to tax the only major source of wealth: the coffee industry" (Seligson 1980: 46). The old coffee industry was beginning to lose control of the political system.

Other evidence of the government's early *laissez faire* policy was its reluctance to regulate producer-processor relationships, but this too began to change as tensions mounted between farmers and *beneficio* owners. According to Acuña Ortega (1985 and 1986), relations between small producers and processors had been strained since the turn of the century. The conflict was an eternal dispute over control of coffee prices and was not resolved until the mid-1930s. Until that time, the *beneficios* colluded, setting maximum

prices and high interest rates for loans, and farmers loudly complained about the "trust of the *beneficiarios*" (Acuña Ortega 1986: 115). Throughout the early part of the century, farmers in various parts of the country began organizing locally, but with little influence. In the early 1930s, coffee farmers united and pressured the government to intervene. Alone, small farmers would probably have had little chance of changing the situation, but larger producers also felt they were being treated unfairly. Amid a growing national and international economic crisis, in 1933 the government stepped in and created the Instituto de Defensa del Café de Costa Rica, predecessor of today's Instituto del Café (ICAFFE), which set a minimum price that *beneficios* could pay farmers for their coffee (based on the quality of coffee received), and regulated the maximum percent of coffee sale-value the *beneficios* could retain as profit (Seligson 1980: 36).

Following the brief civil war of 1948, the new Costa Rican government started in earnest to increase its financial base through taxation of the lucrative coffee industry, but it was not an easy fight. In 1950, a tax of 2.25 percent (4.50 percent the first year) of its market value was proposed for every *fanega* of coffee received by the *beneficios*, but was vigorously fought by the Association of Small Producers as well as by large growers. According to Winson, the State could not have resisted such pressure had it not been for the fact that coffee prices at this time were high and still rising, but in the end did settle on a compromise *ad valorem* Tax, which instead of taxing producers, lowered the amount of the sale price of coffee a *beneficio* could retain from 16 percent to 9 percent, the difference to be appropriated by the State (1989: 82).¹⁰ What this in effect accomplished was to transfer a part of the surplus previously captured by the processors to the State, which put that surplus to work in building rural infrastructure such as roads, electrification, and sewage facilities (Ibid.: 85-86). This leaves the producer in much the same position as before: after a retention of 9 percent of market value by the *beneficio*, 7 percent by the state, and a 10 percent national wealth tax (also initiated in 1948), the producer receives about 75 percent of the export value of the

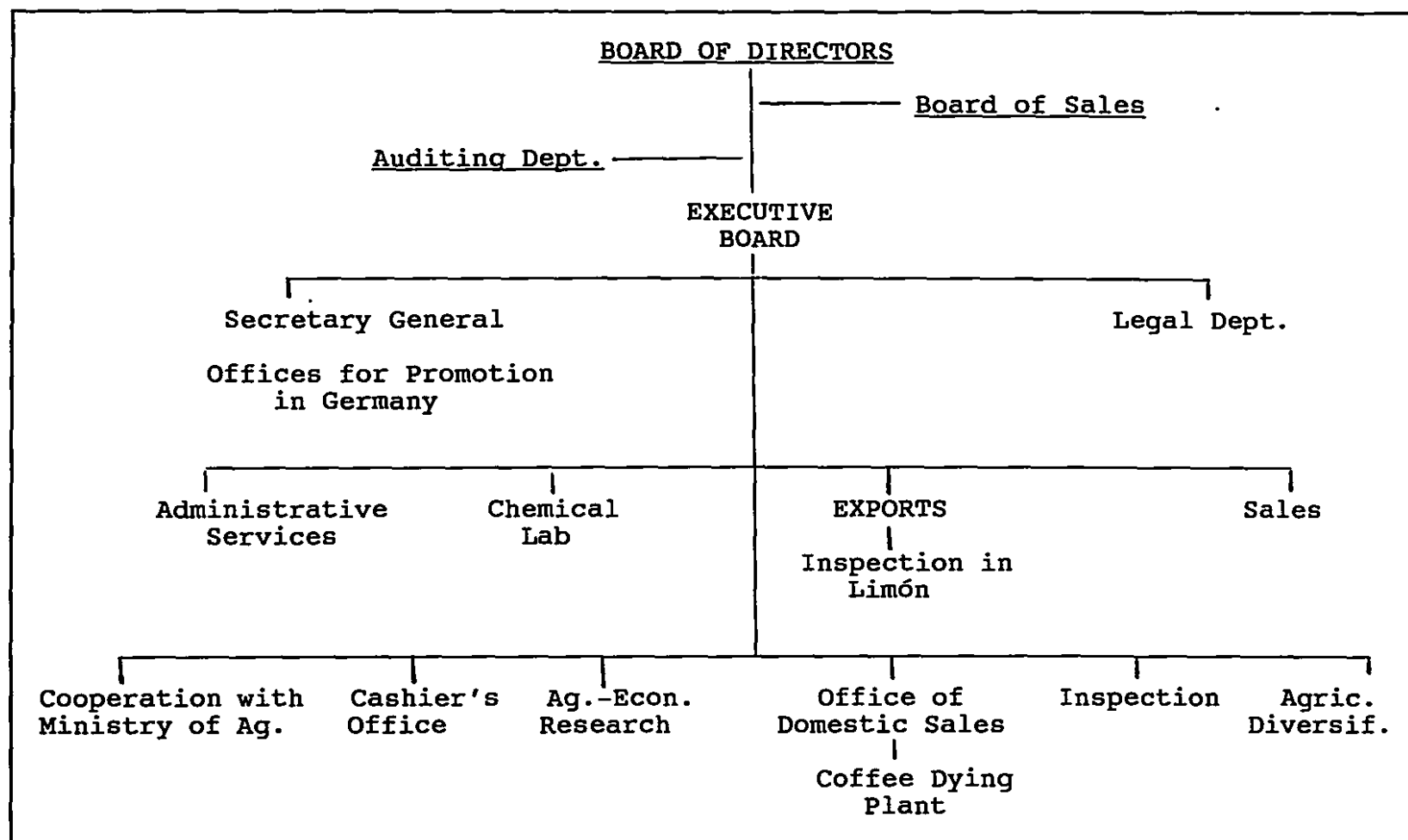
crop. According to Rowe, this is "a high proportion compared to many other producing countries" (1963: 95).

ICAFE

In the broadest sense, ICAFE is responsible for regulating the relationship between producers, processors and exporters to guarantee fair participation for every sector of the coffee industry (Cartay Angulo 1969: 35). As well, the Institute represents Costa Rica in the international arena in the negotiation of international agreements with consuming nations. Figure 3.1 schematically shows the organization of ICAFE. Today, the Board of Directors is composed of one member of the state, two representatives of producers (elected from both cooperative and private producer groups), one from among the processors, one from roasters, and one from coffee exporters (Cazanga 1987: 138).

The production, processing, and sale of coffee in Costa Rica today is strictly controlled by the ICAFE directly, or indirectly, at every step of the process. By law all coffee grown is supposed to be registered with the Institute, but this is usually done through the *beneficios* who buy coffee from the producers. The Institute is in charge of ensuring that all producers receive financing for future production, as well as overseeing exports and domestic sales, including the regulation of prices for domestic roasters. ICAFE controls domestic marketing by holding auctions about every 15 days to which the *beneficios* bring their non-exportable coffee, where it is bought by domestic merchants and roasters. As a precaution against black marketing of coffee, all coffee not exported, but retained for domestic consumption, is dyed a reddish colour by ICAFE. Sales of export coffee must also go directly through ICAFE, which registers all contracts for coffee sales. Without the permission of the ICAFE, the Banco Nacional de Costa Rica (BNCR) cannot give export licenses or customs permits for exportation (Cazanga: 41).

Figure 3.1
Schematic Diagram of the Organization of ICAFE



Source: Cartay Angulo 1969: 44

The quality of coffee produced is of prime concern for ICAFE. Costa Rican coffee has always enjoyed a reputation for excellent quality, particularly in Europe. For such a small nation in competition against such giants as Brazil and Colombia, when quantity cannot be achieved, quality may be the key to sales. Aware of the need to maintain this reputation in an increasingly competitive world market, ICAFE attempts to regulate quality in a variety of ways. Though, as we have seen, quality is much dependent of altitude and climate, there are ways which help ensure the highest possible quality. For example, the 1989 Executive Decree No. 19302 of the Ministry of Agriculture and Animal Husbandry (MAG), in conjunction with ICAFE, states that:

as of the 1990-91 crop, *beneficiadoras* will not receive coffee of the species *canephora*, known as robusta, marabeli, Panameño-Brasileño, Maragoli, and Palo . . . in the interest of maintaining the quality and prestige of our coffee.

The institute also regulates the amount of green (unripe) coffee that *beneficios* accept from farmers. Theoretically, none is acceptable for exportable coffee, but in reality it is nearly impossible for farmers to ensure that only ripe beans get picked (a topic which will be discussed at greater length in chapters 5 and 6). ICAFE periodically sends inspectors around to the recibidores of each *beneficio* to measure the amount of unripe coffee they are accepting from their clients. According to everyone with whom I spoke, there is an "unofficial" acceptance margin of 5 percent.

Unripe, green cherries do not yield a processed coffee of acceptable export quality, but like *bellota* (dry-hulled cherries), can be used for domestically consumed coffee. At the end of the harvest season, some *beneficios* will buy the *repela*, the few green cherries left on the trees, but at about 70 percent of the normal price of ripe coffee.

Another way in which the Institute attempts to control the quality of Costa Rican coffee is by monitoring the use of chemical inputs, promoting balanced fertilizers and pesticides and banning chemical ripening products. As discussed above, the uneven ripening of coffee poses

harvesting problems for farmers. Some have taken to spraying their ripening coffee with these chemical agents, which will more uniformly ripen the coffee cherries, making it much easier and faster to harvest a field. Unfortunately, this chemical agent ripens only the cherry while the beans inside remain immature. These immature beans are bitter and lower the quality of the coffee. This hampers government efforts to control quality.

Processing and Marketing Cooperatives in the Costa Rican Coffee Industry

Despite the fact that the creation of the semi-governmental Coffee Institute was a positive step in the direction of helping coffee producers to receive better treatment from the processors, many producers continued to feel that processors and exporters were reaping an unjustified proportion of the profits. As producer-processor tensions mounted during the 1930s and 1940s, the concerns of the small and medium producers were taken up by the Centro para el Estudio de los Problemas Nacionales (CEPN: Centre for the Study of National Problems), a group of intellectuals and young reform-minded politicians, including the renowned economist Rodrigo Facio.

As an alternative to the existing producer-processor-exporter system, which appeared to favour processors and exporters over producers, Facio argued for promoting cooperatives. The main advantage of cooperatives for small and medium producers, he said, was the elimination of the intermediary, so in forming cooperatives producers would be in direct contact with consumers.¹¹ In addition, he predicted cooperatives would stimulate an increase in the standard of living for members, an increase in individual savings, the formation of social funds, promotion of solidarity and the education of members (Facio 1943, quoted in Cazanga 1987: 38-39).

Though a few cooperatives had been formed earlier, the first coffee cooperative, and the first agricultural cooperative to achieve any notable success, was the Cooperativa Industrial

Agricola Victoria. The Victoria Coop was formed in 1943 on a cane and coffee estate in Grecia (a region in north central Costa Rica) that had been expropriated from its German owners as a consequence of the war, then given by the Costa Rica government to local small producers. It was during this same time that the first formal piece of legislation concerning the promotion of cooperatives appeared. This legislation was passed as part of the Social Guarantees Act of the reform-minded government of Rafael Calderon Guardia, though no specific ideas concerning the formation or operation of cooperatives were laid out (Cazanga 1987: 22).

According to Cazanga (1987: 36-37), the government was willing to back the cooperative organization of the Grecia cane and coffee producers for two reasons. First, the Victoria cooperative organizers had the backing of the CEPN who saw this as something of a test case for the defense of small rural property owners. In addition, the prospective cooperative members were not salaried workers, but rather small and medium landowners that together formed an economically and potentially politically potent group. With the closing of the confiscated German-owned factory, these producers had lost the primary buyer for their coffee and sugar. Second, these farmers were not looking to 'cooperativize' land which they already owned, but rather the sugar and coffee processing factories. This fact made the "cooperativization" of these factories ideologically more acceptable to the government, as there would be no question of land redistribution..

Not only did such a cooperative fit with the canons of capitalist, private production, but it posed no threat to the larger estate owners. Though not as polarized as some parts of Latin America, Costa Rica was not totally immune to the rural unrest and land tensions felt elsewhere, and already larger estate owners were becoming nervous about what actions the state might take towards solving land problems. The formation of the Victoria Cooperative appeared to establish no threatening precedent to established interests and thus, the cooperative movement in Costa Rica was under way.¹² Why the elite who already controlled

other processing and export enterprises did not attempt to prevent such a move is unclear. Backed by a large agrarian middle class, Calderon Guardia's reform-minded administration was strong and governmental support of the Victoria and subsequent cooperatives may attest to the dwindling power of the agricultural elite.

Slowly, agricultural and industrial cooperatives began to make legislative headway, bit by bit receiving further support from the government. Some of the most important advances are listed below.

1946	Creation of section of Cooperatives in the Banco Nacional de Costa Rica (BNCR) to provide loans to agricultural producers who are cooperative members
1953	Cooperative Section of BNCR upgraded to status of Department of Cooperatives
1959	Increased state support to new cooperatives, due to increased production in frontier zones
1962	Creation of FEDECOOP (Federation of Coffee Cooperatives).
1968	Law of Cooperative Associations
1973	Creation of the INFOCOOP (the Institute for Cooperative Promotion)

The 1960s saw a tremendous increase in the number of coffee cooperatives in Costa Rica, stimulated not only by internal economic and political pressures, but by the Alliance for Progress, as well. While the majority of these were formed in the areas of newly developing coffee production (such as Perez Zeledon) - - and thus not infringing on the territory of already established private *beneficios*, by the second half of the decade, an expansion of cooperatives was seen in the traditional zones, as well (Cazanga 1987: 110). By 1979 there were 31 coffee cooperatives in Costa Rica, nineteen of which were formed during the 1960s.

According to *La Nacion* Costa Rica's 350,000 total cooperative members now represent 30 percent of the economically active population and produce 13 or 14 percent of the gross domestic product (1989: 5). Cooperative *beneficios* increased their share of coffee processing from 11.5 percent in 1965-66 to 34.1 percent in 1975-76 (Torres Rivas 1978, in Winson 1989: 133). Of the 110 *beneficios* registered with ICAFE for the 1989-90 harvest year, 35 were cooperatives. While the private *beneficios* continue to dominate the processing market, coffee cooperatives have become an integral part of the Costa Rican coffee economy.

Yet despite the boom in cooperatives, these organization also have had difficulties. One major problem has stemmed from the fact that the Banco Nacional ceded to some cooperatives control of *beneficios* that had previously declared bankruptcy. Many newly formed cooperatives of the 1960s were saddled with *beneficios* which were already in financial ruin and carried huge debts, debts which were passed along to the new cooperatives (Cazanga 1987: 108) as banks increased the selling price in order to recoup some of their losses. Despite low interest rates and the arrangement of supposedly liberal terms of repayment, these cooperatives faced severe economic hardship. Other cooperatives suffered from poor management and lack of participation.

On the other hand, cooperatives receive legislated advantages over private firms. Under the 1968 Law of Cooperative Associations, cooperatives enjoy, among other privileges: a 10-year exemption for property taxes; exemption from import duties on tools, machinery, replacement parts, agricultural inputs not produced nationally in sufficient quantities to meet their needs; priority in access to transportation; and exemption from duties incurred during the formation of the cooperative organization (Cazanga 1987).

These tax advantages and governmental supports allowed cooperatives to invest heavily in more modern, more efficient machinery for their factories, a move many of the smaller, private *beneficios* were unable to make. Faced with competition from now better-equipped cooperative factories some of the private *beneficios* were unable to compete with the new

cooperatives and owners began to sell off their factories to groups of producers wishing to form processing cooperatives (Cazanga 1987: 109; Winson 1989: 132-34). Not only were the new cooperatives more often equipped with better machinery, but as profits are distributed in the form of higher prices for farmers, cooperatives are often able to attract a larger number of small and medium producers -- a crucial factor in ensuring that the capital-intensive *beneficio* will run at maximum efficiency.

FEDECOOP. While the creation of cooperative coffee-processing facilities greatly helped the large number of small and medium growers in the country, the real boon to these organizations came with the creation of FEDECOOP in 1962. According to Cazanga (1987: 132), through the 1950s and early 1960s coffee cooperatives were confronted with several problems with respect to the marketing of their coffee. First, production was rapidly increasing, and by 1961 the Department of Cooperatives at the BNCR could no longer manage the sales of cooperative coffee. Second, the marketing of coffee was extremely competitive and monopolized by large national and international firms. The cooperatives had no personnel technically qualified to attend to the complex manipulations of coffee sales and were often taken advantage of by the private exporters. To survive, cooperatives desperately needed an integrating organization, and the BNCR, no longer able to undertake the task of marketing cooperative coffee, decided to help the existing cooperatives put together just such an organization. Finally, and perhaps most importantly Cazanga argues, behind this impulse to create a cooperative federation was the political will of the modern bourgeois sectors to weaken the monopoly exercised by the coffee elite who controlled exports (Ibid.).

With the creation of FEDECOOP, cooperatives were able to enter the realm of coffee marketing and export and thus control yet another process in the chain which moves coffee from producer to consumer. Such vertical integration can reduce transaction costs and

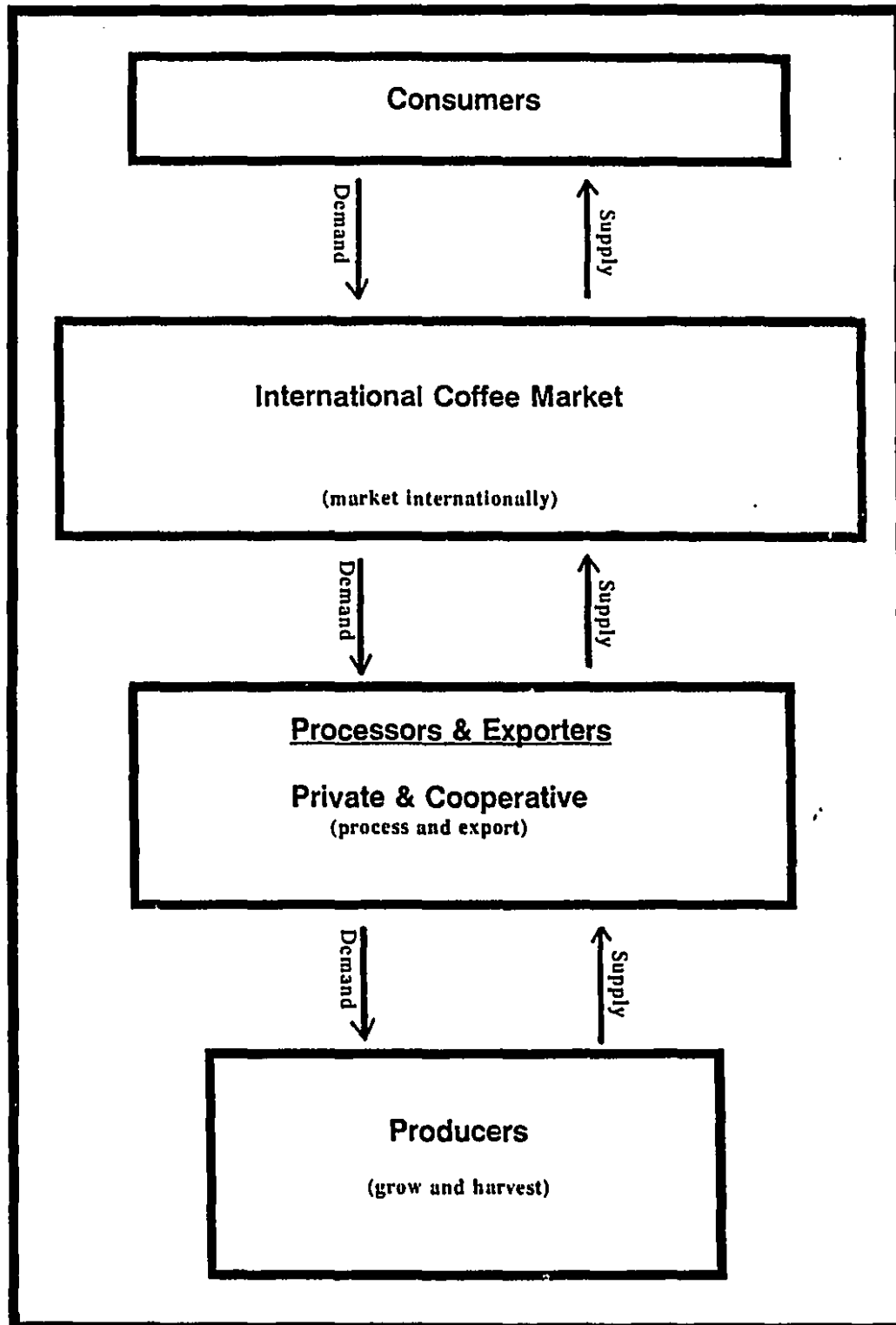
increase benefits in the form of higher prices for members. This concept of vertical integration will be discussed further in chapter 5.

Coffee cooperatives are not required to become members of FEDECOOP, though in 1979, 28 of the 31 coffee cooperatives in Costa Rica were affiliated (Cazanga *Ibid.*: 117, 136). The benefits of association with the FEDECOOP are many. In addition to the better prices gained through FEDECOOP's international marketing of coffee, affiliated cooperatives also receive credit for production costs and technical assistance for farmers. As well, FEDECOOP imports agricultural supplies and equipment in bulk at low cost, which it distributes to affiliated cooperatives which in turn pass along these lower prices to their members. Perhaps one of the more notable achievements of the FEDECOOP was the establishment of a central factory to undertake some of the final tasks of coffee processing and preparation for marketing (final cleaning, sorting, weighing, bagging, storage etc.). This factory uses extremely sophisticated technology and has taken some of the burdens of processing off the smaller cooperatives in particular.

The International Market

Like other primary commodities, the price of coffee produced in Costa Rica is affected by supply and demand in an ever-changing international market (see Figure 3.2).¹³ Those who depend heavily on coffee production have been concerned with stabilizing prices. The international coffee market today is a complex organization of producer and consumer nations who, for the most part, are members of the International Coffee Organization (ICO), established in 1958 to help to alleviate, through a series of agreements, the huge price fluctuations that had been felt within the coffee industry since the mid-1800s. According to the Executive Director of the ICO in 1962, there have been six distinct periods leading up

Figure 3.2
The Flow of Coffee From Producer to Consumer



to the formation of the ICO and the signing of the first ICA in 1959. These are as follows (from Mwandha et. al. 1985: 84-85):

1. 1850-1906: Period of free markets with three classic boom-bust cycles with peaks in prices in 1862, 1872, and 1891.
2. 1906-1929: Period of 'valorisation'- Brazilian government intervenes in market.
3. 1930-1945: Great Depression and WWII - supply increased; demand fell.
4. 1945-1954: Increased demand; initial short supply. Prices sky-rocket; production increases.
5. 1954-1962: Oversupply; prices fall. Efforts to stabilize the market.
6. 1962- : First of six 5-year International Coffee Agreements.

According to Mwandha et al. (1985), by the mid-1800s Brazil had become the world leader in coffee production. The boom experienced by coffee producers led to massive planting which in turn led to over-production and a drastic fall in prices (1985: 68). In the early twentieth century, there was a slight increase in world coffee consumption which helped ease the situation some, but the relief was short-lived. During the 1920s, Brazil was producing double what it was able to export and throughout the 1930s accumulated tremendous stocks -- much of which were eventually burned (Rowe 1963: 13). Despite the Brazilian government's attempts to limit coffee expansion and control prices, with surplus stocks and declining demand in the 1930s, prices continued to fall.

With the beginning of WWII, another crisis loomed as the primary coffee market of Europe dried up, leaving Latin American producers with the United States as their only market. In 1940, the U.S. and 14 Latin American countries signed the Inter-American Coffee Agreement, which was renewed annually until 1945. While Brazil's production fell during this time, production in other Latin American countries increased slightly and production in

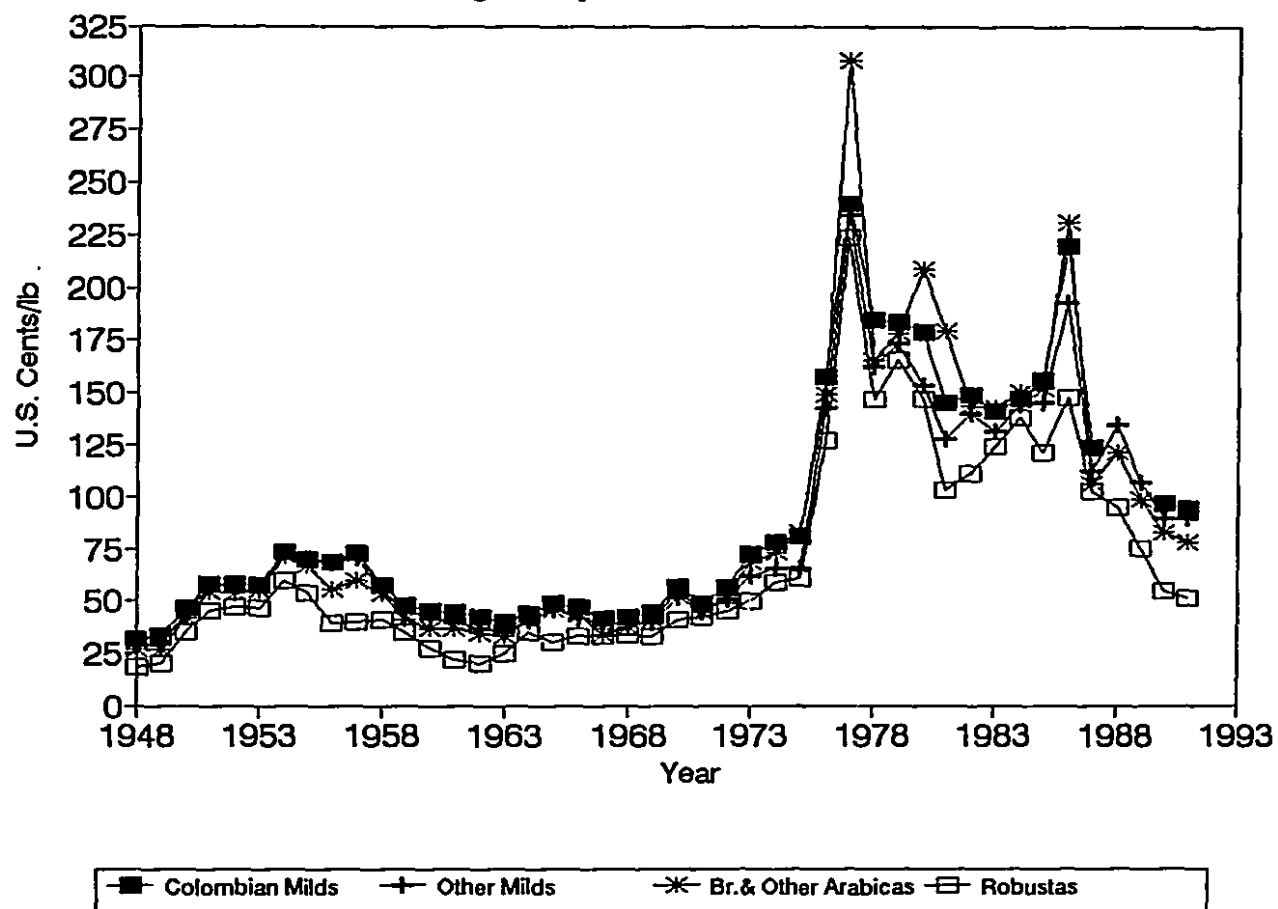
Africa trebled. The increase in supply at this time proved not to be a problem, as demand increased as well, particularly in the U.S., and through the late 1940s managed to stay ahead of world supplies (*Ibid.*: 14).

As demand increased, so did prices and when Brazil's excess coffee stocks were depleted in 1950, the market price jumped from 33 cents per pound in 1949, to about 54 cents per pound in 1950. The biggest jump came in 1954 when a reported frost in Brazil sent New York dock prices to a high of nearly \$1.00 per pound.¹⁴ According to Rowe, the world's coffee industry in the mid-1950s "provided the second most valuable commodity in international trade [petroleum was first], and ... the most valuable agricultural commodity" (1963: 19).

The boom was brief. Reports of the frost damage in Brazil had been exaggerated and by 1955 prices had already fallen to nearly half the 1954 high of \$1.00 per pound. With production at an all-time high and stocks large, no quick recovery in prices was on the horizon (see Figure 3.3). By now, many national economies were extremely dependent of the earnings from coffee exports and were worried about the consequences of a continued decline in coffee revenues. There were several informal attempts at regulating production and enforcing export quotas, but none lasted. In 1957 Brazil, Colombia, Costa Rica, El Salvador, Guatemala, Mexico, and Nicaragua signed an agreement in Mexico City which stipulated that each would retain 10 percent of production (Brazil 20 percent) from the export market during the peak of that season (Mwandha et al. 1985: 80). Unfortunately, the action to create a coffee cartel proved insufficient to prevent further drops in price.

In 1962, 36 exporting nations, along with 22 importing countries, and representatives of 13 other nations, established the ICO and signed the first ICA. It is generally believed that the United States agreed to enter into the 1962 agreement because it feared the political instability that may have resulted from the collapse of the Latin American economies dependent on coffee production. This, and later agreements were designed to: 1) control

Figure 3.3
Average Yearly Coffee Prices: 1966-1991



Source: United Nations Monthly Commodity Price Bulletin

exports and regulate imports so that prices did not fall below 1962 level, 2) promote coffee consumption 3) adjust production to demand, and 4) establish policy concerning coffee stock-piling (Rowe 1963: 187). Table 3.1 lists the major coffee agreements reached by members of the International Coffee Organization.

Exports were controlled by implementing a quota system in which each producer country would receive a specified exportable quota and consumer countries agreed to import only coffee bearing ICO quota seals. As might well be expected, such an organization of producers and consumers is a highly political body. Voting power is based on "volume of interest", which gives the largest producers (Brazil and Colombia) and consumers (the United States) the most power (Mwandha et al. 1985: 90). The calculation of quotas was negotiable and varied with each agreement, but in general was based upon some percentage of previous production and did little to account for variation in quality, apart from designating four basic groups: Colombian mild, other milds, unwashed Arabicas, and robustas. At the 1962 conference, producers of robustas and other milds fought for quotas which would be allocated according to the demand for the qualities of these particular coffees, but Brazil, which produces unwashed Arabicas, wanted a *pro rata* allocation; Brazil prevailed (Ibid.: 121-22).

One of the principal problems in the international coffee market has been the imbalances in supply and demand. It also seems to be one of the hardest to correct, despite regulations through international agreements. Though the ICAs call for promotions to increase the consumption of coffee, increasing demand is not an easy thing to do. Coffee demand is fairly inelastic. When the demand of a commodity is inelastic, demand does not change radically in the short term with changes in price. While this is valuable when coffee prices rise in times of short supply, what this means in times of over supply, is that despite whatever drops in prices that might occur, demand will not increase. Overall, there has been a decline in coffee consumption worldwide, a fact that may be due to changes in attitude about the effects of coffee consumption on health, but "poor quality and inadequate grading standards and

Table 3.1
Major International Coffee Agreements

Year	Agreement
1940-45	Inter-American Coffee Agreement
1946	ICA agreement quotas suspended indefinitely
1957	Mexico City Agreement
1958	International Coffee Organization formed
1959	1st ICO Agreement signed
1962	1st of 5-year ICO Agreement
1968, 1976, 1983	Subsequent ICO Agreements
1989	ICA failure

controls have been identified as major reasons for the decline in consumption" as well (Mwandha et. al. 1985: 140).

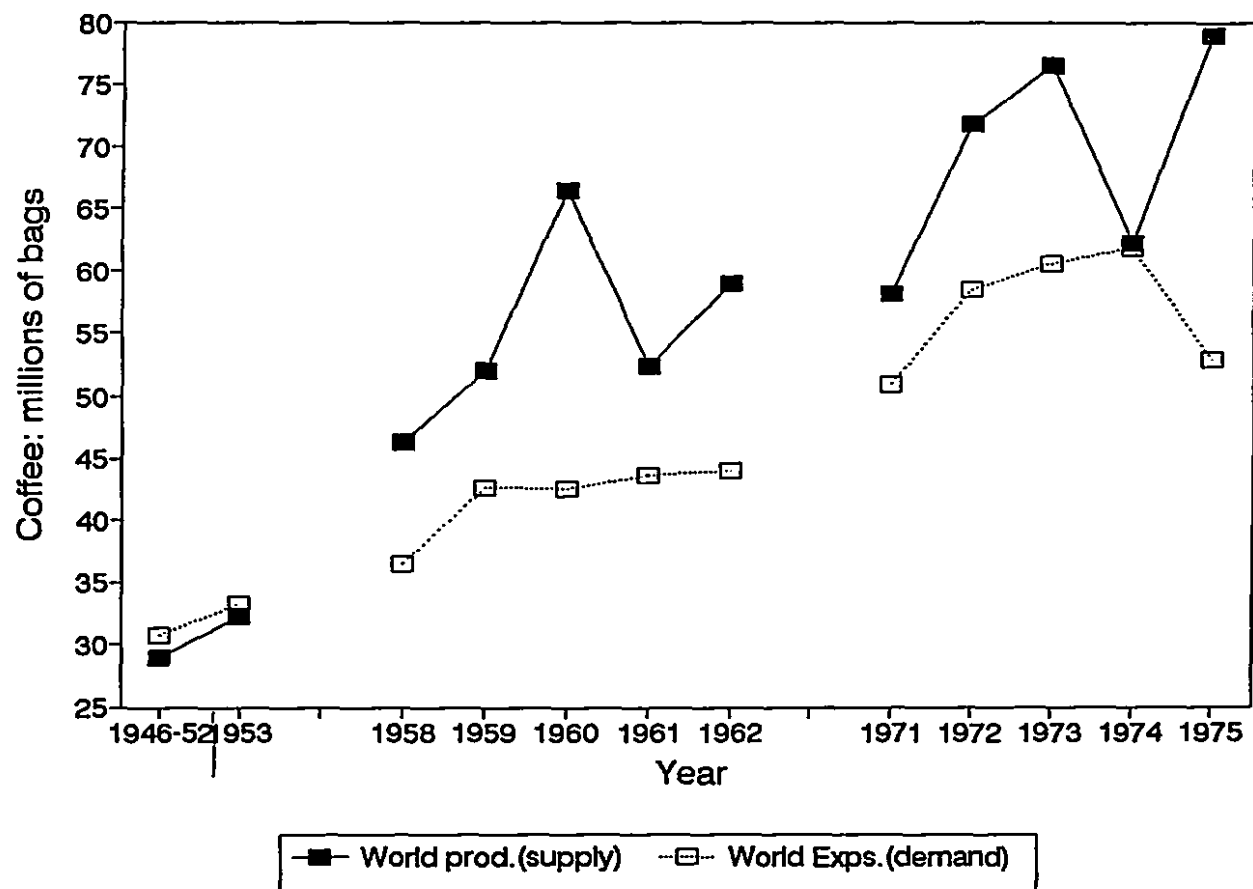
The world coffee market -- or any commodity market for that matter -- presents a dilemma for producers. If each individual produces as much as possible, a surplus accrues and prices for all drop; if each producer limits production to prevent a surplus, then prices will rise. As Mwandha et al. point out, coffee is an attractive export commodity to produce, particularly for small farmers (1985: 104):

- it is easy to store and handle
- its value, for weight, is high for an agricultural product
- it can be grown on steep slopes (often unusable for other crops) without sophisticated management
- it is precocious for a tree crop
- it has labour intensive, rather than capital-intensive requirements.
- once neglected, coffee can be fairly easily rejuvenated

So, we have a crop which is easy to produce and, despite fluctuations in world prices, brings a relatively high market price. These characteristics make coffee attractive for the individual producer, who consequently tries to maximize production. Yet it is the dramatic increase in production worldwide (the sum total of increases in individual production and/or the number of producers), that has led to supplies outrunning demand and the consequent fall in prices (see Figures 3.4 and 3.5). And production continues to increase everywhere. In Costa Rica, 7,350,439 double hectolitres (dbl. hect), or about 147,009 kilograms, of coffee were processed in 1988-89, up 15 percent from the previous year (ICAFE 1987-1989 processing figures).

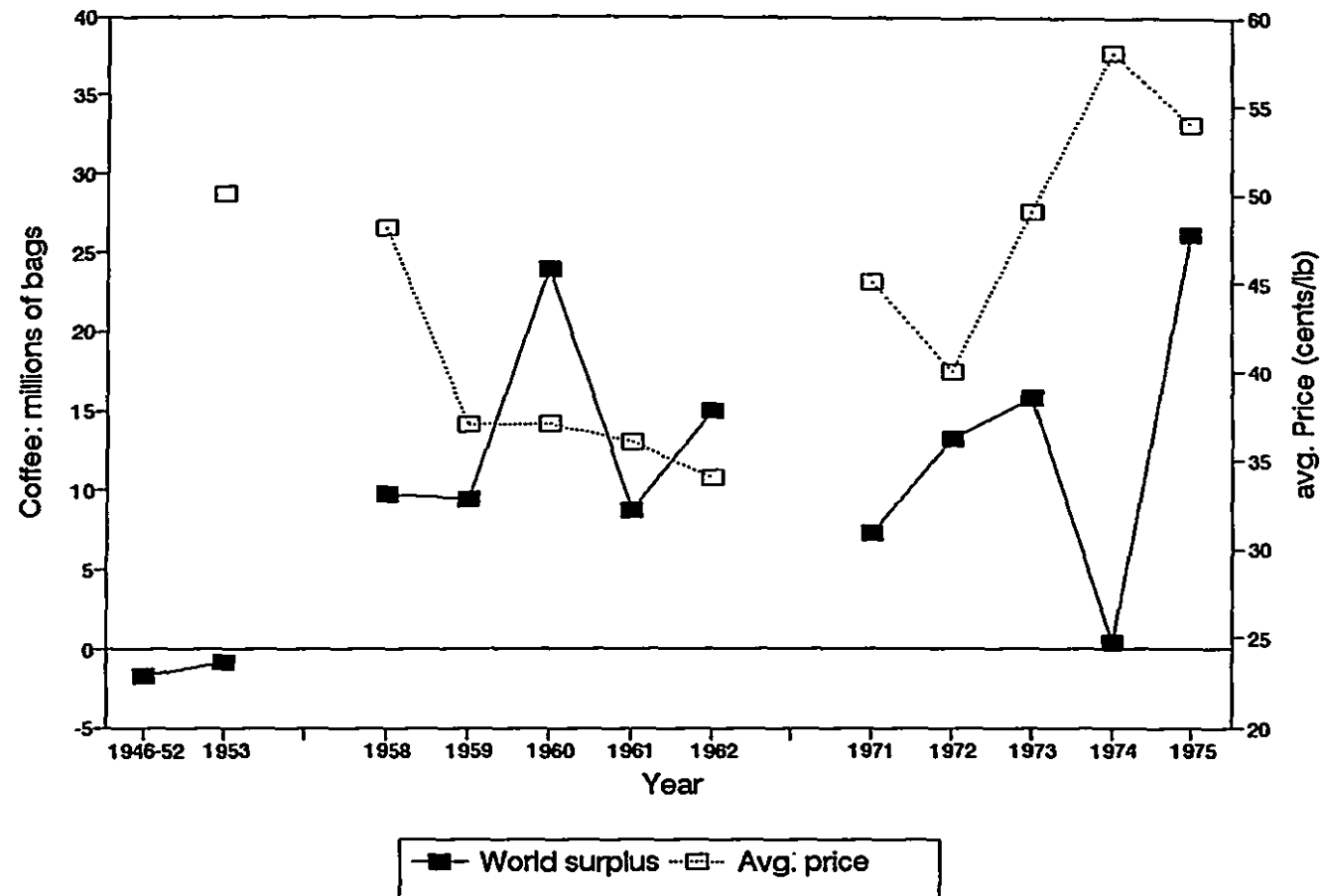
One way in which the ICAs have attempted to limit production was by promoting diversification schemes (in fact a Diversification Fund was created in early agreements), i.e. finding alternative crops for would-be coffee producers in times of over-supply. As an overall strategy to limit world production this seemed like a logical step to take, but it proved difficult to implement. The costs to individual producer nations in cutting back coffee production are high. Profitable alternatives to coffee are not easy to find and the costs to

Figure 3.4
World Coffee Supply and Demand 1951-62



Source: Rowe 1963

Figure 3.5
World Coffee Surplus and Price



Source: Rowe 1963

farmers who have made substantial investments in coffee are high, as are national costs in terms of unemployment (Mwanda et al.: 103).

While the ICAs appear to have achieved their goals by stabilizing world coffee prices, a great deal of debate concerns their overall effectiveness. The fact that in 1989 ICO member nations failed to reach an agreement suggests that the agreements were not solving the problems of coffee production in a manner acceptable to both producers and consumers. Yet during the 1960s and early 1970s, such commodity agreements (e.g. cotton and sugar) were part of a general trend in world trade. In his early study of the economic effects of the ICA, Rowe (1963) predicted that an important outcome of the 1962 agreement would be to prevent the collapse of some national economies heavily dependent on coffee production. But he cautioned that from an economic point of view, these economies were being artificially maintained at the expense of the consumer.

Gordon, who has studied the problem over a longer period of time than Rowe, maintains that to some extent commodity agreements did manage to support the prices of some commodities and offered "a solution to a very basic global problem: how to reward the human effort which goes into the production of food and raw materials" (1990: 29). But he sees the 1989 failure of the ICA as part of a larger political-economic trend which no longer favours commodity agreements (or any form of market interference). He points out that this trend is not just on the part of the richer countries, as opposition to the proposed 1989 ICA came from Brazil as much as the USA.

The initial impact of the collapse of the International Coffee Agreements has been a fall, once again, (from roughly 70 to 45 cents per pound) in market prices and an estimated loss of four billion dollars in export revenue for Third World coffee producers (Gordon 1990: 28).¹⁵ Producing nations were initially optimistic that prices would recover within a year or two.¹⁶ At this time, it is unclear what the future holds for coffee producers. (Already there have been attempts to renegotiate an agreement, but with no success). What is clear is

that without an international agreement, the rules of the game have changed and the market has become more competitive again. These are the conditions under which Costa Rican coffee producers, who are the focus of this research, must operate. It is in light of this new international environment, as well as the historical conditions of Costa Rica's participation, that the impacts of commercial coffee production and the responses of small farmers will be analyzed.

Notes

1. The rank of coffee in primary commodity trade varies with market conditions. Both Mwandha et. al (1985) and Adams and Behrman (1982) place coffee as second only to petroleum. Rowe (1963) says that while coffee ranked second in the 1950s, that it fell to third place in the 1960s.
2. See, for example, Bergad 1983; Berquist 1978; Cambranes 1985; Cardoso 1977; Gudmundson 1983 and 1986; Holloway 1977; Machado 1977; Norris 1953; North 1981; Ortiz 1973; Roseberry 1983; Seligson 1980; Wolf 1956.
3. Apparently the "wet" method is becoming more common even for *Brazils*.
4. Rowe reckons that for non-African commercial estates in Kenya, labour represents only 35 percent of total costs (1963: 111).
5. While the dry method is the primary method of processing for Brazils and robustas, Rowe (1963) notes that in Kenya, if a farmer's arabica crop is not accepted for processing due to poor quality, the farmer will take it home, dry it and sell it locally as *mbuni*. Alternatively, Rowe also notes that in Uganda some estates have begun to process robustas by the wet method. Though this improves their quality a great deal, they still cannot compete with the mild arabicas and the capital costs of such processing are high.
6. According to Rowe, in the late 1950s, 90 percent of farmers pulped and fermented their own crop; 10 percent sold their cherries to neighbors with pulping machines or paid a commission for this service (1963: 67).
7. Though some families have been able to invest in movable roofs which can be pulled across in case of rains, in most cases it is the responsibility of women and children to bring in the drying coffee when rain threatens (Reinhardt 1988).
8. Despite the fact that newer technologies were being developed and used in other countries, in nineteenth- and early twentieth-century Venezuela, farmers still sun-dried their *arabica* coffee, which was then crushed in oxen-driven *molinos* or beaten in wooden troughs to remove the beans. Not everyone owned a *molino*; those who did not either paid a commission for this service or sold to those who did (Roseberry 1983: 97, 221).
9. While just speculation at this point, it is likely that improved transportation systems, particularly the introduction of motor vehicles which could cover greater distances, played a large role in the reduction of the number of processing plants in Costa Rica.
10. As an additional compromise to coffee interests, the new law stated that no tax would be paid if the price of coffee fell below \$40/quintal.
11. Others (e.g. Acheson 1985; Coase 1937) describe this same advantage, not in terms of the elimination of the intermediary, but in terms of vertical integration, i.e. the incorporation of intermediary processes into a single firm.
12. It is interesting to note that the Communist Party (CP) was notably anti-cooperative. According to the CP, in light of the serious economic and social problems facing the country, the promotion of cooperatives is mere charlatanism (Cazanga 1987: 49). This tension between

the cooperative movement and the syndicate movement of the CP is still found today. This is a most interesting topic which deserves further attention in the future.

13. For a detailed account of export commodity markets see Adams and Behrman (1982).
14. There is some discrepancy in the figures I have seen cited as to the peak price. Rowe cites \$0.80 as the peak price for mild Colombian, which usually is well above the price of Brazilian robustas; Mwandha et al. say the peak price of Brazilian Santos 4 reached \$1.00 in April 1954 (1985: 85).
15. It is interesting to note that despite such a dramatic collapse in the world market price, consumer prices have remained stable.
16. The rumor of rising coffee prices must have been considered fairly reliable for some farmers were considering expanding production in anticipation of a price recovery.

Chapter 4

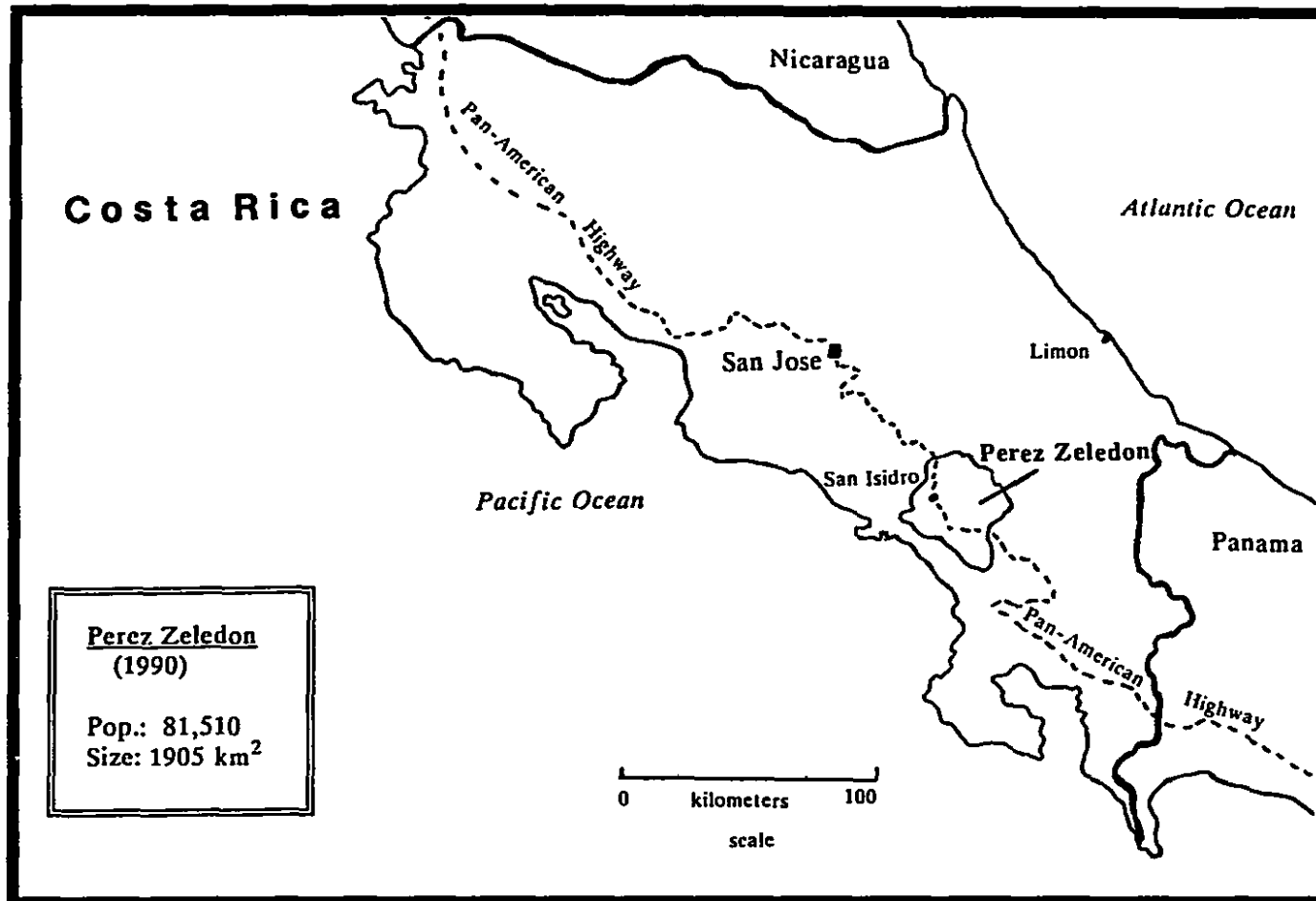
PEREZ ZELEDON: A RECENT FRONTIER FOR COFFEE

If we are to understand whether cooperatives can be effective as intermediary development organizations, we must understand the complete context in which not only the institution, but also its members, must operate. The previous chapters outlined the production requirements of coffee and the national environment. In order to fully understand the opportunities and constraints which confront both coffee producers and processors, we must also have an understanding of the regional and community economies in Perez Zeledon. In this chapter, I examine the role that coffee production plays in Perez Zeledon and the two study communities of Santa Cruz and Palomas. I also discuss some of the economic alternatives available to local residents. A more detailed analysis of coffee-producing households is presented in chapter 5.

The Economic and Political Structure of the Canton of Perez Zeledon

One of the fastest growing coffee-producing regions in Costa Rica, Perez Zeledon was made the 19th canton of the province of San Jose in 1931. The canton encompasses 1905.51 square kilometres and is divided into 11 districts. In 1990 Perez Zeledon claimed a population of 81,510, most of which is concentrated in the upper regions of the valley in and around the market town of San Isidro de El General, the municipal centre of Perez Zeledon (see Figure 4.1). Bounded on the north and east by the Talamanca Range, and the west and southwest by the Coastal Ridge, the canton extends from an altitude of 700 metres at San Isidro, to as high as 3819 metres at the peak of the Cerro Chirripo and a low of 500 meters as it stretches west towards the Pacific coast and south towards the lower reaches of the Valle de El General in the province of Puntarenas. Runoff from the Talamanca range converges in the Rio General

Figure 4.1
Map of Costa Rica Showing Location of Perez Zeledon



which runs the length of the valley to the Pacific Ocean. Though the plains surrounding the principle rivers are fertile, the poor soils and steep slopes of the mountain foothills are not conducive to cultivation, except that of coffee (Altenburg et al. 1990: 238).

The 130 kilometre journey from the nation's capital of San Jose to San Isidro de El General is a striking one. The only direct roadway, the Pan-American highway, winds its way southeast through the Central Valley before it begins the long twisting climb through the Talamanca Mountain Range, and over the Cerro de la Muerte (the Hill of Death) -- so called because many early travellers died from exposure crossing the pass over this mountain before motorized travel significantly decreased the length and dangers of the trip. Today, the winding journey through the cloud forest, up over the cold, dry tundra at the apex (nearly 3000 metres), and the final hair-pin decline through more cloud forest to the Valle de El General takes just two and one-half hours. As one descends from the mountains, small homesteads and *cafetales* (coffee fields) much like those found in the Meseta appear on the landscape. But the distinct character of the valley soon becomes apparent.

Perez Zeledon is an agricultural canton, comprised primarily of relatively recent immigrants (first and second generation) from other parts of the country. These immigrants and their families have brought a frontier atmosphere to the region. Despite the sparsely stocked shops and rutted dirt roads that characterize the region, hopes for opportunities for a good life abound. Though there is little industry, the construction of new homes and businesses -- primarily agricultural supply stores and service sector enterprises -- is a common sight. Thousands have been drawn to Perez Zeledon with hopes that "the golden bean" would bring them a better life. And for most it has. The economic bustle of the canton has its foundations in the booms of coffee. Yet, as international coffee prices fall, the worries of coffee production and making ends meet are a constant topic of the cowboy-hatted farmers and their families who crowd the buses to town on market day.

The first colonizers began to arrive in Perez Zeledon in the mid-19th century from the Meseta Central and Santa Maria de Dota regions to the north, but as roads were virtually non-existent until the 1940s, the colonization of the region proceeded very slowly (Ibid.). Due to its central position as a gateway between the pass through the Talamanca Mountains to the north and the southern Region Brunca of the country, the town of San Isidro (pop. 30,000) has become not only the municipal centre for the canton, but an important market and trade centre for the entire southern region.

While transportation systems were poor and coffee processing facilities non-existent, even coffee production was not viable. Early settlers had to be self-sufficient and produce for subsistence, but they were not exclusively subsistence oriented. Samper (1990), writing about Costa Rica's northern frontier in the 19th century, has good evidence that early settlers and farmers on the Meseta Central were very much involved in mercantile activities and were not isolated subsistence producers as many have claimed. Colonization southward into what is now Perez Zeledon occurred somewhat later, but in a similar fashion and there is evidence that colonists in this region likewise engaged in mercantile activities. In Perez Zeledon, in addition to maize and rice production, some settlers raised cattle, but according to elderly residents, pigs were a much more important commodity for trade.

In the 1930s, with the beginning of the first commercial airplane flights, the region began to see some increase in immigrants (Alfaro 1982: 106). According to one early settler who came to the region in the 1930s before the road was completed, the three weekly flights were the only way to get to San Isidro, which at that time had only two businesses. There was very little coffee at that time, food crops and tobacco dominated production, and San Isidro had only a handful of inhabitants. It was the arrival of the Pan-American Highway in the 1940s that brought the first significant wave of immigration to Perez Zeledon. With increasing population and land shortages in the Meseta Central, frontier regions such as Perez Zeledon provided a welcome opportunity for thousands.

This undoubtedly was an important time of change in the region. Though there is as yet little written about this historical period, there are still settlers who remember these times, allowing a picture of the early days in Perez Zeledon to be constructed.

Martin Fonseca, one of the founding members and first president of the canton's coffee cooperative, was born in Heredia in 1923 and first came to San Isidro while working on the Pan-American Highway. When the road reached San Isidro in 1944 it was as yet unpaved, but it provided a significantly easier pass over the Cerro de la Muerte. According to Fonseca, at that time there was still plenty of *tierra baldia* (uncultivated land) or *tierra libre* (free land) in the area: land to which no one claimed title, and which could be claimed by anyone willing to work it. Some settlers laid claim to large tracts of land, not all of which they could work themselves. After about 1960, land became scarcer and *tierra libre* was hard to find. With changes in government policy brought about in part by the Alliance for Progress, some lands were bought through the newly created Instituto de Desarrollo Agricola (IDA: Agrarian Development Institute) and redistributed as *parcelas* to incoming landless settlers.

According to Fonseca, and others with whom I spoke, in the 1940s and early 1950s, subsistence farming was still the norm, but commercial pig farming was also very important. Corn was widely grown and fed to pigs which were then herded over the mountains to the urban centres of Cartago and San Jose, where they were sold or traded for goods which were brought back to San Isidro. The transport of pigs across the mountains in this manner was so widespread that the Rio Quebradas, which ran along the old trail, was referred to by most as the Rio de los Chanchos (River of the Pigs). Rice, beans, cattle, and sugar cane for *dulce* were also produced, primarily for home consumption.

Though some settlers came from Puriscal and other tobacco producing regions in the north, most immigrants came from the over-crowded coffee zones of the north and brought with them knowledge of that crop. Coffee production began as early as 1940, but as there were no processing facilities and roads were still poor, it was produced mainly for home

consumption. While land was plentiful, and suited for coffee production, with no *beneficios* to process coffee grown in the canton, commercial production of the crop was severely limited. Fonseca estimates that by 1946 the canton was producing about 5,000 *quintals* (1 *quintal* = 100 lbs.) of coffee.

Realizing the potential for coffee production in the region, the Banco Nacional built the first simple coffee processing plant in 1949. With processing facilities and improved roads, colonization in this region increased tremendously with some 20,000 people arriving between 1950 and 1958 (Altenburg et al. 1990: 238). Subsequently, coffee production increased at a tremendous rate. By 1960 an entrepreneur named Jorge Zeledon had built a second *beneficio*, the San Jorge.¹ In 1962 a third *beneficio* was built in the Palmares district just outside of San Isidro.

As described in chapter three, the early 1960s saw a widespread promotion of cooperatives in Costa Rica. Caught up in the movement, many coffee producers in Perez Zeledon became interested in forming a cooperative. The San Jorge *beneficio* had by then gone bankrupt and been taken over by the Banco Nacional. In 1962 the Cooperativa Caficultura de Perez Zeledon bought the Beneficio San Jorge from the Banco Nacional. (It is unclear how much, if any, debt came with the purchase of the *beneficio*.) Of the original 391 founding members, approximately 95 are still active. Two of these live in the community of Santa Cruz.

Coffee production expanded rapidly and soon became the upper valley's (that area north of Buenas Aires which lies above 600 meters) primary crop. Though production of subsistence crops such as corn, beans, and rice continued, they were quickly being replaced with "el grano de oro."

In Perez Zeledon coffee is of a medium quality (medium hard bean, MHB), though in some of the higher altitudes around Mt. Chirripo some higher quality coffee (strictly hard bean, SHB) is grown. Nevertheless, "though the yields and quality of 'cafe generaleno' are below that of the Central Valley [Meseta Central], Perez Zeledon has become the canton of

greatest production in the country, and continues expanding its production" (Altenburg 1990: 240)).

In addition to the cooperative, now known as Coopeagri,² coffee is processed in the region by four privately owned *beneficios*: La Meseta, S.A. (descendant of the region's first *beneficio*); El General, S.A. (the *beneficio* in Palmares); El Aguila, S.A. and Peters, S.A. Peters, a recent arrival on the scene, buys coffee cherries in Perez Zeledon, but as yet has no processing plant in the canton.

This region also produces sugar cane which is made into *dulce*, a crude brown sugar processed in domestic *trapiches*, and into commercial white sugar, processed at a factory also owned by Coopeagri. To a lesser extent, farmers also raise cattle for both beef and dairy. Due to the lack of slaughtering and packing facilities in the valley, farmers ship their beef cattle to the Central Valley for processing, but there is a milk products' plant in the canton (recently acquired by Coopeagri) which processes, packages, and distributes milk, yogurt, cheeses, and fruit juices.

The production of some non-traditional crops such as macadamia nuts (currently being tested by Coopeagri as a commercial crop for the region) is beginning to expand. Farmers are often reluctant to embark on such ventures, and for good reason. In the mid-1980s, *cana de india*, an ornamental plant, was widely promoted as a profitable crop for export to North America. Many farmers planted *cana de india* only to find that by the time the plants had matured two or three years later, prices had plummeted and there were problems with transporting them to the sole packaging and shipping company in Limon. These plants are now used for making fence posts or just left in the fields where they can be seen growing taller and taller.³ Most consider them a wasted effort, though in the last month of my research someone had been touring the area and buying these plants to be used in a fibre factory near Cartago.

Apart from one small, foreign-owned garment factory, there is little industry in the area, but the canton boasts a branch of the Universidad Autonoma, a technical school, a hospital, and a municipal sports facility. Branch offices of government agencies such as IDA (Institute for Agrarian Development), MAG (Ministry of Agriculture and Animal Husbandry), MOPT (Ministry of Public Works and Transportation) are also located here, as well as several banks, hotels and numerous service industries.

Politically, the canton is represented in the National Legislative Assembly as a part of the province of San Jose. Though most *diputados* come from the urban areas of the Meseta Central, at the time of this study one *diputado* for the province was a native of Perez Zeledon and may be in part responsible for some of the attention Perez Zeledon has been receiving from the government in the last several years.

In regional politics, each canton elects its own municipal council every four years (at the same time as presidential and legislative elections). In addition to the council's board of directors, each district selects a delegate to represent it at council meetings. Within Perez Zeledon, the municipality of San Isidro administers the entire canton, with each of the 11 districts electing a delegate who represents them at weekly municipality meetings in San Isidro. While these delegates have a voice at meetings, they have no vote.⁴

At the community level, there is no formal form of government. Communities are administered by the municipality, but like communities throughout Costa Rica, those in Perez Zeledon have begun to form Asociaciones de Desarrollo Comunal (Community Development Associations [CDAs]), which are dedicated to improving their communities through self-help efforts. These associations are formed under the direction of DINADECO (Direccion Nacional de Desarrollo Comunal), a government agency established in 1968 "to promote and advise such associations" (Biesanz et al. 1982: 46) and will be discussed further below.

Most communities have a Guardia Rural (rural police) post, with one or two guards who are responsible for keeping the peace locally. They deal primarily with cases of drunkenness,

disturbing the peace, and local thefts (though these are rare). Though theoretically these local police positions are not politically connected, in fact, they most often are filled with supporters of the political party in power at the national level, locally if available or from outside the community, if not.⁵

The Research Communities: Palomas and Santa Cruz

Both Santa Cruz and Palomas are centres of rural districts of similar size and population (Table 4.1). Both look much like the typical Costa Rican hamlet described by Biesanz: scattered houses surrounding a central plaza (which often doubles as a soccer field), with a church and school, but with no buildings for government functions (1982: 45). Unlike the simple wooden churches and schools described by Biesanz, each of these two communities has a fairly new, well-constructed, cement-block church and elementary school; a town plaza with children's play equipment; a small health centre with weekly outpatient service; a community centre, a soccer field; and a public telephone. With one or two exceptions, every house in both communities has electricity and potable running water. While electricity is managed by the national ICE (Costa Rican Electrical Institute), water is managed through local Water Committees. These committees receive funding and guidance from the AyA (Department of Water and Aquaducts), but community members are responsible for building, maintaining, and collecting payments for their water systems.

As with the rest of Perez Zeledon, settlement in these communities did not begin in earnest until the 1950s. The frontier character of the region is evident in my census data on immigration, which show that over two-thirds (71 percent in Palomas; 69 percent in Santa Cruz) of all adults interviewed in the initial census in each community were born outside their current residential community; half of *these* immigrants (51 percent in Palomas; 52 percent in Santa Cruz) were born outside the canton of Perez Zeledon.

Table 4.1
Size and Population of Research Communities
(1990)

Community	Community Population	Total Households	District Population+	District Size (km ²)+
Palomas	476	97	4,150	118
Santa Cruz	407	86	3,015	207

* Source: Complete census of village households conducted 1990

+ Source: Camara de Comercia, Industria, Agricultura
y Turismo de Perez Zeledon 1990)

As might be expected, the majority of immigrants came from the densely populated Meseta Central during the 1950s, '60s and '70s. In Palomas immigrants from the provinces of Alajuela and Puntarenas are most common (11 percent and 9 percent, respectively); in Santa Cruz the overwhelming majority (44 percent) were born in the Meseta in various other cantons of San Jose province, such as Dota, Leon Cortes, Tarrazu, and Desamparados. The average length of residence for immigrants is 15.5 years in Palomas and 20.1 years in Santa Cruz.⁶

Though land is becoming increasingly more difficult to obtain, and the size of farms is dwindling, these communities and the surrounding districts are still primarily agricultural. There is no industry and few businesses. Neither community has paved roads. Palomas lies just off the paved Pan American highway, though at a great distance from San Isidro. Santa Cruz can be reached only by poorly maintained dirt roads, so travel time from both communities to San Isidro is roughly the same (30 to 45 minutes). Local bus service runs between both communities and San Isidro. As Palomas is further from San Isidro, bus fares are more expensive (¢50 and ¢35, respectively, in 1990).

Residents in each community purchase daily supplies in four small, family-run *pulperias* (shops) in Palomas and two in Santa Cruz. These shops supply basic food and household supplies and offer credit which residents appreciate, particularly in the cash-strapped periods prior to coffee payments. Still, local prices tend to be high, so most households make a weekly trip to San Isidro to purchase the bulk of their household supplies. This trip often is made in conjunction with the cashing of coffee receipts at *beneficio* offices (see chapter 3). Each community also has a *soda* (a small, snack-bar type restaurant), as well as two "cantinas" where alcohol is served. The latter are attached to *pulperias*.

As throughout most of Costa Rica, the Catholic Church plays a substantial role in the lives of the majority of the community. Sunday Mass is the main religious activity in each community. It is also a prime social event. Even those who do not actually attend the service

itself will congregate outside on Church grounds. After Mass, people linger; children play; parents visit with friends and relatives; teenagers congregate to gossip and get to know one another better; young *novios* hold hands and go for walks around the church.

While the Protestant churches are beginning to make a breakthrough in rural Costa Rica, their presence is minimal in the two communities. In Palomas, evangelicals have built a small wooden church, but only two families profess to being evangelicals; the rest of the small congregation come from surrounding communities. In Santa Cruz proper only one family is Protestant and there is no church building for services.

Farming and Employment Alternatives in the Two Communities

Agriculture is by far the principal occupation in both communities. Coffee is the primary crop, but there is also some sugar cane production in each, and some farmers are branching into cattle. In both Santa Cruz and Palomas only a few households have small garden plots where they grow a few vegetables, beans or corn for domestic consumption. As population densities climbed and land became scarce, the shifting agriculture that previously had supported subsistence crops is no longer possible. The reason for this is that the tropical soils of the region require large amounts of fertilizer after the first year or two of production. Farmers feel it is not worth the cost or effort to fertilize subsistence crops which frequently do not fare well anyway.

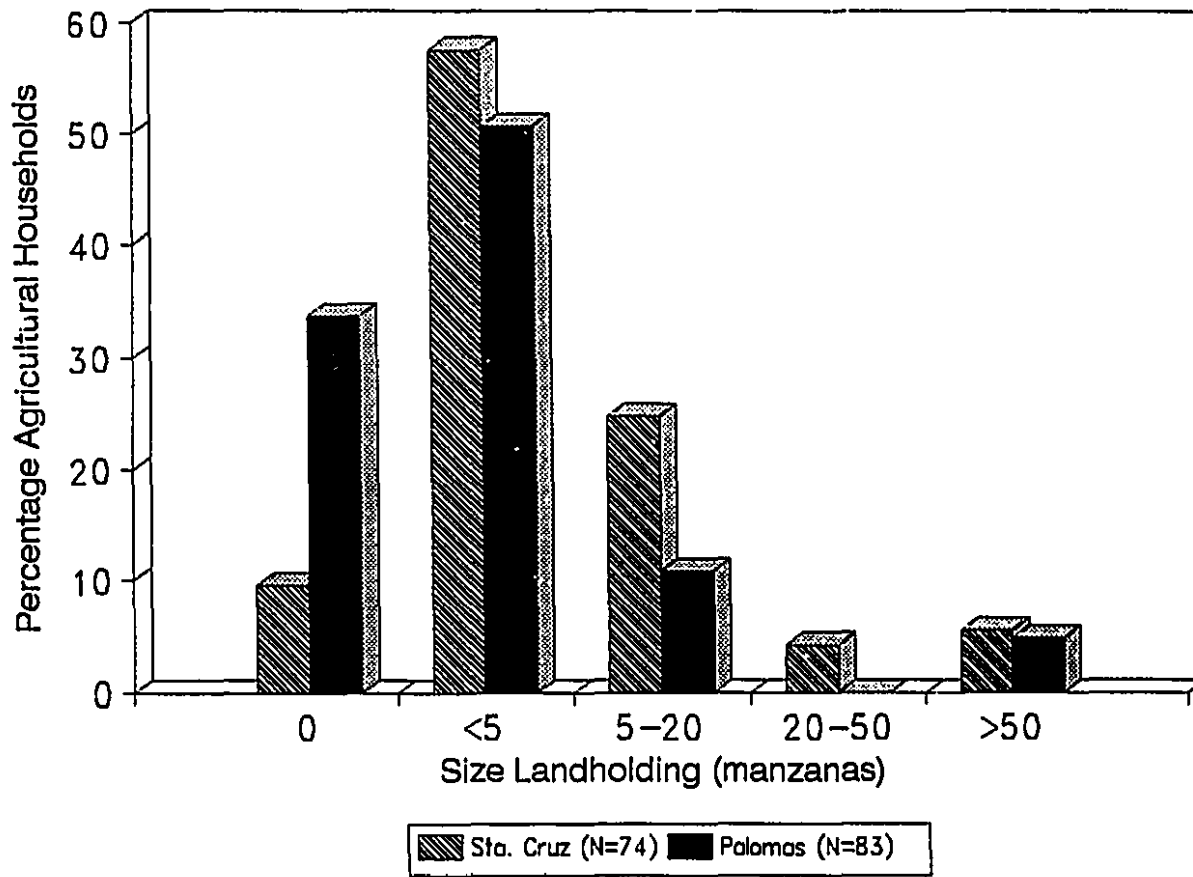
Both Santa Cruz and Palomas are small communities comprised primarily of coffee-producing households with less than five manzanas (3.45 ha.) of land, with a few larger farmers owning between 50 and 150 manzanas. Each also has families who support themselves through agricultural work, but who have no land, as well as households supporting themselves through non-agricultural activities (teaching, construction work, small businesses etc).

Of the 97 households in my initial census of Palomas, 16 households (16.5 percent) supported themselves through non-agricultural activities; 81 households, (83.5 percent of the total) farmed. Of these 81 agricultural households, 28 (34.6 percent) were landless. Of the 53 landowning households, only two owned more than 50 manzanas (34.5 has.). (Another two large landowners are absentee landlords, not available for interviews, and were not included in the initial 97-household survey.)

Similarly, in my Santa Cruz census, I found that out of a total of 86 households in the community, only 12 (14.0 percent) supported themselves primarily through non-agricultural income activities. However, in Santa Cruz, the proportion of landless agricultural households is much lower. Of the 74 agricultural households, only 9.5 percent, or seven households were landless. Of the 67 landowning households, four owned over 50 manzanas. The greater proportion of landless households in Palomas is striking (see Figure 4.2). It is not clear exactly why this is so, but the majority of landless agricultural households in both communities are migrant families who come for seasonal work and who are not permanent residents. Their larger number in Palomas is due, in part, to the presence of several large farms, including a large coffee plantation quite near to Palomas in the southern part of the valley (see below).⁷ These transient workers are young families who rent houses for their short stay in these communities. I know of no single transient men or women (though there was a single woman with children in Santa Cruz). Of the 28 landless households engaged in agricultural work in Palomas, 19 (68 percent) were temporary residents, renting less than one year, then moving on, though many returned in subsequent years. Not counting these transients, just 9 households (11.1 percent) in Palomas and five in Santa Cruz (6.9 percent) are landless.

Land is rarely loaned for use, even by family members. Renting and sharecropping are likewise uncommon. People say there is just not enough land to rent or loan out. Those without sufficient land to support their families must supplement their incomes through wage

Figure 4.2
Comparison of Landholdings by Community



labour, primarily in agriculture. As the population of this region grows, farmers are finding it difficult to find access to enough land to support their families.

As outlined in the chapter one, I concentrate my analysis on landowning agricultural households, which I have classified according to their use of household labour. Group I includes those households who farm coffee with little land, but who also sell labour; Group II consists of medium-size farming households who use predominantly family labour on their farms, but do not sell their labour elsewhere; Group III households are larger landowners, who hire permanent outside wage labour to help run their farms.⁸ Table 4.2 shows the frequencies and percentages of these household categories in each community.

Only a few farm workers find permanent employment as *peones* (permanent agricultural wage-labourers) on the larger farms. Most agricultural wage work is *jornalero* work, that is, workers are hired on a day-to-day basis, or perhaps for as long as a month to complete a certain task. Wages are low -- the average *jornalero* earned about 300 *colones* (\$1 U.S. = approximately 86 *colones*) per day in 1990 -- and there is no job security. Generally *jornaleros* find work in the *cafetales* (coffee fields) of other farmers, who for various reasons may not have sufficient family labour. During the harvest season, demand for labour is high and workers are hard to find. There is a vast cyclical migration which occurs every year in Costa Rica, as men, women, and entire families move from region to region, harvesting coffee as it ripens in the various zones.

For residents of Palomas, agricultural wage work can also be found with the multinational PINDECO pineapple plantation in Buenas Aires (an hour south by bus) or on the Finca Santa Fe, some four kilometres from Palomas. As the largest farm (over 2,000 manzanas) in the canton, the newly-developing Finca Santa Fe has made a tremendous impact on this part of the canton. Owned by an ex-minister of agriculture, the Finca Santa Fe began planting in about 1987, providing seasonal employment for hundreds of workers and permanent employment for dozens. This *finca*⁹ is by far the largest coffee producing farm

Table 4.2
Classification of All Landowning Agricultural Households
by Use of Labour
(number and percentage of total households)

Community	I Use & Sell Hhold Labour	II Use Hhold Labour Only	III Use Hhold & Hire Perm. Labour
Palomas (N=55)	35* 63.6	15 27.3	5+ 9.1
Santa Cruz (N=67)	29 43.3	35 52.2	3 4.5

Source: Complete census of village households conducted 1990.

- * Of these, 2 had small amounts of land in young coffee, but as it wasn't yet producing, they worked primarily as agricultural wage labourers to support themselves.
- + Included here are 2 absentee landlords who were not interviewed nor counted in the initial census of 97 households.

in the canton, and small farmers in Palomas attribute their recent harvest-labour problems to the fact that the Finca Santa Fe can pay higher wages. As production at Finca Santa Fe has just begun, smaller farmers are worried about what may happen in the future. A number of workers for the Finca Santa Fe live in Palomas, though most are transient, staying less than one year in the community.

Sugar cane also provides opportunities for wage labour, especially in Palomas. There, the production of sugar cane is not only much greater than in Santa Cruz, but is undertaken primarily by a few large farmers who sell their crop to Coopeagri (which owns the canton's only sugar factory) for processing into refined white sugar. This type of sugar cane production requires a substantial amount of labour for the short periods of time in which the cane is harvested.

Cane production in Santa Cruz is quite different. There, sugar cane is grown by many small farmers, but is processed exclusively into *dulce* in domestic *trapiches*; none is sold for refining. Dulce is used both for home consumption (it is a staple in most Costa Rican households) or sold to local merchants or in the weekly market in San Isidro. In the production and home processing of dulce, small amounts of cane are cut and processed intermittently, rather than the single, large-scale harvest of cane bound for the refining factory. Thus, there is usually little need for outside labour, unless for some reason the family has none of its own available. There are five *trapiches* in Santa Cruz; there used to be one in Palomas, but it has not been in use for many years. Reasons for this difference in sugar cane production and its implications for co-op participation will be explored further in chapter 5.

Opportunities for non-agricultural wage labour are practically non-existent in these young, rural communities. In Palomas, there are a few job opportunities, such as cook, cleaner or teacher at the elementary school (currently all teachers reside outside the community), or in a small, family-run furniture workshop located in a neighbouring

community, or in part-time construction. One woman works about six months each year in San Jose as a domestic worker, but for those who do not wish to leave their homes, most non-agricultural wage work is found in San Isidro. At the time of this study, none from Palomas were employed there, though I have since heard of one young woman obtaining domestic employment in the town.¹⁰ A few agricultural households manage to earn some extra income with sewing, tailoring, and shoe repair, but this income is only supplemental to their earnings from agriculture. These informal cottage "activities" also will be discussed further in Chapter 5.

In Santa Cruz, the situation is much the same. There are no agro-industries such as PINDECO or Finca Santa Fe nearby, but there are a few more opportunities for non-agricultural wage labour. In addition to positions in the primary school as cook, cleaner, or teacher (again all teachers currently come from outside the community), some people find work in part-time construction, at a furniture workshop within the community, or in another in a neighbouring community. Finally, there were also two bamboo furniture workshops in a neighbouring community, employing several young men and women from Santa Cruz. Though one continues to be quite successful, the other was forced to close in early 1991. People with jobs in these workshops were considered quite lucky.

Dynamic Community Organizations

In general, residents of these two district centres are quite proud of their communities and consider themselves fortunate to have weekly health clinics, new churches, and community centers. Still, unpaved roads, no permanent health centre, lack of adequate supplies and facilities in the schools, and little in the way of recreational facilities for the youth, are problems that are widely discussed in Palomas and Santa Cruz. One of the most striking things about these communities (and, in fact, about rural Costa Rican communities

in general) is a high level of organization and commitment to solving community problems. This concern is evident in the numerous ad hoc local associations, such as school associations and women's groups, that are formed for community development. Community participation and development from below are concepts that have been put into action in both communities. Leadership for these projects in both communities comes from one or two prominent (though not the largest nor wealthiest) citizens, but participation and support by the communities as a whole is high. For example, Catholic Church members often work jointly with other groups in raising funds or organizing labour for various community projects. In each community there is also a chapter of CARITAS, a church organization widespread in Latin America which works to help the poor with donations of food, clothing, housing, etc.

As mentioned earlier, the most important development groups within these communities are their community development associations (CDAs) formed under the direction of DINADECO (the National Institute for Community Development). Palomas and Santa Cruz both have CDAs which were very active during the time of this research. The board of directors of the Palomas association, elected in April 1990, had only been in charge for a few months. According to DINADECO workers, under previous councils there had been serious factional problems and some rumour of poor accounting practices. Consequently the association had been entirely disbanded and reformed, with newly elected board members. Despite its short time in charge, the new board of directors of the Palomas association had numerous projects under way: acquiring a new cemetery; improving the road from the highway; creating a new town plaza; and transforming the health centre (which was only open once a week) into a health clinic, (with medical staff available daily).

In Santa Cruz, projects also included the improvement of roads, and the construction of a large sports and commercial centre. This multi-million-*colon* building involved a great deal of planning and creative fund-raising and, though still only half completed, is considered one of the community development association's major accomplishments.

The way in which these associations operate is instructive and may serve to illuminate later discussions on the role of the cooperative in these communities. The associations operate on a democratic basis. Membership is open to all, though by law associations must have a minimum of 100 members and a maximum of 1500. Projects are voted on and operated by association members, and every four years a board of directors is elected. While the directors of these CDAs have no actual legislative powers, they have economic influence and dominate the promotion, implementation, and coordination of most community projects and often are among the most influential members of their communities.

Partial funding for CDA projects comes from DINADECO and are derived from two percent of national income tax. These funds are then distributed to the community development associations, each receiving approximately 50,000 *colones* (about \$580 U.S.) per year for projects. For most projects, DINADECO requires that matching funds be obtained from outside agencies or from community resources. Armed only with relatively small annual budgets, members of the community work and scheme to obtain additional matching funds and resources (from government, foreign aid agencies, etc.) with which to complete their projects; and they are quite good at doing so. For example, when I arrived in Palomas the most pressing problem was to create a new cemetery as the old one in a neighbouring community was completely full. The association approached a large, absentee landowner of the community for a donation of land. (This same landowner had donated the grounds for the new Church.) Once the land was obtained, a "cemetery committee," was formed to take charge of clearing the land of the existing sugar cane and arranging for the transfer of title; within two months the new cemetery was ready (apart from the legal work of transferring the title).¹¹

Though both community associations seem to function well and accomplish much for their communities, they operate quite differently. In Palomas, the semi-monthly meetings are attended by about 15-25 people. Most attenders were men, though the board consisted of

three men, including one landless labourer, and two women. In Santa Cruz, the semi-monthly meetings are attended only by the elected board, who were all male, with the occasional member or two dropping in if they have a particular issue to discuss. On the other hand, the elections in March 1991 were much better attended in Santa Cruz (over 200 in attendance as opposed to about 80 in Palomas). The election process I witnessed in Palomas was rather a sedate affair. When it came to nominations for positions, many of those nominated declined (usually claiming they would support projects, but could not spare time from their other activities to work as board members) and the group had trouble getting someone to accept the nomination for president. (The previous president was resigning for health reasons.) In fact, it came to a point at which the official DINADECO observer said that the association would have to be disbanded if they couldn't find anyone to serve. Finally, nominations were again made, accepted and voted upon. The board's former treasurer was elected president.¹²

The meeting in Santa Cruz was a different affair altogether.¹³ There, organized groups arrived ready to oust the previous *junta* (board). Despite the incumbent *junta's* tremendous accomplishments (particularly with the sports complex), many people expressed dissatisfaction with the huge debt their community now owed as a result of this project. The meeting was lively and very political. In the end, the previous *junta*, primarily supporters of the PLN (the National Liberation Party), was ousted in favour of a *junta* comprised of more USC (Social-Christian Party) supporters. The feeling was, that though the previous *junta* had accomplished much, the USC was currently holding power nationally, and therefore the community association stood a better chance of obtaining additional government funding with more USC supporters in the *junta*. There was no such discussion during the Palomas meeting.

Much of the success of these CDAs depends on its leaders, their commitment to improving their communities, their political savvy, and their ability to mobilize community support. *Rifas* (raffles) are one of the most common ways for community groups to raise funds for projects. These raffles are quite simply organized. A goal is set for the amount of

money the group wants to raise; a book (or books) of numbered tickets is purchased in San Isidro by the group (raffles are extremely common throughout Costa Rica and ticket books are easy to come by), and a date is set for the drawing. Tickets are then sold door to door throughout the community and any surrounding community in the district that may have an interest in the project for anywhere from 20-500 *colones*. Though money prizes are the most common, occasionally if a group has access to some other good -- a handcraft item or second-hand radio, for example -- these goods will be raffled off. Rather than conduct their own drawing (which is not only more work, but can leave the group open to accusations of unfairness), there is a convention that local raffle drawings will coincide with the Sunday national lottery drawings. Thus if "27" is the winning number drawn in the national lottery, it is also the winning number for local raffles whose drawings were listed on that date.

Raffles are such a popular form of raising funds for projects that in any given week (particularly during harvest season, when people have more cash) there will likely be at least one raffle.¹⁴ As Costa Ricans are fond of this type of game as an opportunity to win a lot for a small risk, it is easy to see why raffles have become a popular method of raising funds within rural communities. These frequent local raffles have another advantage for community fund-raising, and that is that community members know they are also supporting projects which will benefit their community. Most tickets are relatively cheap, and sooner or later everyone gets around to supporting one project or another.

Raffles are organized by various groups, depending on the project. In Palomas the elementary school committee conducted raffles to raise money for classroom materials, and the development association used *rifas* to raise money for title-transfer deeds for the new cemetery land, for road improvements (the Church also called for special donations during Masses), and for the proposed health clinic. Even the Sports Committee has organized raffles to raise money to buy uniforms or make improvements on their field. A series of raffles were held throughout the year by a neighbouring community which wanted to build its own

elementary school. They could get no government funding, and it was primarily through raffles and their own fund-raising efforts that they eventually were able to construct their own school. This high degree of social participation at the community level, seems to reflect the nation's long-standing democratic tradition. Costa Ricans take such democratic participation for granted. During one CDA meeting, when one villager suggested that they invite President Calderón to their meeting to discuss the possibility of paving their road, the idea met with great approval and no scepticism. (I do not know if they ever actually invited the President.)

Domestic Organization

Household Structure and the Family. My initial census of the total population in each community showed an average of 5.0 persons per household in Palomas and an average of 4.7 persons per household in Santa Cruz (see Table 4.3). Households in both communities are predominantly nuclear families (71 percent in Santa Cruz and 67 percent in Palomas). Extended-family households comprise 14 percent and 19 percent of total households in Santa Cruz and Palomas. Reduced families (those that lack a conjugal pair) comprise 15 percent and 14 percent, respectively, of all households. Included in the extended-family category are those households usually consisting of a conjugal pair, their children, and other lineal relatives (parents and/or grandchildren). In two cases an elderly couple and adult grandchildren shared a household. Most "reduced households" consisted of a woman and children or grandchildren, though there were two households which consisted of men and their children (or grandchildren). In Santa Cruz, three households consisted of single adults (two male and one female).

Marriage within the Catholic Church is the only union between a man and woman that is officially recognized by the Church, yet common-law unions (*uniones libres*) are very widespread. *Uniones libres* are recognized by the community, but formal marriage is still

considered to give status to the union, and middle-class families actively discourage their daughters from living *conjunto* (together) rather than marrying. In many cases, the arrival of the first child encourages the couple to marry.¹⁵ In general, the conjugal bond is not strong. Though divorce is not recognized by the Church, and couples married within the Church appear to be more stable than couples living in common-law arrangements, both Church-sanctioned marriages and common-law unions frequently end in separations. In the event of the break-up of a common-law union, women have fewer legal rights than their legally married counterparts, and it is left to the discretion of the man whether to continue to support his offspring or not.

When a young couple marry, the preferred arrangement is for the couple to establish their own household, and in fact, most couples manage to do so. Though these households are expected to become economically independent, as we shall see in chapter 5, there is a good deal of variation in the economic relationship between households of parents and children. Familial ties are generally very strong, particularly between mothers and their children. Children and their families often reside in close proximity to their parents, forming "kindred clusters". While each household in a kindred cluster accounts for and manages its own finances and makes its own decisions regarding production, there is considerable interaction among the various families, and members of one are frequently found in the houses of another.

Access to land is often a factor in the location of a new household. Though legally both sons and daughters inherit land, sons are often favoured, as farming is considered (and, in fact is) primarily a male activity. If a son is given land by his parents, the newlyweds will usually set up household close to his family. In cases where a woman who owns land marries a landless man, the couple will reside on her lands (which are often located near her family).

As we saw above, few people live alone. At least one child takes the responsibility of living with a single parent (or having that parent live with them). If a child is not available,

Table 4.3
Composition of All Households In Palomas and Santa Cruz
(percentage of total households)

Community	Average Size	Percent Nuclear	Percent Extended	Percent Reduced
Palomas (N=97)	5.0	67	19	14
Sta. Cruz (N=86)	4.7	71	14	15

Source: Complete census of village households conducted in 1990.

Table 4.4
Home Ownership by Community
(percentage of total households)

Community	House Owned	House Rented	House Loaned
Palomas (N=97)	76	3	20
Sta. Cruz (N=86)	91	-	9

Source: Complete census of village households conducted in 1990.

unmarried grandchildren or the unmarried child of a sibling will move in. These living arrangements are usually to the mutual benefit of all concerned. In one case, after separation from his common-law wife and having nowhere else to go, a young man and his five-year-old daughter moved in with his father's sister. She has room in her house and is willing to provide them room and board. In return, he shares household expenses (food, utility bills, etc). Though this nephew occasionally provides labour for her (since she had no other male relatives to help with her small coffee field), he has his own (borrowed) field of coffee seedlings to care for and supplies little labour for her fields. She hires occasional labour for tasks she herself does not wish to undertake.

In another case, an elderly man lives with an unmarried son, an unmarried daughter, and her two children. Though the daughter has had her own house built a hundred meters behind her father's, she continues to cook, clean and care for her father and brother, as well as care for her own children and her house. In return they assist her with the care of her coffee. So, while they actually sleep in two physically separate houses, they continue to act as one social and economic unit.

With the exception of temporary agricultural workers, most families in each community own their own homes (76 percent of all households in Palomas; 91 percent of all households in Santa Cruz); others rent or are given homes to use, some in return for a guarantee of harvest labour (a transaction that will be discussed further in chapter 6). Table 4.4 provides data concerning home ownership in the two communities. The physical construction of houses varies considerably, but typically houses are three- to four-room wooden buildings with corrugated tin roofs, and as mentioned above, nearly all have electricity and clean running water. The few concrete block houses that have been built in the last several years are signs of upward mobility and much envied by the community. Likewise, the few motor vehicles found in each community (nine in Palomas; six in Santa Cruz) indicate affluence. On the other hand, nearly every family enjoys a television set and radio. Refrigerators and a host

of other kitchen appliance such as small washing machines, blenders, and electric hot plates or stoves are commonplace.

Rural Costa Ricans are avid gardeners and the residents of Santa Cruz and Palomas are no exception. Plants, in particular flowers, are widely admired. Potted plants adorn most porches and nearly every house boasts some kind of flower garden. Though few keep vegetable gardens, nearly every household has some kind of fruit trees nearby. Bananas, mangoes, oranges, other citrus, cashews, guava, lychees, and carambolas are some of the most common. In a few households, women cultivate herbs for medicinal or cooking purposes.

Household Division of Labour. Within most households there is a sharp sexual division of labour, with men and their elder sons concentrating their energies on agricultural production and marketing. At slack times of the agricultural season, men can be seen fixing roofs, porches, or making other house repairs and it is usually men or boys who are in charge of cutting wood, if their family cooks with wood. Likewise, if a family owns a car or truck, most often the male members of the household will operate and maintain it. I know of only one woman from either community who drove, and she did so frequently in her work around the farm, but many expressed a desire to learn. Automobiles are rare, and so the opportunities for either men or women to learn to drive are few.

Outside of the harvest season (which runs roughly September through December), women generally work in the home, where their responsibilities are many. In addition to child care, women keep the home clean, prepare meals, and wash, mend and iron cloths. Their *oficios domesticos* (domestic duties) also include preparing and bringing food to those of the household who are working in the fields. While men are usually responsible for weeding heavy growth from around the house, women care for the gardens. While most houses have an ornamental garden, only half a dozen in each community have small kitchen gardens; these are tended by women.¹⁶

In general, agricultural work is considered "men's work." Even if women, for financial reasons, find they need to engage in some type of agricultural wage labour, it is not easy for them to find. The one aspect of commercial crop production in which women participate fully is the coffee harvest and indeed, women and children are a substantial source of coffee-harvest labour.¹⁷ The subject of women's labour and the role of women in coffee production in terms of household economic decision-making will be discussed further in Chapter 5.

Cooperation and Household Exchange

Informal exchange of goods and services among households occurs frequently, but within the non-commercial sphere of production. These exchanges are characterized by a pattern of generalized reciprocity. For example, a woman may bring a bunch of bananas to a neighbour, who will return the favour at some later date by bringing a sack of oranges or a bottle of homemade black-banana vinegar, or whatever she may have available in her household. Thus, not only are surplus goods disposed of (food that may otherwise have spoiled), but networks are formed and strengthened. Prepared foods are also exchanged in the same way among friends and neighbours. Likewise, when a woman is too sick and there is no one else in the household able to cook, friends or neighbours, if no relatives are living nearby, will prepare food for the sick woman and her family. Mothers, daughters, and siblings from different households often share in child-care duties, but it is rare for such exchanges to occur among non-kin.

Informal exchange occurs in other ways, as well. For example, don Fernando, a small farmer in Palomas, is one of the few people in the community who owns a vehicle, a 1972 Datsun hatchback. He is sometimes asked to chauffeur people into San Isidro for emergencies, (he took one young woman to the hospital to deliver her baby and ended up having to help with the delivery in the car along the way) or to help carry a large purchase

to or from San Isidro. Though he is usually paid something for these trips to cover the cost of gasoline, he charges nothing and his help is considered a favour. Some day in the unspecified future, the favour will be repaid.

The exchange of goods, services, and labour in connection with commercial production works on principles of balanced reciprocity, rather than the generalized reciprocity described above. For example, Juan will help his father Benedicto weed his field one day; Benedicto will help Juan weed his field another. This type of exchange will be discussed further in Chapter 5. As we shall see, informal exchanges within the realm of coffee production are rare. Most transactions involve cash payment. When other arrangements are made, terms of exchange are very specifically defined.

Summary

This chapter has provided an overview of the historic development of Perez Zeledon and the socio-economic structure of the two study communities. Perez Zeledon is a rapidly growing canton, whose economy has been dominated by coffee production since the opening of the region to immigration by the Pan American highway in the 1940s. It is this recent frontier nature of the canton which sets it apart from the Meseta Central.

Life within the two study communities is much like that found in any rural Costa Rican community (see e.g., Barlett 1982; Biesanz et al. 1982). Family and church form the backbone of economic and social life and residents actively volunteer in community development projects. The majority in both communities are coffee producers, though a significant number of households have found it necessary to seek income through other avenues. Though sugar and tobacco are also important to the regional economy, and there have been some attempts at stimulating agricultural diversification, employment opportunities, particularly outside of agriculture, are scarce and located primarily in San Isidro. Coffee remains the region's most important income-producer and households the most important farming unit.

Notes

1. According to informants Jorge Zeledon is no relation to General Zeledon for whom the canton is named.
2. The original coffee cooperative greatly expanded its activities and services and changed its name to Coopeagri: Cooperativa Agricola Industrial y de Servicios Multiples El General, R.L.
3. According to Jones and Price, living fences are common in Costa Rica, as high rainfall and humidity quickly rot cut wood (1985: 324).
4. For a discussion of the political system and powers of representatives see Biesanz 1982: 177-195).
5. Rural guards cannot be fired because of their political affiliation when a new power comes to office, yet they can be moved frequently to distant posts. After a few such moves (away from family) most resign voluntarily.
6. Not included in these averages are those who have been residents for less than one year, as these tend to be migrant labourers.
7. Despite the growing problem of landless agricultural labour in rural areas throughout Costa Rica, a detailed analysis of landless agricultural labour in these two communities was beyond the scope of this study.
8. According to some farmers, to hire "peones" (permanent wage labour employees) requires payment of social security and other contributions on the part of the farmer. As other input costs rise, many are finding that they can no longer afford to keep permanent employees and are beginning to hire workers only for short-term contracts or on a "jornalero" basis (often the same people they had previously employed full-time), in order to bring costs down.
9. The term *fincas* generally refers to large farms, though not necessarily plantations, but is also commonly used to refer to *any* farm or ranch.
10. I was told that there are a few women in Palomas who go to San Isidro to work as prostitutes, but was unable to confirm this as a fact, though I think it quite possible. For single women with no land, Palomas has no opportunity for wage employment, outside the harvest season.
11. As a North American, I was frequently asked about any connections I might have with donor aid agencies and whether I could help in the search for funding for road, school, and health centre projects. Having no such connections, I was unable to help, and in fact found that these local community leaders knew infinitely more ways of obtaining aid monies than I did.
12. Though I know of no other association with a female president, several women at this meeting were nominated for this position and having a female president seemed to cause no great concern from any one.

13. As I was attending the meeting in Palomas, I was unable to attend the one in Santa Cruz. I was told about the meeting in detail by a peace corps worker who had been working with community development in Santa Cruz that year and who attended the meeting.
14. As one villager told me, the three things most characteristic of Ticos are that they are enthusiastic lottery players, fierce football fans, and earnest "politiqueros" (petty politicians) -- that is, they love to immerse themselves in politics. Tico enthusiasm for the lottery is evident on every street corner, where dozens of vendors hawk the two national lotteries' weekly tickets. Everyone has his or her favourite numbers and most anyone can tell you the winning numbers from last week's drawing.
15. During the sermon at Mass one week, the priest announced the beginning of pre-marital classes and impressed on the congregation the importance of marrying within the Church. He urged all those living together -- regardless of how long the couple may have been living together and the number of children they might already have -- to take the classes and marry.
16. These gardens were very small. For example, one woman had a patch of corn 1 metre x 2 metres, a row of green beans 2 metres long, and a *chayote* vine. Another's garden of carrots, beans, lettuce, and cilantro measured approximately 1.5 metres x 3 metres.
17. Women and children are frequently cited as a primary source of coffee-harvest labour throughout Latin America (see e.g., Bossen 1984; Cardoso 1977; Loomis, et al., 1953; Machado 1977; Ortiz 1973; Wolf 1956).

Chapter 5

COFFEE PRODUCERS: HOUSEHOLD PRODUCTION AND ECONOMIC STRATEGIES

Now that we have an overview of the international, national, and regional environments which shape coffee production in Costa Rica, we are ready to look at the domestic economy and household economic strategies of coffee producers in Perez Zeledon.

In this chapter I describe the coffee-producing households themselves and the variation that is found among these production units. From this micro perspective, I focus on some of the internal domestic factors that influence household economic strategies and how various household members contribute to the formulation and implementation of these strategies. The discussion of farming households presented in this chapter and in chapter 7 is based on survey data collected from a stratified sample of producers in each community as described in chapter 1.

The Sample Households

Examining the coffee-producing households in the two communities according to their use of household labour, we see that the two communities differ somewhat in the proportions of coffee-producing households in each strata (see chapter 4). In Palomas, a clear majority (64 percent) of coffee-producing households fall into the category of smallest producers (Group I), in which family members work their farms and sell their labour elsewhere; just 27 percent fall into the middle category of farming household (Group II) in which household labour is neither sold nor hired permanently. Large farmers who hire labour on a permanent basis comprise only 9 percent of the total (see Table 5.1).

In Santa Cruz, large farmers who hire labour (Group III) are likewise the smallest group of farmers, comprising just 6 percent of all coffee-producing households. The remaining

Table 5.1
Weighted Percentage of Sample Households
Selling and Hiring Labour

		Palomas			Santa Cruz		
Household Group Classification		N	Wtd N	Wtd %	N	Wtd N	Wtd %
Group I.	Work Own Farm and Sell Labour	21	35	64	21	30	43
Group II.	Neither Hire nor Sell Labour	12	15	27	18	34	51
Group III.	Work Own Farm and Hire Perm. Labour	3	5	9	3	3	6
Total:		36	55	100	42	67	100

Source: Sample Survey conducted 1990-91

Note: Weighted N (WN) for the three subgroups in each community are as follows.

Palomas:

Group I: $N=21 \times 1.7 = 35$ (WN)

Group II: $N=12 \times 1.3 = 15$ (WN)

Group III: $N=3 \times 1.7 = 5$ (WN)

Santa Cruz:

Group I: $N=21 \times 1.4 = 30$ (WN)

Group II: $N=18 \times 1.9 = 34$ (WN)

Group III: $N=3 \times 1.0 = 3$ (WN)

farmers in Santa Cruz are split nearly equally between the middle category (Group II) of "self-sufficient" farmers (51 percent) and the category of smaller farmers (Group I) who supplement their incomes by selling labour (43 percent). This difference is interesting and will be pursued further in my discussion of farmers' choices of processing factories, but may be due, in part, to more wage-labour opportunities found in Palomas.

Despite this difference in the proportions of farming households classified according to their use of household labour, coffee-producing households in Santa Cruz and Palomas are similar, both in size -- an average of 4.6 persons per household in each community -- and extent of landholdings. As throughout Costa Rica, coffee farms in Santa Cruz and Palomas tend to be small. Among the 42 sample households in Santa Cruz (63 percent of all coffee-producing households) and 36 sample households in Palomas (71 percent of coffee-producing households), the size of landholdings varied considerably, ranging from 0.25 mz (0.17 ha.) to over 100 mz (69.0 hec.). Yet median farm size was remarkably similar in both communities: 3.00 mz and 2.90 mz, respectively (see Table 5.2).¹ Though the table shows that the average of total farm size in Santa Cruz is considerably greater than in Palomas, coffee holdings are larger in Palomas. Nevertheless, while overall more land is dedicated to coffee production in Palomas than in Santa Cruz, the median area of land cultivated in coffee, as well as the median coffee output, is also similar in each community (see Tables 5.2 and 5.3).² The differences in farm size and coffee crops will be discussed further below.

Coffee-producers in these communities are alike in other respects, as well. Most adults have at least several years of primary school education. The average number of years of schooling in both communities is five. Some reported having had no formal education, while a small minority have even begun sending their children to university.

Like most "Ticos" these coffee-producers are interested in politics. Though the vast majority are not formally associated with, nor actively involved in, a particular political party, all had a definite preference for a particular political party. In all cases but one, the same

Table 5.2
Average Size of Total Farm and Coffee Land of
Sample Households in Palomas and Santa Cruz*

Community	Farm Size (manzanas)		Land in Coffee (manzanas)	
	Weighted Average	Weighted Median	Weighted Average	Weighted Median
Palomas (N=36; WN=55)	8.92	2.90	4.02	2.00
Santa Cruz (N=42; WN=67)	13.61	3.00	2.35	1.50

Source: Sample Survey 1990-91
(See Table 5.1 for weights)

1 ha. = 1.45 manzanas

Table 5.3
Coffee Yields by Community
(1989-90 and 1990-91 Harvests)

	Palomas		Santa Cruz	
	1989/90 (N=34) (WN=52)	1990/91 (N=36) (WN=55)	1989/90 (N=36) (WN=60)	1990/91 (N=40) (WN=64)
Total Fanegas Produced	2739.30	3374.60	1855.40	1669.10
Weighted Avg/Household	82.88	96.86	47.21	39.60
Weighted Med/Household	25.00	24.35	27.00	21.00

Source: Sample Survey 1990-91

1 fanega = approximately 50 kgs.

Note: Total N and WN differ by year as some households did not harvest coffee or data were not available. Coffee Yields were weighted by weight of the Group to which the households had been classified. See Table 5.1 for weights.)

party was reported by both heads (male and female) of household. Overall, political loyalties in both communities were much the same. In Santa Cruz 75.8 percent of the sample households support the PLN (National Liberation Party) while 24.2 percent support the USC (Christian Social Party); in Palomas, support for the PLN and USC runs at 75.0 percent and 25.0 percent, respectively. The PLN had been Costa Rica's most popular party since the civil war of 1948, though the USC gained power nationally in 1990.

While it is clear that there are variations and inequalities within each community, the "typical" coffee-producing household in both Santa Cruz and Palomas is comparable in terms of household size, education level, landholding, coffee production, and political preference.

Land Ownership

The types of relationships that exist among members of a household are often reflected in the distribution and control of resources within the household. For farming households, one of the most important resources is land. As discussed in chapter 4, a great many residents in both communities are immigrants to the area. Many either homesteaded or bought lands upon their arrival; others inherited from parents who arrived in the 1950s and later. Within a household, land ownership (and means of acquisition) is an important factor in the dynamics of domestic production.

As might be expected in a society where agricultural production is considered the domain of men, in both Santa Cruz and Palomas, land is distributed unevenly between males and females. Men comprise 71 percent of landowners and own 83 percent of the land; women comprise 29 percent of landowners and own 17 percent of the land. This pattern holds in both Palomas and Santa Cruz. Table 5.4 shows the distribution of landownership by sex and by household type in each community.

Table 5.4
Individual Land Owners in Sample Households by Sex and Household Type
in Palomas and Santa Cruz

Landowners by Household Group & Sex	Palomas				Santa Cruz			
	No. of Owners	Wtd N	Wtd.Area Owned (mz)	Wtd. Avg. Area Owned (mz)	No. of Owners	Wtd N	Wtd.Area Owned (mz)	Wtd.Avg. Area Owned (mz)
I - Male	21	36	39.81	1.12	17	24	57.23	2.40
Female	11	19	20.74	1.11	13	18	21.72	1.20
II - Male	14	18	101.78	5.59	20	38	491.72	12.94
Female	5	7	13.98	2.15	4	8	89.59	11.79
III - Male	2	3	195.50	57.50	4	4	179.60	44.90
Female	2	3	109.65	32.25	0	0	0.00	0.00
Total - Male	37	57	337.09	5.88	41	66	728.55	11.07
(%)		(67)	(76)			(74)	(87)	
Female	18	29	104.37	3.65	17	23	111.36	4.88
(%)		(33)	(24)			(26)	(13)	
Grand Total	75	86	441.46	5.14	58	89	839.91	9.48
(%)		(100)	(100.00)			(100)	(100.00)	

Source: Sample survey 1990-91.

Note: Ownership based on Legal Title. Area was weighted by weight of the Household Group to which the owner belongs. See Table 5.1 for weights. There is usually at least one male landowner per household; in about half the sample households in each community, women own no land.

As shown in Table 5.5, there are several ways in which a person can get title to land. First, land can be inherited. While by Costa Rican law both males and females inherit equally, informants said that in practice, many women either give up their rights to family lands or sell to a brother who will work the land for his family. Overall, among my sample households, 14 percent of male-owned lands were received through inheritance from parents (11.1 percent and 14.7 percent in Palomas and Santa Cruz, respectively); 22 percent of female-owned lands were inherited from parents, most often the father (25.8 percent and 17.8 percent, respectively). Land is also inherited at the death of a spouse. Among the sample households of this study, lands were inherited through a spouse only by women and accounted for 41.5 percent of all female-owned lands. The majority of these "spouse-inherited" lands were inherited by one woman in Palomas. This single case accounts for the vast difference (68.8 percent and 1.9 percent in Palomas and Santa Cruz, respectively) in lands inherited from a spouse in the two communities.

Another way to acquire title to land is to buy it. Most purchased land is bought by men. In Palomas, 84.9 percent of male-owned lands were bought, in contrast to only 5.5 percent of female-owned lands. In Santa Cruz, 71.2 percent of male-owned lands and no female-owned lands were reported to have been bought by their owners. In some cases, lands are bought jointly, by brothers or spouses.

Under regulations promoted by the Institute for Agrarian Development (IDA), title to land can also be obtained by homesteading lands in certain areas for ten years. As no such lands are now available in the immediate vicinity of Santa Cruz and Palomas, the amount of land which had been acquired in this manner by today's residents of these communities is very small (0.2 percent of all land; 3 percent of male-owned land).

Finally, title to land can be given by one person to another. Titles given in this way are usually from parents to children in anticipation of inheritance, in order to ease land taxes and avoid future inheritance taxes. In one household, a woman who had inherited 2.5 mz from

Table 5.5
Mode of Land Acquisition by Sex in Palomas and Santa Cruz
(Weighted Percentage of Total Lands Owned)

Mode of Acquisition	Palomas				Santa Cruz			
	M	F	M	F	M	F	M	F
	Area (mz)	Wtd % of Area	Area (mz)	Wtd % of Area	Area (mz)	Wtd % of Area	Area (mz)	Wtd. % of Area
Inherited from Parent	26.35	11.1	21.95	25.8	60.27	14.7	13.80	17.8
Inherited from Spouse	0.00	0.0	60.25	68.8	0.00	0.0	1.50	1.9
Inherited from Other	0.00	0.0	0.00	0.0	1.45	0.4	0.00	0.0
Bought	176.40	84.9	5.25+	5.5	341.80	71.2	0.00	0.0
Bought Jointly*	10.24	4.0	0.00	0.0	50.75	8.9	4.15	6.5
Spouse Title Transferred++	0.00	0.0	0.00	0.0	2.51	0.5	43.25	73.8
Traded	0.00	0.0	0.00	0.0	1.50	0.3	0.00	0.0
Homesteaded	0.00	0.0	0.00	0.0	21.00	4.0	0.00	0.0
TOTAL:	212.99	100.0	87.45	100.1	479.28	99.5	62.70	100.0

Source: Sample Survey 1990-91

+ In both cases, land had been inherited from father, sold, and new land bought. Data for such occurrences with males is incomplete.

* Land bought jointly. For purposes of this analysis, the area of lands bought jointly were divided equally among the owners.

++ Land either inherited or bought by spouse, then title transferred into title holder's name.

her father put the title in her husband's name, so that he would be able to use it as collateral for loans. In another case, a man who had inherited land from his father, exchanged that land for 21 mz of land in a more desirable location and put the new property in his wife's name. They are now in the process of giving four of their children title to the four-manzana plots they are each working.

The fact that women can own land, and in some cases have brought into a marriage the only land the couple owns, is important when analyzing household decision-making and economic strategies. In 36 percent of the sample households in Santa Cruz and 42 percent in Palomas, women held title to land. In some cases, women are the sole landowners in the household, whether or not they have a spouse residing with them. In Palomas women are the sole landholders in six households (14 percent). Four of these work their lands with spouses, and two work their lands alone. In Santa Cruz, women are the sole landholders in seven households (27 percent). In four households, women work the land with their spouses; the remaining three are female-headed households and work the land alone or with their children.

Generally, women who brought lands to their marriage have more power and more input into decisions regarding both production and consumption, than do those women who became "entitled" during marriage. For example, Lidia Ovaes owns 2.5 manzanas which she inherited from her father upon his death in 1952. It is the only land she and her husband, Juan Castillo, own. Though Juan does most of the work in the coffee fields (helped occasionally by an adult son), no financial decision is made without consulting Lidia. She was at one time a school teacher and keeps elaborate accounts of their production expenses and income. Juan is the more knowledgeable of the two about the technical aspects of coffee production, and Lidia listens with care when he makes a suggestion concerning their crop. She most often agrees to his suggestions, but each decision is brought before Lidia, and she gives her input.

In another example, Hannia Gamboa (not part of the study sample) inherited 10 mzs upon her father's death. At the time of their marriage, her husband, Flavio Valentes, was landless, but he is now an astute farmer. Though he is primarily in charge of coffee production and she primarily manages domestic affairs, she wields a great deal of power in the household. A few years ago, for tax purposes, they incorporated their farm into a small company and land title is now in the name of that company which belongs to both of them. Though Hannia no longer actively works in the coffee fields except a bit at harvest time, Flavio often seeks her opinion and together they discuss major decisions such as buying or selling property or when to increase production.³

Other women, who have had lands put in their names for tax purposes only, seem to have less decision-making power. In these cases, control of the land and production decisions remain primarily in the hands of the male head of household. For example, in 1970 Franklin Montoya bought 26 manzanas of land which he immediately put in his wife's name, though both continue to speak of the land as his. (As she is legal title holder she is accredited with ownership in Tables 5.4 and 5.5) Apart from her domestic responsibilities of cooking and cleaning and some help picking coffee at harvest time, his wife, Celia Marin, does not participate at all in the production of the family's coffee. Sr. Montoya and his sons make all decisions regarding both production and household consumption. He controls all the family income and she must ask him for money any time she wishes to make any purchase for the household. The evidence at this point is anecdotal, but suggests that land which comes through the husband strengthens his position in the household, whereas land which is brought to the union by the wife strengthens her position, regardless of legal title.

In the majority of households (67 percent) in both Santa Cruz and Palomas, land title is held by just one person. In the other 34 percent of coffee-producing households, title is held by more than one household member. In 50 percent of these multi-owner households in Santa Cruz and 8 percent in Palomas, titles are held only by the conjugal pair. In the remaining

multi-owner households, titles are held by fathers and sons; brothers and sisters; mothers and daughters; or larger combinations. In one case in Santa Cruz, the land had been bought and jointly registered as a company in the name of a local farmer and his Chilean financier. Lands are registered under different household member's names for several reasons. Chief among them is a desire to avoid or lessen taxes, either current land taxes or future inheritance taxes. In some cases, though siblings (or other kin) may be living as a single economic unit in one household, they wish to keep land titles separate.

Labour Requirements of Coffee

Before looking more closely at how land resources relate to the use of labour by coffee-producing households, let us look at the general labour requirements of coffee production.

Approximately eight months of the year (this varies according to altitude, rainfall, and coffee variety), farmers must care for their, but compared to the harvest season, the labour involved is relatively light. In Perez Zeledon, though not all farmers perform every task, and the timing of tasks varies from area to area, the cycle of agricultural tasks related to coffee production is basically as follows (see Figure 5.1).

From late January through March, farmers "clean" their coffee fields. Cleaning involves pruning good trees and weeding out trees that are too old to yield well, or are dead. Pruning is done with small hand saws, and cut branches are stacked to dry for use as firewood. If the *cafetal* is not close to the home, the wood eventually must be brought to the house, by cart or wheelbarrow if one is available, or by carrying on the back. Coffee wood is an important fuel source; those with excess will give or sell to relatives and neighbours who have none.

From March through early May, some farmers spray their coffee trees with an insecticide and a liquid fertilizer for strengthening leaves. (As this is expensive, many

Figure 5.1
Yearly Cycle of Coffee Production Tasks

Month	Tasks
January	Clean Fields: [poor families to Meseta]
February	- prune trees
	- remove old & dead trees
March	- cut, stack wood
	(apply optional foliar fertiliz. & pesticide)
April	- dig holes for new trees
	- (tend seedlings, if growing)
May	- ground fertilizer application
	- prune & plant shade trees
	- begin planting new coffee
June	- finish planting new coffee
	- weed
July	- prune growing shade
August	(ground fertilizer application)
	- pick first ripening cherries
September	- secure harvest labour
	- Repair: workers' houses, H roads/footpaths, trucks, carts, A equipment
October	R
	- ground fertilizer application V
November	E
	- [poor families: labour migration S
December	to Meseta] T

farmers do not apply this foliar fertilizer.) Also at this time, holes must also be dug for any new trees that are to be planted. In May, just as the rainy season begins, ground fertilizer is applied. Chemical fertilizers are used almost exclusively, despite their rising costs. There is little organic waste produced on these farms, as few animals are kept. Farmers report that organic fertilizers are available for purchase, but the cost of transporting them to the farm is prohibitive. In addition, the government provides loans for chemical, but not for organic, fertilizers. Most *beneficios* now deliver chemical fertilizers directly to the farm, usually without charging for transportation, but farmers, unless they own, or can borrow, a wheelbarrow, must haul the 50 kilogram sacks on their backs through the narrow rows of coffee trees.

Most farmers broadcast the fertilizer, though the Ministry of Agriculture's (MAG) preferred method is to poke a small hole near the base of the plant (but not too near the roots) and deposit the fertilizer there. It is unclear why farmers continue to broadcast fertilizer when chemical fertilizers are so expensive. A MAG extension agent explained that much fertilizer is washed away by rains with the broadcast method. Farmers may have other reasons for continuing to apply fertilizer in this manner, or perhaps feel that the cost of lost fertilizer is outweighed by the additional cost of labour required. With the price of chemicals fertilizers now skyrocketing, there may be a change in this practice.

In addition to fertilizing, in early May farmers begin to prune and plant shade trees. Though some new coffee varieties are said to grow best without shade, for most coffee plants, the right amount of shade is an important factor in production. Banana and plantain are among the preferred shade trees, though a variety of other trees are used. The fruit from these shade trees is consumed by the family. I know of only one instance where it is sold commercially. The *poro*, a fast growing tree with large leaves, is also a popular shade tree; as its leaves die and fall, they provide extra organic matter to the soil.

As the first rains arrive in mid-May, farmers begin planting new coffee, a task which can last through to July, depending on the number of new trees to be planted. Every year, some trees die and others need replacing because they have become too old to produce well; this number varies from year to year. Seedlings must be bought and/or transplanted from plots where they are raised. Though some farmers grow seedlings in special nursery plots for their own use or to sell to other farmers, most farmers purchase seedlings, which in 1990 sold for about 15 *colones* each. June and July are also spent in keeping coffee fields weeded and cleaned. Farmers weed by hand, or with short hand-hoes.

August is spent in maintaining fields by continued weeding and pruning shade trees. Technically, this is the time for a second application of fertilizer, but many farmers say they cannot afford to do so. In some parts of Perez Zeledon, August also sees the ripening of the first coffee, or *granilla*, as the first ripe beans are called. As coffee is extremely sensitive to altitude, variation in micro-environments means that coffee in some areas ripens sooner than in others. In Palomas, at 680 meters, coffee begins to ripen a full month before Santa Cruz, at 900-1000 meters.

In August and September in Palomas, and September and October in Santa Cruz, farmers prepare for their main harvest. The main worry as harvest time approaches is the labour bottleneck. If enough labour is not available from within the household, farmers must try to contract the additional labour they will need as soon as possible. While roughly 50 percent of coffee-producing households in both Santa Cruz and Palomas are able to harvest their crop using only household labour, the remaining 50 percent require additional harvest labour, and the competition for workers is acute. Table 5.6 shows type of harvest labour used in each community. (Note that the categories presented in this table refer to harvest labour used, not the general use of household labour that defined categories of households in previous tables.)

Farmers secure harvest labour in various ways. Smaller farmers whose harvest-labour needs are not large, may find adequate labour within the community, or near-by

Table 5.6
Type of Harvest Labour by Community
(Percentage of Households: 1990-91)

	Palomas			Santa Cruz		
Type of Harvest Labour	N	Wtd. N	Wtd. %	N	Wtd. N	Wtd. %
Only Family	18	30	52.6	20	32	50.8
Family & Hired	16	24	42.1	19	30	47.6
Only Hired	2	3	5.3	1	1	1.6
TOTAL:	36	57	100.0	40	63	100.0

Source: Sample Survey 1990-91

communities, among friends, neighbors, and relatives. During the course of fieldwork from 1990-91, most farmers who needed to hire labour were able to do so. Farmers make verbal agreements with harvesters as early in the season as possible, though it often happens that labour is still being sought as the harvest begins. Within the community, those with very small crops and abundant household labour will harvest for others locally, though in Santa Cruz, farmers commented on the difficulty in finding harvest workers within the community: "everyone has their own bit of coffee land and no one has the time to harvest for others."

In Palomas, migrant harvest labour arrives yearly and supplements the local labour force. Farmers complain that migrant harvesters are being lured to the Finca Santa Fe which can afford to pay ¢100 per *cajuela* basket (a standard measurement in Costa Rica for coffee as it is harvested) all season long, as opposed to the "normal" rate in 1990 of ¢60 per *cajuela*, which smaller farmers could pay. Nevertheless, though the larger plantations, such as the Finca Santa Fe, attract migrant workers from all over Costa Rica, coffee pickers report that working conditions are very impersonal, housing conditions (barrack-type sleeping quarters) are uncomfortable, and thefts among workers are high. Thus, many migrant workers still prefer to work for smaller family operations.

Those with larger labour needs, or who cannot secure adequate harvest-labour locally, contract labour from other parts of the country. Outside harvest labour in Perez Zeledon comes primarily from the country's southern region. Until 1991, a Nicaraguan refugee camp in Buenos Aires supplied much of this labour, though families were also contracted from San Vito in the Coto Brus region near the Panama border. Bringing in contract labour from other regions entails providing living space for the workers. Thus, it is also during this pre-harvest season that farmers must repair existing worker's houses (which are usually simple wooden frame houses); or if need be, build altogether new houses. As competition for labour can be fierce, being able to provide a comfortable living space (a house with at least access to good water and firewood) for harvest labour often can be the difference between finding labour

and not, which ultimately can be the difference between completely harvesting the crop or losing most of it.⁴

Other pre-harvest chores include repairing roads and footpaths. For those who have cars or trucks with which to haul their coffee to the *recibidor*, this is the time to ensure that the vehicle is running. For those who haul their coffee by ox cart, harnesses, carts, and oxen must all be readied.

The final task, the actual harvest, lasts between four and five months. Peak harvest is reached in Palomas in October and November and in Santa Cruz in November and December. Most farmers make a final application of fertilizer just before the harvest peak. If resources are limited, this final application (October-December) is preferred to the second application in August.

As the cherries ripen, they must be carefully collected and transported to *recibidores*. Farmers harvest only the ripe cherries, leaving the green coffee on the trees to ripen and pick at a later date. Thus, fields are harvested several times during the season. All coffee is hand-harvested and measured by the farmer using a *cajuela* basket, (20 *cajuelas* = 1 *fanega* = approx. 256 kgs.). Coffee that has fallen to the ground is considered to be of a poor and unusable quality, is not usually collected, and therefore a loss to farmers. At the *recibidor* the cherries are measured into large one-*fanega* bins by *beneficio* workers. The growers are given receipts which they later exchange for payment at the *beneficio* offices in San Isidro.

The fact that coffee does not ripen uniformly poses a problem for farmers. During the first four to six weeks, maturation is slow, with a few cherries ripening each day. Coffee pickers dislike harvesting this *granilla*. Not only is it more difficult to pick, because the few ripe cherries must carefully be selected from the many green ones, but as harvesters are paid according to the volume of coffee picked, with so little ripe coffee, they cannot earn as much in a day. For this reason, farmers must pay a higher piece-rate during this part of the season or else risk losing that early part of the crop. In 1990-91, coffee-pickers were being paid

¢100 per *cajuela* for *granilla*. As the season progresses and coffee maturation reaches its peak, harvesting becomes much easier, the labour supply increases, and piece-rates drop. In 1990-91, local farmers were paying ¢60 per *cajuela* for peak-season harvesting. Though labour supplies increase during the peak maturation period, so does labour demand, and farmers who have not already secured enough harvest labour must scramble to do so.

Finding adequate harvest labour is a nation-wide problem that faces a great many farmers, large and small. The government annually issues a call for people of all ages and classes to join in this labour-intensive task. Headlines such as the following from Perez Zeledon, frequently appear in the nation's newspapers: "Lack of labour, leaves losses of ¢400 million" (*Estrella del Sur* 1991a: 20), proclaiming losses in the coffee harvest due to lack of sufficient harvest labour (See also, *La Nacion* 1990c: 5A; *La Nacion* 1991: 5A).

Children are frequently recruited to help harvest coffee. The school vacation (December - March) was originally timed so that children would be free to help with the harvest. While this is true for coffee ripening in the Meseta region, there are 17 cantons, Perez Zeledon among them, which begin harvesting their coffee in August. According to a *Tico Times* article, a "new law has been proposed which would allow students, who participate in coffee-picking, to take a tutorial during the last trimester" (1991a: 20). This would, in effect, provide more labour during the harvest season, theoretically without hurting a child's education. Though most families will not remove their children from classes in order to send them coffee-picking, the poorer families must do so.

Young children (younger than six or seven) do not harvest as they are difficult to supervise in the fields. In an effort to provide more harvest labour, the government has built child-care centres in some parts of the country to allow "housewives to participate in the harvest of coffee, while their children are cared for by child-care experts" (*La Nacion* 1990d: 5A). But there are no such centres in either Santa Cruz or Palomas, and women with young children must either take them along, or leave them with relatives or friends.

Quality control is a problem, particularly for those who sell their crop to Coopeagri, which insists on a higher quality of coffee cherry. Coffee does not ripen uniformly, and for the coffee picker who is paid by the amount of coffee harvested, picking only the ripest beans is a difficult and time-consuming task, which can mean less coffee picked at the end of the day and thus less income. For farmers who must hire labour, supervision is difficult or impossible, as some have told me. As labour is so hard to come by, farmers who insist that coffee pickers collect only red cherries find it difficult to get anyone to come and help them. As there are many other farmers who don't insist on such high standards, it is easy to find work elsewhere. Coopeagri's requirements for a higher quality coffee and the difficulties this imposes on farmers are discussed further in chapters 6 and 7.

Once the peak harvest season has finished, large numbers of landless and land-poor workers (particularly from Palomas) migrate to the Meseta Central for the peak harvest there. Though in some families it is the younger men and women (aged 14-25) who make the trek north to harvest, in others the entire family packs its belongings, closes down its house, and moves north for two or three months (November - January) of harvesting in the Meseta.

As we can see from this overview, the labour demands of commercial coffee production outside the harvest season are low. According to one study, on farms of 1 to 5 hectares (1.45 - 7.25 mz), coffee requires about 642 hours (or approximately 107 days) of maintenance work (weeding, pruning, fertilizing, etc) per hectare (1.45 mz) each year (ICAFE 1988). This work is done primarily in the eight months outside the harvest season. Table 5.7 shows the average time required for various agricultural tasks according to total farm size. Assuming these figures to be reliable, it is reasonable to conclude that on farms of less than 5 hectares (7.25 mzs), one person alone can adequately care for about two hectares of coffee (2.95 mz).⁵

Table 5.7
Total Average Work Hours per Person
Per Hectare by Farm Size and Task: 1987-88 Harvest

Task:	Farm Size Hectares of Coffee:		
	1-5 (1.45-7.25 mz)	5-20 (7.25-29.0 mz)	>20 (>29 mz)
Application of Fertil.	52.14	53.35	38.39
Control of disease	67.24	15.34	40.12
Maintenance	16.63	20.56	26.35
Arranging Shade	79.71	37.33	52.38
Land Conservation	31.90	33.33	5.16
Weeding	153.23	51.76	94.15
Application of Herbic.	43.98	45.00	66.87
Pruning	149.34	196.83	173.95
Replanting Coffee	48.16	25.33	38.63
Average Total:	642.33	471.67	526.00

Source: Instituto del Cafe de Costa Rica (1988)

Household Labour Supplies and Coffee Production

In chapter 4, I presented an overview of the structure and division of labour within households. I would now like to take a more detailed look at the composition of the sample coffee-producing households, their use of labour, and their general production strategies. As we have seen in previous chapters, external factors, such as international commodity markets and national and regional economics, constrain and shape these strategies, but they are also constrained and shaped by household composition and resources (labour and land).

Coffee-producing households are not all alike. As we saw in Table 5.1, I have classified the sample households into several broad groups: Group I (surplus labour) -- those who have members who work their farms, but also sell labour, Group II (adequate labour) -- those who support themselves only by working their farms themselves, and Group III (insufficient labour) those who work their farms, but who must hire labour to assist them.⁶ As might be expected, a farming household's use of labour is related to the ratio of the household labour force and size of landholding. As we saw in chapter 4, the size of coffee-producing households in both communities is similar. Table 5.8 shows some variation in household composition for the three categories in terms of worker-consumer ratios, but overall they are fairly similar.

As might be expected, land appears to be a key factor in determining which households sell or buy labour. Not surprisingly, those households which sell their labour have the least land, must support more people per manzana of coffee land, and have the highest worker to land ratios, (that is, greater under- and unemployment). Those households with larger landholdings (more than 10 mz) support fewer people per manzana of coffee and in all but one case hire additional labour.

Table 5.8
Available Household Labour, Consumers, Landholdings,
and the Buying or Selling of Labour in Both Communities

	Santa Cruz			Palomas		
	<u>I</u> Farm & Sell Labour (N=21; WN=30)	<u>II</u> Farm Only (N=18 WN=34)	<u>III</u> Farm & Hire Labour (N=3 WN=3)	<u>I</u> Farm & Sell Labour (N=21 WN=35)	<u>II</u> Farm Only (N=12 WN=15)	<u>III</u> Farm & Hire Labour (N=3 WN=5)
Weighted Means for Sample Households						
Worker/Consumer Ratio	0.72	0.70	0.71	0.64	0.82	0.77
Coffee Land (Manzanas)	1.15	2.49	12.83	1.48	5.45	27.03
Workers per Manzana of Coffee Land	3.12	1.35	0.26	2.33	0.65	0.09
Consumers per Manzana of Coffee Land	4.33	1.93	0.36	3.65	0.80	0.11
Total Land (Manzanas)	2.38	19.43	59.80	2.00	7.72	61.03
Workers per Manzana of Total Land	1.51	0.17	0.06	1.73	0.46	0.04
Consumers per Manzana of Total Land	2.10	0.25	0.08	2.70	0.56	0.05

Source: Sample Survey 1990-91

Note: Consumers = all resident family members; workers = available labour ages 12-65.

Household Division of Labour

As we have seen in chapter 4, there is a strong gender division of labour within households. Apart from the coffee harvest, which will be discussed below, agricultural production generally is considered the domain of males over the age of 12, while the maintenance of house, husband, and children is seen as the domain of women. Women take their domestic duties very seriously, and Costa Rican standards of household operation are high. As among the middle-class Guatemalan households of Villa Rosa described by Bossen, "a woman resembles a 'shareholder' in the household 'corporation,' and to some extent her fortunes rise and fall with the fortunes of the family as a whole" (Bossen 1984: 256). A well-organized and meticulously clean home and children are a realization of a desired standard of living. Though domestic duties are not easy, women prefer household work to agricultural work, which they say is difficult and dirty and might detract from household status.

While, in general, women do not actively undertake the agricultural work associated with the year-round maintenance of coffee, their domestic work is an important contribution to the production of coffee. In a typical day, the work day starts early. If the family's *cafetal* is too far from the house to allow her to bring lunch later to the fields, a woman will arise around 3:30 or 4:00 a.m., wash, dress, and begin preparing food for her husband (or sons) to take along, as well as a breakfast of coffee or *agua dulce* (hot water with milk and raw brown sugar) and bread or *gallo pinto* (a mixture of rice and black beans). The man will arise around 4:30 or 5:00 a.m., dress, eat, and prepare to leave for the fields by around 6:00 a.m. The family's older sons will go with him if there is work for them. (Depending upon the time of year and the particular state of the trees, chores include weeding, fertilizing, pruning, and planting, and harvesting.) If the fields are closer to home, the woman can rise later, about 5:00, as lunch need not be prepared before her husband leaves. It can be prepared later in the morning and carried hot by her or sent with a child (around 9 a.m.) to those working in the fields.

Once the field workers have left the house, a woman will prepare breakfast for the rest of her family, who have by now also gotten out of bed. With breakfast over and the dishes cleaned, she will begin her other daily chores. Costa Rican standards of household cleanliness are high, and even in the humblest dwelling, floors are swept and washed on a daily basis and waxed by hand two or three times a week. Shopping is generally done on a weekly basis (usually on Friday) in San Isidro and is done by both men and women, either together or separately. Items that are needed during the week are bought at the local *pulperias*.

Laundry, except for that of the affluent few who have washing machines, must be done by hand in large outdoor sinks. Regardless of how they are washed, all clothes are hung out on lines to dry. Depending on the size of the household and method of washing (machine or hand), a woman may spend anywhere between ten and twenty hours per week doing laundry. As with their homes, Costa Ricans are particular about personal cleanliness and appearance. Clothes must be clean, mended and ironed in order to meet social standards.

Preparation of the main mid-day meal is begun around 11 a.m. and eaten when field workers return home for the day. During most of the year this is around noon, or one p.m., though during harvest season, field workers often do not finish until two p.m. or later. Except for the occasional coffee, food and drink are not prepared for hired labourers. After eating, those who have been working in the fields will wash and often catch a quick nap; the women of the household will continue with their unfinished household chores, and by mid-afternoon they can usually take a short coffee break. Though small children are always there to attend to, the afternoon break is a popular ritual which frequently involves visiting family or friends, sitting on the front porch chatting with neighbors and passers-by, or just watching television. Though men occasionally participate, these coffee breaks are generally female-oriented. The men of the household, if not resting, will take this time to do small chores around the house, visit with their friends, or socialize in the cantina. A final meal is prepared

and eaten in the early evening (around 6 p.m.), followed by television-watching or visiting. Most people are in bed and asleep by 8 or 9 p.m.

A woman's responsibility for feeding and clothing those who labour directly in coffee production involves many hours of work. I estimate the upkeep of the average household requires approximately 70 hours of weekly labour (not including other child care): 35 hours of cooking and food preparation; 20 hours of cleaning; and 15 hours of washing, mending, and ironing cloths. Older children, particularly daughters, are recruited early to assist with household chores, but small children require constant attention.

Though most adult women contribute indirectly to agricultural production through their work in the home rather than directly through work in the fields, there are times when women do work in the fields. First, and foremost, women's labour is indispensable at harvest time. Unlike the labour required to maintain the coffee outside the harvest period, labour requirements during harvest time are enormous and require every available hand. During the harvest men, women, and older children are mobilized to ensure that the crop does not go to waste. Though coffee-picking is promoted by the government as a national pastime and something of a "patriotic duty", it is difficult and tiring work. Still, for those households which cannot afford to hire labour, everyone participates so that the family loses little of their crop. Those who can spare the time from their own crop often also sell their labour at harvest time to earn additional cash.

Not all join in the harvest. While many people say they enjoy the harvest season, coffee-picking is not easy work. In wealthier families that can afford to hire all their harvest labour (usually farms with more than 20 mz in coffee), no one picks coffee. Men, and occasionally women, participate in a supervisory capacity. This is an important job in households that hire labour. The careful supervision of hired labour is crucial to avoid receiving green cherries and "trash" (leaves and twigs) along with the ripe coffee. Still, to be able to avoid coffee-picking is a sign of affluence.

In addition to providing harvest labour, a few women (in less than 9 percent of sample households) also undertake some of the daily maintenance tasks involved in coffee production. Younger women, both those who still remain within their natal households and those who are married but have no small children at home, seem to contribute more time to agricultural tasks than older women. This may be due, in part, to physical fitness, but more likely it has to do with the fact that once a woman has children, working in the fields becomes more difficult to coordinate with childcare demands; unless her labour is indispensable in the fields, she will keep her activities closer to home.

In households where male labour is in short supply, that is, where there are few or no sons of working age, a woman or her daughters might be called upon to help with agricultural tasks, unless the family can afford to hire labour. For example, the Gamboa-Valentes family (not part of the sample), with just two daughters, owns ten manzanas of coffee land and 50 manzanas of pasture and forested land in the mountains. It is a large farm, with much to be done. Hannia Gamboa said she often worked beside her husband when she was younger, but because of ill health can no longer do the heavier work. They can afford to hire some labour, but their 17-year-old daughter, Doris, is Flavio Valentes' "right-hand-man." Though Doris quit school before the end of the 6th grade, she is bright and virtually managed the entire harvest for their farm during the 1990-91 harvest season. She supervises harvesters; measures coffee picked at the end of the day; keeps accounts; and drives the coffee in the family truck to the *recibidor*, where she supervises the measuring and collects the receipt. She also helps with such tasks as vaccinating the cattle kept in the mountains.⁷

In another case, Maria Vargas and her husband, Martin Coto, own three manzanas of four-year-old coffee, which is still too young to produce enough to support the family. Martin and their teenage son work full-time as agricultural labourers on a nearby farm. As the time they have available to work their own land is limited, Maria helps with weeding,

fertilizing, and planting, as well as harvesting, which she says she enjoys, while her eldest daughter (age 14) looks after the two younger children at home.

Thus, we can see that women do undertake some of the agricultural tasks related to coffee production, outside of the harvest season. Yet, just as there are household tasks which men are unwilling to do, there remain tasks that women are reluctant to undertake. With few exceptions (such as Maria above), pruning and the application of fertilizer (both the granular fertilizer which is broadcast and foliar fertilizer which requires carrying a heavy pressurized tank) are done by men. A few women help occasionally with weeding, but this is not a common practice. Doris Gamboa Valentes contributes significantly at harvest time, but she does not undertake any of the routine maintenance work. The family can afford to hire *peones*, and her responsibilities are more supervisory.

Even in female-headed coffee-producing households with no adult male labourers -- where one might expect to find women, by necessity, undertaking more of these agricultural tasks -- few women work in their coffee fields. As the number of these households in the sample was small (8), the reasons why this is so are unclear. Three women, who are relatively wealthy, hire labourers to help them; two others (sisters in different households) have their brothers tending their fields for them while their husbands are away working in the U.S.A. The other three female-headed households in the study had little or no access to male family labour and could not afford to hire it. Their coffee fields were not in good shape, and as a consequence their yields were low. In one case, Haydee Abarca and her daughter have two manzanas of coffee. She provides her brother's son with food and lodging in exchange for help with her fields. Yet she says he doesn't put much work into her fields as he is busy with his own. Still, she and her daughter do not attempt to work the fields themselves, except for a little weeding and pruning.

As the preceding discussion indicates, women in all types of households do little of the direct agricultural work involved in coffee production. Frequently, women provided

explanations for their lack of agricultural participation in both cultural and biological terms. Haydee Abarca's remarks were echoed by nearly all women (and men): "That's men's work. It is just too heavy for us."⁸ It is true that many of the daily agricultural tasks involved in coffee production are physically difficult. Fertilizing, for example, is one of the most difficult tasks. Granular fertilizer comes in 50 kilogram sacks. Foliar fertilizer must be applied with heavy, pressurized canisters which are strapped to the back. Yet, there are ways to lighten these tasks, such as dividing the fertilizer into smaller, lighter containers. As women elsewhere undertake heavy agricultural tasks, we may assume that the physical demands of some of the agricultural labour involved in coffee production do not necessarily *prohibit* women from undertaking agricultural work.

Other explanations have to do with childcare responsibilities. Though having children does not necessarily preclude women from working in the fields, if help with child care is not readily available, women must bring their small children with them to the fields. Though this is not an impossibility, it does pose problems. Coffee fields are often steep and home to poisonous snakes, and very small children (under five or six) must be closely supervised. Women with breastfeeding infants were astonished at the idea of taking their babies to the fields. Families feel that their young children can be better cared for at home. Still, this does not explain why elder daughters, childless women, or women with childcare alternatives do not work in the fields.

As Haydee Abarca indicated, in Costa Rican culture, coffee-farming is considered a male activity. Though this may not entirely explain the lack of female participation in daily agricultural work, societal norms and beliefs do heavily influence individual behavior. Costa Rican women themselves frequently indicated that they found agricultural work difficult and undesirable; and as mentioned above, a family's ability to keep its women out of the fields is also an indicator of household status.

For example, the Ubando-Porro family has four manzanas of coffee, two teenage daughters and a ten-year old son. Though the entire family harvests coffee, Sr. Ubando does most of the maintenance work during the year by himself, hiring a day labourer occasionally to help. They can afford to operate in this manner, and as the women do not work in the fields, except at harvest times, the household's good status is maintained. As noted earlier, in the families of highest status, women do not even participate in the harvest, except in a supervisory capacity.

Certainly, the cultural perceptions of men's and women's work, and its relation to status, are strong, but it is likely that other factors are also at work. For example, I observed that women are often less confident in their farming abilities than men and tend to be less aware of the technical aspects of farming. Women are not encouraged to attend agricultural extension courses. Furthermore, I suspect much farming information is passed through informal male networks, from which women are generally excluded. Men and women generally socialize in different spheres -- men frequently in the *cantinas* or on the football field, both of which exclude "respectable" women. Again, a woman's reputation bears heavily on her and her household's status within the community. Even were she to be accepted among men in the cantinas or on the football field, she would lose status and perhaps also lose access to other informal networks of mutual aid and information sharing among women. The question also arises as to whether women are more vulnerable in coffee fields to sexual assault, though I heard no one mention this as a reason for not working in the fields.

Finally, as previous discussions have shown, domestic labour is important in supporting agricultural labour. As the labour requirements of coffee outside of the harvest season are low, those households with access to male labour can operate under a system of a strict division of labour with women providing crucial domestic labour and men providing field labour. With excess labour in most households, non-harvest agricultural tasks can easily be

completed without female labour. When labour needs are greatest, during the crucial harvest season, female (and child) labour can be tapped.

At another level we might ask why some societies encourage women to work in the fields while others encourage them to work at home. This question has been discussed by others (Boserup 1970; Goody 1976), but a more in-depth analysis of the complex factors contributing to women's agricultural labour in Costa Rica (including women's own preferences) is beyond the scope of this study. The above discussion is intended to provide a basic understanding of the division of labour in coffee-producing households, as the use of household labour will factor into the broader discussion concerning the role of cooperatives in rural development and mitigating the impacts of commercial agriculture.

Inter-Household Cooperation

There are several patterns of production relationships among households. As a norm, the household is a unit of production unto itself, with very little exchange among farmers. Loans of tools and/or labour sometimes occur, but reciprocity is more carefully balanced than in the exchange of domestic goods and services. Occasionally, a father and son from separate households will help each other weed their fields. For example, Juan Castillo and his adult son Fernando will help each other once in a while if needed, but this is not routine. In another case, a man and his wife's brother helped each other in harvesting their sugar cane, though again, I was told this was unusual and does not happen every year.

In both Santa Cruz and Palomas, there exist several "kindred clusters" (encompassing roughly 70 percent of the sample households). These "clusters" are comprised of households of closely related kin, such as parents and children or brothers and sisters living in close proximity. Within these clusters there appear to be two basic patterns of production relationships: the independently-oriented and the cooperatively-oriented. In the independently-oriented clusters, while capital goods such as trucks and tools may be shared,

labour generally is not. In the cooperatively-oriented clusters, both capital goods and labour are shared.

For example, Sr. Munoz is 54 years old and considered a successful farmer. He and five of his seven sons farm about 25 manzanas of land. All but one son, who continues to live at home with Sr. Munoz and his wife, are married (or co-habiting) and maintain their own households. (The other two sons have gone to the USA to work; his only daughter married and lives in a nearby community.) As his sons showed an interest and ability for farming, Sr. Munoz gave each a parcel of land (about 4 manzanas) to farm as his own.

According to both Sr. Munoz and each of his sons with whom I spoke, though they may discuss the pros and cons of certain new products and share in the use of the family truck, each is responsible for his own farm, and there is virtually no sharing of labour among them. This was confirmed by my own observation. During harvest time when labour is most crucial and most in demand, each household is responsible for finding its own labour, though one son told me if he gets in a bind his father will "loan" him his *peones* for a day or two. The son, of course, must pay the labourers himself. Until recently, title to the land remained in Sr. Munoz's name. In 1990, for tax purposes, he decided to transfer the title of each parcel to his sons.

Sr. Montoya and his children have a more cooperative arrangement. Like Sr. Munoz, Sr. Montoya is a man in middle age and is also considered a successful farmer. He and his wife Celia Marin have five sons and three daughters. Like the Munoz family, all but one son, who remains at home, are married and maintain separate households within the community. Sr. Montoya owns approximately 30 manzanas of land which he farms with the help of three sons and their families and one daughter and her family. Also like the Munoz family, the Montoyas have given each child (including one daughter) a parcel of land to farm as they wish and to use the profits as they wish; title remains in the parents' control. (As we learned

earlier, title was put in Celia's name, though she has very little input into production decisions.)

Unlike the Muñozes, the Montoyas actively work together. They constantly told me how they all helped each other out and worked as one unit, sharing costs for the upkeep of the family truck and oxen and exchanging labour for production chores, including harvest labour. The Montoyas do not hire harvest labour; harvest is done by members of all the families. While Sr. Montoya and his unmarried son are members of Coopeagri, he says he is not "*muy cooperativista*," and claims to be somewhat of a renegade. His household and those of his other sons and daughter/son-in-law sell to the private *beneficios* as well as the cooperative, basing their decisions on economic calculations as to which combination will be most profitable.

The Montoya example might suggest that the production benefits provided by strong inter-household cooperative systems could eliminate the need for formal cooperative institutions. However, as we shall see, the international marketing services offered by Coopeagri are collective benefits which cannot be replaced by even the strongest family-based cooperative system.

Problems of Coffee Production and Alternative Income Earning Activities

Problems Facing Coffee Producers

Coffee has brought wealth to many farmers, large and small alike, but as with any crop, there are problems facing the producer, some more serious than others. The risks associated with specialization in the production of export crops, coffee among them, have been widely discussed in the literature (See, e.g., Barry 1987; Brockett 1988; Bulmer-Thomas 1987; Weeks 1985). Farmers themselves are quick to note the production risks of export agriculture, particularly in years when market prices are low, and comment that making a living from

coffee production is very difficult. Among those problems most cited by farmers are the spread of diseases plaguing coffee plants; low market prices and sky-rocketing input costs; and last, but certainly not least, the supply and price of labour.

Plant disease is a worry for any farmer, and coffee farmers are no exception. In the last few years a nematode has been severely affecting coffee in parts of Costa Rica and is slowly spreading. According to MAG extension agents I spoke with, there is not yet any way to control the pest. Though other diseases that commonly affect the coffee plant have been treatable with chemical applications, herbicides and pesticides are expensive and have been steadily rising.

Not surprisingly, every farmer cited high costs and low market prices as a serious problem. According to one study, from 1985 to 1986 labour costs rose by 7 percent; agrochemical prices by 47 percent; seedling prices by 24 percent; and harvest and transportation costs by 38 percent (Sanchez Salas: 1986). In May of 1990 alone, the price of agrochemicals rose an additional 17 percent (*La Nacion* 1990a: 31A), while the world market price for coffee (at \$76.82 US, or ₡7,082 per 46 kg sack), was down 19 percent from the 1988-89 price of \$95.2 (*La Nacion* July 1990b: 5A). According to the same July article in *La Nacion*, FEDECOOP estimated the cost of production in 1989-90 for a *fanega* (approximately 256 kgs) of coffee to be ₡4,552 (about \$50 U.S.). According to their figures, a producer with three hectares of coffee, yielding 120 *fanegas*, earned a net profit of ₡66,960 (\$726 US) or ₡5,580 (about \$60 US) per month.⁹

These are national figures which incorporate the larger farms found in the Central Valley and elsewhere. Detailed production accounts I received from three farmers indicate that production costs for the small farmer in Palomas and Santa Cruz who does not hire harvest labour were substantially lower than those above. Coffee producers in Santa Cruz and Palomas are on the whole small farmers, producing only between 20 and 30 *fanegas* per household. These farmers do not apply the recommended amount of fertilizer and pesticides

(see below) and do not hire harvest labour and so their production costs are lower. I estimate costs (including interest payments, but excluding costs of land or equipment) for this group (I) of farmers to be ₡14,000 per manzana, or about ₡700 per *fanega*. Farmers received an average price of ₡4,500 per *fanega* in 1990. Subtracting production costs, I estimate annual earnings for a household producing 20 fanegas of coffee at about ₡76,000 (about \$825 U.S. or \$69 U.S. per month). Such an income would provide a family of four with the basic food basket each month (rice, beans, milk, sugar, flour, vegetables) and cover basic clothing and utility expenses, but not allow for luxuries. As we have seen, in addition to coffee production, slightly more than half of all land-owning coffee producers in these two communities sold their labour off the farm to supplement their yearly coffee incomes.

Since 1989, when the International Coffee Organization (ICO) members failed to renew their agreement, coffee prices have steadily fallen as producer countries dumped their surpluses on the world market (*Tico Times* 1991b: 28). Some farmers expressed hopes that as the market began to adjust its pricing system to reflect quality, Costa Rica would in the end receive higher prices. Unfortunately, this does not seem likely to happen in the near future. The continued overproduction of coffee since the elimination of the quota system has allowed buyers to stockpile coffee at extremely low prices (*Ibid.*). Though there is talk at present of returning to the quota system, so far no progress has been made in establishing a new agreement and the future is uncertain.

To deal with both of these problems, farmers must make decisions about production strategies: whether to continue to apply fertilizers, herbicides and pesticides as before or to cut back and suffer the consequences of reduced yields. In many cases there is no decision to make: less money simply means farmers must cut back on inputs. Most of the farmers interviewed already were fertilizing just twice per year rather than the recommended three times. For the 1990-91 crop, 65 percent of sample households made only two applications of fertilizer: one in May and another in November or December. The vast majority (96 percent)

of these were households from the middle and small categories of farmer. (Three reported that they usually fertilized in August, as well, but could not afford to in 1990.) Only 19 percent made the three applications of fertilizer (May, August, and November). Another 14 percent of all sample households reported making only one application of fertilizer, in November; of these, 87 percent were households from the category of smallest farmers. There was no significant difference between the two communities. One woman said she *never* fertilized as she could not afford to do so. Even one of the more successful farmers said that next year he will fertilize only once. The *beneficios* loan money for fertilizers and other agricultural inputs, and some farmers are continuing to borrow in order to apply the necessary inputs to their crops. Still, others have found that they can afford no more credit; when they go to receive payment for their crop, after loan payments are deducted, there is no money to bring home.

The situation has reached a crisis for many producers and according to one report, many small and medium coffee producers have begun selling their lands (*La Nacion* 1990b: 5A; *La Estrella del Sur* 1991b: 16). Others are attempting to overcome some of the problems of mono-cultural coffee production by diversifying their agricultural production. Still others are able to bring in additional money through other income-producing activities run from their homes, but as we shall see, employment opportunities in Perez Zeledon outside of agriculture are few. Those who cannot find work in the canton go elsewhere: to San Jose for construction or factory work, or Limon to work in the banana plantations. But even these opportunities are limited, and in both Santa Cruz and Palomas I found households (roughly 5 percent) in which some member (usually a young man) had gone to the United States (primarily New Jersey to work in restaurants).

Diversification of Production: Alternative Agricultural Activities

While coffee continues by far to be the primary crop produced in both communities, there are attempts at diversification. Table 5.9 summarizes alternative crops and land use in both communities, and shows that sugarcane -- for the production of dulce in Santa Cruz and refined sugar in Palomas -- runs a distant second to coffee production in both communities. Though sugarcane production is a significant supplemental crop for many farmers, it has not been universally adopted, and has in fact been eliminated from production by a few. Reasons for the inclusion or elimination of sugar from the production "repertoire" revolve around the fluctuating market price of sugar and the amount of labour involved in sugar production.

Table 5.9 also shows a considerable difference in the amount of land referred to as pasture and uncultivated scrub land in each community.¹⁰ The reason for this can perhaps be explained best by topography. Land in Santa Cruz is much steeper than that in Palomas and much of it is not very suitable for most agriculture. Though it is true that coffee thrives on steep slopes and is frequently grown there, production costs are much higher and agricultural tasks much more difficult on extremely steep slopes.¹¹ Thus, the steep topography of Santa Cruz may partially account for the greater proportion of uncultivated land found there. The steep hillsides of Santa Cruz and the "rolling hill" topography of Palomas may also help explain -- along with the fact that the sugar refining factory is much closer to Palomas -- the greater production of sugar for *dulce* (which is easily produced in small, scattered, inaccessible plots) in the former and the greater production of sugar for commercial refining found in the latter.

The larger amount of uncultivated and pasture land owned by Santa Cruz farmers may also be due to their closer proximity to a mountainous frontier, for 57 percent of these lands are located in the mountains outside the community. As lands become scarcer in the valley, farmers from Santa Cruz have begun buying small *fincas* (farms) in the sparsely populated

Table 5.9
Land Use of Sample Households by Community
(weighted area in manzanas)

Land Use	Palomas* (N=36; WN=55)			Santa Cruz (N=42; WN=67)		
	Area (mz)	Weighted Area (mz)	Wtd % of Total Area	Area (mz)	Weighted Area (mz)	Wtd % of Total Area
Coffee	178.94	277.58	56.5	115.46	169.47	19.7
Sugar (dulce)	0.72	1.22	0.2	20.00	37.65	4.4
Sugar (refined)	52.00	85.60	17.4	--	--	--
Fruit	0.75	0.98	0.2	7.96	12.07	1.4
Vegetables	1.50	2.55	0.5	5.45	8.06	0.9
Pasture	13.50	18.95	3.9	250.76	459.37	53.5
Forest/Scrub	6.25	9.33	1.9	137.83	142.79	16.6
Other	56.50	95.45	19.4	0.46	0.55	0.1
Rent/Loan Out	--	--	--	5.25	28.98	3.4
Total:	310.16	491.66	100.0	543.17	858.94	100.0

Source: Sample Survey Data 1990-91

* Does not include landholdings of 2 absentee landlords

mountain regions nearby to supplement their landholdings and as investments for the future. A popular strategy for farmers, when they can afford the investment, is to buy a few head of cattle to run in these mountain pastures, as cattle require less direct supervision or labour than do crops. Some farmers have attempted to grow fruit or vegetables, though the latter require constant attention. These lands are too far from the homesite for household members to provide the necessary labour on a daily basis, and as this forested region is sparsely populated and has little infrastructure there is little local labour available for hire either.

As yet, cattle production has not become a major enterprise. Rather, a few cattle are bought by those who may have some capital to invest. The capital is "banked" in the form of a few head of cattle which can be sold later to meet a debt, help finance a child's education, pay for a child's wedding, or buy a new stove or refrigerator.¹² At the moment, the local meat demand is met by community butchers who raise small herds for this purpose. Most farmers who raise cattle as a commercial side-line must take them to San Jose to market. Should a slaughter house be established in Perez Zeledon, cattle production might increase. However, according to Edelman, since the mid-1980s sluggish export demand, soaring interest rates and veterinary costs, "combined with stagnant prices and an already high indebtedness have made cattle ranching a losing proposition for most investors" (1989: 4).

Some farmers, particularly in Santa Cruz, have begun to diversify their production even further to include fruits, vegetables, and ornamental plants. Yet even in Santa Cruz, the area of land dedicated to agricultural activities other than the production of coffee is small (see Table 5.9). Why are some farmers diversifying their production, if ever so slightly, while others are not?

Production of other crops and/or investment in cattle are small ways in which farmers can offset their dwindling coffee incomes. But there are several reasons why more are not quick to do so. First, alternative crops are not any less risky than coffee, and many prefer the devil they know to the devil they don't. Over the past decade, farmers have been

encouraged by government agricultural agencies to diversify their crops. Several farmers in both Santa Cruz and Palomas followed this advice and planted small plots of the various crops being promoted. At one time it was pineapples. The latest "official" suggestion given to farmers in Perez Zeledon was to cultivate an ornamental plant (caña de india) which supposedly had a large market in North America. About 10 percent of sample farmers have small plots (most less than one-half manzana) of caña de india. As we learned in chapter 4, when the plants reached maturity, the market price had fallen so low, and transportation costs to the shipping port of Limon risen so much, that there is now little commercial value to the crop. This not unusual story demonstrates why so many farmers are reluctant to put limited resources into what so often are very risky alternatives.

Another reason farmers gave for not diversifying more is that, once coffee has been planted, the costs of change are great (see chapter 2). Most farmers have planted all their available land in coffee. Coffee is a long term crop with a life span of 20-30 years. To decide to plant another crop would mean tearing up coffee plants (which at least are known to provide *some* income) to plant something else. In addition, vegetable crops, including the standard beans and corn, do not fare well in the poor tropical soils. Many farmers told me outright that corn and beans can no longer be grown on these soils. Others said that these and other vegetable crops can be grown, but that they require such large amounts of fertilizers and pesticides as to make production unprofitable. Most corn and beans are planted on small, recently cleared plots (usually owned by a relative) in the mountains and these lands usually lose their fertility within two to three years.

Vegetable crops are risky, as well. In 1990, one farmer decided to plant an entire manzana in beans, but due to unusually heavy and untimely rains he harvested not one bean. Similarly, another farmer enthusiastically told me in August about how he and his son were moving into the production of tomatoes and chiles. They had two manzanas in these vegetables, and because they had a truck with a large water tank, they would be able to

irrigate in the dry summer months. When I spoke with him again the following year he had abandoned all vegetable production, saying that the crops were too delicate, spoiled quickly, and overall were too risky.

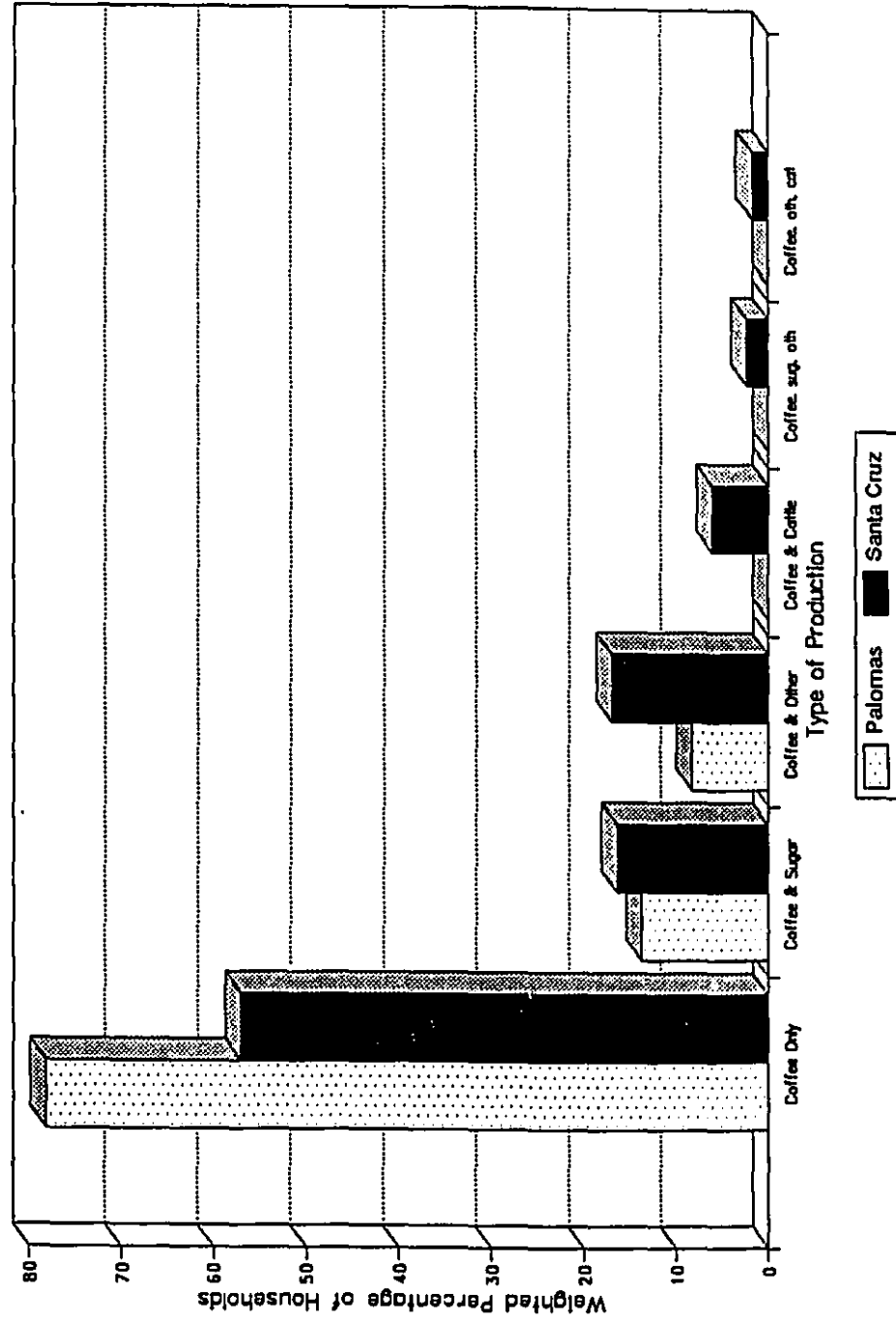
So far, other than sugarcane, there are no crops which can be said to be less risky and better income earners than coffee. So despite the fact that many complained that they were actually beginning to lose money on producing coffee, their alternatives are few. Still, the situation seems to be becoming critical. For example, Pablo Mirales explained why he sold his one hectare of coffee land just one month before the harvest. He said that he was anxious to get rid of it, as coffee was no longer a good crop. More and more plagues were hitting the crop, decreasing production and increasing costs; yet, he said, production both nationally and world-wide, was still increasing, causing the price on the world market to fall. He said it was time to get out and into something else. He still has one hectare of fruit trees and plans to buy more land and grow *hortalizas* (garden vegetables) such as lettuce, carrots, radishes, etc. "I won't ever go back to coffee," he says. In this farmer's mind, the risks of coffee had finally outweighed the risks of vegetable production, though whether he will fare better than others with vegetable production remains to be seen.

As we can see, agricultural producers in Santa Cruz and Palomas have begun to examine alternatives to coffee production. Nevertheless, while some households are attempting to diversify their agricultural production, as we can see in Figure 5.2, coffee continues to dominate.

Other Local Income-Producing Activities

The problem of labour scarcity during the four-month harvest season has been discussed extensively above. But many coffee households are faced by a chronic problem of underemployment -- what to do with excess labour during the other eight months of the year when coffee requires little labour, and how to supplement the meagre incomes of the small

Figure 5.2
Production Diversity: Sample Households



Source: Sample Survey 1990-91.

coffee-producer.¹³ As we saw above, except for households with very large landholdings, the majority of households in both communities have a surplus of labour for coffee production (see Table 5.8). At least half supplement their incomes in other ways, most often by selling their labour to larger farmers as either permanent or day labourers throughout the year.

At harvest time, many people harvest coffee for others as a way of earning additional income, but only when they have time from their own crop. In Palomas, 46 percent of producers from sample households said that they or members of their households harvested for other households (29 percent of these households harvested for others outside of the canton). In Santa Cruz, just 26 percent of producers from sample households said that they or members of their households harvested for others (none harvested outside of the canton). The vast majority (92 percent) of those who picked coffee for others in both communities were from the smallest category (I) of producing household. Coffee-pickers from outside the household are paid for their work, regardless of whether they are related to the owners or not. In some of the more affluent (though not necessarily large) households, even children who help pick their own household's coffee are paid for their work.

Agricultural wage labour is the most common way to increase income, but some households channel labour into other income-producing activities. These small-scale, even minuscule, ventures in most cases do not represent a significant proportion of household income, but the pursuit of various income-earning activities not directly related to the production of coffee indicates the extent of the need for additional income. In Palomas, nearly half of the sample households (47 percent) had at least one household member engaged in additional income-earning activities; in Santa Cruz, the figure was 63 percent. With the exception of two large farmers (discussed below) who also own other businesses, none of the sample households from the largest category of coffee producers were involved in any other income-producing activities.

Both men and women engage in these supplemental income activities, which can be divided into two main categories: non-agricultural wage work and cottage/household self-employment. Non-agricultural wage labour is both skilled and unskilled and includes construction, janitorial and domestic work, security guard work for the Finca Santa Fe, or assembly work at a bamboo furniture factory in Santa Cruz. Cottage "entrepreneurial activities" range from occasionally selling eggs, milk, or baked goods, to sewing or knitting clothes, cutting hair and manicuring nails, repairing shoes or furniture, and transporting cargo, to making and selling handicrafts.

One of the more interesting entrepreneurs is Sr. Ubando, who hires out his services with his gasoline-powered "weed-eater." Such machines are still rare in Costa Rica, though I know of one other farmer besides Sr. Ubando who owns one. Sr. Ubando, who is the sole male labourer on his farm, bought this machine to keep the *monte* (weeds) down both in his fields and around his property. Recently, he has discovered that he can make some extra money in his spare time by selling his "weed-eating" services to other farmers in the community. He had just begun venturing into this sideline business and so could not say what he might earn from it in terms of additional yearly income, but he thought it a promising venture.

With the exception of craft production, most forms of self-employment provide goods or services for local consumption, and are not cottage industries. Unlike the weavers or brick-makers studied by Cook (1986) in Oaxaca, where production was a household enterprise for sale to an outside, urban market, here the market for the products crafted in Palomas and Santa Cruz is essentially local, i.e. residents of the same or an adjacent community.

Sales of handicraft production do extend beyond the local community, but production is erratic and sales outside the community are few. Coopeagri is attempting to commercialize home craft production more efficiently, but at present it is little more than a paying hobby for most (see chapter 6). Only one woman, who for the past ten years has consistently produced stuffed animals for sale in small shops in San Isidro, was earning any profit from

her efforts. She estimates her profits at €20,000 per year (approximately \$220 US), but the San Isidro market is small and could not support many such producers.

Sewing clothes is one of the most popular paid activities. Eight women in Santa Cruz and one woman and two men in Palomas make clothes on their home sewing machines, but in all but one case, the work is erratic and done strictly within the community for friends, family, and neighbours. The exception is an interesting case of entrepreneurship which has begun to reach the level of "cottage industry."

In 1989, Maria Vasquez, her sister, and sister-in-law (both in other households) together bought a knitting machine with which they began to produce baby clothes and women's and men's sweaters. They began by selling these items to friends and neighbours and now sell most of their output to shops in San Isidro. They have paid for the first machine and earned enough for each to buy her own machine. Their husbands were at first very sceptical, but are now enthusiastic as they see the growth in the enterprise.

In addition to off-farm wage labour and "cottage activities," two coffee-producing households from the sample in Santa Cruz receive additional income from small businesses. One is a "soda"/bar run by a woman and her son, who also tends the coffee fields. Another business is an agricultural supply and hardware store in San Isidro, run by a large landowner and his two sons. In Palomas, one large coffee farmer owns an electronics store in Cartago, where he lives most of the year. He says coffee is not very profitable, but there is credit available to coffee producers, which he uses in his other business activities.¹⁴

Some households (about seven sample households in each community) also receive additional income through rents, pensions, or remittances sent from family members living elsewhere. The latter consist primarily of husbands, sons, or daughters working in factories in the capital of San Jose, the banana plantations on the Atlantic or southern Pacific coasts, or in the United States.

The range of all of these enterprises is vast and their overall economic impact on each household extremely varied. While some -- like occasionally selling a litre or two of milk, or three or four eggs -- generate only a few *colones* of additional income, others such as the stuffed animal enterprise, can bring hundreds of dollars a year to a household. Though none of the members of these households expressed any intention to leave coffee production altogether, it is clear that many are seeking to expand their economic activities to include non-agricultural ventures.

With the low labour demands of coffee throughout most of the year, informal and part-time activities are easily integrated with coffee production and are an important way for households to supplement their incomes without abandoning years of investment in their coffee fields. On the other hand, full-time employment poses problems for the coffee producer, as it removes labour during the harvest when labour demands are at their peak. If wages received are at or below those paid to coffee-pickers, then the opportunity costs will be considered great. Still, if wages are high enough, then the benefits of regular outside employment may outweigh the costs of hiring replacement harvest labour.

Summary

This chapter has presented an overview of household labour supplies and the distribution and control of land in coffee-producing households, as they relate to the requirements of coffee production. Various household economic strategies and inter-household cooperation in coffee production were also discussed.

Rising input costs and falling market prices are reducing the ability of coffee-producing households to support themselves. Yet, despite the problems facing coffee producers, they persist in growing coffee. There are several reasons why this is so. First, the risks of changing to an alternative crop are great. Not only does a coffee field embody years of investment which farmers are justifiably reluctant to dig up, but there are, as yet, no better

alternatives for this capital. With few agricultural or non-agricultural alternatives, coffee, despite its problems, continues to provide the best income for most households in Perez Zeledon.

Notes

1. Villagers consider size of landholdings a fairly sensitive subject to discuss with outsiders; many fear a tax increase will follow. The reliability of these figures was double-checked in separate interviews several months apart, often with different members of the household. On all but two occasions, when quite different figures were given during each interview, the same, or nearly the same landholding figures were reported both times. Later, when coffee yields were reported, these figures were checked against reported landholdings in coffee and again appeared to confirm accurate accountings.
2. Though I was less confident about the outputs reported by a few respondents, in most cases total yields were appropriate for the amount of coffee land producers had previously reported to me. As a further check, I had computer lists from Coopecagri for coffee sold to them by their clients in each community. The producer-reported outputs and Coopecagri reported yields were identical.
3. This move to incorporate household farms into small companies is new and, I was told by one farmer, not explicitly allowed for under the Costa Rican tax code. Nevertheless, at least one other household has also incorporated its farm and others are considering doing so. As a legal company, there are tax advantages, adult members can receive salaries for their labour (including women's domestic support work), and land is held jointly by all. It will be interesting to see if such a practice becomes more common, among what kinds of households, and how it might affect gender relations within the household.
4. In Palomas, one large absentee landowner has given at least three families the use of houses free for the year with the sole condition that they agree to work for him during the harvest season (at normal pay). During the remainder of the year, they are free to work where they may.
5. Assuming nearly all of this labour to undertaken during the approximately eight-month non-harvest season we can calculate an average of 20 hours per week needed for the routine maintenance of one hectare of coffee; 40 hours per week for two hectares; 60 per week for three hectares.
6. Not all households could easily be classified into one or another of these categories. For example, in Palomas, there were also two absentee landowners who only hired labour to work their farms and did not provide labour themselves; but as they were not available for interviews, they are not part of this sample. In another case in Sta. Cruz, the use of labour is more complex. In this case, the household both buys and sells labour on a permanent basis. Sr. Bustamante works as an aide in the hospital in San Isidro; his two sons take care of the family's 2.5 mz. of coffee, along with two workers hired on a nearly full-time basis. This is an interesting case, but seems to be rare.
7. In 1992 Doris married and had a child. She and her husband live next door to her parents in a small house owned by them. She no longer participates in any way with the coffee production as she says she is much too busy with her baby. Her husband, who has no land of his own, now works with her father in the family's coffee fields.
8. Another women explained that when her husband left her with four small children, she was forced to take any kind of work in order to support them. She says that for many years she collected and sold firewood and cut sugar cane (extremely difficult work), yet could not

fertilize nor plant seedlings in her own coffee fields as she had no men to help her and could not afford to hire any.

9. Chemical fertilizers, for the most part, are imported into Costa Rica. With pressures from the International Monetary Fund (IMF) on Costa Rica to lower its high import duties, the continued rise in agro-chemicals is at first surprising, but can be explained by a devaluation of the Costa Rican colón in 1990, which, while it brought farmers higher colón prices for their coffee, also had the effect of increasing the price of imported goods, not only of fertilizers, herbicides, and pesticides, but of fuel, which has increased transportation costs and the overall cost of living. See Villasuso Etomba 1989 for a discussion of the economic crisis of the 1980s and the impact of the devaluation of the colón on the economy.
10. Though open, grassy, uncultivated land was described as *pasto* (literally, pasture) and *potrero* (grazing land for horses), conceptually *potrero* and *potrero* are often the same. And though a horse or a cow may be grazed in the areas, most of the land described in this manner was, in fact, just land that had been cleared at one time, but was now uncultivated. Thus someone with many manzanas of "pasto" does not necessarily have a lot of livestock.
11. While it was explained to me that some slopes were too steep even for coffee, as land becomes scarce, farmers are beginning (though reluctantly) to clear upper slopes and plant them with coffee.
12. The impact of expanded cattle production in tropical forest regions has become a topic of environmental concern in recent years (Edelman 1989). As yet, the area is still heavily forested (cloud forest), but with continued cattle and other agricultural expansion into this virgin territory, problems of deforestation and erosion are likely to follow. Already, lower river and stream levels around Sta. Cruz are being blamed by some locals on the destruction of the cloud forest above them.
13. These problems of cyclical labour demands are not new, but the need for cash as opposed to home-made subsistence goods is increasing. This is what Wilk calls the "ratchet" effect of commercial production (1991: 141). As incomes rise, that wealth goes to raise people's standards of living. What were once luxuries are now considered necessities.
14. In a few households (not part of the sample), coffee is produced, but does not provide the main family income. These are households in which members have more education and work in skilled occupations. For example, in one household, the senior male works as high-level official for the Ministry of Transport and the family is supported by his salary. Income from the family's 0.5 manzana of coffee is used to buy luxuries, such as a T.V. or new furniture.

Chapter 6
PROCESSORS: "BENEFICIANDO PEREZ ZELEDON"¹

Modern coffee-processing facilities play a pivotal role in the Costa Rican coffee industry. As we learned in chapter 3, in Costa Rica, virtually all coffee grown is sold to companies which specialize in the processing, and often the sale (through subsidiary companies), of coffee to the world market. Though some large growers own shares in processing plants, most coffee is grown by smaller farmers who must sell to processing plants owned by others. The price farmers receive for their crop is a reflection of the processor's ability to market that coffee. The processor is, in essence, the farmer's link to the international market.

In this chapter, I examine the organization and operation of the *beneficios* servicing the farmers of Perez Zeledon, in particular the region's multi-purpose cooperative, Coopeagri. The discussion focuses on the relationship of these factories to the coffee producers and compares Coopeagri's strategies for survival in a competitive international industry with those of the private factories.

Coffee Processors in Perez Zeledon

In addition to Coopeagri, coffee in Perez Zeledon is bought by four privately-owned processing companies:² La Meseta, El General, El Aguila, and Peters San Isidro. As seen in Table 6.1, for the 1988-89 harvest, the four operating *beneficios* processed a total of 600,692.6 double hectolitres (1 db.hl.= 200 litres = 128 kgs.) of coffee, approximately 8 percent of the country's total of 7,350,438.9 db.hl.³ Of the coffee processed within the

Table 6.1
Coffee Processing by Beneficios in Perez Zeledon
(1988-89 Harvest Season)

Beneficio	No. Clients (1990)	Processing Capacity (dbl.hect.)	Coffee Bought (dbl.hect)	Own Coffee Processed (dbl.hect)	Total Coffee Processed (dbl.hect)	Percent of Total Canton Processing
El General	4,500	300,000	165,969.5	1,116.0	167,085.5	27.8
La Meseta	4,000	200,000	180,539.7	0.0	180,539.7	30.1
El Aguila	2,600	150,000	91,540.3	0.0	91,540.3	15.2
Peters	1,500	--	n/a	n/a	n/a	--
Coopeagri	3,970	200,000	159,869.8	1,657.3	161,527.1	26.9
Total:		850,000			600,692.6	100.0

Source: ICAFE. Coffee Totals Declared by Beneficios, 1988-89 Crop.

Note: 1 double hectolitre (db.hl.) = 128 kgs. = approx. 0.5 fanegas

canton, El General processed about 28 percent, La Meseta 30 percent, El Aguila (a relative newcomer to the region) 15 percent, and Coopeagri approximately 27 percent. (Peters San Isidro processes its coffee outside the canton.)

The Private Processors⁴

The processing factory which is now owned by the company Beneficiadora La Meseta, S.A. was the first *beneficio* established in Perez Zeledon (in 1949) by the Department of Beneficiadoras de Cafe of the Banco Nacional, which administered the factory. In 1962 the *beneficio* was sold to an Italian family and became the Cafetalera San Isidro. In 1972 it changed ownership again and became the part of the Corporacion Cafetalera La Meseta, a multi-national corporation (Swiss, Costa Rican, and German-owned) which owns seven *beneficios* in Heredia, Coto Brus, Terrazu, Alajuela, and Turrialba, as well as the one in San Isidro.⁵ La Meseta has about 120 recibidores throughout the entire canton and approximately 4,000 producer clients.

The Beneficio El General, S.A. owns the largest processing factory in the canton. Founded in 1962 by one Carlos Neverman, the *beneficio* was later sold to the Montealegre family and eventually became part of a Swiss-owned corporation which owns two *beneficios* in Heredia in addition to the one in Perez Zeledon. El General buys coffee from about 4,500 farmers and has 130 recibidores throughout the canton, plus 2 in neighbouring Buenas Aires.

Established in Perez Zeledon in 1974, the *beneficio* El Aguila is a relative newcomer to the region. The factory's first owner, Eduard Sanchez Montero, sold the business to the El Aguila S.A. company, which owns factories in Puriscal, Aserri, and San Rafael de Heredia, as well. In 1991 El Aguila had approximately 2,600 client producers and 94 recibidores spread throughout Perez Zeledon and parts of Buenos Aires, a canton of Puntarenas just south of Perez Zeledon.

Peters, which only began buying coffee in this region in 1989, has recibidores in just two districts and, since it as yet has no processing factory in the canton, sends its coffee to its other factories for processing. It is part of the large company Peters, S.A., which owns at least nine *beneficios* throughout the country.

The Cooperative Processor: Coopeagri

Coopeagri El General, R.L. operates the canton's only cooperative *beneficio* and claims 3,970 members. Today Coopeagri is a growing, multi-purpose industrial cooperative, but interviews with the cooperative's founders and early members reveal the difficulties that were encountered in making the initial goal of a coffee-processing cooperative a reality. According to one of the cooperative's principal founders, Martin Fonseca, during the late 1950s and early 1960s, many coffee farmers in the canton were beginning to feel dissatisfied with the way they were treated by the canton's *beneficios*. One reason he cites is that the other *beneficios* (there were two at the time) were consistently tardy in giving farmers their final coffee payments once the crop had been sold on the international market. Frustrated and angry, and fuelled by a growing awareness and promotion of cooperatives that was emerging throughout Latin America in the 1960s (see chapter 1), a group of 391 small coffee producers, with capital assets of a mere ¢126,400, began to organize. As we learned in chapter 4, in 1962 they established the Cooperativa de Caficultores R.L. de Perez Zeledon. They first rented, then bought for ¢1,600,000, the then bankrupt San Jorge *beneficio*, which had recently been reclaimed by the Banco Nacional.

Early organizers, who were also coffee farmers, had a difficult time as they canvassed the countryside, teaching rural residents about the ideology of cooperatives and trying to recruit support for their *beneficio*. There was a great deal of confusion as to exactly what *cooperativismo* was, and many believed it was a form of communism⁶. One member of the

cooperative's first Education Committee relates a story in which he was in a cantina, when he was grabbed and about to be punched by another patron. He stopped the man and asked why he was going to be hit. His attacker replied, "because you are a communist." When he inquired why he should be confused with a communist the attacker told him it was because "you say all of us with coffee must become members of the cooperative" (Mora Zuñiga 1987: 11).

There are also accounts of the disappointments when meetings were arranged in various rural communities and no one showed up. Some people did join, but many quit, fearing the cooperative could only fail and they would lose everything. There are even accounts of sabotage, like the time an entire stock of already-processed coffee was completely destroyed when someone drenched it with oil (Ibid.: 5-6, 10).

There is no doubt that these early founders of Coopeagri were deeply committed to the idea of cooperative organization. The cooperative itself is often talked of as "*la niña*" (female child), who had to be nurtured and protected -- as the following recollection of the young, but growing cooperative demonstrates: "*la niña*" was more robust . . . because the associates defended her from the attacks of her enemies . . . Now in the present there is no lack of an enemy here or there, but they can't do her damage because they are very weak and '*la nina*' is very gallant, favoured, and protected" (Ibid.: 13-14).

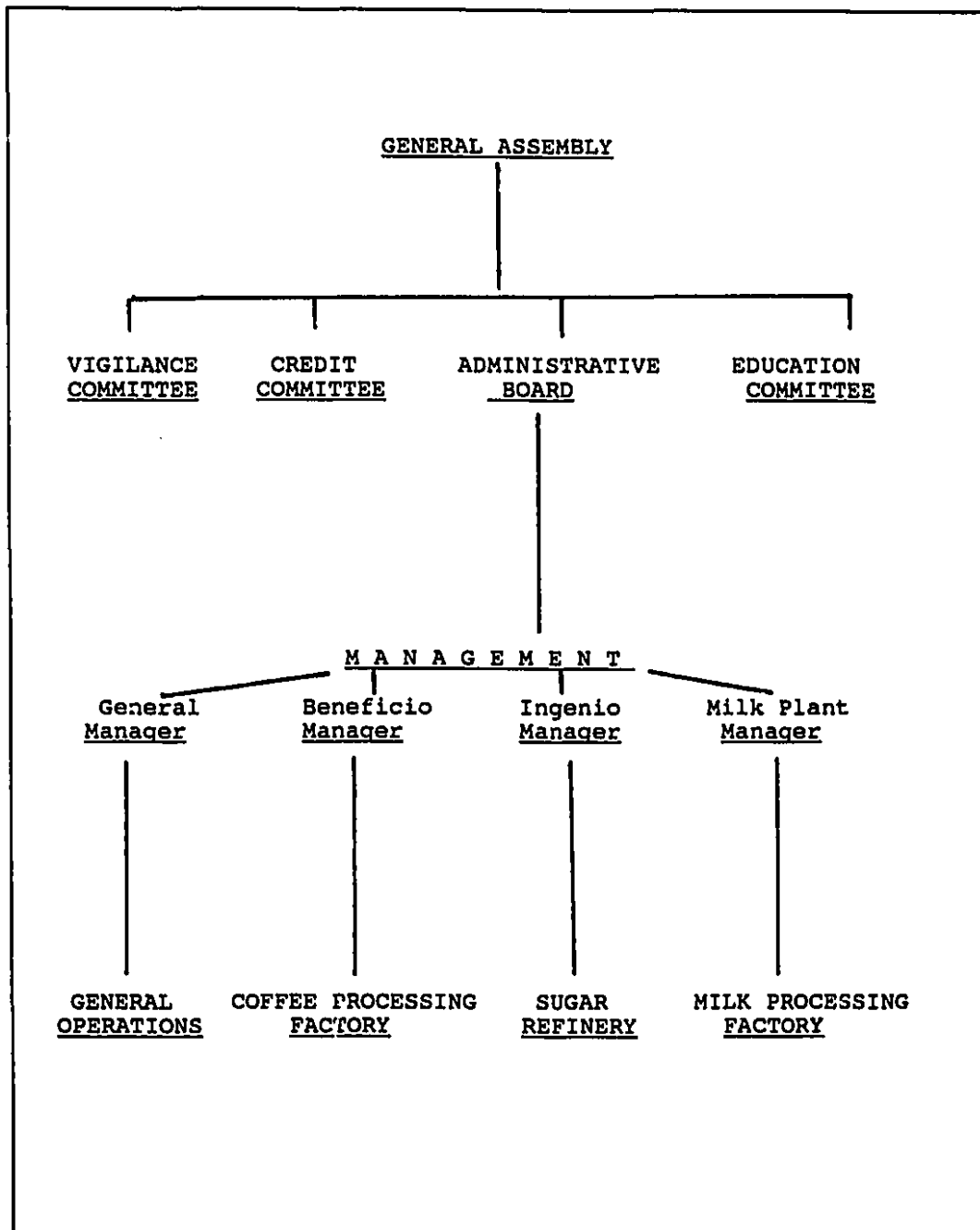
I have not attempted to undertake a complete historical study of this cooperative, but these accounts cannot represent the entire range of perceptions found throughout the canton. Nevertheless, they do demonstrate the problems facing the struggling organization and the commitment the cooperative founders had in trying to ensure its success, a pride and commitment that is evident among many cooperative leaders today. Those in leadership positions are likely motivated to present an overly sympathetic picture of an altruistic organization which has struggled to overcome all odds to enrich the lives of the poor. Still, the fact remains that for many small producers in the region the cooperative provided a viable

alternative to the private firms which previously had been the only choice available to local coffee farmers.

Today Coopeagri is an agro-industrial business which operates, among other enterprises, a modern coffee-processing facility much the same as the other *beneficios* in the canton. There are two obvious, yet substantial, differences which are important for this analysis of the interactions between local producers and industrial processors. First, by virtue of its nature as a cooperative, Coopeagri differs markedly from its private counterparts in ownership and organizational structure. Second, while Coopeagri's business enterprises must function within a competitive capitalist framework just as do the private companies, there is a well-defined cooperative ideology which, in theory at least, structures the cooperative's business strategies.

Organizational Structure and Membership. The organizational structure of Coopeagri follows the organization of cooperatives as laid down by Costa Rican law, with the general assembly (entire membership) electing from among themselves representatives to serve on the Board of Directors and on the various other administrative committees within the organization, as can be seen in Figure 6.1. By law, the general assembly of any cooperative must meet once a year to review operations, discuss problems, and elect representatives for various committees. In cooperatives where membership is small (only hundreds of members), all members are entitled to attend the annual general assembly, but in cooperatives, such as Coopeagri, where membership is so large (thousands of members) that the presence of every member would make the proceedings cumbersome and less effective, the law allows for a system of elected representatives to be used: for each 25 members, one delegate (and one supplemental delegate) will be elected by each local constituency to represent those members at the annual general assembly. It is the responsibility of the delegate to ensure that members' concerns are brought to the attention of the administration.

Figure 6.1
Organizational Structure of Coopeagri



Source: Coopeagri Annual Report (1990)

In addition to the local delegates, members also elect local coordinators (about 1 for every 50 members). Coordinators are responsible for organizing members within their jurisdiction. Like delegates, coordinators are responsible for helping members solve any problems they may be having and for forwarding any suggestions members may have concerning cooperative operations. Every three months, there is a meeting of all coordinators at the central meeting room in San Isidro, where various concerns are discussed. The results of any decisions made at these meetings are passed along to members by the coordinators. While some coordinators regularly hold local meetings in their areas, those with whom I spoke said they do not try to hold regular community-level meetings as no one attends. Instead, because of the small and rather intimate nature of the communities which they represent, throughout the year information is passed informally back and forth between members and coordinators.

Each February, prior to the annual General Assembly, a general meeting is held in each district. All members are invited to meet with members of the board of Directors and management. As with most Costa Rican public meetings, official reports are tendered concerning the status of the cooperative, then members' comments, concerns, and suggestions are heard. It is a lengthy process which continues until all who wish to speak have been heard. While participation at the annual General Assembly is restricted to coordinators and delegates, it is through these local meetings that members are able to openly voice their opinions concerning the operation of the cooperative -- and none seem shy in doing so.

Unlike the relationship between producers and private processors, the relationship between coffee growers and Coopeagri is considerably more formal and entails a stronger commitment on both parts. In theory, cooperative members are each owners of the organization and are equally responsible to share in the responsibilities and benefits of membership. Each has equal voting power, regardless of shares. Selling coffee to a private *beneficio* is quite simple: unless a loan is required, the producer merely delivers coffee cherries to the recibidor. To sell coffee to Coopeagri, a producer must first join the

cooperative. This is done by making a formal application for membership, then attending a two-hour orientation lecture which outlines the general ideology of "*cooperativismo*" and acquaints the potential member with the specific operations of Coopeagri and the benefits and responsibilities of membership.

There are two kinds of associates in Coopeagri: employees and producers (see Table 6.2). Employees work in various capacities within the organization, including the *beneficio* manager, farm workers, and office clerks. Producers are those who produce a product -- coffee, sugar, milk, handicrafts -- which they wish to market through the cooperative. One condition of membership for agricultural producers is proof of legal access to land. This can be a copy of a deed of sale or a rental contract. In addition, all applicants must present two recommendations, one from the local coordinator and one from the delegate for his or her area of residence. As the cooperative is eager to increase membership, these recommendations are usually no more than a formality and involve no more than a signature on the application. The final requirement for membership is a one-time fee of ¢1,000 (about \$10).

The terms of membership are simple. First, each member is committed to saving with the cooperative 5 percent of the annual value of their product (or their wages in the case of worker members).⁷ The aggregated 5 percent savings of all members is the working "social capital" of the cooperative. This money remains the property of the individual member but is kept in the member's savings account with Coopeagri to be used by the cooperative to help finance member producers during the agricultural year; it is not used for investment or expansion in industry. Policy for providing interest on members' savings has varied over the years, depending on the financial status of the cooperative and members' desires. If the cooperative has surplus funds, members can vote that some of that money be used to pay

Table 6.2
Number of Coopeagri Associates by Type of Membership

Type of Member	1988	1989	1990
Coffee Producer	3,666	4,011	3,967
Cane Producer	454	589	615
Milk Producer	76	109	107
Worker Member	174	167	160

Source: Coopeagri El General, R.L. Report of the Administrative Council to the General Assembly of Delegates No. 51. March 1991.

interest on their savings, as when the membership voted at the 1991 General Assembly to pay 15 percent interest on members' savings. Likewise, surpluses can be paid to the membership in the form of cash dividends, or they can be reinvested in expanding Coopeagri operations.

Second, by joining Coopeagri each producer agrees to sell exclusively to the cooperative. In the case of sugar and milk, Coopeagri owns the only processing factories in the region and so this requirement is not difficult to fulfil. In the case of coffee, with the presence of four additional companies buying coffee in the canton, not all farmers uphold their end of this agreement, as we shall see.

Membership in Coopeagri can be terminated by the associate at any time by writing to the administration and expressing a desire to renounce membership. At the end of the fiscal year, the cooperative determines what, if any, outstanding debts the member may still have. Once the debts have been paid, the member is free to leave the cooperative and his/her savings are paid back, though not always in one lump sum. Associates who have terminated their membership with Coopeagri must wait five years from the date of their termination before they are allowed to petition again for membership.

Ideology. Coopeagri has always placed a strong emphasis on improving the economic situation of its members by trying to operate a profitable economic organization. While this study focused primarily on the economic aspects of the organization, the cooperative's goals are articulated very clearly in terms of an ideology which merits a brief discussion.

The particular nature of cooperatives varies tremendously, but there is a basic, pan-cooperative ideology which seeks to promote mutual self-help and coordinate efforts at improving economic opportunities among the less powerful segments of society. In Coopeagri, as throughout Costa Rica, this ideology of *cooperativismo* is well stated in its annual reports to its membership, as well as presentations to the public at large, such as its weekly radio program.

In order to guarantee the progress and development of a village, community, or country, it is indispensable that the labourers, artisans, farmers and wage-workers of all kinds give each other mutual assistance and help It is necessary for farmers to unite In our age, isolated voices are like voices given to the wind (Coopeagri 1989: 2).

Like most agricultural cooperatives throughout the world, Coopeagri states that its most fundamental concern is to improve the economic well-being of small and medium farmers. Underlying all concerns is a goal to help small and medium producers reap some of the same rewards available to large businesses, by converting agricultural production into a profitable enterprise in which producers can obtain enough income to raise their standard of living (Ibid.: 7).

The Odd-Couple: Coopeagri and UPIAV. While the cooperative ideology forms a basis for Coopeagri's operations, its organizational goals have also been strongly influenced by its association with the *Union de Productores Independientes de Agroproductos Varios* (Union of Independent Producers of Various Agricultural Products [UPIAV]), a small, local syndicate of farmers and agricultural workers. This interesting relationship sets Coopeagri apart from other cooperatives in Costa Rica. As discussed briefly in chapter 1, there is a long history in Costa Rica of friction between the syndicate movement, *sindicalismo*, and the cooperative movement, often referred to as "*solidadismo*." Yet here is a cooperative whose elected leaders are, with one or two exceptions, also syndicate leaders. In fact from 1980 to 1987, the president of Coopeagri and the president of UPIAV were one and the same. The partnership that has developed between UPIAV and Coopeagri since 1976 is rare. It has not been without its problems, but the result has been a stronger cooperative.

The first formal ties between the two came in 1977 when the secretary of UPIAV was elected to Coopeagri's council. Many people were wary of this development. According to Coopeagri's current president, like most syndicates, UPIAV was more Marxist oriented in the

1970s than it is now and in many people's minds syndicates meant communism. (In fact, most of Costa Rica's syndicates arose in the coastal banana plantations and were strongly backed by the Costa Rican Communist Party.) This perceived communist connection worried some cooperative members, particularly the then-president Milton Fonseca, who was concerned that lending agencies might be reluctant to lend to Coopeagri because of its association with a syndicate. He was also worried about the association because he saw a conflict of interests between the two groups. "Syndicates are more for salaried workers and not producers and the cooperative is an organization of producers. The two should be kept separate as they have different interests" (Interview 1991).

Despite some opposition, the relationship between the two organizations seems not to have been detrimental to Coopeagri. Indeed, rural households comprise both workers and producers, and the success of the marriage of UPIAV and Coopeagri may rest on this fact. UPIAV, though just a local cantonal organization, has a fair amount of political influence. Over the years they have been quite successful in applying pressure to various governmental agencies, such as ICAFE, MAG, and MOPT (Ministry of Public Works and Transport), to speed improvements (such as road works) within the canton. Such is their influence, that in July 1990 Costa Rican President Rafael Calderon himself came to San Isidro to meet with Coopeagri and UPIAV leaders to discuss development in the canton.

According to cooperative ideology, social issues of development are as much a concern as economic concerns. Since Coopeagri's association with UPIAV, the cooperative has developed an integrated rural development plan which, in addition to helping agricultural producers, has placed the problem of landless agricultural labour on its agenda. One program that demonstrates the scope of the cooperative's development agenda is a proposed project which aims to buy nearly two thousand hectares of land with the help of the government's Institute for Agrarian Development (IDA). Coopeagri would then give landless farmers 99-year leases on small plots of land, along with guarantees of credit and technical assistance.

Farmers would be encouraged to grow sugar cane, coffee, macadamia nuts and basic grains which could be sold to the cooperative: sugar, coffee and macadamia for export, basic grains for sale in the cooperative's supermarkets.

Economic Strategies. Setting ideological principles aside, it has been said that "*cooperativismo* must be in the pocket as well as in the heart," a strategy which Coopeagri seems to have been particularly astute in following. Since its inception, the cooperative has been concerned with operating a *beneficio* which would provide higher incomes and improved marketing conditions for the small and medium coffee producers in Perez Zeledon. Coopeagri's basic aims are to deliver the highest possible price for crops and to offer agricultural supplies to its associate producers at low cost, but it also offers its members a variety of other benefits, such as agricultural extension, and veterinary and medical services free of charge for members (and at low cost for family members).

Though coffee processing has been its main purpose, diversification has become a key policy. Through the years the cooperative has expanded its activities and services to become one of the country's largest multi-purpose cooperatives and a model cooperative in Latin America.

In addition to its coffee-processing facilities, in 1969 a supermarket was established and in 1974, the cooperative opened a sugar refinery, or *ingenio*, and changed its name to the Cooperativa Agricola Industrial El General, R.L. (Coopeagri). As part of its campaign to diversify its productive base, Coopeagri has begun to invest in a variety of other enterprises. In 1980 Coopeagri decided to add to its coffee, sugar, and supermarket enterprises by opening an agricultural supply department and in 1984 acquired a local milk-processing plant, which produces fruit juices (both from purchased syrups and local fruits), as well as a variety of milk products. As part of its dedication to diversification, the cooperative has also established small experimental farms for the production of macadamia nuts and has been working with

the state in channelling funds into reforestation projects. Though loans have always been made to producers to cover production costs, the cooperative is currently in the process of creating a separate credit and loan branch, which will allow members to receive credit for investment in other projects, such as home improvements.

Another long-term goal of Coopeagri is to expand its supermarket enterprise by building branches in various communities. Land for these branch stores has already been bought in five districts. Through a deal with the Swedish consortium of consumer cooperatives, CECOOP (Centro Cooperativa), with whom Coopeagri has been working, the cooperative also acquired a "supermobil", a large van equipped as a mobile supermarket, which visits a half dozen or so communities each week, bringing goods that are often not available in the local *pulperias*.

The "Ladies" Group. A final project of the cooperative that deserves mention is the Grupo de Damas. What started in 1982 as the brainstorm of one dynamic and energetic woman, Marcelly Orozco,⁸ has grown into an organization which has organized eighteen local women's groups and received national and even international attention. The group was actually formed following the earthquake of 1983. Coopeagri set up a refugee centre for people of the community of Buena Vista, who had been hit hardest by the quake. According to Orozco, it was the women particularly who came forward and were worried about what they could do to get their lives back together. Together they organized and made plans for rebuilding the community.

Inspired by their success, women from other communities were contacted and other groups formed. Gaining support for an official Women's Group within Coopeagri was, no doubt, facilitated by the fact that Orozco is the wife of the president, but at that time no funds were provided for any of the Women's Group's projects. It was not until 1989 that CECOOP (which had already been supporting other development projects of Coopeagri, such

as the mobile supermarkets) heard of the women's projects and immediately began to finance the Women's Group through Coopeagri. Financing, though generous, has been limited to providing training sessions in community development both in San Isidro and San Jose, and to paying for travel expenses of committee members to create links with women's groups in various rural communities.

Like the cooperative as a whole, the Women's Group has complimentary socio-political and economic goals. According to Orozco, the primary objectives of the Women's Group are to help women (1) to realize that they are human beings, (2) to understand that they form a vital part of society and (3) to develop productive activities that women can engage in at home.⁹ During training sessions, women from various communities are encouraged to develop projects which can solve problems which they perceive within their communities. Training sessions emphasize developing organizational skills and encourage women in exercises, such as public speaking, which are designed to make them feel more at ease working in the public sphere.

While most of the Group's projects have focused on establishing marketable artisan and craft skills of various kinds within each community, they hope eventually to go beyond crafts and into other activities. Already one group of women have a corn *milpa* which they work collectively. The corn is bought by the cooperative, and dolls and hats are made from the corn husks for sale as souvenirs. To date, the Women's Group has not tried specifically to aid women coffee farmers, though there is talk that they may eventually try to do so if enough women demonstrate a need.

The Women's Group hopes eventually to consolidate the organization at the national and even international level, and already has begun gaining recognition. The group received a delegation of Bolivian women wishing to organize a similar group and has visited groups throughout Panama, as well. In 1990, Orozco was recognized by APROMUJER (the National

Program for the Advisment and Training of Women) for her outstanding work among rural women.

Problems and Setbacks. Today Coopeagri is a vibrant and diverse agro-industrial cooperative, but it has not always been so. Like many cooperatives in Costa Rica, in the late 1970s Coopeagri was foundering and nearly collapsed (see Table 6.3). There appear to have been several causes for this near-catastrophe.

First, though its policy of diversification is aimed at providing economic stability, diversification also carries risks. With the purchase of the sugar *ingenio*, the cooperative was attempting to expand the economic opportunities available to its members. Prior to the establishment of the *ingenio*, sugar was processed only into crude *dulce* by *trapiches*. With the arrival of the sugar refinery, cane producers who were close enough to take advantage of this industry found a new and more profitable outlet for their cane and many substantially increased their production. But this venture nearly proved fatal.

The first few years of operation of the *ingenio* were extremely difficult for the cooperative. By 1979, the sugar refinery was losing a tremendous amount of money and the entire cooperative was suffering from this loss. Many coffee producers became dissatisfied as the cooperative began to funnel funds from other departments into the sugar factory. Despite, or perhaps because of, heavy investment in upgrading the sugar factory's machinery, COOPEAGRI was in serious economic trouble and was faced with the decision of whether or not to close the *ingenio*. In fact, so bad were the losses that INFOCOOP (Institute for the Promotion of Cooperatives) was threatening to declare Coopeagri insolvent. Though closing the *ingenio* would have cut losses, many members (cane farmers in particular) were concerned about the loss of this alternative industry in the valley.¹⁰ Fortunately, the disaster provoked drastic changes in the management of the cooperative which today appear to have been beneficial.

Table 6.3
Summary of Coopeagri Expansion Dates and Activities

Date	Activity	Effects
1962	Bought <i>beneficio</i> San Jorge	
1969	Created supermarket	
1974	Bought sugar <i>ingenio</i>	<i>Begins to founder</i>
1977	Established formal ties with UPIAV	<i>financially</i>
1980	Established an agricultural supply department	
	Began reorganization and managerial restructuring	<i>Near-bankruptcy</i>
		<i>Financial Recovery Begins</i>
1990	Completed managerial restructuring	

Second (and not unrelated to the purchase of the *ingenio*), Coopeagri was suffering from poor management. According to the current *beneficio* manager, who joined the cooperative in 1986, this is a problem common to many Costa Rican cooperatives. First, managers are selected from among the members and in most cases are not adequately trained. Second, pay is low, as cooperatives try to keep costs down. The result is that unqualified, underpaid people are put into positions of managing very complicated business operations. In the early 1980s, Coopeagri began a major overhaul in administration and management.

The most significant change came about with the decision (made by the co-op's board of directors and voted upon by the membership) to pay well for highly qualified managers. The cooperative hired a university-educated, professional manager to run the *beneficio*, and a chemical engineer to take over the sugar operation. In addition, the cooperative began to decentralize management, allowing each department within the cooperative, (the *beneficio*, the *ingenio*, etc.) to run as a separate business under its own manager, though there still remains a coordinating manager. (Funds are still occasionally transferred between departments as needed). This arrangement allows the managers to specialize and avoids placing the entire burden of running the cooperative's industries on a single manager. It also tightens accountability. By 1990 the managerial separation of departments had been implemented. The restructuring has been a wise move. Today the sugar refinery is one of the best in the country. No longer near bankruptcy, in 1990 Coopeagri was able to pay its sugar producers ¢292 per ton above the national average (Coopeagri 1991: 9).

Private and Cooperative *Beneficios* in a Competitive Business

It is no surprise that coffee prices are the major concern of the *beneficios*: both as a cost expended in buying the raw, unprocessed cherries from farmers, and as income received from sales of processed coffee. In order to return a maximum profit to owners (shareholders in

the case of private factories, members in the case of cooperatives), all *beneficios* must: (1) be run as efficiently as possible, keeping operating costs, such as the cost of buying raw coffee from farmers, to a minimum; and (2) obtain the highest possible market price when selling coffee. Let us take a look at how these two concerns have affected the coffee industry in Perez Zeledon.

Operating Costs

As business enterprises, all the *beneficios* in Perez Zeledon are concerned with maximizing profits for their owners, which for normal private business concerns, translates into buying low and selling high. Both private and cooperative enterprises strive for the highest possible sales price. For the private factories, the bottom line dictates that they keep the cost of buying raw coffee to a minimum. The cooperative, on the other hand, distributes profits back to the farmer-owners in the form of high cherry prices, which are therefore like a dividend for members.

As can be seen in Table 6.4, Coopeagri has consistently paid prices above those of the private *beneficios* of Perez Zeledon. There is one exception. Exact prices paid by the newly arrived Peters company were not available and so are not listed in the table, but I was told that, for the two years it had been buying coffee in Perez Zeledon, Peters had paid over ₡5,000/fanega (approximately \$50 U.S.). Both farmers and *beneficio* managers alike were well aware of these high prices, yet all seemed to agree that the payment of such extraordinarily high prices was a common practice designed to quickly attract clients to new processing companies. Once the company was established, prices would drop into line with those of the other *beneficios*.

Keeping loyal coffee-producing clients is crucial for all *beneficios*. The ability of Coopeagri to attract client producers through slightly higher prices poses a dilemma for the private factories. Coffee *beneficios* are like other large industrial facilities in that efficiency

Table 6.4
Final Liquidation Prices of Beneficios
in Perez Zeledon 1973-1990
(colones per fanega)

Year	Coopeagri	El General	La Meseta	El Aguila
1990+	4936.62	4409.10	4401.68	4155.04
1989+	5145.96	---	not available	---
1988	4910.06	4571.88	4404.06	4527.20
1987	4145.24	3908.21	4085.76	3907.46
1986	5765.62	5399.70	5715.50	5279.56
1985	3328.90	3163.02	3067.68	3169.00
1984	2649.28	2702.92	2598.36	2582.24
1983	2213.68	2015.90	2070.14	2042.78
1982	2523.68	2172.96	2189.16	1944.54
1981	1260.60	1206.48	1064.30	1136.32
1980	868.34	897.84	922.74	849.86
1979	740.64	705.32	732.54	737.40
1978	944.22	--	961.72	960.50
1977	1275.64	--	1106.10	887.24
1976	559.14	--	514.58	519.99
1975	350.48	--	304.67	313.11
1974	306.37	--	294.95	303.36
1973	287.34	--	268.34	--

Source: ICAFE. Final Liquidation Prices 1973-1988.

+ These figures provided by factory managers and coffee producers.
Note: Prices are legal, calculated fixed minimums. Beneficios can pay higher, though few do. For the 1986-87 crop, Coopeagri actually paid ¢4150 per fanega. In November 1991, \$1 U.S. = approx. 95 colones.)

is of great importance. The large capital investments they have made in equipment require the facility to run as close to maximum capacity as possible. While some coffee-processing companies also have estates where they grow coffee as well (see Table 6.1), most *beneficios* must rely on independent coffee farmers to provide them with enough coffee to make their facilities profitable.

As seen in Table 6.1, none of the *beneficios* is processing to its full capacity. This excess processing capacity has created a seller's market. *Beneficios* are continually seeking new clients to supply them with enough coffee to keep their factories running as close to capacity as possible. While the actual processing of coffee is much the same in all *beneficios*, there is tremendous competition among the five *beneficios* of Perez Zeledon in attracting and maintaining client producers. As farmers are ultimately concerned with receiving the best price for their coffee, high prices naturally are an important way in which a *beneficio* can ensure an adequate supply of raw coffee. But each private factory is competing not only with other private *beneficios*, but with a cooperative which, by funneling part of its profits back into cherry prices, can (assuming the factory is efficiently run) consistently pay farmers more for their crop. The private factories, then, face a dilemma in which they must keep operating costs to a minimum in a market where competition has placed an upward pressure on the prices they pay to farmers.

Price is one way in which the *beneficios* compete for clients; but there are other means, and each *beneficio* has its own strategy for attracting and keeping coffee suppliers. These strategies have evolved over time, causing fundamental changes in the relationship between producers and processors. For example, when *beneficios* first began processing coffee, farmers were responsible for delivering their crop to the factory. Poor roads and lack of transportation frequently made this a difficult, if not impossible, task. Once a system of *recibidores* was in place, farmers without their own means of reliable transportation did not need to invest as much in getting their crop to the factory. The *beneficios* collected coffee

in the villages and hauled it to the factory themselves. While this was a great improvement over the old system, the cost of transporting the crop to the factory was charged to the farmer. This was the situation in Perez Zeledon until about 1985 when, in an effort to be more competitive, processing companies began transporting coffee from the *recibidores* free of charge.¹¹ More recently, I was told by the manager of one *beneficio* that they have now begun delivering fertilizer to clients free of delivery charge. "The other *beneficios* are doing it, so we must do it, too," he said. In the past, *beneficios* would deliver fertilizer to farmers, but transportation costs were deducted from the farmer's final payments.

Credit is one of the most important services that *beneficios* provide to producers and has become a principal mean by which factories attract and keep their client producers. Commercial coffee production requires the use of expensive inputs, which for many farmers -- younger farmers in particular -- means they must have a source of credit. Credit is funnelled through the *beneficios* to the farmers, usually in three stages throughout the year to cover various costs of production. All *beneficios* will loan or advance money to producers to help with seasonal production costs, but loan amounts and terms vary from factory to factory, and the private factories will also make loans for investments and home improvements. In general, the process of obtaining a loan with a private factory is quicker than obtaining one from Coopeagri.

Interest rates and terms of repayment also vary among the *beneficios*, though Coopeagri's rates are generally lower than those offered by the private factories.¹² In 1991, Coopeagri was offering loans at 28 percent interest while the private *beneficios* were charging around 31.5 percent. More importantly, the private *beneficios* require interest to be paid for the entire year, regardless of how long the farmer actually takes to repay the loan. In contrast, Coopeagri charges interest only for the amount of time the money was used. How farmers perceive these differences in loan procedures among *beneficios* will be discussed further in chapter 7.

Selling on the International Market

It must be kept in mind that while this local competition affects in a small way the price farmers receive for their crop, in the end it is the international market price which limits profits for both *beneficios* and farmers. While the *beneficios* have no influence on the international market price of coffee, it is their business to try to receive the best price possible. There are several ways this can be done.

Since the abolition of the quota system, coffee quality has taken on even more importance in coffee negotiations. While it has been just a few years since the demise of quotas, many processor-exporters are beginning to place more emphasis on producing higher quality coffees that can better compete in a more open marketplace. Though the quality of coffee is limited by altitude and soils, processors can ensure the best possible quality by insisting that farmers deliver only the most mature (red) coffee cherries. By law *beneficios* are not allowed to process green cherries, as these decrease the quality of the final product, but in practice some percentage of green coffee cherries is tolerated. As improving coffee quality has been a major objective for several years, Coopeagri has tightened its policy on the amount of green coffee it will accept from farmers. Though the other *beneficios* have not expressed major concerns over the quality of coffee they receive from their client farmers, the *beneficio* La Meseta says that it is also now working on improving its quality and has begun offering prizes to farmers who deliver the best quality coffee. All *beneficios* said that they had previously tried to institute a system of pricing based on coffee quality, but as the volume of coffee processed is not great, all abandoned the idea as too costly.

Coopeagri management has also started a more aggressive selling campaign and has developed a policy to

- 1) increase the number of primary products for export; 2) diversify the markets to which these products are destined; 3) substitute, where possible, the export of primary products by that of processed or semi-processed products with a greater added value (Coopeagri 1989: 6).

The first two objectives are aimed at diversifying operations, as discussed above. The third objective is one which involves a move toward more vertical integration of the production-marketing process into their operations. As a result of this policy, Coopeagri has begun making arrangements to sell its finished product (i.e. processed coffee) directly to wholesalers overseas, thereby eliminating certain of the middleman transactors and reducing marketing costs.

Though by law all coffee must be sold through licensed exporters (for cooperatives this is FEDECOOP), Coopeagri petitioned FEDECOOP for the right to negotiate and sell Coopeagri coffee directly to overseas buyers. FEDECOOP continues to take care of the legal transactions of all of Coopeagri's export sales, but Coopeagri managers have negotiated their own contracts directly with buyers in Japan, Holland, and Sweden and at the time of this study were working on a contract with a major U.S. coffee company. Not only has Coopeagri "personalized" its relationship with the buyers, but by negotiating its own contracts the cooperative has been able to receive still higher prices by eliminating some of the middleman costs. This move towards more vertical integration on the part of the cooperative is not surprising. According to Williamson (1975) such integration makes sense under conditions such as those found in the coffee industry: the uneven distribution of market information among transactors (i.e. buyers and sellers) and transactions which are often engulfed in cheating and manipulation as transactors attempt to take advantage of each other (cited in Acheson 1985: 126).

The extent to which Coopeagri can continue to vertically integrate its operations remains to be seen. Managerial difficulties increase with the incorporation of each additional operation and require greater expertise. Will basic coffee-processing operations suffer as the cooperative attempts to take on new operations? According to Coase, a firm should continue to integrate vertically only so long as the internal costs of incorporating each additional transaction remain less than the cost of conducting that transaction outside the firm (1952).

In other words, while attempts to eliminate certain marketing costs by taking over operations previously done by others seem to be a rational step towards strengthening the cooperative, continued expansion could prove costly for the entire firm in the long run, and farmers would suffer.

According to Coopeagri's *beneficio* manager, another essential aspect of this process of aggressively marketing their product is the "politics of coffee buying and selling," which revolves around establishing the reputation of one's firm through direct, personal contact with buyers and maintaining that relationship over a period of time. Such a strategy of establishing personalized, long-term relationships with business partners is not unusual. Plattner points out that such "reciprocal economic relationships reduce risk in transactions that would otherwise be too uncertain or expensive to undertake" (1989: 209). In the case of coffee transactions, the seller and buyer each bring to the transaction different information about the value of the product: the buyer an intimate knowledge of world market prices and the seller an intimate knowledge of the coffee offered for sale. In such situations, the possibility exists for both buyer and seller to cheat the other. The benefit of a personalized, long-term relationship is that the parties involved come to trust one another. This mutual trust can help both to "stabilize and regularize their incomes" (Ibid.: 213; see also Achesen 1985).

With the abolition of the quota system, international buyers are looking for reliable, high-quality coffee suppliers. Addressing this market, Coopeagri has begun a campaign to establish the reputation of its coffee by developing brand-name labels with registered trademarks for their three levels of export quality coffee, using a colour brochure as an advertising aid. According to cooperative managers, establishing a reliable reputation begins with personalizing business transactions with buyers, and so managers have begun travelling to New York, Europe and Japan in order to talk directly with clients rather than conduct their negotiations by telephone, as had been the norm previously.¹³ While this might be construed as an extravagance on the part of Coopeagri managers, the evidence that their strategy is

paying off is substantial: in 1990 the cooperative paid an average of ¢614 more than the private *beneficios* in Perez Zeledon.

A third way in which the cooperative has been improving its business is through an investment in a sophisticated computer system. Initially, computers were purchased and an inter-departmental network established to facilitate accounting and day-to-day operations. Coopeagri is now in the process of hooking into an international commodities satellite network which will enable it to follow changes in the market around the world on a moment-to-moment basis. Such market information will be enormously beneficial in helping managers make decisions as to when and where to sell. According to the *beneficio* manager, undertaking this responsibility may be more risky, but it allows the cooperative to have direct control of its business, rather than relying on FEDECOOP to make these decisions. These strategies are not unique to cooperatives. On the contrary, they are strategies that successful businesses use everywhere. Coopeagri's success is due, in part, to its ability to compete with its capitalist counterparts.

Summary

Competition is keen among the five companies who buy coffee in Perez Zeledon. Though Coopeagri's legal structure and organization are different from the private companies, as a coffee-processor it must operate in the same competitive markets, using similar business strategies, as they do. All are concerned with operating efficiently and with obtaining the highest possible price for their product in the international market. In part, operating efficiently means operating at or near full capacity. To do so, *beneficios* must attract and keep their client farmers from whom they buy their raw coffee. They do so in a number of ways, such as providing farmers with credit, delivering agricultural inputs, and offering high coffee prices.

In a number of ways Coopeagri appears a more attractive buyer than the private processing factories in the canton. Though all processors provide equal services in terms of delivery of fertilizers and collection of raw coffee, Coopeagri consistently pays higher cherry prices, offers better interest rates and terms of repayment for loans, and provides a number of other services, such as medical care and veterinary advice, not offered by the private factories. If the cooperative is so much better than its private competitors, why don't all farmers sell only to Coopeagri? This is the subject of the next chapter.

Notes

1. "Beneficiando Perez Zeledon" is the slogan of La Meseta processing company in Perez Zeledon. The Spanish word *beneficiar* means both "to process" as well as "to benefit."
2. Legal names of these factories are as follows: Beneficiadora La Meseta, S.A.; Beneficio El General, S.A.; Beneficio El Aguila, S.A., and Peters San Isidro, S.A.
3. According to several sources, (e.g. Altenburg et. al. 1990: 240), the Consejo Nacional de Produccion (1982) and the Annual ICAFE report (1981: 32), Perez Zeledon had the highest coffee production of any canton in 1981, producing 13.3 % of the country's coffee (ICAFE 1981). It is unclear whether this continues to hold true. According to ICAFE production figures for 1984-85, the canton's percentage of production was 6.4 % and by 1988-89 was approximately 8.2 %. Though production in Perez Zeledon has increased over 20 % from 1981 to 1989, it appears that elsewhere production has increased even more.
4. This summary is based on interviews with the *beneficios'* representatives, as well as with extension agents from the Ministry of Agriculture's San Isidro office, and data from the ICAFE Registry of Beneficios 1989. With the exception of El General which was extremely reluctant to provide data, the private beneficios were quite helpful. Due to lack of time and the project's emphasis on the cooperative, research into the private beneficios was not as extensive as that of the cooperative.
5. Each of these beneficios is registered with ICAFE under a separate company name, but they are controlled by the same owners.
6. It is interesting that this fear of cooperatives as communist institutions was, and still is to some extent, widespread, despite the fact that cooperatives were being widely promoted by the U.S. in an effort to prevent potential communist uprisings as had occurred in Cuba.
7. This amount was voted to be raised to 6 % at the 1991 General Assembly. The additional 1 % will be used to provide working capital for the new Savings and Credit Department.
8. I use the real names of prominent and well-known figures in the canton as they are easily recognizable figures, while those of residents from the two communities are pseudonyms.
9. When I questioned Orozco about plans for women's economic activities outside the home, she said that she does have hopes, but it has been difficult enough getting the male dominated cooperative to accept the Women's Group as it is. She says, at the moment, they can accept projects in which women remain at home. Promoting outside economic activities is a more radical idea and is likely to meet with opposition, so she plans to work one step at a time.
10. One might question whether the great reluctance on the part of leaders to close the *ingenio* was due, not to an altruistic interest in preserving an alternative industry for the farmers of the valley, but to personal interests leaders may have had as cane producers themselves. The answer is not clear, though the information I was able to gather concerning the extent of leaders' agricultural interests indicates that this was probably *not* the case.
11. It is unclear which beneficio was the first to initiate a policy of not charging hauling costs, but I was told informally that Coopeagri was the first.

12. According to the manager of one private beneficio, one temporary advantage Coopeagri has over the private factories in terms of credit, is that it receives financing in *colones* through FEDECOOP. Most private *beneficios* are foreign owned and receive loans in U.S. dollars. With the devaluation the colon has been experiencing in the last few years, this has caused problems for those companies who borrow dollars, but are later repaid by farmers in devalued *colones*.
13. According to the beneficio manager, once Coopeagri began paying better wages to employ qualified workers, he was able to leave the day-to-day running of the factory to the employees and spend more time on improving marketing strategies.

Chapter 7 PRODUCER MARKETING STRATEGIES

As we have seen in previous chapters, the situation facing coffee producers in Perez Zeledon is not encouraging. The International Coffee Organization has failed to renew its agreement and prices have been falling steadily. Given the large investments farmers have already made in coffee and the lack of suitable economic alternatives in Perez Zeledon (both in and out of agriculture), coffee remains the economic mainstay of most households in the canton, and farmers have been adjusting their strategies to compensate for the downturn in the coffee market and the constraints of the current national economy.

In the last chapter I discussed the competitive environment for coffee processing and the strategies used by *beneficios* to attract client farmers. Though coffee prices are dictated by the international market, the prices paid to farmers by the *beneficios* vary somewhat, and with the excess processing capacity among *beneficios* in the canton, farmers have a choice in where to sell. In this chapter, I examine the criteria farmers use in deciding to which *beneficio* they will sell their coffee. As the effectiveness of cooperatives in helping farmers is a major focus of this study, I am particularly concerned with how Coopeagri compares with the private factories in the eyes of the farmers themselves. I then discuss the effect of farmer marketing strategies on Coopeagri.

If we look at factory usage in Santa Cruz and Palomas, we see that a few farmers sell coffee to more than one *beneficio*, for reasons that will be discussed below. As Table 7.1 shows, for the 1990-91 harvest, however, 56 sample households (74.3 percent of weighted sample) sold their coffee exclusively to one *beneficio*. Of these, 33.4 percent sold to Coopeagri and 66.6 percent sold to one of the four private factories: 47.2 percent to El General; 9.4 percent to El Aguila; 5.2 percent to La Meseta; and 4.8 percent to Peters. While the previous chapter showed Coopeagri to be a very attractive alternative to the private

Table 7.1a
Factory Use of Sample Households by Community: 1990-91
(Weighted Percentage)

Beneficio	<u>Single Factory Users</u>		<u>Multi-Factory Users</u>		Total
	Co-op	Private	Co-op+	Multiple Private	
Palomas (N=36; WN=55)	8.3	56.9	18.8	16.5	100.5
Santa Cruz (N=40; WN=63)	39.8	43.0	17.2	0.0	100.00
Both Communities (N=76; WN=118)	24.8	49.5	18.0	7.9	100.2
74.3 % Single			25.9 % Multiple		

Source: Sample Survey 1990-91

Table 7.1b
Number and Weighted Percentage of Sample Households Using
Single Beneficio Only

Coopeagri (WN=30)	El General (WN=42)	El Aguila (WN=8)	La Meseta (WN=5)	Peters (WN=4)	Total (WN=89)
19 (33.4)	26 (47.2)	5 (9.4)	3 (5.2)	3 (4.8)	56 (100.0)

Source: Sample Survey 1990-91

processing factories, Table 7.1 shows that most sample households sell their coffee only to private *beneficios*. What can account for this pattern of *beneficio* use?

***Beneficio* Controlled Factors in Farmers' Choice of Factory**

Recibidores

The availability of a *recibidor* undoubtedly is a factor in a farmer's choice of *beneficio*. If a *beneficio* has no *recibidor* in a village, farmers will not be able to deliver their coffee for sale to that factory. While all the *beneficios* have *recibidores* in Palomas (which is, after all, located close to the Pan-Am highway),¹ only Coopeagri, El General, and La Meseta service Santa Cruz.

Another consideration, especially for those farmers without motorized transport to haul their crop, might be the distance of the *recibidor* from their fields. Located on a broad hilltop, the community of Palomas is a fairly compact, nucleated settlement, with *recibidores* from all *beneficios* clustered near the community centre. All but a few isolated fields are located within half a kilometre from any *recibidor*. The farms of Santa Cruz, on the other hand, are dispersed for nearly 2 kilometres along a narrow river valley and its surrounding slopes. While El General has *recibidores* at each end of the community, Coopeagri has only one *recibidor* at the southern end of the town, though there is another located north of what is considered the community boundary at the southern edge of the next community. La Meseta's two *recibidores* are located at the very northern edge and just past the southern boundary of the community.

While the distance of the *recibidor* from a producer's fields is of some concern, it does not appear to be crucial. Despite the better positioning of El General's *recibidores* in Santa Cruz, the same number of sample households utilized both El General and Coopeagri in that

community. There is no clustering of factory use by households within the immediate vicinity of a particular *beneficio's* *recibidor*. This can be explained by the fact that most farmers produce enough so that they must transport their coffee by car or truck -- either their own or hired. For the most part, those who undertake to haul other farmers' coffee to collecting stations charge by volume and not by distance, so that, as long as there is a *recibidor* within the general vicinity, the distance of a *recibidor* from their fields plays a minor role in the producer's decision on where to sell.

Thus, while logistics play a role in shaping producers' decisions, the location of *recibidores* does not in itself determine factory use. The question remains, What determines a producer's choice of factory? As the cooperative is fundamentally a different type of business organization than the private factories, to understand why a producer may choose to sell to one or the other, let us look again at some of the ways in which the two differ.

Coffee Prices

Better prices are an obvious attraction for farmers. As farmers are ultimately concerned with receiving the best price for their coffee, high prices naturally are an important way in which a *beneficio* can ensure an adequate supply of raw coffee. As we saw in chapter 6, with few exceptions, over the last 12 years Coopeagri has consistently paid prices above those of the private *beneficios* of Perez Zeledon.² Slightly more than half of Coopeagri users cited price as their primary reason for selling to the cooperative.³

Yet, since the majority of producers are selling their coffee only to private factories, it is obvious that higher prices are not farmers' only concern. Many farmers agreed that Coopeagri pays higher prices, but countered by saying the 5 percent social capital savings requirement "evens things out." Or as one farmer put it: "They pay more, but they take it away again, and so it's all the same." As Table 7.2 shows, once the five percent savings requirement has been

Table 7.2
Comparison of Final Liquidation Prices of Beneficios
in Perez Zeledon 1979-1990
(colones/fanega)

Year	Coopeagri	El General	La Meseta	El Aguila	Coop -5 percent
1990	4936.62	4409.10	4401.68	4155.04	4689.79
1989	5145.96	-- not available	---		4888.66
1988	4910.06	4571.88	4404.06	4527.20	4664.56
1987	4145.24	3908.21	4085.76	3907.46	3937.98
1986	5765.62	5399.70	5715.50	5279.56	5477.34
1985	3328.90	3163.02	3067.68	3169.00	3162.46
1984	2649.28	2702.92	2598.36	2582.24	2516.80
1983	2213.68	2015.90	2070.14	2042.78	2103.00
1982	2523.68	2172.96	2189.16	1944.54	2397.50
1981	1260.60	1206.48	1064.30	1136.32	1197.57
1980	868.34	897.84	922.74	849.86	824.92
1979	740.64	705.32	732.54	737.40	703.61

Source: Final Liquidation Prices. Instituto del Cafe de Costa Rica.
San Jose, Costa Rica.

deducted, Coopeagri's "take-home" price has not been much higher, and in some cases even less, than what farmers were getting from the private factories.

Members' savings are returned to them upon retirement, and many cooperative members see this as a sort of pension to be used in their old age, but one woman explained that the mandatory savings was her main objection to joining the cooperative. She could not afford the luxury of having savings, for she needs the money now. This could well be a primary concern of other marginal (but less vocal) farmers and is a point we will return to below. Other farmers complain that when they quit the co-op, their savings are returned to them in several payments rather than all at once, thus making it difficult to use that money for investment purposes.

Still, in most years even with the 5 percent savings deduction, Coopeagri members' "take-home" price was much the same as the other factories' prices. Perhaps just as significant as the mandatory savings is the fact that the cooperative paid no interest on these savings, and at least one member withdrew from the co-op so that he could invest his savings more profitably.⁴ This problem of no interest must have been an important issue for many members, for at the 1991 General Membership Meeting, the Coopeagri members voted to pay 15 percent interest on savings.

Credit

As we saw in chapter 6, credit is one of the most important services that *beneficios* provide to producers and has become a principal way in which factories can attract and keep their client producers. Commercial coffee production requires the use of expensive inputs, which for many farmers -- younger farmers in particular -- means they must have a source of credit. The system in Costa Rica is such that credit is channelled through the *beneficios* to the farmers, usually in three stages throughout the year to cover various costs of

production. All *beneficios* will loan money to producers to help with crop production costs, but loan amounts and terms vary from factory to factory.

Interest rates and terms of repayment vary among the *beneficios*, though Coopeagri's net rates are generally much lower than those offered by the private factories, and their terms are easier. Nevertheless, despite better interest, the process of getting a loan from Coopeagri is the most bureaucratic. Once the farmer has made a formal application for a loan, the cooperative sends an agent to survey the farmer's coffee fields to ensure that he or she will have the means to repay the loan. Theoretically, loans are given strictly to cover production costs at a fixed rate based on yields for the previous year, or anticipated yield for the coming year. Coopeagri officials say they limit the amount loaned to farmers because they are concerned not only with the financial health of the cooperative, but also with not wanting farmers to overextend themselves. The entire process is lengthy and farmers can wait anywhere between 15 and 30 days before receiving the money.

Obtaining a loan from the private *beneficios* is much easier. Farmers usually receive the loan or advance within a day or two of their request. Though the private *beneficios* are also concerned with being fully repaid, they are often willing to extend larger amounts than the cooperative. Nevertheless, while the difficulty in obtaining loans quickly and easily was cited by more than one quarter of non-coop users as a major reason for not using Coopeagri, it is not perceived as a problem by all. Only two of the 33 who did sell to the cooperative, cited this difficulty as a major problem for them. Since the need for credit may be embarrassing to report, the actual importance of this factor could be greater.

Credit is also a double-edged sword. In an environment where all credit is scarce, a source of easy, larger loans is an attraction for many producers. But once a loan has been granted by a *beneficio*, the farmer is then committed to selling coffee to that factory. (In theory, all of a client's coffee must be sold to that factory until the debt is paid.) Though farmers have a number of strategies for extending repayment of debts in times of crisis, in

the end they must pay the debt or face forfeiture of their lands.⁵ For example, Sr. Ubando says that when he bought his farm in 1976 the previous owner was using El General and so that is the factory he used when he took over. El General gave more generous loans than the other factories and he liked that. But later, he realized that Coopeagri's prices were consistently better and wanted to switch, but he found that he could not leave El General because he had too many debts.

In another case, the Zamora family in Palomas had always sold their coffee to La Meseta. The Zamoras say that La Meseta always treated them well, and they were satisfied with their relationship. Eventually the company gave them a large loan to help build a new cement-block house. In 1990 the *beneficio* removed its *recibidor* from Palomas. Still, in order to pay off the large debt they have with the company, the family must continue selling coffee to La Meseta. As the nearest *recibidor* is now in the next community, this makes delivery more of a problem for the family.

Debt patronage is not something unique to users of the private *beneficios*. Though Coopeagri is stricter in the loans it gives, there are also heavily indebted cooperative members, like the Coto family who have been growing their own coffee for just four years now. They say that they sell to Coopeagri because they must pay off their debt. "We only seem to be paying and paying. I hope soon we will get to see some profit."

Ideology

Finally, while all the *beneficios* operate basically in the same manner, one of the most obvious differences between Coopeagri and the private factories is its ideology. As Coopeagri does actively promote a distinct cooperative ideology not found among private factories, one might assume that households are drawn to the cooperative for ideological reasons, except that among sample households only five co-op users (16 percent of the sample) cited ideological reasons for joining.⁶ The remaining 26 (84 percent) cooperative users cited neither ideology,

nor the social programs offered by the co-op as a result of this ideology, as reasons for using the cooperative. Instead, they cited the simple economic reason that "it pays better". Sr. Montoya, whom we met in Chapter 5, explains that though he is a Coopeagri member, he and his family are not as committed to the co-op as some are. "Some people receive a lot of benefits from the cooperative. They use the supermarket and get their rebates at the end of the year; they use the doctor. But we don't use that stuff." Each year they sell much of their crop to the cooperative, but they sell to private factories, as well. "I am a kind of member apart, *chicaro* (untamed)," he says. "I shop around for the best deals and I go there."

Household Factors and Choice of *Beneficio*

While differences in *beneficio* policies are factors that figure into farmers' marketing strategies, the question also arises as to whether the cooperative and private factories cater to different kinds of coffee producers. As we saw in chapter 1, cooperatives are often accused of catering to large farmers, and one may ask if a cooperative processing factory might attract a specific type of producer. That is, perhaps the differences in factory patronage are not related to exogenous, factory-controlled factors, but are due to internal domestic factors, such as the amount of coffee produced, political affiliations, the socio-economic status of the household, or the structural composition of the household.

Coffee Yields

From Table 7.3, which shows *beneficio* use by amount of coffee produced by sample households for the 1990-91 harvest season, we can see that the majority (58.2 percent) belonged to the smallest category of producer, those selling less than 25 *fanegas* of coffee. Let us leave aside for the time being the more complex analysis of those producers who sell to more than one processing factory, and focus for the moment on the majority of producers,

Table 7.3
 Beneficio Use by Coffee Yield: 1990-91
 (Number and Weighted Percentage of Sample Households)

Yield (fanegas)	Coop Only (WN=27)	Private Only (WN=59)	Coop + Private (WN=24)	Multiple Private (WN=9)	Total (WN=119)
0 - 25 (wtd. percent)	13 (65.7)	26 (71.1)	3 (39.5)	0	40 (58.2)
25 - 125 (wtd. percent)	5 (30.7)	9 (25.0)	8 (43.5)	4 (68.1)	27 (32.8)
125 - 500 (wtd. percent)	1 (3.6)	2 (3.9)	2 (10.3)	2 (31.9)	8 (7.4)
> 500 (wtd. percent)	0	0	1 (6.7)	0	1 (1.6)
Total: (wtd. percent)	19 (100.0)	37 (100.0)	14 (100.0)	6 (100.0)	76 (99.9)

Source: Sample Survey 1990-91

Note: 1 manzana yields on average approximately 25 fanegas.

those who sell to a single-*beneficio* (either cooperative or private). If we analyze cooperative and private factory use separately according to the amount of coffee sold of the producing household, we see that there is no significant difference among the clientele of the cooperative and private factories. In both cases, the majority of client farmers (65.7 percent of Coopeagri clients and 71.1 percent of private factory clients) are among the smallest category of producers. Likewise, the proportion of middle and large farmers who sell to the cooperative and private factories is similar.

Political Affiliation

Political ideology might be another explanation as to why some households use the cooperative, as opposed to the private factories. Yet as Table 7.4 shows, the proportion of clients affiliated with the National Liberation Party (PLN) and Christian Social Party (USC) is nearly identical in each type of factory: approximately 75 percent PLN and 25 percent, USC. Looking back to chapter 4, we can see these proportions hold true in the general population, as well.

Household Labour Supplies

The choice to patronize either a cooperative or private factory might also be related to a household's socio-economic status. But like household coffee yields and political affiliation, *beneficio* use does not appear to be related to household economic status (as measured by a household's use of labour). Table 7.5 shows that the composition of client farmers among the cooperative and private factories is similar: 48.5 percent of Coopeagri's clients and 56.5 percent of all private factory clients are very small farmers who supplement their farm income by selling household labour on a regular (not just harvest) basis (Group I); 48.1 percent and 37.3 percent, of Coopeagri and private factories respectively, work their own farms with household labour only and do not sell household labour elsewhere (Group II); and finally, 3.4

Table 7.4
 Factory Use and Political Party Preference of Single Beneficio Users
 (Number and Weighted Percentage of
 Sample Households in Both Communities)

Political Party	COOPEAGRI			PRIVATE			TOTAL (WN=84)
	Palomas (WN=5)	Santa Cruz (WN=25)	Total Co-op (WN=30)	Palomas (WN=27)	Santa Cruz (WN=27)	Total Private (WN=54)	
PLN (wtd. percent)	2 (63.8)	12 (74.3)	14 (72.7)	13 (78.0)	13 (73.7)	26 (75.9)	40 (74.5)
USC (wtd. percent)	1 (36.2)	4 (25.7)	5 (27.3)	4 (22.0)	4 (26.3)	8 (24.1)	13 (25.5)
Total (wtd. percent)	3 (100.0)	16 (100.0)	19 (100.0)	17 (100.0)	17 (100.0)	34 (100.0)	53 (100.0)

Source: Sample Survey 1990-91

Table 7.5
Single Beneficio Use by Status of Household Labour
(Number of Sample Households)

Use of Household Labour	E1 General (WN=42)	E1 Aguila (WN=7)	La Meseta (WN=5)	Peters (WN=5)	All Private (WN=59)	Coopeagri (WN=30)	Total (WN=89)
I. Work Own Farm & Sell Labour (wtd. percent)	16 (60.3)	3 (68.0)	1 (29.8)	1 (37.8)	21 (56.5)	11 (48.5)	32 (53.8)
II. Work Only on Own Farm (wtd. percent)	9 (34.9)	1 (18.7)	1 (70.2)	2 (62.2)	13 (37.3)	7 (48.1)	20 (40.9)
III. Work Own Farm & Hire Labour (wtd. percent)	2 (4.8)	1 (13.3)	0	0	3 (6.2)	1 (3.4)	4 (5.3)
Total: (wtd. percent)	27 (100.0)	5 (100.0)	2 (100.0)	3 (100.0)	37 (100.0)	19 (100.0)	56 (100.0)

Source: Sample Survey 1990-91

percent and 6.2 percent, respectively, are those who work their own farms and hire permanent agricultural labour, as well (Group III). Till, the slight difference between the status (according to use of household labour) of Coopeagri and private factory client households is of interest and will be discussed further below.

Harvest Labour, Coffee Quality, and Factory Use

The quality of the type of harvest labour used and the quality of coffee demanded by Coopeagri is also a possible factor in Coopeagri patronage. Coopeagri differs from the private factories in that it requires client farmers to deliver only fully-ripe coffee, which will yield a higher quality processed coffee. But finding conscientious harvest labour to pick only the mature coffee that is demanded by Coopeagri is difficult. The costs of supervising non-family labour are high. Furthermore, as harvest labour is extremely scarce, it is a coffee-picker's market during harvest season and many pickers refuse such work, since they are paid piece rate.

Coopeagri's policy of accepting only fully ripe cherries is one of the main reasons cited by non-members for not using the cooperative. Nearly one third of those who used private factories only cited this demand for high quality as a reason for not joining or for quitting the cooperative. The problem of coffee quality and harvest labour supervision suggests that perhaps there are household structural differences related to available harvest labour that might predict patronage of the cooperative. That is, those who use predominantly family labour (which is more reliable and requires less supervision) to harvest their crops would be more likely to sell their crop to the cooperative, while those who hire labour would tend to use the less discriminating private factories.

Surprisingly, the data on *beneficio* use and type of harvest labour used shows that those households relying solely on family labour to harvest their crop were not more likely to sell to the cooperative (see Table 7.6). In fact, only 36.1 percent of this category of sample

Table 7.6
Cooperative and Private Beneficio Use
by Type of Harvest Labour in Palomas and Santa Cruz: 1990-91
(Number and weighted percentage of sample households)

Type Harvest Labour	Palomas			Santa Cruz			Both Communities		
	Co-op	Private	Total Palomas	Co-op	Private	Total Santa Cruz	Co-op	Private	Total Both
Family Only	3	15	18	11	9	20	14	24	38
(wtd. percent)	(15.8)	(84.2)	(100.0)	(55.2)	(44.8)	(100.00)	(36.1)	(63.9)	(100.0)
Family & Hired	6	10	16	12	7	19	18	17	35
(wtd. percent)	(38.1)	(61.9)	(100.0)	(59.0)	(41.0)	(100.0)	(50.0)	(50.0)	(100.0)
Hired Only	1	1	2	0	1	1	1	2	3
(wtd. percent)	(50.0)	(50.0)	(100.0)		(100.0)	(100.0)	(38.6)	(61.4)	(100.0)
Total Households	10	26	36	23	17	40	33	43	76

Source: Sample Survey 1990-91

household in both communities sold to Coopeagri. The rest sold only to private factories. Those households who harvested their crop using hired labour and family labour patronized the cooperative and private factories equally (50.0 percent each). Those using only hired harvest labour favoured the private factories (61.4 percent), though this sample is extremely small. In addition, the fact that half of those who used hired harvest labour did sell to Coopeagri, as compared to the 36.1 percent of households that used only family harvest labour, further suggests that the sole use of family harvest labour does not predict use of the cooperative.

If we examine the data on factory use and harvest labour by community, we again find no conclusive evidence that type of harvest labour predicts *beneficio* use. While in both communities, half of all sample households relied only on family labour for their harvest, in neither community did these households utilize Coopeagri to a much greater extent than those households which hired harvest labour. In fact, in Palomas quite the opposite is true: 84.2 percent of households relying upon family harvest labour utilized the private factories, as opposed to the 15.8 percent who sold to Coopeagri. In Santa Cruz, 55.2 percent of those who harvest with family labour sold to the cooperative and 44.8 percent sold to private factories. These figures only weakly support the hypothesis that those who harvest only with family labour are more likely to use the co-op. Given the data from Palomas it appears that the use of only high-quality family harvest labour does not predict Coopeagri patronage.

Why is unclear. The lack of a strong correlation suggests that for these smaller farmers, the benefits of Coopeagri patronage are neutralized by other, negative factors. For example, on the one hand, with surplus family labour, they are more easily able to harvest fully ripe coffee to sell to Coopeagri; but as they are often small or marginal farmers, they may also be the ones most likely not to be able to afford the 5 percent savings requirement. As we learned in the earlier discussion on price and motivation, some of the more marginal farmers expressed a concern with the mandatory savings program of the cooperative. Moreover, even

for family workers, picking only fully ripe coffee cherries is a difficult and time-consuming task. If they do not perceive Coopeagri's prices to be significantly better than that of private factories, then they may not see picking better coffee as worth their extra effort. Instead, they could use that time to pick coffee for someone else, for a wage.

The use of family-only harvest labour may not lead small coffee-producers to sell to Coopeagri at any greater rate than they sell to the private factories, but for larger farmers who rely primarily on hired labour, the matter of quality-picked coffee poses a problem. For example, Sr. Cifuentes is a deeply committed Coopeagri member, yet he sells more than half his coffee to a private factory. He explained how the cooperative belongs to the members and that the money it generates stays in the country. He described at length how the cooperative has helped the region by providing competition to the private multi-national firms that dominate the processing business. Still he says that, "with all the labour I have to manage, I can't control for the quality as well as they want and so I must sell the lower quality coffee to a private factory." With labour costs already very high, the slightly higher prices paid to date by Coopeagri for this better quality coffee, have not been enough to allow farmers to pay higher wages to coffee pickers to obtain more selective picking. Of the four large farmers in my sample, three utilized private factories (see Table 7.5). Larger farmers who are cooperative members sell their "best-picked" coffee to Coopeagri, but as the cooperative will not accept the greener portion of their crops, they sell this to private factories. With such a small sample I cannot come to a definite conclusion, but it appears that private factories may be more attractive to the larger farmers who hire lots of hired harvest labour.

The lack of a distinct relationship between *beneficio* use and factors of household coffee outputs, political affiliation, household labour use, and type of harvest labour used suggests that factory use is not linked to a particular kind of coffee-producing household, and that Coopeagri, like the private factories, services a wide variety of producers, including a large

number of very small producers. Before looking at possible community level factors, I would like to take a brief look at those households who sell coffee to more than one factory.

Multiple-*Beneficio* Users

As we have seen above, the use of hired (less conscientious) harvest labour has led cooperative members, such as Sr. Cifuentes, to patronize more than one *beneficio*. But it is not just large cooperative farmers who sell to more than one processing factory. In Santa Cruz, 17.2 percent of sample households sold to more than one processing factory, while in Palomas 35.6 percent did so (see Table 7.7).⁷ There are several reasons why a producer may decide to sell to more than one factory. The most common is to obtain more credit.

As we have seen, credit plays an important role in farmers' use of the various *beneficios*. *Beneficios* are one of the few sources of credit available to farmers. Once a loan has been received from a *beneficio*, the farmer is committed to selling coffee to that *beneficio*. But often a household will find, that for various reasons (for example, to pay for a wedding, repair a house, buy new household appliances, or buy more land), it needs more credit than it can get from one *beneficio* and so will apply at another factory for a loan, often in the name of a different household member. In order to meet at least some repayment obligations, the household is then obliged to sell some coffee to each of these factories.

Doris Valverde and Victor Soto, like the rest of the Valverde family, are "muy coopertavista" and "would never think of leaving" Coopeagri. Nevertheless, because they needed money to help finance one of their daughter's college education, they took an additional loan from a private factory and are now obliged to sell a small part of their crop every year to this factory, as well as to Coopeagri.

For similar reasons, the Barbosa-Falcon household sold their 1990-91 crop to two factories. Fifty fanegas were sold to their regular factory, but as loans are repaid as a percentage of every *fanega* sold to the factory, in order to receive the entire income from at

Table 7.7
Single and Multiple Beneficio Use by Community
(Number and Weighted Percentage of
Sample Households in Both Communities)

Factory Use	Palomas (WN=56)	Santa Cruz (WN=63)	Both Communities (WN=119)
Single Beneficio (wtd. percent)	24 (64.4)	33 (82.8)	57 (74.1)
Multiple Beneficio (wtd. percent)	12 (35.6)	7 (17.2)	19 (25.9)
Total: (wtd. percent)	36 (100.0)	40 (100.0)	76 (100.0)

Source: Sample Survey 1990-91

least part of their crop (without a deduction for the loan payment) they also sold an additional six *fanegas* to another factory. They explained that because prices in general were so low and expenses that year had been high, they felt they needed every *colón* to cover expenses and could not afford to meet their entire loan payment for that year.

Finally, some households will sell to various *beneficios* through different household members, utilizing a kind of "risk dispersion" strategy. As final prices are never known until the end of the year, one can never tell which *beneficio* will be paying the most. To sell a little to several factories not only enables a household to take advantage of more credit opportunities, but if, for some unexpected reason, one *beneficio's* price is extremely low, they will at least be partially saved by having sold some coffee to a *beneficio* that is paying better.

Community Factors and Security-Increasing Strategies

In the preceding section I have considered a number of diverse factors which could influence farmers' decisions regarding their choice of processing-factory. Yet, no single factor appears to determine *beneficio* use, in either Palomas or Santa Cruz. What has become apparent is a clear difference in the pattern of factory usage between the two communities. As we saw in Table 7.1(a) and again in Table 7.6, farmers of all types in Santa Cruz utilize Coopeagri more than the private factories, while farmers in Palomas overwhelmingly sell their coffee to the private factories. Table 7.8 aggregates single and multiple *beneficio* users. The results emphasize this pattern of factory usage in the two communities. In Palomas, 73.4 percent of all households utilized private factories only; in Santa Cruz this figure was just 43.0 percent. Likewise, in Palomas, just 27.1 percent of all households sold any coffee to Coopeagri; in Santa Cruz, 57.0 percent did.

Table 7.8.
 Use of Coop and Private Beneficios
 in Palomas and Santa Cruz: 1990-91
 (Weighted Percentage of Sample Households)

Community	Total Co-op	Total Private	TOTAL Both
Palomas (N=36; WN=55)	27.1	73.4	100.5
Santa Cruz (N=40; WN=63)	57.0	43.0	100.0
Total (N=76; WN=118)	42.8	57.4	100.2

Source: Sample Survey 1990-91

In this section I explore an alternative hypothesis to the single-factor explanations examined earlier, one which relates producers' marketing decisions to a combination of factors, including these community level patterns of *beneficio* use. Here I propose that farmers choice of processing factory is in part the result of a security-increasing strategy, which is based on reducing risks and increasing credit opportunities.

As we have seen, coffee production for the international market is a risky, unstable, and unpredictable enterprise. The situation in the coffee industry is much like that found in other commodity industries and can be characterized in two ways (see Williamson 1975, quoted in Acheson 1985: 126.) First, there is an uneven distribution of market information among transactors (i.e., buyers and sellers). Those who process and market coffee internationally have access almost daily to international prices, to information that is not commonly available to the farmer. Access to price information gives these buyers an advantage over the small producer. Second, commodity transactions are often engulfed in cheating and manipulation as transactors attempt to take advantage of each other. Producers are known to deliver coffee which is mixed with high proportions of the less desirable green cherries and often full of twigs and leaves, as well. Processors are occasionally accused of using short measures.

Coffee transactions are risky, but like the Maine lobster fishermen whom Acheson describes, Costa Rican coffee producers appear to establish long-term dyadic ties with *beneficios* as a way to offset some of the risks inherent in their transactions (1985; see also Plattner 1989). The longer a client has been with a *beneficio*, the more stable their business relationship, which may prove vital, particularly in times of crisis. A factory manager may defer a loan payment, or continue to deliver fertilizer despite outstanding debts, for a reliable client of eight or ten years, but he is less likely to do so for a new client or one he knows nothing about. Thus, not only will it be easier for the farmer who is a long-term client to obtain credit when needed, but a steady relationship with the buyer can help reduce some of the risks of coffee production.

Price is a factor that concerns farmers, but they do not know the final price they will be receiving from a processor until the end of the year, that is, not until they have already delivered all their coffee to the *beneficio*. All that farmers know, is what the *beneficios* have paid in previous years. Just as factories depend on client reputations when making loans, producers must depend on factory reputations. A *beneficio* with a reputation for low prices or poor service will find it more difficult to attract badly needed clients. Therefore, while coffee prices, credit, and harvest labour problems all influence producers' decisions on where to sell their coffee each year, farmers (and *beneficios*) are quite aware of the importance of maintaining long-term relationships with a particular *beneficio*. Until they are certain of the absolute benefit of changing factory patronage, producers are careful not to damage that relationship. Because *beneficios* want to operate at full capacity, in the current competitive climate, they too are careful about the relationships they maintain with their clients. A comment frequently made by producers regarding the factory to which they sell is "they treat us well."

A few examples may help to demonstrate how important these relationships are to producers. Sra. Mondragon owns 1 manzana of land which her only son, Juan, farms with the help of her new son-in-law, Jose. She sells their coffee to El General, as her husband did before his death a few years ago. She explains that when her husband was sick and couldn't work, El General was very understanding and helped the family make it through that difficult time. El General didn't call in her husband's outstanding debts and even helped her with funeral expenses. This type of paternalistic or personalistic relationship is much like that prized by the small farmers in the Sertão studied by Johnson (1971).

A good relationship with a *beneficio* can bring other benefits, as well. Martin Cascantes is 26 years old. He and his wife have only half a manzana of coffee, which they sell to El General. He says he uses that factory because it is the one his father always used. There is another advantage, he says. "My brother had a job working at the *recibidor* for five months

of the year. He is gone and now I have that job." With so little coffee, Martin does not need to devote much time to harvesting, and in an area with few job opportunities, a secure job for five months of the year is a real bonus.

Rafael Bermudez, his son, and his elderly father farm nearly three manzanas of coffee in Santa Cruz. For as long as he can remember, they have always sold their coffee to El General and have never wanted to change. Very simply his remarks summarize this strategy of maintaining long-term relationships. "The coop really may be better, but it is best to just stay with the same factory."

Further evidence for the prevalence of a security-optimizing marketing and production strategy can be found in an analysis of factory use among kin and within communities. Having kin ties with someone who already has a good, established relationship with a factory acts to strengthen one's own relationship with that factory, facilitate the acquisition of loans, and ensure "good treatment". In fact, when asked why they used a certain factory, many said "because that is the one my father used," or "that is the one my husband used to use."

Such a pattern of factory use based on kin ties could account for the distinct patterns of factory use found in each community that were noted earlier. As Table 7.8 shows, while overall farmers in both communities use the private factories more than the cooperative, more than twice the number of coffee-producing households in Santa Cruz (57.0 percent) patronize Coopeagri than do farmers in Palomas (27.1 percent). As we saw in earlier discussions, there are no striking socio-economic nor political differences at the community level, nor did Santa Cruz farmers espouse stronger ideological commitment to the cooperative than their Palomas counterparts. What we can see by a closer look at the relationships among various farmers in each community is that households related by first degree kin ties (those between parents and children, siblings, or spouses) tend to use the same *beneficio*.

The evidence for kin ties as a factor in *beneficio* use is particularly strong in Santa Cruz. Grouping 40 sample households according to their first-degree kin ties with other households

in the community I found that there are ten kin clusters (which comprise from between two to seven households, though there is some overlap through affinal ties) and five households with no direct kin ties to other households within the community. With three exceptions, each of the households within these ten first-degree kin clusters (35 households in all) used the same *beneficio(s)*.⁸

For example, in Santa Cruz, Sr. Valverde is a founding member of Coopeagri who continues to farm and sell his coffee to the cooperative. Each of the independent households of his three brothers and sisters also sell to the cooperative, as does his son. A similar situation can be found among the Porras family. Likewise, the elder Sr. Ubando sells his coffee to El General, as do the households of his two brothers, two sons, his daughter and his brother's son. The fact that two founding members of the cooperative reside in Santa Cruz and none in Palomas may account for the larger number of cooperative members in Santa Cruz, as well as the longer length of cooperative memberships that are found there. The average number of years of cooperative membership in Santa Cruz is 7.29; in Palomas 3.27.

In Palomas, this type of evidence is not so clear cut. First, kin clusters are much smaller. Of the 36 sample households, 14 were not closely related to any other coffee-producing household in the community. The remaining 22 sample households could be grouped into 11 clusters of kin-related households, which, with three exceptions, were using the same *beneficio(s)* as their close kin.⁹ While these data do indicate a pattern of kin-related *beneficio* use, because these clusters are small (six of these clusters were of only two households), the relationship between kin and *beneficio* use is not as clear as in Santa Cruz.

A second problem in interpreting the evidence for kin-related factory use in Palomas is that the proportion of sample households utilizing more than one *beneficio* is nearly twice that of Santa Cruz (17 percent as opposed to 9 percent) -- most likely due to the fact that all five factories were servicing the community, as opposed to only three in Santa Cruz. This multiple-*beneficio* use also makes it more difficult to draw the same conclusions regarding

kin ties as a factor in *beneficio* use. Nevertheless, 21 (58 percent) of the sample households did sell to the same factory as their closest kin.

While a strategy of using the same factory as close family members, in order to strengthen one's relationship with that factory, may not be as clear in Palomas as it is in Santa Cruz, there is other evidence that maintaining long-term relationships is important to the farmers of Palomas. For example, Jorge Solano, with his wife and five children have two manzanas of land planted in coffee. Neither he nor his wife have relatives living in the community, and so have no kin to strengthen their relationship with a particular *beneficio*. They particularly are concerned to maintain solid relationships with the factories they use.

The Solano family has been selling their coffee to El Aguila and La Meseta for the past ten years, but in 1990-91, they sold nearly half their crop to the Peters company because of the extremely high prices that company was offering. Despite the fact that he could have earned somewhere between ¢600 and ¢900 more per fanega, Sr. Solano said that he did not sell their entire crop to Peters because he had a good relationship with both El Aguila and La Meseta making it easy to work with them, and he did not want to "just drop" these. He does not want to jeopardize his well-established relationships until he is confident he can rely on the new company to provide him consistently with the same kind of service he receives from his current buyers.

Factory Patronage Is Not Forever

It is clear that with the unstable nature of the coffee-market and coffee production in general, that long-term security and risk-reduction are factors in farmers' strategies for choosing a processing factory. Nevertheless, factory patronage is somewhat fluid and *beneficio* use does change. Producers try enhance their security (which also relates to credit opportunities) and reduce risks by maintaining stable relationships with the *beneficios* that they use, but security is not their only motive. There are several reasons for leaving one

factory for another. Coffee farmers are also concerned with transaction costs (including the ease of doing business), perceptions of fair treatment, and last, but not least, profits. Because competition among factories for clients is great, despite the benefits of a long-term relationship, if farmers feel another factory is significantly better, or if they are not being treated fairly by their current factory, they will move their business.

Changing *beneficio* is not usually a decision that is undertaken lightly. Only 19 sample households (25 percent of actual sample; 24 percent of weighted sample) in both communities (though 79 percent of these were farmers in Palomas) sold their 1990-91 coffee crop to different processing factories than they had used for their 1989-90 crop. Most producers continued with at least one factory, either adding or dropping another. Only five sample households (all in Palomas) switched to completely different factories.¹⁰ Of these, only one changed patronage because she was dissatisfied with the company she had been using previously: they were too slow with their payments, she said. Of the remaining four producers who changed factories, two were obliged to move because the company (La Meseta) had removed its recibidor from the community.

The remaining two households, that of the Muñoz-Ruiz family and one of their sons, dropped their old factories completely in order to sell all their coffee for the high prices the new Peters company was offering. As a new processing company in Perez Zeledon, Peters is working hard to build up a clientele. One way to do so is to pay extremely high prices during the start-up years. Producers are well aware of this phenomenon -- they had seen the same thing happen when El Aguila set up operations -- and some wish to take advantage of a quick windfall before the company brings its prices into line with the other factories.

This complete switch by the Muñoz-Ruiz family is unusual. There were other households who wished to take advantage of these high prices, but who continued selling to their regular factories, as well. The Muñoz-Ruiz family, though not large farmers, have 25 manzanas that they work among themselves and can be considered comfortably well-off; and for this reason

they may feel they can afford the risks more than some of the smaller producers in the community.

The remaining 14 households were multi-*beneficio* users who continued to use at least one of the same *beneficios* in 1990-91 that had been used the previous year, but either sold to an additional factory (7 cases), dropped a factory (6 cases), or dropped one and added another (1 case). As we learned earlier, the reasons for deciding to utilize the services of more than one factory centred on access to more lines of credit, but if one thing is clear, it is that coffee-producing households vary tremendously. The reasons for the choices they make regarding factory use are often quite complex, but they are not rigid and not simply tradition-bound. Farmers' decision are based on their personal knowledge of local market conditions and conditions of the international market as experienced through their local *beneficios*.

For example, Rodolfo Coto and his wife Amable Calero work their farm with their three sons Pedro, William, and Fransisco. The family are long-time Coopeagri patrons and every year sell most of their coffee to Coopeagri, but in order to take advantage of the temporarily high prices being offered by Peters, they decided it would be wise to sell at least a little coffee to this company. Several years ago the three sons purchased seven manzanas of land which they work jointly. They had needed financial help to get started and so had taken out loans with both La Meseta and Peters. Now they are obliged to sell at least a few fanegas each year to these companies in order to repay the loans. So, while the family are very much Coopeagri supporters, they have added and dropped various other factories during the last several years to meet their various needs.

Need for additional credit is the primary reason to add a *beneficio*. In Santa Cruz, all four cases of changing factory use, involved households who had sold to Coopeagri in 1989-90. In 1990-91, three of these producers sold to an additional private factory because they needed more credit (as did one co-op patron in Palomas). Dissatisfaction with the

bureaucracy of the cooperative was the reason the fourth household in Santa Cruz dropped Coopeagri and continued selling only to a private factory. Dissatisfaction was also the cause for two Coopeagri patrons in Palomas, to drop that *beneficio*. The third household in Palomas that sold to a private factory in 1990-91 rather than to Coopeagri as it had done in previous years, did so because it had large outstanding loans at another factory that desperately needed to be repaid.

Finally, in our previous discussion of price as a factor in *beneficio* use, we discovered that, in general, the slightly higher prices that Coopeagri had been paying were not enough of an incentive for farmers to warrant leaving a stable long-term relationship with a private factory. But farmers are concerned with profits, and if Coopeagri's prices continue to rise, the difference may become significant enough to entice producers to change. As we saw in Table 7.2, until the 1990-91 harvest, the difference between Coopeagri's final price and that of the private factories was not great (and sometimes less), particularly when the 5 percent mandatory savings was subtracted. But Coopeagri's 1990-91 price was significantly higher than what the private factories paid.

The reactions of farmers to the 1990-91 price paid by Coopeagri is interesting and suggests that there is a point when price overrides other considerations. When the final prices for the 1990-91 harvest were revealed, at least three farmers, who were co-op members but who had not sold all their coffee to Coopeagri, lamented their decision. Sr. Montoya said that next year they will sell all the coffee they can to Coopeagri, because prices this year (1990-91) were so much better than any of the other *beneficios* and that he "lost a lot by not selling all his coffee there [to Coopeagri] this year." Others who are not co-op members are now seriously considering joining. Sr. Ubando explained that because of his debts with El General, he has not been able to leave, but the high prices paid by Coopeagri this year have convinced him to join the cooperative, at last. Yet, it is uncertain that this large gap between Coopeagri's price and the price paid by private factories will continue. Still, the fact that

farmers who do not lightly switch factories have decided to move to Coopeagri because of high coffee prices, suggests that they have been watching this higher price trend over the years and now have reason to believe that it will continue.

Summary

The factors influencing coffee producers' choice of *beneficio* are complex. As in any market, farm size, household composition and long-term goals, ideologies, credit opportunities, and price all play a role in the decision-making process, but risk-reduction and security-enhancement are also important factors in farmers' marketing strategies. Thus, farmers have a tendency to establish strong, long-lasting ties with a single factory. Nevertheless, these producer-processor relationships are not unchangeable. Though security and risk concerns inhibit frequent switching of *beneficios* in response to short-term price fluctuations, there comes a point when the perceived security value of maintaining a long-term relationship with one processing factory is outweighed by the perceived value of changing patronage to another factory. Incentives to change factory patronage can include significantly lower transaction costs or higher prices. What this means for Coopeagri, or any of the processing factories, is that in such a competitive market, a *beneficio* must provide the services, stability, and financial incentives that coffee producers are seeking. Coffee farmers are shrewd producers who constantly assess these services from many angles and take advantage of opportunities that might appear in a constantly changing environment of prices, services, credit, labour, etc.

Notes

1. La Meseta removed its recibidor from Palomas centre at the beginning of the 1990-91 harvest season, due to a decline in clients.
2. The newly arrived Peters company has been paying more. Prices paid by Peters in the two years it had been buying coffee in Perez Zeledon were high, over *¢5,000/fanega*. Both farmers and beneficio managers alike were well aware of these high prices, yet all seemed to agree that the payment of such extraordinarily high prices was a common practice of newly operating processing companies, designed to attract new clients. Once the company was established, prices would drop into line with those of the other beneficios.
3. Many producers who were interviewed responded to questions regarding their reasons for using a factory with simply "We just always have," or "I just never thought about it," and would give no further explanation when pushed to elaborate.
4. Three members had renounced their membership in Coopecagri because they needed their savings, but each had another family member who remained a cooperative associate or joined the cooperative so that the household could continue to receive the benefits of selling coffee to the cooperative.
5. I have not heard of any instance of this happening in either of these two communities.
6. In fact, the cooperative ideology, or the perceived cooperative ideology was given by some as a reason for not joining. As we saw in chapter 4, there is a general uneasiness about cooperatives that is held by many and a long-standing confusion between cooperatives and syndicates, which have traditionally been associated with the Communist Party. "Cooperatives in Costa Rica have a bad reputation," one man told me. And to some extent this is true. As noted in chapter 3, many cooperatives have been mismanaged and gone bankrupt and many people have lost everything in the process. This general uneasiness about cooperatives has developed nationally as, with time, many cooperatives have proven to be unsuccessful. There is a kind of mystique surrounding cooperatives which led to one of the most common responses I got when I asked people whether they were members of the cooperatives: "Oh, no! No, we don't go for any of *that!*"
7. The greater proportion of multiple-beneficio users in Palomas is most likely due in part to the fact that all five factories service Palomas, while only three have recibidores in Santa Cruz.
8. Note: Both in Santa Cruz and Palomas, the total number of clustered households is greater than the number of sample households, as I had *beneficio*-use data on households outside of the sample which I was able to use in this analysis.

The Montoya extended family (20 mz of land) is one of the exceptions. While Sr. Montoya and his five children do not always sell to the same factory, they each confirmed that the six households work together as a group. Sr. Montoya is a cooperative member; if his children wish to sell some of their coffee to the cooperative one year, he will sell it for them in his name. Their strategy is for various family members to establish good relationships with various factories for the mutual benefit of all. They emphasized the communal nature of their production activities more than any other household I encountered.
9. One of these exceptional clusters comprised the households of three Abarca sisters and one of their brothers. Two of the sisters' households used the same factory, while the brother and other sister used a different factory. In the two remaining exceptional cases, all of the

households in each cluster sold to the same factory except for two daughters who, with their husbands, sold their coffee to a *beneficio* other than the one their fathers used.

10. One sample household in Palomas and three in Santa Cruz did not produce coffee in either 1989 or 1990, and so were not included in these figures.

Chapter 8
COOPERATIVES AND DEVELOPMENT:
FROM GLOBAL ECONOMY TO DOMESTIC ECONOMY

Like other nations of Central America, and elsewhere in the developing world, since the mid-nineteenth century Costa Rica's economy has rested on the production of a few export crops, in particular coffee. As we have seen in previous chapters, pre-existing social, economic, and political conditions in large part shape the impacts that agro-export production has on a society. Costa Rica is unlike Guatemala, El Salvador, or other countries in which export agriculture has been associated with high levels of landlessness, extreme gaps between rich and poor, and repressive political regimes. Despite its emphasis on the production of coffee for export, Costa Rica's experience with export agriculture has been better than the rest of Central America. The country's large rural middle class not only survived the country's shift to an agricultural export economy, but provided the foundations upon which that economy was built.

Nevertheless, the promotion of an undiversified agro-export economy can have serious consequences. The wealth coffee brought to Costa Rica as a nation, as well as to many individuals, was all too alluring and led to a near monocultural dependency on the crop. During the boom years profits were great, but during the busts many suffered devastating losses. With the failure in 1989 of the International Coffee Organization to renew its agreement to regulate the market, prices have collapsed once again. Coffee producers, coffee processors, and coffee-dependent national economies have been hard hit the world over.¹ This collapse in world coffee prices, like previous ones, might well be short-term, but at the moment, repeated failures of ICO nations to renegotiate an agreement have left coffee producers in limbo. While not the omniscient, self-interested force implied by world-systems theory, the global coffee market, like other markets, is a force beyond the immediate control

of producers and (lacking effective cartels) most producer-nations. Moreover, if prices become too high, world coffee consumers can always decide to switch to other beverages.

Not only must producers reckon with the reverberations of the international market, but national governments define the parameters of the national economic environment within which producers must operate. As a result of fluctuating national economic policies, governments funnel credit in various directions, choosing to support one institution over another, promoting one program, abandoning others. Though Costa Rica, like other primary commodity producers, has modified its agricultural-export policies to avoid the more dire consequences of monocultural export production, coffee production remains central to the national economy and the foundation of thousands of household economies.

The effects of government policies which promoted the production of coffee are evident in Perez Zeledon, a rapidly growing canton, whose economy has been dominated by coffee production since the late 1950s. Encouraged by high coffee prices and a government eager for coffee export revenues, farmers in this frontier region enthusiastically embraced the production of coffee. Though regional and national governments have minimally attempted to stimulate agricultural diversification and industrial production, employment opportunities, particularly outside of agriculture, are scarce. In Perez Zeledon, a canton separated from the economic nucleus of the country by rough terrain and poor transportation systems, coffee has remained key to the regional economy. This economic environment, shaped by a fluctuating international coffee market and an entrenched regional coffee economy, has challenged both processors and farmers in communities such as Palomas and Santa Cruz to find innovative ways to survive and prosper. One way in which some small farmers have attempted to overcome their weak position in the market economy has been to form a coffee-processing cooperative to compete with private processing plants.

Before undertaking this study of coffee cooperatives in Costa Rica, I had expected to find in Perez Zeledon a cooperative much like many of the others I have encountered both

in the academic literature and in my previous research (Sick-Connelley 1986; Sick 1991): well-intentioned organizations, but plagued with managerial problems and ill-equipped to achieve their goals of solving small-producers' problems in a global economy. I was surprised to find in Perez Zeledon, a dynamic and well-organized enterprise which has tackled the challenges presented by the international market in innovative ways.

Not all Costa Rican coffee cooperatives have been as successful as Coopeagri. One board member of a small cooperative in the canton of Turrialba told me of the tremendous problems their organization was having in keeping its members and of the severe financial difficulties they were facing as a result. Such difficulties can lead to bankruptcy and dissolution, as happened to COOPELECO in the town of San Pablo (southeast of San Jose) in 1992. Outraged over lack of payment of millions of *colones* for their coffee crops for two years, farmers stormed the town upon discovering that their cooperative finally had gone bankrupt and they had lost all their money (*Tico Times* 1992: 26).

These examples are not unique. How, then, has this cooperative managed to successfully compete and survive in an extremely competitive industry? The key to survival in the regional coffee industry is to be able to compete on two levels: internationally, by providing a marketable product, and locally, by maintaining an large and loyal client base. Thus, the success of a processing factory, either cooperative or private, depends on detailed knowledge of both the international coffee market and the coffee farmer.

Cooperative Strategies in the Global Arena

A *beneficio's* ability to compete locally for client farmers is, in part, related to its ability to compete internationally. Processors and exporters must provide a consistent, quality product in an over-supplied international market. As we have seen, Coopeagri has been able to pay its client farmers relatively high coffee prices despite a depressed market. It has managed to do so, first by a dramatic restructuring of management and second, by an

aggressive marketing strategy to make it a more competitive enterprise in the international market place. The move to hire professional managers and decentralize management decisions within the cooperative has led to a more efficiently operating enterprise. What led Coopeagri's membership to make such a move where other cooperatives have not? There are several possible explanations, but a conclusive answer requires further investigation. One possible explanation has to do with the educational level of the membership. It could be argued that a more educated membership would see the value of hiring professionals to replace members as managers. As we learned, farmers in Santa Cruz and Palomas average five years of schooling. While this might seem little compared with levels of education in industrialized nations, it is higher than averages in much of the developing world. Still, Coopeagri's members appear to be no better educated than those of other cooperatives in Costa Rica who have yet to restructure their organizations in this manner. Another explanation might have to do with the quality of leadership (Attwood 1992; Baviskar 1980 and 1992). Coopeagri has had some dynamic leaders, but how they compare to leaders in other cooperatives is not known at this point.

Regardless of why Coopeagri chose to hire professional managers and restructure internally, the new management's commitment to becoming a fierce competitor in the coffee industry has been a significant factor in its current success. Investment in technologies (satellite links to commodity markets) to improve its marketing abilities were part of this strategy, but the key has been improving the quality of its coffee and directly developing good relations with overseas buyers. In short, good management decisions and vertical integration have helped the cooperative earn better coffee prices.

Household Strategies and Cooperative Success

In the competitive world of coffee processing in Perez Zeledon, a *beneficio*'s survival is also dependent on its ability to attract and maintain a large client-farmer base. Coopeagri compares favourably with the private factories in terms of coffee prices, services provided, and social benefits offered. Yet, it claims just one quarter of the canton's processing. As we have seen, the answer to this puzzle lies both with the nature of the coffee industry and with the farmers themselves.

Coffee-processors in Costa Rica are the key link between coffee producers and the market, and the choice of *beneficio* is an important one for farmers. The factors influencing small coffee farmers' choice of *beneficio* are complex. Economic strategies of farming households are influenced not just by external forces created by national policies and international markets. Local environmental (biophysical) conditions and community structure are also intervening variables through which small farmers filter their perceptions of the larger regional, national, and international forces which also affect their lives, but over which they have little or no control. Domestic resources, such as available land and labour, also shape household economic strategies. Household composition and labour demands, ideology, coffee prices, *beneficio* credit policies, and *beneficio* services all play a role in the decision-making process. Farmers are pragmatic in adapting their economic strategies to this complex and ever-changing environment.

Direct economic benefits, such as price and terms of interest, would seem likely factors in a farmer's decision to sell to a particular *beneficio*. Coopeagri's ability to compete in the international market place, and provide farmers with higher coffee prices, makes it an attractive alternative to the private factories. With low coffee prices and rising input costs, coffee producers have been hard hit economically and one might predict that higher prices would be the crucial factor for farmers choosing among various buyers. But as commodity producers operating in an unstable and risky environment, farmers seem seriously concerned

not just with getting the best price, but with ensuring themselves of a good supply of credit and in decreasing some of the risks of coffee production. One important way they do so is by establishing strong, long-lasting ties with a single factory, frequently with a factory with which a parent or other relative has already established a good relationship. Given the small price differences among factories, these long-term ties appear to be a significant factor influencing farmers' marketing decisions.

Cooperative promoters and idealists also frequently cite the distribution of social benefits among the most important achievements of cooperatives. Yet, Costa Rican coffee farmers rarely cite these social benefits as important to them. In contrast, competition among the sugar cooperatives in Maharashtra, India is based partly on their ability to provide additional benefits to their clientele, and the factories have devoted resources to building schools and clinics which are readily welcomed by their members (Attwood 1992). Why are these social benefits important in India, but not Costa Rica? Perhaps the answer lies in the fact that the extra social services that cooperatives are offering in Costa Rica are already provided by the Costa Rican government and the Community Development Associations. The Costa Rican government provides the vast majority of Costa Ricans with health care, schools, potable drinking water, and electricity, among other services. The CDAs also are active locally in bringing improvements to each community. In short, perhaps the need for cooperatives to provide additional social services is not as great in rural Costa Rica as it might be in parts of rural India.

Though the private factories do not attempt to provide social benefits such as health centres to their clients, like the cooperative, they do provide services that go beyond the buying and selling of farmers' coffee. When farmers speak of factories "treating them well," they are referring not just to services relating to coffee production, but to the "extras" that private factories provide, such as more credit to "good" clients, postponing a new widow's loan repayments until she gets herself reorganized, and employing "good" clients' relatives in the

factory. Producers are well aware of the present competition among processing factories and expect long-term patronage to be rewarded with such extra "services." Thus, the paternalistic strategies employed by the *beneficios* (including the cooperative) are also a way of providing additional benefits and of satisfying clients.

To attract farmers, the processing factories must understand the problems facing local households and compete to satisfy farmers' varied needs. High coffee prices, low interest rates, and good service are important to farmers, but their marketing decisions are part of complex economic strategies designed to meet the specific needs of their households in a risky and unstable business.

Cooperatives and Economic Development

In the introduction to this thesis I posed one of the basic questions underlying this research: Can cooperatives effectively contribute to sustainable development and help small rural producers whose livings depend on primary commodity production? A single case study cannot conclusively answer questions regarding the effectiveness of all cooperatives as development organizations, but the example provided by Coopeagri and the coffee producers of Perez Zeledon does provide us with one context in which to examine the role of cooperatives in rural development.

Cooperatives and Development Goals

Cooperatives are often promoted by development agencies and practitioners as effective organizations for rural development, because of their presumed egalitarian structure and participatory nature, and to create the advantages of economies of scale for small producers. Development practitioners and cooperative idealists also see cooperatives as important institutions for distributing social benefits. We have seen that, as an institution, Coopeagri

has been able to survive and grow in an extremely competitive environment. But how does this cooperative measure in terms of basic development goals such as 1) eliminating poverty and improving standards of living, 2) providing equitable access to resources, and 3) empowering people through increased participation in the development process?²

From its inception Coopeagri has been explicitly concerned with improving standards of living by operating a *beneficio* which would provide higher incomes and improve marketing conditions for the small and medium producers of the canton. And in this regard, it appears to have had some success. Despite intense competition and the drooping coffee market, Coopeagri has done well in marketing its coffee and for years been able to pay its producers consistently high prices. Higher coffee prices mean higher incomes. In addition, the cooperative offers credit at lower interest rates and better terms of repayment than the private factories, which can result in substantial savings for farmers over the long run. Perhaps just as important as higher coffee prices, is the competition that Coopeagri provides for the private factories. With keen competition for client farmers, Coopeagri's high coffee prices have placed an upward pressure on prices paid by all the *beneficios* and inhibited the formation of a processors' cartel.

The creation and support of the cooperative's Women's Group -- despite its many discernable problems -- is also an example of Coopeagri's attempts to address needs for additional income opportunities, particularly for women who are underemployed outside the harvest season and who increasingly want to be able to supplement the family income. While not impossible, it is unlikely that a private processing factory would devote resources to such projects.

Through a regional development plan, the cooperative also has been working to help stabilize farmers' incomes by exploring diversification schemes. By expanding and diversifying into commercial sugar, milk, and fruit juice production, Coopeagri hopes not only to offset its own institutional problems of monocultural production but to provide a

market for farmers who wish to diversify production to help stabilize their incomes. Further attempts to help diversify the regional economy include investing in a number of experimental farms designed to test alternative commercial crops, such as oranges and macadamia nuts, which might be suitable for production in Perez Zeledon.

Finally, Coopeagri has been attempting to improve standards of living for its members by providing a number of other benefits not offered by the private factories: a health care clinic for members and their families, a supermarket in San Isidro and a mobile supermarket that travels to rural communities, and free veterinary and agricultural consulting services.

In terms of equity, Coopeagri's open membership policy is designed to provide equitable access to these benefits of membership to any who wish to join. Though this policy alone does not guarantee an organization that includes all classes of producers, nor equitable participation of all members, there is no evidence to indicate that Coopeagri is a cooperative that is run by and for a particular group. Though elsewhere other cooperatives have been accused of catering to large producers, Coopeagri's clientele is comprised no more of large farmers than are the private factories. Though it might be argued that the technocratic management makes most important decisions, members vote on all major decisions. And their vote is heard, as in the case when they voted to reinstate interest on savings.

In addition to its goals of helping small and medium coffee producers market their crop, Coopeagri has been attempting to improve economic conditions for landless agriculturalists, who are among the poorest people in the region, by employing landless workers on Coopeagri-owned farms as full contributing members with full membership benefits. Further plans to acquire (in conjunction with Costa Rica's Institute for Agrarian Development) large tracts of land which it will offer to landless farmers on long-term leases (for nominal rents) suggest that it seriously intends to contribute to equitable development in the region.

Finally, the organizational structure of the cooperative, in which each member has equal voting power and member meetings both at the community and regional level are routine, is

designed to encourage member participation in the management of the institution. Unlike the private factories, the cooperative is highly accountable to its client farmers who are also its member-owners. Coopeagri's members are encouraged to take an active role in their organization, and at regular meetings in communities throughout the canton, farmers do not hesitate to speak of their concerns or desires. This type of accountability to and participation by client farmers is not found in the private factories.

Thus, it appears that Coopeagri has considerable potential to be an agent in regional development, but does the cooperative contribute to rural development any better than a private enterprise might? Coopeagri appears to be committed to improving economic conditions for its members in Perez Zeledon, particularly by improving market conditions and raising coffee prices for small farmers, but it is not clear that a cooperative is the only type of economic institution that can do so. It could be argued that free market competition alone would work to farmers' advantage. With the intense competition among processing factories in Perez Zeledon, coffee prices might remain high and services good as private beneficios compete with one another for client farmers. It could also be argued that the other services provided by Coopeagri -- the supermarket, mobile supermarket, supply store, and even the Women's Group -- could be equally well provided by private enterprise. Still, perhaps the greatest achievement of the cooperatives in Costa Rica has been in providing competition to the private processing factories who, prior to the formation of cooperative competitors, colluded to keep raw coffee prices low.

Cooperatives and Development in Context

Cooperatives are not always the most appropriate form of economic organization for rural development, but in cases where small and medium producers are not well-served by the markets and/or who face potential cartels, cooperatives can provide collective power and economies of scale which can enable them to compete. Likewise, though coffee farmers in

Perez Zeledon had little interest in the social services provided by Coopeagri, in regions where social services are lacking, a cooperative which offered such services could contribute significantly to the well-being of its members.

This study has shown that cooperatives such as Coopeagri can contribute significantly to rural development, provided they are able to compete and survive to benefit their members. But the circumstances under which cooperatives can be effective are difficult to define. One important condition that is becoming more evident from research on cooperatives is that cooperatives be member initiated and controlled, i.e. held accountable to the members. Equally important, as the multi-layered ethnographic approach of this research has emphasized, is the importance of understanding cooperatives within the international, national, and local contexts in which they operate. An understanding of each of these contexts is essential for the success of any cooperative. In the case presented in this thesis, the international coffee market, the Costa Rican state, local market conditions, the nature of the coffee tree, and the peculiarities of producers' households and communities each form a layer of the environment in which cooperatives and their member farmers must operate. In other cases, the contexts will no doubt vary. The specific contexts within which a cooperative is formed will determine how that organization operates. To be effective, cooperatives must understand these contexts and plan accordingly.

Future Speculations

Competition in Perez Zeledon

A number of questions arise concerning the future of coffee producers and the cooperative in Perez Zeledon, not all of which I can adequately address here, but several deserve a brief examination. First, would beneficios treat clients less well if they were all operating at 100 percent capacity and had no trouble obtaining coffee beans? If farmers were

desperate for a processor would they be treated less well? At present, the extra processing capacity available in Perez Zeledon has created fierce competition among *beneficios* for client producers. This competition has led to improved services and coffee prices for farmers, as the five factories in the region compete for their business. If production were to increase so that all *beneficios* were operating at maximum capacity, that is if supply were to exceed demand, farmers might find themselves with less bargaining power and services might decline.

Second, might Coopeagri "out compete" its private-sector competitors and become a monopoly processor in the region? Would prices and services decline in this case? While to date Coopeagri appears to be no better (and no worse) than its competitors in its ability to attract and keep client producers, the cooperative's significantly higher coffee price in 1990-91 (a result of its ability to compete internationally) began to attract long-time patrons from other factories. The reactions of farmers to the large price differential between Coopeagri prices and prices offered by private factories in 1990-91 suggest that there is a point when price overrides the perceived security risk of changing factory patronage. In addition, the reinstatement of interest for member savings and Coopeagri's newly developing credit department, designed to provide non-agricultural credit for members, are likely to provide further incentive for producers to join. But private factories are not likely to sit idly by. To remain competitive, private factories might well raise their prices and offer further credit incentives to their clients.

Finally, what could happen if Coopeagri over-extends (diversifies too much)? With its rapid expansion into a number of diversification schemes, Coopeagri may well be running the risk of over-extending itself. Diversification can help stabilize income, but the costs of diversification in terms of management and resources alike can be greater than its benefits. Though the sugar refinery eventually proved to be a wise investment for Coopeagri, its purchase nearly caused the cooperative's demise, as scarce resources were allocated to an

enterprise which cooperative leaders knew little about.³ If Coopeagri were to over-extend and run itself into bankruptcy, farmers would lose an institution that has, until now, provided them with a competitive alternative to private factories who have been known in the past to collude to keep raw coffee prices low.

Coffee-Producing Households and a Changing Economy

Coopeagri's competitiveness, both in international and regional markets, has increased its ability to meet producers' needs effectively and improved its chances for success with its regional development goals. For the time being, Coopeagri can be said to be contributing to the well-being of the majority of its membership and the region as a whole, but the Costa Rican economy is undergoing some radical changes. If trends in the international coffee market continue downward, will Coopeagri be able to address the more severe problems facing coffee producing households?

Turning back to the three categories of coffee-producing households (those with insufficient land per capita; adequate land per capita; more than adequate land and insufficient labour) the immediate problems facing these producers and their families are evident. Among households already unable to support themselves through their coffee earnings, as coffee prices fall, their small incomes are reduced even further. As the economy worsens, households which already are facing difficulties in finding off-farm employment, will be further pressed to find sources of additional income. As we saw, in Perez Zeledon, most wage work is of an agricultural nature and employment opportunities are greater for men than women. Locally, non-agricultural wage work is scarce. Those who cannot find wage work in Perez Zeledon, must go further afield to San Jose, Limon, or the United States where chances of finding employment are somewhat improved. A large number of these households already have at least one member employed outside the canton. Still, for most people, to leave their home to seek employment is not the most desirable option. For women, married and/or

with children, relocating to find work is particularly difficult. Not only are job opportunities fewer, but relocating with children is difficult and usually entails leaving behind what family support they may have in their natal community.

Likewise, in households which currently are able to support all their members with their coffee incomes, if coffee prices remain low and costs of inputs continue to increase, these families will find it increasingly difficult to manage with the resources available. Already, many farmers from this group have begun to compensate by cutting back on the amount of agricultural inputs they buy. And, though it would require further study, I suspect that should prices continue to drop and wages to increase, women currently working within the home may be used more and more to replace hired *jornalero* labour. This move will likely have dramatic effects on domestic organization and household relations. Furthermore, if real household incomes from coffee drop, i.e. as the return on labour invested in coffee production declines, some household members may opt for alternative employment opportunities where ever they can earn more money. Like those people from the first category of households, they will find employment opportunities extremely limited and may have to migrate to find adequate work.

Finally, those households with larger landholdings and less labour are hurting as well from the recent coffee crisis. Land-rich farmers are typically able to fare better than those with less land. They are more likely to be more diversified, or to be able to afford the risks of attempting new crops or investing in cattle. Nevertheless, they too have been forced to re-examine their coffee production methods. Their response has been to reduce the number of permanent employees they hire and, like those farmers in the previous categories, to cut back on imported chemical inputs. Though they may not have been forced by economic necessity to seek other employment, many of these households also have members who are employed off their farms or are preparing for alternative employment by furthering their education.

Low world market coffee prices and high input costs are one of the biggest problems facing coffee farmers. What might Coopeagri do to improve the situation? While regional institutions such as cooperatives can do little alone to effect the international price of coffee or the rising prices of imported chemical inputs, they can attempt to bring down the costs of those inputs, either through better buying practices (FEDECOOP is working on such deals now) or through efforts to convert to domestically available inputs.

While this research suggests that cooperatives, such as Coopeagri, can operate as effective organizations at many levels, the fact remains that there are a number of problems facing producers which cannot be addressed by local people and local institutions. Lacking international solutions (renewed coffee agreements, or changes in international terms of trade), many of the problems facing coffee producers and processors cannot be dealt with by either households or cooperatives, but might more easily be addressed by the state.⁴

For small farmers currently engaged in coffee production, two problems seem immediately apparent: 1) the need for less expensive inputs and lower interest rates and 2) the need for economic diversification, both in the agricultural and non-agricultural sectors. One way the state can play a more effective role is by promoting alternatives to costly imported inputs. For example, the Center for Agricultural Research and Education (CATIE) is working on ways of producing organic fertilizers. Locally produced organic fertilizers are not widely available, nor is credit available for their purchase. The state has the ability to promote these alternatives, by providing credit and infrastructure for their development.

Credit is hard to come by in Costa Rica; capital is scarce, and interest rates are high. Coopeagri has been trying to ease farmers' burdens by providing better terms and interest rates than those offered by the private factories, though the private factories have always been willing to lend more to farmers than the cooperative. Coopeagri is hoping to address this need for additional credit by opening a new credit/loan department to provide credit for non-coffee related ventures. But in the end, all credit is affected by problems of national debt,

state policies, national interest rates, and international capital markets. While the Costa Rican state cannot substantially influence international capital markets, it can work to make credit more easily accessible.

Studies of agricultural cooperatives have provided yet another perspective to development research, as policy makers, practitioners, and academics alike have attempted discern whether cooperatives are effective organizations for helping small producers overcome problems associated with agricultural export production. But the real problem, unless coffee prices should rebound to new heights, is a lack of alternatives for coffee-producers in Perez Zeledon, both of suitable alternative crops and of suitable alternative employment opportunities. Coopeagri has been attempting to help stabilize incomes by diversifying agricultural production opportunities in the canton of Perez Zeledon, but as we have seen, apart from the coffee harvest season, there is a serious underemployment problem in Perez Zeledon (and, I would venture, in the rest of the country, as well). While agricultural diversification may provide some relief for hard-hit coffee producers, there is a growing need for non-agricultural employment opportunities that Coopeagri is unlikely to be able to provide. Though Coopeagri is attempting to diversify the regional economy, it is unlikely that it will be able to solve the canton's economic problems without changes in national and international economic policies, or an economic recovery on a wider scale.

Households and Cooperatives as Adaptive Innovators

Throughout this study it became apparent that though rural producers are constrained by international and national policies, they are not passive recipients of such constraints. Small producers are constantly calculating (not solely in monetary terms) the best use of the resources and organizations available to them. Coffee-producing households, like households in general (Wilk 1991), are adaptive units, who go about solving their problems often in quite

ingenious ways. It is clear that small coffee producers are a diverse group who are continually juggling resources and evaluating alternatives in a complex economy. They are not merely tradition-bound household producers, but modern farmers who shrewdly assess the options and constraints with which they are presented. Cooperatives are but one of the options which must be fit into farmers' economic strategies and are juggled and evaluated like any other resource.

As some of the negative consequences of agro-export development (increasing social differentiation, loss of lands, and greater dependency on global market forces) became more evident, development practitioners and researchers began advocating cooperatives as alternative institutions for helping smaller producers survive in a competitive capitalist economy. This particular case cannot speak for the potential of all cooperatives throughout the world, but it does suggest that cooperatives *can* act as effective institutions for rural economic development. Indeed, Coopeagri, like the coffee-producing households it serves, has not passively accepted the conditions of the international marketplace, but has energetically adapted to those conditions not only to survive, but to prosper.

Within the world cooperative movement, the utilization of capitalist business strategies, such as those employed by Coopeagri, is a highly debated topic. Purists believe that such practices contradict the "cooperative way," and are somehow immoral. Nevertheless, successful cooperatives are those which can compete with their private counterparts and survive to impart the social benefits and cooperative values upon which the movement is based. Coopeagri's recovery from near-bankruptcy to become a successful economic enterprise and an internationally recognized cooperative demonstrates the need for cooperatives, like their client farmers, to adapt in innovative ways.

Notes

1. Consumer prices, nevertheless, have remained high. One wonders into whose pocket is going the difference between what farmers receive and what consumers pay.
2. I also consider the preservation of the productive capacity of the environment to be equally important, but as it was not a specific aspect of development which I felt qualified to address, it will not figure heavily in this discussion. See Korten and Klauss (1984) and Esman and Uphoff (1984) for further discussion on these goals of development and Dean (1972) and Redclift (1984) for discussion on sustainable development.
3. During a brief visit to Perez Zeledon in July 1993, I learned that two of the cooperative's managers have left the organization due to differences of opinion concerning the milk plant. The managers felt that the cooperative had over-extended itself with the plant, which had been losing too much money for too long, and that it was time to sell and cut their losses. The board of directors felt otherwise. They contended that the losses were due to mismanagement. At the General Assembly in March, the members voted to keep the milk plant. The two managers, one of whom was the *beneficio* manager, resigned.
4. In July 1993, in an attempt to reduce world supply and increase prices, Columbia, Brazil, and the Central American coffee producers each agreed to retain 20 percent of their production. Their efforts appeared successful as the world price of coffee jumped by \$7 U.S. in one day. The price again fell, but not to its previous low. Recently other coffee-producing nations have also joined.

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