Small-scale Coffee Farmers Negotiate Crisis, Continuity, and Change

The world’s leading coffee producing countries, including Brazil, Colombia, Mexico, Indonesia, Ethiopia, Guatemala and Vietnam, also contain most of the global biodiversity, and high levels of cultural diversity (Topik and Clarence-Smith 2003). The coffee growing regions in many of these same tropical countries have some of the highest levels of economic poverty (UNDP 2006). Small-scale coffee farm families sustain much of this biological and cultural diversity through the way they live and manage natural resources (Gliessman 2006, Moguel and Toledo 1999). Most Mesoamerican smallholder coffee producing households have a strong subsistence logic, producing half or more of the food consumed in the household (Méndez et al. 2006, Bacon et al. 2008, Jaffee 2007). These households are also active in the monetary economy through commodity production and wage labor (Hernandez-Navarro 2004). Smallholder livelihoods were damaged when international coffee commodity prices plummeted from 1999-2004. In response to the coffee crisis, NGOs, selected coffee companies, and several coffee producer cooperatives spearheaded efforts to expand sustainable coffee certification programs (Oxfam 2003, Bacon et al. 2008). These markets, including certified Fair Trade, organic and Rainforest Alliance coffees, have expanded rapidly since the late 1990s (Davarion and Ponte 2005, Kilian et al. 2006).

This study contributes to a growing body of interdisciplinary research assessing household- and community-level effects of participation in sustainable coffee certification programs. It also uses long-term empirical research to raise critical questions about the ability of voluntary certification programs to deliver on their noble goals, and questions power asymmetries in value chain governance. It contributes to a growing literature that uses coffee as an entry point to study the relationships connecting consumers, industry and civil society with sustainable development in the tropics (Bacon et al. 2008, Daviron and Ponte 2005, Jaffee 2007, Levi and Linton 2003, Lyon 2007, Mutersbaugh 2004, Raynolds et al. 2007, Goodman 2008; Goodman 2004, Renard 1999). This paper begins with a short discussion of coffee markets, farmer livelihoods, and sustainable community development. The third section describes the participatory action research approach and poses a reflexive approach to the Millennium Development Goals. The next section provides the background for interpreting the case study. The fifth section summarizes research findings. The discussion identifies several reasons why most coffee farmer livelihoods remain precarious, and poses several strategies to improve the more promising sustainable coffee partnerships.

The coffee crisis, specialty markets, and sustainable community development

Green (unprocessed) coffee commodity prices hit a 30-year low in December 2001; discounted for inflation, the real coffee prices were among the lowest in history. Small-scale farm families initially reacted to their crashing household incomes through a combination of increased migration and declining expenditures in education, health care, and housing (Varnagis et al. 2003). In Central America, the World Food Program declared a food security emergency as farmers went hungry in most coffee producing regions (2003). Primary school attendance rates also plummeted. Smallholders’ efforts to meet basic human needs halted nearly all on-farm investments, while other coffee farmers sacrificed the biodiversity associated with shade coffee when they switched from coffee production to cattle ranching. The economic impacts rippled
through coffee dependent economies as millions of jobs disappeared and thousands lost their farms (CEPAL 2002, Oxfam 2002).

In response to the coffee crisis, many development agencies advocated increasing coffee sales into certified coffee networks and the rapidly expanding specialty coffee market. Companies within the $11 billion specialty coffee industry invested more resources into efforts to improve coffee quality and sustainability than their counterparts that sell conventional coffees into the $80 billion global coffee market (Bacon et al. 2008, Liu 2007). In producing countries, more small-scale farmers united to create stronger producer organizations. International NGOs, such as SETEM, Lutheran World Relief, Oxfam, Coffee Kids, and Twin Trading, have also supported producer-led efforts to build effective cooperatives. Several coffee companies, governments, and foundations invested in building more demand for certified sustainable coffees and undertook social development projects (2). The long-term effects of these investments and socially conscious coffee markets are unmeasured.

A reflexive approach to the Millennium Development Goals

This research combines a contextual analysis with a participatory approach to sustainable livelihoods (Bebbington 2000: 498, Scoones 1998, Fox 2006). The team used five of the eight Millennium Development Goals (MDGs) to frame results. The Goals contain a set of common indicators useful for comparing social development conditions among coffee smallholders with national and international averages. The results section uses the Goals associated with poverty reduction, gender equity, environmental sustainability, and partnerships for development (MDGs 1,2,3,7 and 8) (UNDP 2006). Researchers have critiqued the Millennium Development Goals for their failure to explain the historic, political and economic roots of poverty (Weber 2007). Others have noted divergences between the Goals and rights-based approaches to development (Nelson 2007). Although this study does not address the important consequences behind this second critique, it includes an analysis of the historic context and addresses the political economy of coffee commodity chains.

Research methods and population

This section presents a case study based on more than six years of field work and a 177 household survey conducted in northern Nicaragua between June and September of 2006. Nicaraguan small-scale coffee farmers are broadly similar to millions of small-scale farmers throughout Latin America and the Caribbean. Nicaragua has also emerged as a leading producer of specialty and sustainable coffees. The research team, which included researchers from the local university and youth from the coffee growing communities, also conducted six focus groups with cooperative leaders. Survey data results were reviewed and triangulated within the database and against cooperative records. To assess the effects of sustainable coffee certification programs the team initially identified a core group of 22 farm households already selling a portion of their coffee to organic Fair Trade markets since 1997. Since the initial study in 2000, subsequent studies have included these households and expanded the population to include comparable farmers within the same district (Bacon 2005). The 177 households in this study were stratified in the following way: 101 households were members of the CECOCAFEN cooperative union which has been Fair Trade certified since 1997, 61 farmers sold their coffee via conventional markets, and a third group of 15 growers had sold certified organic coffee for the past three years.
Coffee and Revolution: A short history of the golden bean in Nicaragua

Two centuries after people brought coffee to Nicaragua, the “golden bean” has become an important crop for small-scale farmers. This was not always the story. In the late 19th century, the Nicaraguan government offered large land grants, infrastructure and credit to encourage its political allies, mostly foreigners and elite nationals, to expand coffee production into lands that were then controlled by Chorotegas, Náhuatl, Summo, Matagalpas and other indigenous peoples. German and Italian immigrants were among the first to settle in these areas. During the last century, indigenous small-scale farmers, many of whom were once workers on large estates, have accessed land and incorporated coffee into their diverse farming systems (Westphal 2008). In this way, coffee also became an important crop for small-scale farmers.

The combined effects of war, political change and both economic and natural disasters left most Nicaraguan coffee growers with precarious livelihoods and semi-abandoned farms in the early 21st century. Many producers had not applied any type of fertilizer (organic or synthetic) in more than 15 years. Coffee trees were old and damaged and their total production low. Although it is important to note that smallholders measure total yields in terms of the fruits, firewood and other plants harvested from the shade trees above their coffee plots, overall coffee yields averaged only 406 pounds of exportable coffee per hectare in 2005 (UNICAFE 2003, CAFENICA 2006b). Most rural communities were still working to recuperate after more than ten years of war. Cooperatives often served as a place for reconciliation where ex-combatants from both the Sandinista and Contra groups came together in search of improved livelihoods.

**Fair Trade cooperatives**

In the 1990s Nicaragua’s government changed, certified Fair Trade and organic specialty coffee markets expanded rapidly, and a second generation of small-scale cooperatives unions emerged (Bacon, forthcoming). Most of the cooperatives created by the government in the 1980s collapsed, but the cooperatives that combined bottom-up organizing with alternative trade organizations and support from international NGO networks often survived. As the certified Fair Trade markets grew, so did the number of participating cooperatives and their affiliated farmers. In 2005, 20% of Nicaragua’s 31,000 coffee farmers were connected to cooperatives selling into these networks (TransFair USA 2005, UNICAFE 2003). However, most of these farmers sold less than 20% of their coffee via these preferred markets and very few households were even aware of their participation in Fair Trade networks (Bacon 2005).

**Nicaraguan coffee economy and crisis**

Despite many farmers’ continuing struggles, coffee has been an engine of Nicaragua’s economic development for more than a century. In the late 1990s, coffee production and processing activities contributed $140 million per year to the national economy, and provided the equivalent of 280,000 permanent agricultural jobs (Bandana and Allgood 2001). Coffee is among the nation’s primary sources of foreign exchange and provides the economic backbone for thousands of rural communities.

A size-based producer typology helps structure a discussion related to several impacts of the coffee crisis. There are about 31,000 coffee farming operations, of which 94% are small-scale family farms managing less than 10 hectares (25 acres). Land distribution and coffee production remain uneven: 6% of the coffee farmers control 42% of the land in coffee production (UNICAFE 2003). The impacts to small-scale and micro producers (less than 14 hectares) included rapidly declining incomes resulting in hunger, crop abandonment and a series...
of issues that we explore more deeply in the following sections. The owners of medium-scale farms (14 to 35 ha) often stopped employing farm workers and decreased management intensity. The largest plantations (more than 35 hectares) employed most of the farm workers and had higher monetary costs of production (US$0.74-1.08/lb) due to dense cropping patterns, dependence on paid labor, and intensive chemical inputs. When international coffee prices were high, high yields and low wages contributed to a profitable operation. When the prices fell below the costs of production, banks stopped offering credit and foreclosed on debt-ridden large landholdings.

Case Study Findings: Coffee farmer livelihoods and the Millennium Development Goals

This section presents household-level findings within the context of the Millennium Development Goals. The results for all 177 household are presented together, except in cases where the authors identified a significant effect related to participation in different cooperatives and certified coffee networks. The median coffee production area was 2.1 hectares (excluding outliers, the range was from 25.9 to 0.7 ha). All farmers were located in prime coffee growing territories and more than 80% at altitudes above 900 meters.

Millennium Development Goal 1: Eradicate extreme poverty and hunger

Coffee is an important part of the small-scale farm household economy. All the surveyed households used coffee sales to pay for basic needs including food, clothing, education, healthcare and housing. Small-scale farmer coffee cooperatives have helped producers receive better prices and provided access to credit and technical assistance. They have also provided emergency food aid during times of crisis and promoted a wide diversity of economic, environmental and social development projects. All of these programs have helped reduce the effects of extreme poverty and hunger. To supplement coffee income, most households also grow their own food, migrate and seek off-farm employment. However, job opportunities are limited in a country with an unemployment rate of over 40%. In Nicaragua, extreme poverty rates (the number of people surviving on the equivalent of less than $1 per day) are estimated at 42 and 45% (ECLAC 2005, ASDI 2005, World Bank 2007).

The study results offer three insights into the limitations of coffee production in addressing the first Millennium Development Goal. First, small-scale farmer coffee sales contributed less than a dollar per day per person within the surveyed households. The 171 households produced an average of 2,490 lbs. of green coffee per year (3). The average price farmers received for their coffee was US$ 0.93/lb., thus the estimated annual gross income from coffee sales was $2,315.70. The minimum estimated monetary production costs, which are not sufficient to cover the costs of sustainable production since they neither compensate farmers for their labor nor include depreciation costs, were about 0.54/lb. (4). This results in an average net household income of about $971.10 per year. There was an average of seven people per household; this leaves $137.73 per person per year from coffee sales. The final step in this calculation shows that average net coffee sales contributed about $0.38/day per person. It is important note that these averages obscure a wide range of results depending on total coffee yields, prices and the number of individuals per household. Yet, it is clear that the combination of current coffee sales alone is insufficient to eliminate extreme poverty.

A second issue concerns the implied wage that small-scale farmers receive for work in the coffee fields (Calo and Wise 2005). The wage is implied since small-scale producers do not receive a daily wage for their coffee work, but a combination of credit and payments for the
coffee produced and sold. This study did not gather enough data to directly measure the income from days worked in coffee production, however most households did contract some external labor and generally paid $1.5 to $4 per day for this work.

Finally, hunger is a pressing issue in Nicaragua. A recent report estimates that 27% of the nation’s population was below minimum nutrition levels in 2005 (World Bank 2007). Small-scale coffee farm households use harvests from the land they farm, family/community social networks, government support programs, monetary income - including the revenue generated from coffee sales – and credit to help ensure household food security. Coffee farm households are generally better off than other small-scale farmers and rural workers in the lower and drier regions of Nicaragua. Among surveyed households, 123 (69%) stated that at some time they have been unable to meet their basic nutritional needs. Most households surveyed (65%) grow more than half of the food they eat. This strategy is threatened because many farmers fear losing their land. Of the surveyed households, 20% perceived a risk that they could lose their farm. During the worst periods of the coffee crisis 1999-2002, more than 3000 farms, close to 10% of Nicaragua’s coffee farmers lost their land to bank foreclosures and debt accumulation (CEPAL 2002). Meanwhile, 33% of the surveyed households have at least one family member who emigrated during the last two years; 28% stated that the migration was for economic reasons. The most common destinations were other Central American countries (69% of the households with a migrating member) and the USA (10%). These household and individual experiences of limited income, poverty, hunger, and migration among coffee grower provide an important snapshot of conditions related to the first Millennium Development Goal.

**Millennium Development Goal 2: Achieve universal primary school education**

The average adult surveyed in this study completed five years of public schooling. The results summarized in Table 1 separate households affiliated with Fair Trade cooperatives for more than seven years and those affiliated with cooperatives selling into conventional markets. There are significant differences between the two groups. It should be noted that these strong differences were not detected in comparable international surveys conducted in Peru, El Salvador, Mexico and Guatemala (Arnould et al. 2006, Méndez et al. 2006). However, some of these differences are probably due to the strong commitment to education demonstrated in the early 1980s in Nicaragua and the fact that leaders within many Fair Trade cooperatives have sought to expand upon this ethic. The Fair Trade cooperatives invested funds from coffee sales and support from international NGOs, in educational scholarships. Forty-nine percent of the households affiliated with Fair Trade cooperatives said they have received support for their educational efforts, while only 20% of the households affiliated with cooperatives selling into conventional markets provided this assistance. Nicaragua’s two largest Fair Trade cooperatives, CECOCAFEN and PRODECOOP, awarded more than 370 scholarships and provided basic literacy training to more than 350 adults by the end of 2006 (Bacon 2006, PRODECOOP 2005).

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Households in Cooperative Unions selling to Fair Trade markets</th>
<th>Households in Co-ops NOT selling to certified markets</th>
<th>National Average</th>
<th>Millennium Development Target</th>
</tr>
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<tbody>
<tr>
<td>Primary school attendance (7-12 years), children currently</td>
<td>124 of 128, 97%</td>
<td>48 of 65, 74%</td>
<td>88%*</td>
<td>100%</td>
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<tr>
<th></th>
<th>110 of 131</th>
<th>27 of 51</th>
<th>41%*</th>
<th>No target set</th>
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<tr>
<td>Secondary school attendance</td>
<td>84%</td>
<td>53%</td>
<td></td>
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<td>school (13-17 years)</td>
<td></td>
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<tr>
<td>Youth (18-25 years old) who</td>
<td>73 of 270</td>
<td>11 of 100</td>
<td>**</td>
<td>100% by</td>
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<td>have completed primary education</td>
<td>27%</td>
<td>11%</td>
<td></td>
<td>2015**</td>
</tr>
</tbody>
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Sources: Household surveys for this population; *Data from 2005, PNUD, 2006: 325. **86% literacy rates in this age group based on data for 2003 from World Bank, 2007.

**Millennium Development Goal 3: Promote gender equality and women’s empowerment**

This survey shows uneven progress toward achieving women’s equality in terms of both political participation and productive asset ownership within small-scale farm households and their cooperatives. A recent study estimated that 20-30% of Nicaragua’s co-op members were female (Chamorro 2005). The three leading Fair Trade cooperatives also have female managers, but within these cooperatives gender relationships remain very uneven (Bacon forthcoming). Other indicators for assessing gender equality are women’s access to financial resources (credit and savings) and their legal ownership of productive assets, such as land titles (CINCO 2005, CMRDPT 2007). In this population, 47% of the 37 women who answered questions about credit claimed to have access; the percentages were higher among female members of the cooperatives connected to Fair Trade networks. A national survey in Nicaragua found that only 14% of the women in rural areas had access to credit in 2001 (CENAGRO 2001).

This research uncovered at least one way that uneven gender relationships contributed to unequal compensation for women’s work on coffee farms. Women worked an average of 77 days per year in coffee farms affiliated with Fair Trade networks, but only 33 days per year in cooperatives selling to commercial networks. However, only 45% of the men in both Fair Trade and conventional cooperatives claimed to share coffee sales with their spouses. In most cases, men were the official members of the cooperatives and they received payment for their coffee. The consequences of this inequality are exacerbated by high rates of male alcoholism. Although there is a dearth of support networks in rural areas, many cooperatives in Nicaragua are beginning address these inequalities by promoting female and youth cooperative membership, community development and education programs, and gender training (Bird et al. 2007). However, direct incentives and more investments are needed to strengthen these incipient programs.

**Millennium Development Goal 7: Support Environmental Sustainability**

Shade coffee landscapes are important for their ability to conserve biodiversity, mitigate some effects of climate change, produce clean water, and reduce soil erosion (Dietsch and Philpott this volume; Méndez et al. 2007, Méndez and Bacon 2006, Moguel and Toledo 1999, Perfecto et al. 1996). The largest representative body of smallholder coffee farmers in Nicaragua, CAFENICA, found that the Fair Trade cooperatives manage land containing 156 tree species, 292 orchid species, and 390 bird species many of which are in danger of extinction (CAFENICA 2006). Although shade coffee farms help conserve surface water and soil, coffee farms that lack water filtration systems can also contaminate the water they use to de-pulp and wash the coffee. In the study population, 68% of the Fair Trade farmers, and 40% of those selling to conventional markets, had implemented ecological water purification systems. Finally, 43% of the households selling to Fair Trade certified cooperatives had implemented soil and water conservation
practices, compared to only 10% of the non-Fair Trade households. These findings demonstrate
the significant – and uncompensated – contributions that many cooperatives and small-scale
coffee farmers already make towards achieving the seventh Millennium Development Goal.

**Millennium Development Goal 8: Promoting a global partnership for development**

The final Millennium Development Goal promotes a combination of activities intended
to create a partnership for global development. This study indicates that a strong regional
cooperative union, owned by small-scale farmers and their community-level cooperatives, is the
primary partner supporting small-scale farmers’ integration into global markets. This partnership
has often been formed with importers, roasters, retailers, NGOs and consumers within the
specialty coffee industry. Certification agencies, such as the FLO which provides the Fair Trade
certification, help to create, govern and maintain many partnerships.

An important strategy related to the eighth Goal is to promote partnerships that build
business capacity and provide access to markets. In this study, 137 out of 177 farmers stated that
the cooperative provided them with better coffee prices; 100% of farmers connected to the FLO-
certified cooperatives made this claim, as did 50% of the households connected to the non-
certified cooperatives. Small-scale farmers associated with both types of cooperatives reported
that their organizations provided valuable support during the coffee crisis and other emergencies.
Examples of this support include food aid, emergency loans and ad hoc support for medical care.
In comparison to the rest of the farmers in the study, the households affiliated with the FLO
certified cooperatives received an average of six more days of technical assistance. Finally,
households reported that the cooperatives helped them link to NGO-led and importer/roaster
sponsored community development projects, including scholarships for education, coffee quality
training, and micro credit programs.

Members of Fair Trade certified cooperatives were also more likely to have access to pre-
harvest credit - 77%, vs. 33%. This credit represents an important partnership for global
development that includes participation from international development banks and foundations
(such as the Green Development Fund and Rabobank) and mission-driven Fair Trade coffee
buyers. Interest rates have declined due to admirable efforts by green development finance
agencies, however many cooperatives outside the Fair Trade system do not have access to credit
and the credit to Fair Trade cooperatives remains insufficient. In fact, most Fair Trade
cooperatives could only access short-term financing. In 2005, interest rates were generally from
7-10% to the cooperatives. This translates to 12-18% at the farm level and millions of dollars
spent in interest every year. Members of these cooperatives connected to certified markets paid
an average of $158.56 per year vs. $55.98 paid by the average household selling to conventional
markets. However, these interest payments help to support their cooperatives and these loans are
also associated with the higher investment rates found on the farms affiliated with the
cooperatives connected certified markets.

**Strategies to confront the coffee crisis**

The case study findings reveal that small-scale coffee farmer livelihoods are complex,
often precarious, and that their conditions still do not meet several important human development
standards. These results suggest that fairer trade relationships, increased investment, and
creative community development approaches are needed to achieve the targets established by the
Millennium Development Goals in coffee growing territories. This analysis is consistent with
many global assessments that show the inability of most countries and the international
community to work effectively together and deliver on their commitment to meet the Goals by 2015 (PNUD 2006, World Bank 2007).

Why are small-scale farmers still in a difficult situation?

Declining real coffee prices and increasing costs for sustainable coffee production have caught farmer households in a dangerous price-cost squeeze (See Figure 1) (CLAC 2006, Talbot 2004, Gliessman, 2006). The figure below shows real coffee prices discounted for inflation, including the international price and the Fair Trade minimum price.

Figure 1: Real Coffee and Fair Trade Prices 1989-2006

At the same time the real price of their primary cash crop was falling, small-scale farmers suffered rising costs for sustainable coffee production (CLAC 2006). A study conducted by the Latin American and Caribbean Network of Fair Trade Small-Farmer Cooperatives demonstrates that the costs of certified organic and Fair Trade production have continued to rise while the sustainable coffee price premiums have remained stagnant. The costs of sustainable production include both monetary costs directly associated with producing, processing and certifying coffee (such as coffee quality improvement investments, marketing expenditures, and interest payments) and the revenues necessary to help sustain farmer livelihoods, democratic organizing practices and the environment. In response to the CLAC's proposal, advocacy from several movement organizations and this research, the FLO board of directors recently increased Fair Trade coffee prices by seven to eleven percent (FLO 2008, CLAC 2006). This positive move has not been matched by competing sustainability coffee certification programs, which do not grantee minimum prices or established premiums. However, these changes were below those recommended in the study and fail keep up with inflation.
How to build capable and accountable small-scale farmer cooperatives?

This question is best asked and answered with the producer groups and their representative associations. A core strategy to improve small-scale farmer livelihoods and promote collective empowerment is to develop and maintain representative, efficient, accountable and productive producer cooperatives. These cooperatives, many of which are unions of smaller community-level co-ops, have provided valuable economic, political, and legal support to small-scale farmers seeking to defend their land against speculators, large landholders, and high debts (Bacon forthcoming). The cooperative unions also support their members with technical assistance, scholarships to send their children to school, and even limited support for housing and healthcare expenses. Finally, these cooperatives serve as bridging partners, connecting small-scale farmers to buyers in the specialty and certified coffee markets.

Strategies for effective small-scale farmer organizational development combine local/indigenous knowledge, political legitimacy, and endogenous leadership with effective business capacity. It is difficult to find and cultivate this combination of leadership values, skills and knowledge. Long term partnerships with “socially responsible” businesses and international NGOs networks often play an important supporting role. In Nicaragua, many cooperatives were formed in the 1980s, but only a few have survived neoliberal politics since 1990. Most of those continuing today have combined a collective struggle for land and political voice with a strong internal business and local development strategies. Since the 1990s, Fair Trade certifications and “socially responsible” coffee companies have supported these processes. However, many dynamic tensions accompany this dual accountability to international markets and small-scale farmer members (Mutersbaugh 2004, Bacon et al. 2008). Certainly more international development interventions could support small-scale farmers in their efforts to hold their organizations accountable.

There are several important benefits from membership in cooperative unions linked to Fair Trade markets and international development networks. Sixty-one percent of all surveyed households increased investments on their farms, and 31% improved their houses. In the case of house improvements, 46% of the households connected to a strong Fair Trade cooperative improved their houses, while only 10% of the households that lacked these connections made similar improvements. Furthermore, 23% of the Fair Trade households purchased land during the last three year, while less than 10% of the households only connected to conventional markets purchased land during the same period. These results suggest that certified coffee markets and committed coffee buyers have played an important role in small-scale farmer local development processes.

Sustainable coffee certification, coffee buyers and small-scale farmers

These findings suggest conditions are difficult for all small-scale farmers. However, those linked to Fair Trade cooperatives are more educated, and have more investment and better access to credit. Fair Trade certification and the international development networks that have supported many of the producer associations and cooperatives that receive this certification have created an enabling environment supporting the growth and strengthening of small-scale farmer cooperative unions. They have also connected many specialty coffee businesses directly to small-scale farmer cooperatives instead of private or multi-national export companies. This has resulted in several important benefits to that have improved or in many cases decreased the vulnerability of small-scale farmer livelihoods (Arnould et al. 2006, Bacon 2005, Raynolds 2002, Jaffee 2007).
The proliferation of sustainable certification programs, including Utz Kapeh, Rainforest Alliance, Fair Trade, organic, and Starbucks’s C.A.F.E Practices, has resulted in new opportunities, benefits, costs, and complications for smallholders and their organizations (Giovannucci and Ponte 2005, Mutersbaugh 2004). Organic and Fair Trade certification systems have more small-scale farmer involvement than the Utz Certified and Rainforest Alliance systems, which initially focused their efforts on larger landholdings (Kilian et al. 2004, Raynolds et al. 2007), whereas in many small-scale farmers and their organizations have been connected to Fair Trade and organic systems since the mid 1990s. After 2004, some small-scale farmer cooperatives have connected to Rainforest Alliance, Utz Certified and Starbucks’s C.A.F.E Practices certification programs. This sequence of events makes it difficult to assess the effects of participation in these newer certification systems on small-scale farmer livelihoods. Small-scale farmer organizations have a more active role in the governance of the Fair Trade system (including seats on the FLO board of directors) and many organizations have maintained a critical and constructive position within the Fair Trade movement, demonstrating their preference for this system over others (CLAC 2006).

Conclusions—Next steps in the partnerships for sustainable coffee

Small-scale farmer families have provided coffee to global markets for centuries. Their continued survival also gives life to many endangered indigenous cultures and sustains delicate mountain environments (Prechtel 2003). The coffee beans and marketing stories they export, the jobs they generate, and the taxes they pay are their contributions to a partnership with their governments and the global coffee industry. While this partnership has sustained the industry (Talbot 2004), and provided some benefits to the export elites (Paige 1999), most small-scale farmers annually generate less than a dollar per day per person from their coffee sales. Many individuals in these regions do not enjoy even the basic human needs codified in the Millennium Development Goals. This partnership has not worked well for most small-scale farmers.

This study’s findings call for a renewed commitment to existing relationships with small-scale producer cooperatives and their communities. This renewed partnership will link governments, small-scale farmer organizations, civil society organizations, certification agencies and the specialty coffee industry together in an effort to achieve the Millennium Development Goals in Nicaragua and all coffee growing territories. The specialty coffee industry has been a leader among industry associations in commitments to both quality and sustainability—this is a chance to take this commitment to the next level with one group of important suppliers. This commitment must offer the terms of trade (prices), access to credit, training, social and productive development investments necessary to overcome decades of exclusion. Above all this will be a space to encourage creative and collaborative ideas for change. The fact that most small-scale farmers work diligently to provide this coffee, yet continue to struggle to stay on their land, educate their children beyond 6th grade, and feed their families should no longer be acceptable within this partnership.

If governments provide basic social services and coffee industry increases prices and investment, producer organizations should be expected to increase transparency, accountability and efficiency. Yields and coffee quality will also increase. Innovative diversification projects and mutually beneficial partnerships will grow as trust is re-convened and a more even distribution of costs and benefits follows. These changing attitudes and actions will move all partners forward in process of achieving the basic human rights and living conditions.
Endnotes
1. This report is part of an ongoing research project to assess the state of small-scale coffee farmer livelihoods in Central America and Mexico. Special thanks to Seth Petchers for editorial comments. The State of the Small-scale Farmer series is a participatory action research (PAR) collaboration led by the University of Vermont’s Agroecology and Rural Livelihoods research group, Oxfam America and other interested organizations.
2. See the work of Katzeff 2002, Crosby 2002, PEARL 2007 for examples of innovative strategies and projects to create sustainable chains within the specialty coffee industry.
3. The average production increases to 4,000 lbs. when we include the six largest farms in the study.
4. This cost estimate does not include farmers’ labor time, training time, costs for farm based quality improvement investments, and the organizational costs associated with creating a participatory and democratic cooperative organization. A study of these “additional” costs for sustainable production estimated total real costs were from 1.25 to 1.51 US$/lb for conventional Fair Trade coffee and 1.72 to 2.19 US$/lb for certified organic Fair Trade coffee (CLAC 2006).

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