PART 2

Read the text below and answer questions 14–26.

THE BITTER AND SWEET OF THE GLOBAL COFFEE TRADE

A

Coffee is commonly sold as a modest, comforting ritual, but the global trade that places beans in a supermarket aisle is shaped by a sharp economic contradiction. Production is concentrated in tropical "coffee belt" countries, while the most lucrative stages of the chain—roasting, branding, product design, and retail—are disproportionately located in wealthier consumer economies. This spatial division matters because it determines where value is added and where risk is absorbed. Green coffee is largely treated as a commodity: it is graded, bulked, and priced against international benchmarks, often with little recognition of the labour and land constraints embedded in each harvest. By contrast, once beans are roasted and packaged, they enter a world of marketing narratives, café experiences, and consumer loyalty, where margins are higher and price-setting is less transparent. The result is a supply-chain paradox: the crop's material production is geographically distant from the places where reputational capital, intellectual property, and downstream markups are created, raising persistent questions about distributional fairness and the commodification of a product that is, in practice, highly differentiated.

B

Most coffee is produced not by plantations but by *smallholders*, frequently operating only a few hectares and relying on family labour. For these farmers, coffee functions as a primary cash income rather than a diversified revenue stream, which makes them unusually exposed to price swings. Their options are also constrained by agronomic realities: coffee is a perennial crop, and trees can take several years to mature, meaning that supply is relatively price inelastic in the short run. Even when international prices rise, farmers cannot instantly expand output by planting and harvesting within a single season; and when prices collapse, they cannot "switch off" production without abandoning long-term assets. Moreover, the farmgate price received is shaped not only by yield and quality but by currency movements, local input costs, and the terms offered by intermediaries. Many smallholders have limited savings and restricted access to credit, so they struggle to smooth income across seasons. This combination of thin financial buffers and slow biological response helps explain why even stable farming methods can coincide with unstable livelihoods: the economic signals of the market arrive quickly, while the capacity to respond arrives slowly.

C

Price volatility is intensified by the fact that coffee is traded globally as a financialised commodity influenced by speculation, weather shocks, and disease outbreaks. A drought in one exporting country, a fungal epidemic elsewhere, or a surge of futures-market activity can shift expectations rapidly and move prices long before beans are harvested and shipped. In theory, derivatives can help manage risk; in practice, many small producers are too small to hedge effectively, or they lack the institutional support to access such tools. When low prices persist, the consequences are cumulative rather than temporary. Farmers may reduce fertiliser use, delay maintenance, or sell assets to cover basic costs, decisions that can undermine productivity in subsequent years. Crucially, they often postpone **replanting** older trees, even when yields are declining, because replanting requires upfront spending and produces no immediate returns. This creates a downward spiral: the very investments needed to improve resilience and quality become less attainable during the periods when resilience is most required. Thus, volatility is not merely a fluctuation in income; it can reshape production capacity over time by pushing growers into short-term coping strategies.

D

One proposed route out of low farmgate prices is quality differentiation, particularly through specialty markets that reward distinctive flavour profiles, traceability, and careful processing. Higher prices, however, are not automatically available to those who work harder; they are conditional on meeting standards that often require substantial investment. Producing specialty lots may demand training in harvesting and sorting, access to washing stations, improved drying beds, moisture control, and better storage—equipment and knowledge that are unevenly distributed. Even where farmers can adopt these practices, they face a further risk: the market does not guarantee that extra effort will be matched by a stable premium. Quality is assessed by graders and buyers, and scores can vary across evaluators and seasons, while logistical delays or defects introduced after harvest can erode value. In addition, the costs of compliance are front-loaded. For growers operating near subsistence, investing time and capital in quality upgrades can mean sacrificing immediate cash needs, yet the payoff remains uncertain. Specialty thus offers a potential ladder, but one with high entry barriers and no assurance that those who climb will be rewarded proportionately.

E

Alongside specialty, certification schemes attempt to respond to social and environmental concerns by embedding ethical criteria into trade. Labels such as fair-trade or organic typically promise mechanisms like minimum prices, additional **premiums**, or restrictions on chemical inputs, with the aim of improving incomes and encouraging sustainable

practices. These schemes can provide benefits, particularly where cooperatives are well organised and able to negotiate contracts, maintain records, and coordinate quality control. However, critics argue that certification can be costly to obtain and maintain, involving audits, documentation, membership fees, and periodic compliance checks. The burden is therefore uneven: producers with more education, better infrastructure, or stronger cooperative networks are more likely to participate successfully. The poorest and most isolated farmers may be excluded, or they may receive only marginal gains once certification costs and market limitations are considered. Furthermore, premiums are not always distributed in ways that transform structural vulnerability; they may fund community projects yet leave farm-level income volatility largely intact. As a result, certification is often debated not as a cure but as a partial intervention whose effectiveness depends on local governance and market demand.

F

The distribution of value along the coffee chain is also shaped by asymmetrical bargaining power, which tends to concentrate downstream. A small number of large trading firms, multinational roasters, and major retailers possess scale, market intelligence, and brand leverage, enabling them to influence standards and purchasing practices. Farmers, by contrast, are typically price takers: they sell into local markets where competition among buyers may be limited and where information about global prices is imperfect. Branding and café retailing create the most visible consumer experience—taste, ambience, identity—and these stages can generate substantial markups that are difficult to trace back to farm-level returns. This does not imply that all downstream actors behave exploitatively by intent; rather, it reflects where value-adding activities are concentrated and where consumers are willing to pay for convenience and symbolism. In economic terms, the chain converts a relatively undifferentiated input into differentiated products through processing, logistics, and marketing, and it is at these stages that profits are most strongly defended.

G

Climate change adds a further layer of uncertainty by altering the ecological boundaries within which coffee can be grown. The crop is sensitive to temperature and rainfall patterns; rising heat can reduce suitable zones, disrupt flowering cycles, and intensify water stress. In many regions, projected warming encourages a shift of cultivation to higher altitudes, but such movement is limited by land access, protected areas, and competing crops. Moreover, climatic instability can amplify biological threats: warmer and more variable conditions may increase **pest pressure**, affecting both yields and quality. Adaptation strategies—shade-growing, improved soil management, irrigation, and the adoption of new varieties—require investment and technical support, yet these are

precisely what many smallholders lack. There is also a temporal mismatch: breeding and distributing resilient varieties can take years, while climatic shocks can occur suddenly. Consequently, climate change is not simply an environmental issue; it is an economic stressor that reshapes costs, risks, and the feasibility of long-term planning in producing regions.

H

In response to volatility and inequitable value capture, alternative trading models have gained attention. “Direct trade” arrangements seek to reduce opacity by connecting roasters more closely with producers, sometimes paying higher and more stable prices tied to quality and long-term relationships rather than spot-market fluctuations alone. Long-term contracts can also reduce uncertainty by clarifying volumes and pricing mechanisms in advance, enabling farmers and cooperatives to plan investments with greater confidence. Digital tools—such as lot tracking, mobile payment systems, and data-sharing platforms—promise improved transparency and can help producers document quality, prove traceability, and negotiate more effectively. Nevertheless, these approaches tend to reach only a fraction of growers, often those who are already better organised or located in regions with reliable infrastructure. They also do not abolish exposure to wider market forces: even the most relationship-based trade still operates within global commodity dynamics, and demand for “ethical” or premium coffee can weaken during economic downturns.

I

The global coffee trade therefore contains both bitterness and sweetness, not only in taste but in economic structure. It sustains millions of livelihoods and can contribute to public revenue in producing countries, yet it also exposes farmers to volatile prices, agronomic constraints, and a bargaining environment in which they possess limited leverage. Attempts to improve outcomes—through certification, specialty differentiation, or new trading models—each address parts of the problem while leaving others intact. A more resilient and equitable system would likely require a combination of agronomic support, risk-sharing contracts, investment in local processing capacity, and purchasing practices that internalise environmental and social costs. It may also require consumers to accept that the “true cost” of coffee is not always reflected in the price of a cup. Ultimately, the debate is less about whether coffee should be traded globally, and more about how the gains from that trade can be distributed in ways that do not make sustainability a luxury reserved for a minority of producers.

Questions 14–19

Which paragraph contains the following information?

14 Examples of alternative trading arrangements designed to make prices more predictable.

15 A criticism that certification schemes may exclude the poorest and most isolated growers.

16 A geographical separation between coffee production and the economies where the most lucrative stages are concentrated.

17 A description of how climate change may shift suitable areas for coffee cultivation.

18 A point that higher prices may depend on meeting standards that require investment and still offer no certainty.

19 An explanation of why coffee supply cannot be increased or reduced quickly in response to prices.

Questions 20–22

Look at the following statements and the list below. Choose the correct letter.

20 Coffee prices can rise or fall sharply even when farmers' methods remain unchanged.

21 Some growers cannot access higher specialty prices because they lack the resources needed to meet quality requirements.

22 A large share of the final price of coffee is captured after the beans leave the farm.

List of Causes

A Value is added mainly through branding, roasting and retailing.
B Global coffee trading is influenced by speculation and shocks to supply.
C Dependence on coffee as a primary cash income leaves households exposed to price swings.
D Meeting specialty requirements may demand equipment, training and time.
E Certification participation may be restricted by audit and compliance costs.

Questions 23–26

Complete the notes below. Choose **NO MORE THAN TWO WORDS** from the text for each answer.

The economics and risks of the global coffee trade

- The supply of coffee is shaped by agronomic limits and market forces. Most coffee comes from small-scale producers who often cultivate only a few **23** ....., leaving household income highly sensitive to price swings.
- Because producers often have limited savings and weak access to credit, a prolonged downturn can force them to cut inputs and postpone long-term decisions, including **24** ..... older trees.
- Efforts to improve conditions include certification programmes that may provide minimum prices and additional **25** ....., although participation can be expensive and benefits may not reach the poorest evenly.
- Meanwhile, climate change is altering growing conditions; climatic instability can amplify biological threats by increasing **26** ....., affecting both yields and quality.

Answer Key

14. H
15. E
16. A
17. G
18. D
19. B
20. B
21. D
22. A
23. hectares
24. replanting
25. premiums
26. pest pressure