

Chapter One

Introduction

November 2004, Bangalore. In a downstairs conference room of the four-star Hotel Atria, a special closed session of the 46th Annual Meeting of the Karnataka Planters' Association (KPA) is under way. The KPA is a member organization of the United Planters' Association of Southern India (UPASI), which goes back more than 100 years to the age of British planters' clubs on the subcontinent. A senior economic researcher from one of India's leading universities, just returned from Europe, is setting forth a series of issues to which the Karnataka coffee industry will be forced to respond. In association with the German development agency *Gesellschaft für Technische Zusammenarbeit* (GTZ), the European coffee community is developing what it refers to as a 'common code' for the industry. Under the code, coffee producers wishing to sell to code signatories, which include Kraft and Nestlé, will be required to extensively document the histories of chemical use on their plantations, the environmental conditions under which coffee is grown, and their compliance with labour standards. The code is perceived as essentially a means for defensive brand management by the major coffee companies, and the planters fear that it will soon become a requirement for market access. This being the case, abiding by the code may give the planters an edge in the global marketplace. Yet at the same time, implementing these systems will be costly and time-consuming, especially onerous at a time of low coffee prices when many growers are already struggling to make a living. 'This is just East India Company imperialism in a new guise', says one of the planters. 'The Europeans are setting down new standards, and we have to pay the cost of implementing them.' The planters around the table nod their heads in agreement.

September 2005, a tea factory in the village of Bitherkad, in the Gudalur district of Tamil Nadu. A crowd of 200 smallholder tea growers awaits officials representing the Tea Board of India. Smallholders have been major

losers from changed priorities of international tea buyers in local auctions, who have increasingly bypassed the generally lower-quality teas they produce. The associated slump in tea prices received by smallholders is cutting deep into these growers' livelihoods. With average tea plantings of less than one hectare each, the 15,000 local tea growers have seen their farm incomes halved, with most now receiving gross incomes of less than US\$600 per year from tea. The officials have come to explain a subsidy payment scheme aimed at alleviating the desperate plight of this segment of the rural population. The scheme has been developed after considerable political agitation by growers but, when it becomes apparent that bureaucratic problems will restrict the eligibility of many growers from receiving these payments, the smallholders' frustrations boil over. Speaker after speaker rails against what they perceive as the evils of globalized markets, industry deregulation, and low tea prices.

The meetings at Bangalore and Bitherkad express situated microcosms in the much wider process of the global restructuring of tropical product value chains. Gone are the days when the tropical products sector was anchored by state marketing boards which arranged sales according to crude quality grades and operated price stabilization schemes. These arrangements have been progressively dismantled, and into this lacuna has emerged a host of emergent forms of market exchange and coordination. As new structures have been implemented, they have reshaped income flows and cost burdens, fuelling intense debate and anxiety within producer communities. Across the world, questions are being asked about how these contemporary global value chain transformations are affecting the shape of these industries, the institutional organization of rural producers, and, ultimately, the fate of the largely impoverished agricultural communities that supply these beverages to be enjoyed by affluent consumers. Is it the case that liberalized engagement with global markets, combined with the forces of consumer activism, can provide a path out of the cul-de-sac of commodity dependence, or is this yet another false dawn in the history of developing country agriculture?

This book brings these questions to the forefront of analysis and argues, from a *geographical perspective*, that these issues reflect a series of *value chain struggles* created as place-based *institutions* negotiate the ability of *governance* structures to determine social, economic and environmental outcomes. Applying these arguments to the issue of one production site (South India), we contend that an appreciation of the significance of these struggles is fundamental to the task of understanding the broader politics of developing country export agriculture. We argue that there is no generic answer to the vital question of whether or not contemporary global market processes are contributing to improved rural livelihoods; rather, this is an outcome of site-specific altercations and intersections between economic actors embedded in varying ways within spaces, networks and social structures. To obtain

insights into the pattern of winners and losers from value chain restructuring, therefore, requires an approach to research which digs deep into the questions how and why specific economic actors relate to others in specific ways. In this book, we seek to put into action these perspectives. We deploy a specific brand of Global Value Chain (GVC) analysis – informed by a relational economic perspective and the insights of institutionalism – to emphasize the importance of place and context within the global canvas of developing countries, agriculture and trade.

Tea, Coffee and the Crisis in Tropical Commodities

The subject matter of this book is set against a backdrop of massive global inequality. Across the world, tea and coffee production have traditionally provided the agricultural mainstay for tens of millions of people living in tropical upland areas. It is commonly the case that producers of these two crops have few viable economic alternatives, and numerous tropical countries have come to rely heavily on these products for export incomes.

For much of the past two decades, low tropical commodity prices have impacted severely on these developing country producers and, in the frank admission of former French President Jacques Chirac, there has been a ‘conspiracy of silence’ in terms of concrete measures by the world community in dealing with these issues (UNCTAD, 2003: p. 45). This silence has occurred not for want of evidence. The collapse of coffee and tea prices provided impetus for extensive documentation of the distribution of economic returns within tea and coffee value chains. Publications with such provocative titles as *Bitter Coffee* (Oxfam, 2001), *Stolen Fruit* (Robbins, 2003), *Robbing Coffee’s Cradle* (Madeley, 2001) *Bitter Beans* (Chattopadhyay and John, 2007) and *There is Blood in the Tea We Drink* (John, 2003a) served to emphasize the plight of farmers. Mostly these studies focused on the fact that coffee and tea growers are at the base of value chains in which the overwhelming proportion of economic returns flow to developed country interests. Accordingly, consideration of the human cost of the crash of tea and coffee prices cannot be divorced from broader analysis of how these sectors are inserted within global value chains. Thus, the transformations in these products tell a story of wider significance for comprehending the global political economy of agriculture and, in particular, whether developing countries face a brighter or harsher future.

Getting to the core of these questions requires some preliminary contextual discussion. Until the 1990s, the international trade in these products was extensively regulated by various bilateral and multilateral agreements that set out terms, conditions and flows of exchange. These structures were advanced to a greater degree in coffee, where the International Coffee

Organization (ICO) negotiated the insertion of 'economic clauses' within a series of multilateral International Coffee Agreements (ICAs). In this regime of managed trade, signatory countries agreed to purchase coffee only from producer countries that complied with export quotas. The effect was to enable producer countries to manage the volume and sources of product reaching the world market at any one time, thus encouraging the maintenance of relatively healthy prices and ensuring (through country-based quota allocations) that all signatory producing countries shared in the export trade. As long as the ICAs were ratified by all major coffee producers and the key consumer countries in the capitalist world, the regime provided a powerful instrument for improving the structural condition of coffee producers in world markets (Talbot, 1997a).

In tea, the first International Tea Agreement was entered into by producers' associations in North and South India, Ceylon and the Dutch East Indies in 1933. (African producers, then only minor producers, implemented only part of the scheme.) Governments were responsible for enforcing export quotas and were subsequently involved in negotiating intergovernmental agreements. However, due primarily to political differences amongst producer countries in the late 1940s, the delicate process of determining appropriate export quotas was never successful and the agreement was abandoned in 1955 (Griffiths, 1967). Nevertheless a *de facto* regime of managed trade emerged in this industry because of the role of Cold War bilateralism, with Indo-Soviet barter trade agreements having particular importance to the subject matter of this book.

Such political arrangements provided the dominant institutional architecture for the tea and coffee trade from the 1950s to the late 1980s, before changing radically in the 1990s. In coffee, the pivotal shift occurred in 1989, when the US administration of President G.H.W. Bush rejected a new ICA. Given the weight of US buying power, this decision effectively brought to a close the era of managed trade in coffee. In tea, the shift was defined by the restructuring of international trading alliances following the collapse of the Eastern bloc. As far as South India was concerned, the end of the Cold War saw the demise of the erstwhile bilateral agreements that benefited Indian tea producers. During the 1990s, the market conditions through which South Indian producers sold tea to the former communist states became progressively less lucrative, with significant impacts on industry viability.

These changing political conditions of trade occurred hand in glove with dramatic shifts in economic power within these industries. Throughout the 1990s there was a spate of mergers and takeovers in the global beverages sector which created new corporate entities with enhanced global reach. This process advanced further in coffee than tea, because global coffee sales are dominated to a greater degree by developed country markets featuring global brands and supermarket sale channels. (As discussed in Chapter 3,

global tea consumption continues to be dominated by developing and middle-income countries.) Steady consolidation of the international coffee industry meant that by the mid-1990s, eight traders controlled a majority of the coffee imported into Europe, North America, Japan and Australia (Talbot, 2002a: p. 220). This coffee was then sold to roasters, five of which accounted for 69 per cent of global coffee sales (van Dijk et al., 1998: p. 52). For instant (soluble) coffee the degree of concentration was higher still, with Nestlé alone having 56 per cent of global sales (van Dijk et al., 1998: p. 53). In developed market segments of the tea sector, comparable processes took place. In the UK, three brands accounted for 58 per cent of tea bag sales in 2006 (Mintel, 2007).

The massive buying power of these companies dovetailed with institutional shifts in market exchange. On the one hand, the rise of sophisticated market institutions, based around electronic data exchange and the Internet, effectively globalized the processes of buying and selling tea and coffee. Moreover, the expansion of the futures trade in coffee (for reasons explored elsewhere in this book, futures exchanges have not taken off in the tea sector) has facilitated significant *financialization* of the industry (whereby traders participate in these markets not just to procure product at a given future price, but as part of wider strategies for financial asset management and speculation). This is a far cry from the situation that existed up until the 1980s when the mediations of government-to-government trade (via quota allocations and national marketing board sales) shaped the flow of economic returns to individual countries. On the other hand, the enhanced scope and reach of multinational companies has encouraged new protocols for product grading and certification. Spearheading this latest phase of industry coordination and regulation is a concern by downstream retailers and brand owners to specify key value chain requirements with respect to quality, food safety, and the ethical basis of production. Although mostly developed as ‘voluntary’ conditions for producers, increasingly these requirements have taken on a life of their own and become *de facto* mandatory global standards for export participation. The Global-GAP scheme (known as Eurep-GAP until September 2007)¹ is a case in point. Established in 1997 as an initiative of European consortia of food retailers seeking to formalize food standards with the primary aim of instilling greater consumer confidence regarding food scares, its scope and breadth of adoption has evolved to the point where it is becoming a regulatory foundation for much international agri-food trade. Entwined within these developments is a new politics of audit, whereby the ability to export is predicated on the ability to document and authenticate. Such private sector initiatives evidence the rise of a system we label *global private regulation*; the enforcement of rules and standards on upstream producers by downstream private sector actors. These rules dictate how farmers gain their livelihoods, how they

interact with the environment and how their local production systems and trade networks are structured.

The implied assurances and monitoring capabilities that underlie these varied initiatives bring to the fore the entwinement of global private regulation with the technologies of *traceability* – the imposition of compliance regimes which authenticate production trails from ‘seed to supermarket’. Global private regulation and traceability together shape developing countries’ capacities both to participate in, and extract benefits from, international agri-food trade. Theoretically, in an economic context of low world market prices for undifferentiated agricultural commodities, the authentication of product standards and credence attributes (the latter relating to the social and economic basis of production; claims such as ‘cooperatively-grown’, ‘organic’, and ‘no forced labor’) could provide defences that act as points of distinction in crowded marketplaces. Whether and how this labelling contributes to improved producer well-being remains, of course, a vexed question. Consumers may pay more for such attributes but it is not always clear whether (or to what extent) upstream producers share in these price premiums. Moreover, from producers’ perspectives, developing the capacity to respond to such market signals is often costly and difficult. As we explore in this book, this is precisely where the importance of the institutional environment takes form; the ways that producers are embedded within institutional environments can help or hinder their capacities to participate in these chains.

Tea and coffee are quintessential examples of the type of tropical agriculture that sustains the livelihoods of rural economies across the developing world. Although developing countries have diversified their agri-export baskets over the past decade, tropical commodity exports remain a vital mainstay of countless agricultural communities. This book’s attention to tea and coffee, therefore, corresponds to a crucial element of developing countries’ participation in world markets. By extension, its conclusions hold meaning for understanding the changing conditions through which developing countries are inserted within the global economy.

Governance, Institutions and Struggle

Our approach to addressing these questions seeks to bridge key divisions in recent analyses of global value chain restructuring in developing country agriculture. Currently, dominant research approaches into these issues tend to encourage polar opposite interpretations. According to one line of argument, the dismantling of state-centred arrangements and their replacement by global private regulation ultimately benefits producer countries because it removes barriers to the efficient transmission of price signals. The supposed

invisible hand of the market weeds out inefficient from efficient operators, and rewards the latter. On the other hand, an alternative line of argument, generally associated with critical traditions of social science, suggests that global private regulation empowers the capabilities of large, globally mobile, corporations to impose their will and thereby exploit spatially grounded producers.

Arguments can be deployed on behalf of either of these positions, but both are prey to the charge of essentialism. cursory observation of developing country agriculture suggests neither that all producers are being immiserated, nor are all benefiting. The shining successes of global market engagement invoked breathlessly by pro-market advocates are counterposed by dependent enclaves mired in the cul-de-sac of servicing export markets under exploitative conditions. Moreover, enumerating any list of 'winners' and 'losers' from global market engagement is a tenuous exercise, because of the speed at which fortunes can be reversed in response to spatial shifts in chain structures. By any account, the engagement of developing country agriculturists with global value chains reflects a volatile and readily reversible patchwork of apparent successes and failures.

For this book, accounting for such differentiation lies precisely at the heart of the analytical problem. We contend that complexity, differentiation and change should not be air-brushed out of analyses in the quest for narrative elegance. Instead, the challenge for research should be to incorporate these factors integrally to explanatory accounts. The vital question that needs to be asked is how and why economic restructuring reproduces territorial difference; *why* economic activity takes its particular spatial forms, and *how* it accrues advantage and disadvantage in different measure to place-bound interests.

Global Value Chain (GVC) analysis provides an efficacious framework for addressing these concerns. Global value chains represent 'the trajectory of a product from its conception and design, through production, retailing and final consumption' (Leslie and Reimer, 1999: p. 404). The object of inquiry in the GVC approach is the entirety of a product/commodity system. Its core analytical focus is on how product/commodity systems are coordinated, and how economic value is distributed amongst participants.

The GVC approach was formulated and popularized by the research of Gary Gereffi in the mid-1990s (Gereffi 1994, 1995, 1996, 1999; Gereffi et al., 1994). Initially, Gereffi set out a template method for GVC analysis² that defined the organization of product/commodity systems in terms of three dimensions: (i) an input-output structure (the configuration of purchases and sales by actors in the chain); (ii) territoriality (the geographical extent of chains); and (iii) a form of governance (the issues of how chains are coordinated and who does the coordinating) (Gereffi, 1994: p. 97). Over time, however, this framework morphed into a fourfold method including

the new dimension of 'institutional context'. This inclusion reflected the fact, observed by Sturgeon (2001: p. 11), that value chains 'do not exist in a vacuum but within a complex matrix of institutions and supporting industries'. Correspondingly, Gibbon (2001b) enlarged Gereffi's original 'governance' dimension to the more inclusive category of 'governance and institutional structures', while Humphrey and Schmitz (2002) formalized its relevance to GVC analysis in their research on the roles of local and global linkages. Nowadays, the GVC method is routinely characterized through this fourfold template (for instance, Coe et al., 2007: p. 97).

The consideration of 'institutional context' within GVC analysis adds significantly to its utility as a tool of geographical inquiry. Considered in conjunction with 'governance', the category of 'institutions' provides a useful framing device for the examination of how product/commodity systems intersect with space and place. Issues relating to 'governance' encapsulate the coordinating structures which connect economic actors across space; those relating to 'institutions' represent the multi-scalar contexts that explain how economic actors are embedded within particular geographies.

This mutual interest within the GVC approach for governance and institutions represents an oft-forgotten element of its methodology. During the past decade or so, the GVC approach has been conceptualized all too frequently as being solely about *governance*, leading to the misguided perception that the approach has little to say on the complex questions about why and how particular industries come to be located in particular places. Moreover, this narrow-casting of what the GVC approach actually embodies has inspired many researchers to eschew the GVC approach in favor of alternative frameworks which give the surface appearance of being more sensitive to the nuance of geographical differentiation. As we discuss in Chapter 2, the broad field of product/commodity analysis is now encumbered by a diversity of alternative models each seeking to 'bring in' geography in its own, unique way. We contend that much of this proliferation responds to a fallacious assumption that the GVC approach has a sclerotic insensitivity to geographical considerations, and argue that the main effect of this splintering has been to complicate scholarly endeavour within an over-determined theorization of 'how to do what actually needs to be done'. Of course it is important to note that we are not alone in making this point. Acknowledgement of this problem has been a pivotal message in a succession of influential critiques of the field (see Leslie and Reimer, 1999; Hughes and Reimer, 2004; Friedland, 2005; Jackson et al., 2006). Bernstein and Campling (2006, p. 240) go so far as to claim that the field 'has no common purpose, object of analysis, theoretical framework or methodological approach'.

Reassertion of the importance of institutional analysis within a fourfold GVC approach generates a means to address these rifts. The GVC approach

embraces an expansive and internally consistent framework to answer key geographical questions and, very importantly, provides a unified set of terminology accessible to wider audiences. For this to occur, however, further consideration is required with respect to the use of the term 'institutions'. Whereas researchers generally recognize that 'institutional contexts' play a vital role in shaping global value chains, what has gone missing in the literature has been a precise articulation of what 'institutions' actually are, and how they relate to GVC governance. The common shorthand refrain is that they represent 'local, national and international conditions and policies' (Coe et al., 2007: p. 97); that is, the external architecture that chains inhabit. Drawing from the broader field of institutional analysis in the social sciences, however, we can animate a much more encompassing and sophisticated rendition of this concept. Institutions are not just framing devices external to product/commodity systems ('out there'), but exist also as the rules, norms and behavioural vehicles that shape the very essence of how product/commodity systems are organized ('in here'). An institutional perspective contends that economic activity cannot occur in the absence of the social relations in which it is embedded (Granovetter, 1985). As articulated by D.C. North (1990: p. 3), institutions are 'the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction'. They can be formal (codified, such as in constitutions, laws and contracts) or informal (conventions, codes of conduct, norms of behaviour, religious taboos, etc.). Nevertheless, whatever form they take, they configure economic and social dynamics. An institutional perspective recognizes that the progress, conduct and outcomes of value chain restructuring are steeped in the weights of history, culture and geography; the 'stickiness' of places. In this way, it provides an explanatory framework for understanding the different pathways of economic change across varying social and geographical arenas.

Invoking these arguments not only generates a more robust incorporation of 'institutional analysis' within the GVC approach but also, crucially, brings to light elevated appreciation of how governance and institutions are necessarily co-produced. Systems of value chain governance intermesh with the institutional life of territorially embedded production arrangements; institutions shape governance forms, and governance is enacted through institutions. The point is: institutional formations and governance arrangements coexist in an iterative nexus within global value chains.

Crucially, this iterative nexus is defined by *struggle*. The interplay of new forms of value chain governance with differentiated institutional environments triggers conflicts and tensions of various kinds. The ways these struggles are played out and resolved configures how producers are inserted within global value chains and, more to the point, the economic returns and level of control producers can exercise within them. The detail of struggle,

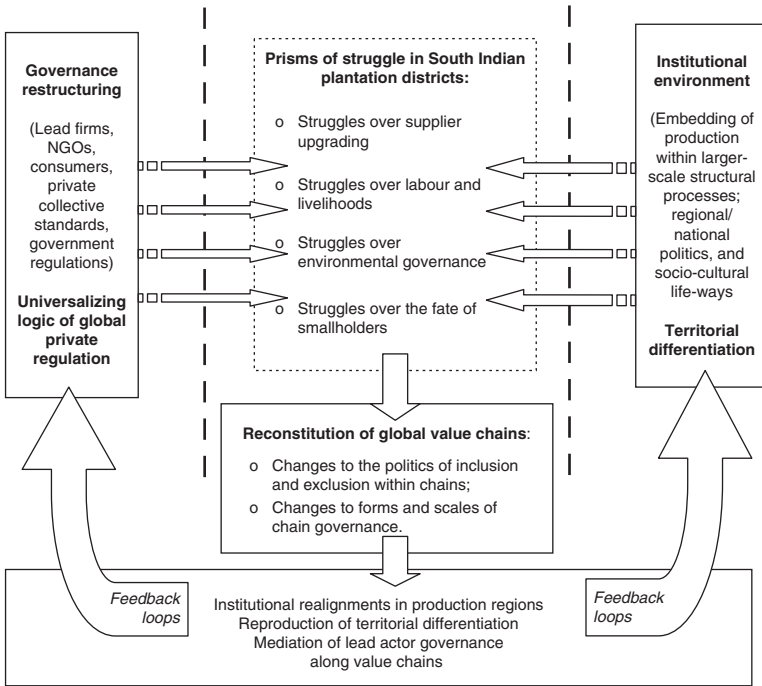


Figure 1.1 Struggles over global value chains with institutional realignments.

Source: Own work.

therefore, becomes a prism through which to observe the broader set of debates about the implications of global value chain restructuring. By focusing on struggles we see in sharpest clarity the significance and implications of value chain restructuring.

The issues of governance, institutions and struggle are brought together in Figure 1.1. The pre-eminent implication of the diagram is to impress the need for caution when accounting for the implications of global value chain restructuring. We contend that there is no ‘inevitable way’ that developing country producers engage with (generally larger) downstream buyers. The contours of global value chain restructuring are less a finished recipe, and more a continual work-in-progress. This being the case, the vital contribution of this book is to ‘get inside’ a value chain in the midst of transformation, and to document the varied struggles which are shaping the politics of engagement between producers and downstream actors.

This emphasis on institutions and governance draws on parallel debates in contemporary development theory. During the 1980s and throughout

much of the 1990s, the economic policies recommended by development agencies for the Global South were summed up by the 'Washington Consensus'.³ The mantra of 'getting prices right' – eliminating government interventions in markets to the maximum extent possible – became a catch-cry within development policy for much of this period (Timmer, 1986; Reardon and Timmer, 2007). According to proponents, such policies would 'create space' for private interests to make decisions on production, pricing and marketing, with the effect of generating efficiency gains that would translate to increased economic returns to local producers. Accordingly, a powerful push for agricultural market reforms came from the World Bank, which introduced its first Structural Adjustment Loan in 1980 (Meerman, 1997). Applied to developing country agriculture, this line of argument held forth a vision in which industry structures become aligned solely to the assumed conditions and requirements of global markets, as defined by private sector interests, with domestic resources allocated accordingly and presumed positive flow-on effects for farmers.

As recounted by the former Chief Economist of the World Bank, Joseph Stiglitz (2002), the mid-to-late 1990s was a period of intense debate between the neo-liberal economists in favour of minimizing 'disturbances' to market processes, and 'institutionalists' who argued for a heightened consideration of the fact that markets necessarily take root in specific historical, geographical, political and social contexts. To cite North (1995: p. 23): 'getting the prices right only has the desired consequences when agents already have in place a set of property rights and enforcement that will then produce the competitive market conditions'. Vitriolic disputes over the causes of the financial crisis in Southeast Asia during 1997–98 became a *cause célèbre* for this debate (Burki and Perry, 1998; Pempel, 1999; Nissanke and Aryeetey, 2003). In 2002, the World Bank Development Report (titled *Building Institutions for Markets*) represented a clarion call that these ideas had come of age. It is now increasingly the case that even staunch supporters of neo-liberalism, such as Jagdish Bhagwati (2004), present caveats that emphasize the importance of institutional arrangements, accompanied if necessary by sequencing of reforms, for globalization to generate positive social outcomes. Influential writers and development policy advisors, such as Jeffrey Sachs, are now highly critical of the pre-eminence of the 'getting prices right' mantra within development policy. In his book *The End of Poverty*, Sachs (2005) proposes a new method for the 'differential diagnosis' of economic problems (which he calls 'clinical economics') which appeals to a more geographically nuanced process of problem identification.

These criticisms of the Washington Consensus have enriched the debate on global development and, by way of extension, provide a supportive base for the focus on institutions articulated in this book. It is a danger, we contend, to fall into a market fundamentalist trap whereby the allegedly

efficiency-enhancing properties of liberal global markets are envisaged as a *deus ex machina* to raise producers' incomes. Such perspectives, we argue, give insufficient scope to the variability of producers' institutional environments. In the tropical products trade, there is no doubt whatsoever that the current phase of global value chain restructuring is letting loose powerful forces as multinational retailers and branded manufacturers seek to forge a future more amenable to their interests. Yet at the same time, these lead firms deploy their strategies not in a vacuum, but in a real world of spatially-embedded suppliers and consumers with concrete economic and political circumstances. An appreciation of these contexts is vital for a truly comprehensive understanding of the contemporary dynamics of change. As semi-nally proposed in the work of economic geographers Michael Storper and Richard Walker (1989: pp. 138–53), the mechanics of restructuring inevitably involve 'feedback loops' as the aspirations of companies to improve their profits by developing new strategies meet the 'art of the possible' given the fixities of geography and history, and, in turn encounter and potentially provoke varied responses from affected stakeholders.

Through extensive field-based research in South India, we identify the different ways in which producers are engaging with this set of changes. The rich empirical lode from our field research enables us to tease out broader conclusions on the fate of developing country producers in the contemporary era of global agriculture. As brought together in the book's conclusion, we argue that in the tea and coffee industries of South India, evolved forms of industry governance and associated opportunities for value chain *upgrading* (i.e., improving the returns for producers from participating in chains) are vitally sculpted by the role of the institutional environment. Thus, recent global value chain restructuring is making the differences of place and history more important than ever. This needs to be accorded central consideration in the analysis of who benefits and who loses from the contemporary market-liberal transformations, and in many of the common assumptions underpinning the field of global value chain studies.

Towards buyer-driven governance in global tea and coffee industries

Before embarking on the detail of recent transformations in South India, it is necessary to provide an overarching assessment of larger-scale shifts in the strategies and structures of major tea and coffee companies. These dynamics provide a vital external frame for recent events in South India, contextualizing how and why large firms are seeking to restructure their engagement with (upstream) South Indian producers, as documented in later chapters of this book.

In both product sectors, the overall narrative of recent change is one of consolidation and forward integration. This is cause and effect of the fact that most of the value-addition in tea and coffee chains occurs in near-consumer segments. In tea, notwithstanding the fact that ‘made tea’ is exported from developing countries as a finished product, with a price that effectively includes all essential components of manufacture (Talbot, 2002b: p. 707), it has been estimated that average auction prices in producing countries are only 8 per cent of average retail prices for tea sold in Western Europe (van der Wal, 2008, and Table 1.1). The vast majority of the final retail price is accounted for by non-producer interests including shippers, blenders, packagers, owners of brands, and point-of-sale functionaries. In coffee, the price of green beans (the main form in which coffee is sold internationally) comparably represents only a small proportion of the final (retail) cost of coffee in developed countries (Table 1.2). Estimates drawn from ICO data suggest that Arabica growers receive around 20 per cent of the final US retail price of coffee, whilst Robusta growers receive as little as 6 per cent (Gilbert, 2008: p. 18). As we explore in the following two sections, with such high proportions of value-addition to be captured in near-consumer nodes of chains, it is hardly surprising that these activities have been intensely fought over by large companies during recent years. The consequence has been a shift in industry governance towards buyer-driven arrangements.

Seen in their wider frame, the forward integration of large firms into downstream, brand-centric components of tea and coffee value chains is connected to overarching processes of *financialization* within agri-food production and trade (Pritchard, 1999; Gibbon and Ponte, 2005). Financialization refers to the general set of processes by which financial markets come to exercise a greater pull on economic organization of economies and societies

Table 1.1 Distribution of value for tea sold into Western European markets

<i>Stage of production</i>	<i>€/kg</i>	<i>Percentage of final price</i>
Cultivation, plucking, processing, bulk packaging	1.25	6.91
Auction price	1.39	7.68
Shipment, export taxes	2.47	13.65
Insurance, marketing, packaging/bagging, warehouse	8.51	47.02
Supermarket price (incl. retail taxes)	18.10	100.00

Source: SOMO et al. (2006: p. 19).

Table 1.2 Four estimates of the distribution of value for coffee sold into varying markets

	<i>Percentage of final retail price</i>			
	<i>Global estimate (undated): van Dijk et al. (1998: p. 10)</i>	<i>Sulawesi Arabica, 2003: Neilson (2004: p. 119)</i>	<i>Ugandan Robusta exported to Italy, 2001–02: Daviron and Ponte (2005: p. 208)</i>	<i>Global estimate, 1994–95: Talbot (1997: p. 67)</i>
Farm gate/producer	20	6	6.6	19.6
Domestic transport,	13	5	3.7	3.4
Processing and export				
International transport	11	9	4.0	5.0
Roaster	28	80	72.2	71.9
Retailer	21		13.5	
VAT	7			

Sources: As specified.

(Martin, 2002; Epstein, 2005). In the case at hand, financial markets have come to expect that multinational companies appropriately value and protect these intangible assets. Prompting this state of affairs is the fact that brands have become a leading weapon in the struggles between multinational food companies and supermarket chains for profit shares. As the ownership of the supermarket sector has become concentrated in fewer hands, its capacities to dictate terms to suppliers have been strengthened. Supermarkets have had the power and motivation to cull poor-performing proprietary brands, and use own-label product to put additional competitive pressure on branded manufacturers.

Corporate restructuring among leading global tea firms

The past two decades have witnessed major shifts in the focus and orientation of leading firms in the world tea industry. In the Colonial era and for much of the latter half of the twentieth century, the pivotal players in the global tea trade were merchant capitalists. In India, as we discuss in Chapter 4, most of these companies owed their ancestry to the managing agency system; commission-writing firms which coordinated cultivation, processing and trading activities across a range of commodities. Managing agents were a particular product of the Colonial system, and following the Independence of major tea-producing countries, these firms evolved to become specialist traders. Talbot (1995: p. 146) reports that in 1967, 'four tea exporters controlled about 90 per cent of world exports' (excluding the Soviet trade). A 1977 study by the United Nations Conference on Trade and Development (UNCTAD) found that in 11 out of 20 major tea-importing countries, at least 80 per cent of trade was undertaken by no more than four firms (cited in Ali et al., 1998: p. 16). A recent report by the Dutch NGO SOMO (van der Wal, 2008: p. 25) suggests that seven multinational firms account for 90 per cent of tea traded into western consumer markets.

Over time, these merchant-capital firms metamorphosed into firms with a stronger strategic emphasis on consumer brands (Ali et al., 1998: p. 17). These dynamics are illustrated most visibly in the evolution of the UK market. Before the 1980s, tea blending and branding in the UK was fragmented. A few brands had national distribution and recognition ('Lipton' and 'Tetley', for example), but alongside these was a proliferation of regional-based blender-branders. However, the industry consolidated rapidly as tea bags came to replace loose leaf packaging. Tea bag consistency requires sophisticated blending recipes and the product as a whole is highly amenable to brand visibility; two factors that work to the benefit of large multinational firms over and above smaller national and regional companies.

By the twenty-first century, branded tea manufacturing had become a highly concentrated sector in most national markets, with a common group of multinationals dominating. In the UK in 2006, two brands owned by multinationals ('Tetley' and 'PG Tips', owned by Tata and Unilever respectively) held a combined 48 per cent market share. The next two largest selling brands were also owned by multinationals (Twinings [10 per cent] and Typhoo [7 per cent]). Supermarket own-brands constituted 18 per cent of the market, leaving just 17 per cent to the myriad of other players in the sector (the largest of which was the family-owned Yorkshire Teas [6 per cent]) (Mintel, 2007).

The acquisition of smaller regional companies by brand-focused multinationals executed the demise of many independent 'heritage brands' with ownership associations with individual families and places. Arguably the world's most famous heritage brand is 'Twinings', where historical associations continue to be deployed as a core promotional attribute. The company's packaging styles (particularly its iconic metal boxed teas) invoke tradition and authority. Its flagship London store at 215 Strand acts as an embodied carrier of the company's historical legacy, with its continued operation on this single site since 1706 being a well-publicized draw-card. Less prominently in the public eye is the fact that in 1964 'Twinings' was acquired by Associated British Foods (ABF), a diversified UK agri-food conglomerate with a 2007 turnover of £6.8 billion. This acquisition enabled a fuller weight of national and international marketing resources to be put behind the brand. 'Twinings' now exists as one of a number of assets within the grocery division of ABF, alongside such household names as 'Ovaltine' (a milk drink), 'Ryvita' (dry biscuits), 'Tip Top' (bakery products) and 'Pataks' (curry sauces and chutneys). The combined operations of ABF's grocery division, moreover, contributed just 38 per cent of the company's 2007 revenue, with the remaining majority accounted for through sugar and agribusiness (notably in Southern Africa and China), food ingredients operations, and a retail arm consisting of more than 170 stores across the UK, Ireland and Spain (ABF, 2007).

Another prominent case is 'Tetley', which was established in 1822 by Joseph and Edward Tetley. In the early twentieth century the company passed into the ownership of Joseph Lyons & Co., the famous owner of a chain of British tea shops, hotels, and biscuit factories and then, from the 1960s to the 1990s, it changed hands on numerous occasions until in 1995 it was spun off with a number of other food assets as part of a management buyout. Eventually, in 2000, the business was bought by the diversified Indian conglomerate, Tata, which already possessed significant tea plantation holdings in North and South India, and was a major supplier to 'Tetley'. The acquisition, therefore, saw Tata expand downstream from its Indian production base.

Comparably, in 2005 another diversified Indian conglomerate moved downstream from tea production to acquire a major British tea brand. Exactly one hundred years earlier, in 1905, 'Typhoo Tea' was incorporated in Birmingham by a grocery shop owner and minor tea trader. The company stayed in family hands until 1968 when it was acquired by Cadbury Schweppes, but then was sold off as part of a management buyout in 1986. The new corporate entity holding the divested businesses from the buyout, Premier Foods, was then itself acquired by a group of venture capitalists in 1998 with the intention of being broken up and its individual businesses sold off separately. In this context, 'Typhoo' was bought by the Apeenjay Surrendra Group (ASG), a sprawling Indian conglomerate controlled by the Paul family of Kolkata. At the time of the acquisition, ASG already had existing Indian tea plantation interests and domestic brands through Assam Frontier Tea Ltd.

The most extensive and valuable collection of tea brands, however, has come to be owned by Unilever; a company which alone was responsible for purchasing 12 per cent of the world's black tea in 2006 (Unilever, 2006b: p. 13). In similar fashion to the companies cited above, Unilever has restructured itself downwards along the tea value chain, so that strategic orientation has increasingly been defined in terms of brand stewardship. The history of how Unilever built up its tea brands is traced through its acquisition of two key 'families' of brands; 'Lipton' and 'Brooke Bond'.⁴ Backed by Unilever's global reach, scope and commitment to brand development, 'Lipton's' has become the world's most widely recognized tea brand, with sales in 2006 exceeding €1 billion (Unilever, 2006a: p. 2).

Comparable trends of forward integration and a focus on brands are also apparent within higher-value segments of developing country markets, including India. The rapidly growing domestic market for branded and packaged tea within India is similarly structured around high levels of concentration amongst multinational blender-branders. Traditionally, of course, the vast majority of India's tea was sold unbranded and unpackaged, characteristically through the 'tea-wallahs' on the streets and in the office corridors of the country. But with rising living standards among the middle classes, consumption patterns within India have migrated from unbranded to branded market segments (Neilson and Pritchard, 2007a). In tea, sales of branded products grew by 3.3 per cent per annum between 2000 and 2006 (*Indian Business Insight*, 2007), and the same two companies dominating the UK market had a virtually identical grip on branded tea in India. Brands owned by Unilever and Tata accounted for 44 per cent of sales within the formal retail sector in 2006 (*Indian Food and Industry*, 2006: p. 44).

Corporate restructuring among leading coffee firms

In coffee, the pivotal downstream branding and packaging chain segments have also been intensely fought over by multinational companies. Industry consolidation and restructuring has led to the situation where a small number of diversified agri-food multinationals dominates these value chain segments. These lead firms have engaged in forward integration through their management and ownership of brands and retail outlets, and extended their influence upstream by dictating key terms and conditions of coffee purchases. In their study of coffee value chains emanating out of East Africa, Daviron and Ponte (2005, p. xvi) depict this situation as contributing to an apparent paradox – a ‘coffee boom’ in consuming markets and a ‘coffee crisis’ in producing countries – which is perpetuated through the inability of producers to control symbolic and immaterial quality attributes in the specialty coffee sector.

This situation has come into being through industry evolution over the course of several decades. Steady consolidation of the roasting sector occurred during the decades after the Second World War, as larger national and international firms progressively captured market share from smaller rivals. During the 20 years from 1958 and 1978 the four largest coffee roasters in the USA increased their collective market share from 46 per cent to 69 per cent (Talbot, 1995: p. 153). For instant coffee, these same four companies had 91 per cent of the market by 1978. Subsequently, in the 1980s, mergers and takeovers led these firms to become incorporated within global food groups. A 1998 Rabobank report concluded that five roasters (Nestlé, Philip Morris-Kraft,⁵ Proctor & Gamble, Sara Lee and Tchibo) accounted for 69 per cent of global roasted bean coffee sales; and one roaster (Nestlé) accounted for 56 per cent of global instant coffee sales (van Dijk et al., 1998: pp. 52–3). The confluence of these arrangements with historic lows in international coffee prices led many researchers, especially those attached to development NGOs, to question the market power of these firms. Whereas in 1980–88 Arabica and Robusta producers received 34 per cent and 24 per cent respectively of the final US retail price of coffee, by 1999–2003 these figures had fallen to 18 per cent and 9 per cent (Gilbert, 2008: p. 18).

In the lead-up to the establishment of the Doha Round of multinational trade negotiations, Oxfam was especially critical of these outcomes. Its flagship report *Rigged Rules and Double Standards* called for ‘A new institution to oversee global commodity markets [in tropical products], and a new system of commodity agreements’ (Oxfam, 2002a: p. 14), because: ‘Low world prices give the handful of transnational corporations (TNCs) that dominate world markets for products such as ... [coffee] ... access to cheap resources which produce enormous profit margins’ (Oxfam, 2002a: p. 150).

Elaborating upon these arguments in a specific report on the coffee crisis, the aid agency commented:

Two years ago, an analyst report on Nestlé's soluble coffee business concluded: '*Martin Luther used to wonder what people actually do in heaven. For most participants in the intensely competitive food manufacturing industry, contemplation of Nestlé's soluble coffee business must seem like the commercial equivalent of Luther's spiritual meditation.*' Referring to Nestlé's market share, size of sales and operating profit margins, the same author said: '*Nothing else in food and beverages is remotely as good.*' The report estimates that, on average, Nestlé makes 26p of profit for every £1 of instant coffee sold. Another analyst believes that margins for Nestlé's soluble business worldwide are higher, closer to 30% ... How do these roaster companies manage to be so profitable while farmers are in such deep crisis? They gain from the volumes they buy, from the strength of their brands and products, from cost control, from their ability to mix and match blends and from the use of financial tools that give them even more buying flexibility. (Oxfam, 2002b: p. 26)

As summarized by Daviron and Ponte (2005: pp. 141–2):

Roasters have complete information on quality when they buy coffee and release next to no information to their clients. This factor, together with increasing market concentration, has allowed them to gain a driving seat in the global value chain for coffee. While supermarket chains have a predominant power position in other agro-food chains such as fresh fruit and vegetables—and dictate quality and logistics standards to other actors upstream—coffee roasters have been able to use the asymmetry of quality information on coffee to their advantage. They have downgraded the quality of their product to increase their margins.

In light of the extensive documentation of roaster dominance (see Talbot, 1996, 1997a, 1997b, 2002a, 2002b, 2004; Ponte, 2002a, 2002b; Daviron and Ponte, 2005; Gibbon and Ponte, 2005), there is little reason here to embellish these points further. Suffice to say that, as lead firms within the global value chain, multinational roasters wield considerable power in this industry.

Local flavours: An introduction to tea and coffee production in South India

The vital empirical concern at the core of this book is how these emergent buyer-driven forms of industry governance have intersected with institutional environments associated with tea and coffee production in South

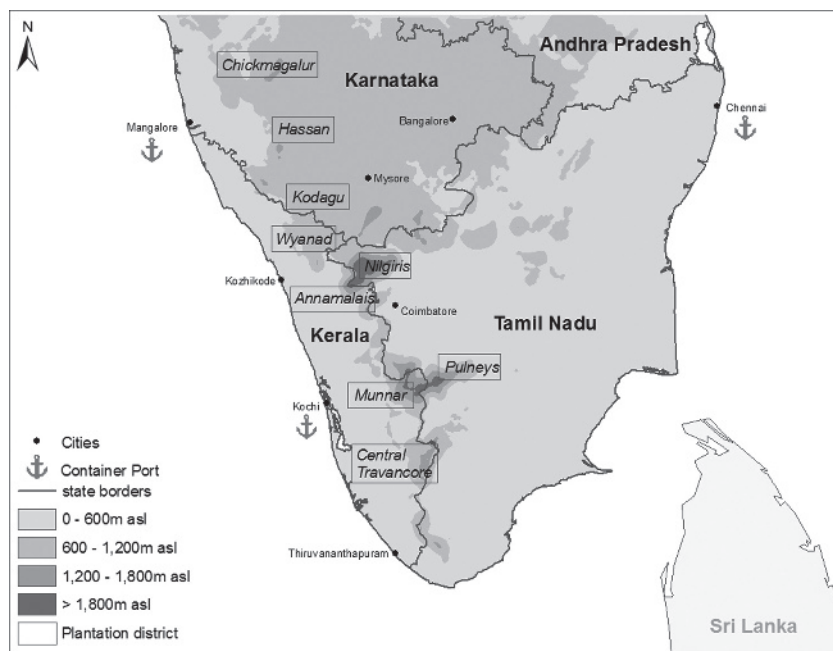


Figure 1.2 Plantation districts in South India.

Source: Own work.

India.⁶ This focus reflects our geographical concern that the South Indian tea and coffee value chains cannot be adequately understood without a deep appreciation of the complex and interacting social, economic and agro-economic mosaics in which their production takes place. India is a diverse, multi-ethnic and multi-linguistic amalgam in which discourses of regional identity remain ever-present. These geographical contexts translate to a set of embedded realities whereby tea and coffee production take on particular and different forms in specific locales. These differences include issues of economic structure, the cultural and social ways in which tea and coffee industries are incorporated within local economies and local environments, and the connections between tea and coffee industries and particular political jurisdictions. Tea and coffee in South India is grown across the three states of Karnataka, Tamil Nadu and Kerala, and exists within a number of different regions or, as they are known in India, ‘plantation districts’ (Figure 1.2). Comparative assessment of these industries across these geographical contexts brings into sharp focus the intersections of history, geography, politics and culture at local, regional and national levels. This

book pays keen regard to these issues, concentrating on the different evolutionary trajectories and disparately shaped dilemmas that currently face these spatially-grounded production systems. Such an analysis sharpens an appreciation of how a sector's inherited position in the world economy and its institutional capacity to adapt and respond to global challenges vitally affects the concrete issues of 'who benefits, how much and why' within agrarian communities.

To set the scene for later chapters, it needs to be recognized that both coffee and tea have lengthy, though quite different, histories within South India. Coffee's introduction to South India is widely attributed to the Muslim pilgrim and saint, Baba Budan (Ukers, 1935; Pendergrast, 2001; Kariappa, 2002). It is believed that Baba Budan brought seven coffee seeds from Yemen to the princely state of Mysore in the seventeenth century, from whence cultivation spread amongst indigenous growers throughout the Western Ghats. However, it was British colonization of the Ghats that resulted in the widespread expansion and modernization of the industry in the early nineteenth century. The allure of profits from the spice trade may have inspired the Age of Exploration and the accompanying politics of European Colonialism, but it was the cultivation of tea and coffee within strategic upland sites that extended and consolidated the European agri-export presence within the Indian subcontinent during the nineteenth century. Starting around 1820, the British began to show an interest in the 'wild' coffees of Mysore, and coffee soon became the first major plantation crop cultivated in the South (Kariappa et al., 2004). By the 1840s, commercial coffee plantations were being established in Kodagu and further north in the Baba Budan hills of Chikmagalur.

With respect to tea, the British had aspired to grow the crop on the subcontinent since the late eighteenth century, but it was to take several decades for those dreams to be realized. According to Sir Percival Griffiths in his iconic *The History of the Indian Tea Industry* (1967), one of the leading proponents of establishing tea cultivation in India was the eminent botanist Sir Joseph Banks who recommended in 1788 that tea cultivation be developed in Bengal. Five years later he supported efforts as part of the Macartney Embassy to procure information about tea cultivation.⁷ Meanwhile, in 1823 a Major Robert Bruce, whilst exploring the Brahmaputra River basin of Assam, reported back to Calcutta that the locals drank a form of 'native tea' which he thought might be the same as Chinese tea (Moxham, 2003: p. 93). Confusion then ensued as to whether the indigenous Assamese tea bushes were the same species as the established Chinese variety, which was resolved only in 1834 with the report of the 'Committee on Tea Culture'.⁸ In May 1838, the first tea was exported from India to London. During the 1830s, tea varieties imported from China were distributed contemporaneously to regions in both North and South India and, over time, the endemic Assam

tea was accepted as being of comparable quality as the imported Chinese varieties. Tea was successfully first grown in South India in 1832, at Ootacamund in the Nilgiris, and the first commercial tea estate was established in 1854. However, tea cultivation did not significantly expand in South India until the 1870s when many of the coffee plantations were severely struck with leaf rust and planters converted to tea.

British Colonialism provided the political and institutional vehicle for the expansion of plantation-based cultivation of tea and coffee and, as far as workers were concerned, conditions on estates could be highly exploitative with debt bondage, low wages, inadequate food, substandard housing and nonexistent medical care (Moxham, 2003; Macfarlane and Macfarlane, 2003). As pressures for Independence fermented within colonial India, disquiet about the working conditions on British plantations formed a cause of complaint integral to nationalist struggles. In the years around Independence, the return to capital on tea estates in British India (mostly British-owned, of course) was second to none (Tharian, 1984: p. 41).⁹ Potent images of the English planter and the impoverished plantation worker became symbolic of the Imperialist regime and the anti-Colonial struggle. With independence in 1947, tea and coffee estates became bastions for unionized workforces, which asserted a newfound set of rights promulgated in the *Plantation Labor Act* of 1952. Still in existence, this legislation has had important ramifications for the status of Indian plantation labour in the post-Independence period (Bhowmik et al., 1996: p. 13).

As regards the ownership of India's tea and coffee plantations, decolonization was mostly quite orderly and took the form of a progressive replacement of British for Indian interests over the course of three decades. Through these arrangements, Indian entrants to the tea and coffee industries inherited an extant legacy of cultural, agronomic and professional institutions attached to 'plantation life'. Importantly, this provides a vital point of difference separating the Indian experience from that of a number of other tropical countries, such as Indonesia and Viet Nam, where the continuity of productive systems did not survive the transition from Colonialism to Independence. As described by the editors of a collection of articles from the *Planters Chronicle* (a prestigious industry publication now in its 110th year): 'Starting around 1820, pioneer British planters progressively 'opened up' the South Indian planting districts for tea and coffee, applying a blueprint from which a thriving industry emerged, and survives until today' (Kariappa et al., 2004: p. 2).

In short, British ownership of the tea and coffee industries of South India may be long gone, but its legacies continue into the present. Surviving features of the British 'blueprint' include supportive institutions such as planters' associations, clubs, and a strong sense of professional pride, which continue to facilitate knowledge sharing, innovation and a sense of collective

purpose. As discussed in Chapters 3 and 4, this aspect of these industries' institutional environment retains profound implications in terms of capacities to comply and respond to emergent agendas in these sectors' global value chains.

In trading terms, the transformation of these industries in the immediate post-Independence period was undertaken in the context where Britain remained India's largest market for tea and coffee, and that these products were vital export-earners for the national economy. Indeed, given the diversity and sophistication of India's export base in the early twenty-first century it is a surprising fact that, as late as 1967, tea was India's largest export-earning sector, comprising 15.7 per cent of its total exports (Talbot, 1995: p. 148). But through the 1960s and 1970s, Indian dependence on the British market cooled. The economic nationalism of Prime Minister Indira Gandhi created an environment which was increasingly hostile to these export industries and, as tea and coffee plantations expanded in Kenya, Tanzania, Uganda and Malawi, British importers were accorded an alternative source of supply. The *coup de grâce* occurred in 1973 when India enacted the *Foreign Exchange Regulation Act* (FERA) which curbed the 'Sterling trade' (i.e., trade denominated in Pounds sterling), and placed greater restrictions on the appointment of foreign nationals and the ability of foreign companies to maintain holdings in India. Then, the strengthening of diplomatic relations between India and the Soviet Union during the 1970s resulted in the 1978 Rupee–Rouble trade agreement, where bilateral arrangements were made in nonconvertible national currencies (Tewari, 1999). Commonly, Soviet military and industrial hardware was exchanged for various Indian raw materials, notably tea and coffee. From the mid-1970s to the mid-1990s, some 80 per cent of South Indian tea was exported to the Soviet bloc (Ajjan and Raveendran, 2001). The usually favourable conditions of these deals for India, due largely to strategic geopolitical motives during the Cold War, and the relatively relaxed quality requirements of the Soviet market, resulted in complacency amongst Indian tea producers. According to common industry consensus, the quality of South Indian tea deteriorated sharply in the period of Soviet market reliance. When, in 1992, the Rupee–Rouble arrangements were abandoned, the South Indian tea sector had all but totally lost its traditional UK buyers and was no longer guaranteed access to the Russian market, precipitating a major crisis over the following decade.

It is the context of this crisis that this book attends. Largely, the analysis here concerns the period from the mid-1990s when deregulation became a major theme in these industries' governance arrangements. In India, the economic policy pendulum swung sharply towards deregulation in the early 1990s following a crisis in the country's foreign exchange reserves (Dash, 1999). The 1991 national budget of then-Finance Minister Manmohan

Singh (later elected Prime Minister in 2004) is usually credited as instigating the country's dramatic policy shift. During the ensuing decade the general mood of liberal policy reforms began to filtrate through to Indian agriculture (Neilson and Pritchard, 2007a), although the rural economy as a whole still remains subject to considerable regulation when compared to many other developing countries. Without going into detail, the vital point is that the domestic implementation of the liberal reform agenda, coincident with an era of low world market prices and concentration of corporate market power within tea and coffee global value chains, has produced a distinctively new competitive landscape for South Indian tea and coffee. Importantly, this landscape is being actively shaped by the place-specific struggles of institutional actors in their engagement with global value chains.

Our Blend: An Outline of the Book's Structure

The chapters that follow seek to illustrate how the recent experiences of South Indian plantation districts can be seen to represent a politics of struggle as place-based institutions negotiate global governance structures. This journey begins in Chapter 2, which sets out our conceptual framework. The fundamental premise of this book – that the restructuring of tea and coffee producers in South India can be understood as the struggle of place-based *institutions* to negotiate global *governance* structures – entertains a series of deeper theoretical and methodological questions. Essential to our broader purpose is a need to explore and explain our approach within the larger field of economic geography. In Chapter 2, we introduce the GVC approach; review its merit in light of the array of competing and complementary analytical approaches within the broad field of commodity/product analysis; and then make the case for a refined type of GVC analysis that is more sensitive to the importance of place, space and territory. In our rendition of the GVC approach, emphasis is given to the ways in which institutional environments configure governance structures. This approach is heavily informed from relational perspectives in geography articulated recently by theorists working on Global Production Networks (GPNs). Our adaptation and incorporation of those ideas into the arena of GVC analysis seeks to provide a core geographical contribution to that field.

The remaining chapters of the book then apply this framework to our empirical case. Remaining true to our correspondence with the four-pronged method of the GVC approach, Chapter 3 presents the 'input–output' and 'territoriality' dimensions of tea and coffee GVCs for South India. This chapter focuses on major economic, technological and territorial dimensions of these industries. This material is largely contextual rather than interrogative, reflecting the fact that these two categories provide the

foundational basis for generating the geography of global value chains. Without an appreciation of the agronomic, technological and economic issues presented in this chapter, the analytical intent of later discussions would be impossible to sustain.

Chapter 4 then commences in earnest the analytical project of this book, where we fully articulate our own rendering of the ‘institutional environment’ of GVCs through incorporation of our selected industry case studies. The intent of this chapter is to develop a nuanced understanding of how these industries *actually exist*. Contemporary social, economic and cultural arrangements are presented and analyzed in terms of the multi-scaled geographies in which they are embedded. Specific attention is given to the evolution of institutional environments over time, thus bringing to the fore a path-dependent set of interpretations of these industries’ institutional environments.

Insights from Chapter 4 are then further developed in case study form in Chapters 5, 6 and 7, where we cast light on three strategic issues central to recent debates on value chain restructuring. Chapter 5 considers the issue of ethical accountability (essentially, the labour conditions under which products are made), by focusing on various agendas in the South Indian tea sector. Chapter 6 examines environmental accountability, focusing on conservation strategies in the coffee-growing district of Kodagu, in Western Karnataka. Then, in Chapter 7, we address the status of smallholders in global value chains, using the example of tea cultivation in the Nilgiri Hills of Tamil Nadu. The common approach throughout these chapters is to identify the grounded struggles within production districts as externally authored systems of chain governance are sought to be imposed within territorially complex sites of upstream production. The primary focus of Chapters 5 and 6 is how global private regulation is being refracted through the institutional settings of South Indian plantation districts. In Chapter 7, it is how local organizations have sought to ensure smallholder production meets international quality compliance requirements. Together, these chapters affirm our institutionally informed, geographical perspective on value chain analysis; we argue that analyses should be attentive not only to the internal dynamics within chains, but their broader manifestations within production arenas.

These foci give rise to a set of strategically relevant issues about the future of these industries, which we address in Chapter 8. Using the concept of value chain upgrading, we explore the diverse ways in which South Indian tea and coffee producers are seeking to improve their economic status in these global industries. Without pre-empting the detail of those conclusions here, the point we arrive at is one that asserts the importance of place-specific institutional environments in structuring producers’ positions within chains and, thereby, their capacities to earn a living in the global economy.

The final chapter then reviews these conclusions in the context of theory and policy. It is our hope that the empirical narratives of South India in this book make a major contribution to geographical consideration of commodity systems. Our deployment of an institutionally enhanced GVC analysis provides a mechanism for more forthright examination of the role of place in the structuring of commodity flows. In terms of policy, what this study shows is that contemporary processes of change have raised the stakes for producer regions. Whether individual producers are jettisoned to the low-value cul-de-sac of commodity production, or whether they can reap some gains out of aligning their operations with the demands of restructured global value chains, will be dependent on the outcomes of an ongoing series of geographically informed value chain struggles.