POVERTY OF COFFEE SUPPLIERS BECAUSE OF OVERPRODUCTION

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Class

Date
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As of the 15th of January 2013, coffee prices were at their lowest levels in thirty years, the world prices having fallen by fifty percent over the past three years\(^1\). The world coffee supply is approximated to be roughly eight percent above the demand and, consequently, this has depressed world coffee prices. The paper analyzes the effects of overproduction as a driver of poverty among coffee suppliers.

Overproduction and supply of coffee in the market can primarily be attributed to central decisions from the relevant institutions. For instance, small and medium coffee farmers are advised to overproduce in order to boost foreign earnings. Some of these institutions are advised by international organizations, such as the World Bank and IMF, to overproduce without being informed of the effects of price falls. Today, coffee producers are heavily hit by price slumps, and most of them survive on less than a US dollar per day. Despite coffee being the main source of income, producers only accrue roughly 0.50 US dollars per pound with the main beneficiaries being Western countries who roughly fetch ten US dollar per every pound in the market. A few years ago, coffee producers received almost five times the amount they are paid today. Following such massive slumps in coffee prices, farmers increasingly face hunger and poverty\(^2\).

The rise in the levels of poverty among coffee farmers has turned into another unforeseen problem. Farmers are abandoning coffee to grow crops that are perceived to be more profitable. Unlike coffee, they are in turn growing pest and drought resistant crops because they can no longer afford to purchase pesticides. Authorities report that this hurts the national economy of


coffee producing countries because the crops that these farmers grow are not taxed. To the contrast, coffee was their primary source of foreign currency, which was what these nations needed paying for imports, such as food. Being in drought-prone areas, it is impossible for these farmers to grow substantial amount of food and cash crops for export as suggested by these international organizations. Farmers in the underdeveloped countries cannot compete with the heavily subsidized and extremely efficient European and U.S farmers. Such farmers have less incentive compared to their counterparts to invest in irrigation systems and tractors for a greater part of the land owned by the government. The farm sizes have shrunk following rapid increases in the population.  

Strife to extract and control natural resources is the principle cause of conflict. For instance, the abundance of cultivation land coupled with the presence of social, economic, and political settings have resulted into a change in the crop grown in such lands. Overproduction of coffee combined with a slump in the levels of consumption has seen a dramatic reduction of coffee prices. Farmers, who previously produced enough to sustain their families, are currently experiencing a reduction in the revenue generated plunging them into extreme poverty while limiting access to education. Such situations have driven many off their farmlands to cities in search of stability and employment. With many of these areas facing political constraints, governments are less likely to invest efforts to revamp the agricultural sector. To counter these burgeoning problems, action policies together with land reforms should be instituted. Energies must be directed towards nationalizing trade agreements for purposes of raising the living standards to stabilize these regions.

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Globally, low-cost coffee suppliers, such as Vietnam and Brazil, have increasingly expanded their levels of production, and this has drastically reduced coffee prices in the free market economies. This is the major driver of societal disruptions amongst farmers all over the world, placing producers within extreme poverty, hunger, and conflict. With prices falling and international coffee consumption decreasing, political outbursts are evident following a rise in tension. A fall in the level of profitability within the industry has caused many to sell their farmlands in search of well paying jobs. Elsewhere, it has resulted to malnourished and under malnourished populations, with uneducated youths who increasingly prone to drugs. As long as inducements of switching from coffee to other crops persist, conflicts will continue to exist. However, when incentives for producing are addressed, including the land reforms, change is inevitable. State-centered approaches to business relations, with respect to coffee market, are prevalent and persist to dictate state-nation and business activities. Although it may be considered as a governments’ behavior, which is dictated by various variables, such as class structure, culture, interest groups, and ethnicity, this only reflects to a small part of the bigger picture.

To address the plight of coffee producers, the international community should encourage nationalization of fair trade, a move to promote sustainability, and alleviate poverty in the developing countries. This development program advocates for a working relationship between international organizations and the marginalized producers to enhance security and ensure economic self-sufficiency. By adhering to the already set standards, small-scale producers accrue a much higher and guaranteed price for a similar amount of output compared to the previous

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years. The program comes with increased access to credit facilities to cater for sudden changes in the standards of living, access to education, and cultural revival. These changes, however, when combined on a larger scale, provide for greater transformation in the political, social, and economical situation of a nation. The higher the value of producing coffee, the more farmers will direct their lands towards this economic venture.  

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Bibliography

