

# Comparative cultures- anthropology- coffee



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Running head: Coffee Comparative cultures Anthropology Coffee Modern international policy and market that affects the future of the market. Modern trade and commodity status of coffee.

## Abstract

Role of various countries in the production of coffee has been explained. The paper outlines the origin and spread of coffee production over the world. It further explains trade factors impacting coffee market and a few recommendations based on the modern trade theory to improve coffee trade in the international market.

The role of coffee in many societies and markets has been significant throughout the modern history. Coffee, undoubtedly, is known to be the native of Ethiopia. Brazil is said to be the world leader in production of coffee followed by Vietnam and Colombia. Over the years, coffee has become a profitable tradable commodity and has had great success in most parts of the world. It is bought and sold by roasters, investors and price speculators due to its demand and value. The two main cultivated species are the Robusta coffee and the Arabica coffee. Most Arabica coffee beans originate from either Latin America, eastern Africa, Arabia or Asia. Robusta coffee beans are grown in western and central Africa, many parts of Asia, and to some extent in Brazil (Wasendorf, R, 2002; p 87).

In the beverage market, Coffee holds an important place and makes a majority business in the market. Many millions of people rely on coffee for living and is a very labour-intensive culture in any region of the world. The coffee industry currently has a commodity chain that involves producers, middlemen exporters, importers, roasters, and retailers before reaching the <https://assignbuster.com/comparative-cultures-anthropology-coffee/>

consumer. Middlemen exporters purchase the coffee below market price, keeping a high percentage for them. Large coffee estates and plantations often export their own harvests or have direct arrangements with a transnational coffee processing or distributing company. Under either arrangement, large producers can sell at prices set by the New York Coffee Exchange. Roasters have the highest profit margin in the commodity chain. Large roasters normally sell pre-packaged coffee to large retailers. Coffee reaches the consumers through cafes and specialty stores selling coffee, of which, approximately, 30% are chains, and through supermarkets and traditional retail chains. Supermarkets and traditional retail chains hold about 60% of market share and are the primary channel for both specialty coffee and non-specialty coffee. Twelve billion pounds of coffee is consumed around the globe annually, and the United States alone has over 130 million coffee drinkers.

The export market for coffee has been reported to have flourished in the late nineteenth century (Clarence-Smith & Topik, S, 2003; p 417). As coffee had an established market and a broad consensus on the variations that were acceptable, it is being successfully traded. It is quite difficult to estimate the economic impact of the development of this commodity market. However, the commodity status of coffee in the market has experienced an upturn in the volume of trading in recent years. The pricing of coffee greatly depends upon weather, transportation, and to some extent, governmental restrictions. The International Coffee-Agreement administered by the London-based International Coffee Organization (ICO) played a key role in pricing from 1963 to mid 1989. It is the clearing house for statistics on coffee and a mediator for its producer and consumer members.

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Trading coffee, though associated with high risk due to weather dependency, has had huge success in most parts of the world. Arabica contracts are often traded in the New York Coffee, Sugar and Cocoa Exchange and Robusta on the London Exchange. Intracontract trading is less due to its seasonality. At the Exchange, results indicate that coffee price changes have indeed been closely related to money creation and inflation in coffee growing countries such as Columbia. The real appreciation resulting from coffee price increases has been accommodated, partially by money creation and partially by an adjustment in the nominal exchange rate. Thus, commodity status given, more often, is based on the exchange status, and not on the intrinsic properties of the commodity itself.

According to the modern trade policy options, all countries should gain from trade and benefits are proportionate to the amount of trade. It allows for optimal free trade and specialization in the areas of relative advantage. However, the world does not have uniformity in the production of identical type and quality of coffee. Hence, this would affect competition, identical preferences, and the returns expected. However, the modern trade theory provides for identical preferences, economies of scale, perfect competition and strategic trade policy (Vaghefi, M, Paulson and Tomlinson, W, 1991; p 58-59).

A few strategies that can help in better trade in the modern international market can be product differentiation and faster growth with export subsidization. At the international level, free trade agreements and regional integration can help in creating bigger markets. Trade liberalization along with international agreements can help to tackle weak and variable international commodity prices. Possible helpful approach in the future for <https://assignbuster.com/comparative-cultures-anthropology-coffee/>

the coffee market could be enhancing the prices along with reducing price variability besides reducing protection in industrialized countries and expanding markets in the unexplored developing countries. Trade liberalization could cause gains to consumers or distress to consumers, analysis should be made to quantify the losses to low-income countries and special to be provided in other areas (Greenfield, J; 2002).

Trade liberalization is also useful in tackling the issues of disproportional international commodity market, in case of coffee by liberalizing policies related to coffee growth and trade, unlike the present situation wherein only a few countries in the Dominican Republic and Mexico are involved in major export of coffee. It will help in more number of developing countries to take part in export-import of coffee. Also, the trade of roasted coffee will improve breaking the trade barriers of developed countries limiting roasted coffee trade. Against the present situation of higher percentage of green coffee trade, roasted coffee trade to the less developed countries will increase tremendously (Khaldi, N. 1984; p 34). Besides this, the high prices due to barriers on trade can be substantially lowered through trade liberalization, improving the local and rural markets. A good way to widen markets for coffee is to enhance demand for the product though this cannot be a sure hit. Alongside, development of variety in the product and technology can transform the market demand.

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