The Story of Nicaragua's Coffee Quality Improvement Project:
An independent evaluation for Thanksgiving Coffee Company

By Christopher Bacon February 2002

Executive summary

As coffee commodity prices fall to their lowest levels in the last hundred years (in real terms), coffee farmers around the world are unable to pay the costs of production. Many can no longer support their farms and families. At the same time, the gourmet coffee industry depends upon a high quality coffee bean to differentiate itself in a consolidating market.

The purpose of this evaluation is to share the ideas and experiences behind a project that helped nine Nicaraguan cooperatives build coffee quality assurance laboratories and train their farmers to assess the quality of their coffee. It is part of a larger process to connect the gourmet coffee industry and coffee farmers around issues of quality and sustainability.

The main idea

The major institution in the productive chain is the dry *beneficio*, where coffee is processed from wet to dry and prepared for export. Dry *beneficios* are largely in the hands of the agro industrialists who often buy the small-scale farmer's coffee. This leaves these farmers without access to their own coffee as a finished product--the *campesnino* has never tasted the fruits of his or her own labor. This leads to multiple blind spots, in which:

1. If you don't know what price was paid for your product you don't know how the market responded to your effort.
2. If you have never tasted your product you can't be expected to improve it.
3. There can be no pride in workmanship or motivation to grow and improve when you are producing an unknown product, for an unknown buyer, at an unknown price.

Value is created by flavor and direct access to international markets. The current economic model leaves most small-scale farmers dependent on the agro industrialists, this project is a non-confrontational plan to re-craft this model and invigorate the small producer segment of the coffee production economy.

The cupping labs

The focus is flavor identification and improvement. The labs bring coffee tasting and evaluation tools into the coffee growing regions to help growers develop their craft, compete for honors, be rewarded for their attention to detail, and to reap immeasurable rewards derived from pride and workmanship. They also serve as a reception area for international coffee buyers.

The implementation process

Paul Katzeff wrote the project. After Hurricane Mitch devastated northern Nicaragua, the United States Agency for International Development funded the Cooperative League of the United States of America (CLUSA) for a series of disaster relief and economic reactivation programs. CLUSA signed a fixed price contract with Thanksgiving Coffee Company CEO, Katzeff, to implement this project.

The cooperatives' pre-project organizational capacity and ability to appropriate this project for their own development was fundamental to successful laboratory construction and coffee taster (cupper)

training. Prior to the project, each cooperative pursued its own strategic plan. The cooperatives connected to Fair Trade and/or direct purchasing relationships were already beginning quality improvement programs, while other cooperatives searched for direction amidst the growing crisis. The nine cooperatives that participated collectively represent close to 6,000 small-scale coffee farmers, 20% of the coffee farmers in Nicaragua.

Three turning points during project implementation were the formation of an advisory council, the vision trip to the USA, and uniting around a common goal of integrated quality. The advisory council was the collaborative decision-making forum for project directors and cooperative leaders. Leaders from these usually isolated cooperatives used advisory council meetings to learn as much from each other as the project staff. Their common experiences cultivated camaraderie and a shared political agenda. The vision trip exposed cooperative leaders to the roaster and importer cupping labs that evaluate their coffee. After this trip to the US, the Nicaraguans returned to their cooperatives and raised over $100,000 in additional funds to build their own labs. As the project developed so did a vision of integrated quality: quality coffee, quality of life for the producers and environmental quality.

Assessing impact

How, and to what ends, did different cooperatives and farmers appropriate this project? Do preliminary results meet the goals stated in the original project? The national impact of this project must be understood within the context of lopsided land ownership and power relations in Nicaragua's coffee sector. The low conventional coffee prices and drought contributed to the severity of Nicaragua's coffee crisis. This larger context shadowed the project's immediate results, yet I found significant impact in the following areas:

1. *A rising reputation for Nicaraguan coffee:* Conversations with coffee buyers and commentary by Coffee Review's Kenneth Davids suggest Nicaragua's growing reputation for quality coffee. Katzeff's high profile and the enthusiasm generated by the idea of knowing your own coffee provoked quality coffee initiatives throughout Nicaragua. Before the project started, the PRODECOOP cooperative had already defined a well-known flavor profile in "Sabor de las Segovias" and CECOCAFEN is using their cupping labs to develop the "Wiwilí" origin.

2. *Smallholder cooperatives and national agendas:* Shared work and the discussion forum created within the project supported leaders as they began elaborating a national cooperative agenda. Leaders in the cooperatives used this project's momentum to form alliances between cooperatives and begin a national *movement* of small-scale coffee farmers' cooperatives.

3. *Cooperative based quality improvement programs:* Impacts on cooperatives and farming communities are contingent on the ways different existing structures used this project. They are difficult to measure and uneven. All cooperatives built cupping laboratories that are comparable to those used by US-based gourmet importers and roasters. These labs are the center of their quality improvement programs. The presence of professional cupping labs will change the coffee culture in each cooperative. Thirty-two children of coffee growers learned basic cupping skills. These are valuable skills necessary to train farmers and improve coffee quality and consistency.

4. *From the cupping lab to the farm:* A participatory baseline survey of 228 farmer beneficiaries revealed that only 9% of the surveyed farmers had cupped their own coffee by July 2001. Those who had tasted their coffee did so in a makeshift lab inspired by participation in this project. In the year prior to the project, the cooperatives did not pay price differentials for top quality coffee. The average farm gate price was $0.39/lb for conventional coffee and $0.84/lb for Fair Trade certified coffee. Currently certification and direct relationships with roasters are the key determinants for price differentials. Given the combined effects of low coffee prices, weak demand for certified coffees and the drought it is not surprising that 74% of the farmers said their overall quality of life declined during the last year. This survey was conducted before the labs were completed. In the project's final two months, thousands of farmers were increasingly excited about knowing and growing quality coffee.

Next steps

Lab construction, equipment installation and coffee cupper training are steps toward improving flavor, market access and price. Now that the "tools of the trade" are in the hands of some of the small-scale farmer cooperatives, what are the current challenges and possible interventions? The best way to find out is to speak directly with the Nicaraguan cooperatives' farmers, executive directors, and the cooperative's elected leaders. Given that they cannot all speak in this space, I have identified six areas that may play important roles in the future development of this initiative

1. Assistance in developing long-term commercial relationships around ideas of quality and sustainability will help sustain cooperatives and farmers by closing the feedback loop and selling more coffee at higher prices.
2. Support for continued education, research, training and technical assistance that will help farmers understand quality coffee and apply knowledge from the cupping lab to agro-ecological management practices on the farm.
3. Programs to assist farmers and institutions develop ecologically sound diversified farming systems that simultaneously provide food and fiber to households and soil and water conservation to the surrounding community will help reduce vulnerability to future external shocks.
4. Institutional strengthening will help cooperative administrative teams and farmers understand the changing markets and respond to new demands for quality and certification.
5. Follow-up monitoring and evaluation will disaggregate the impact and causal relationships between quality coffee, certification, higher prices, improved farmer livelihoods and environmental protection.
6. Assistance and coordination will help establish and market a series of regional coffee production zones (appellations) with defined flavor profiles.

The author, Christopher Bacon, is currently a doctoral student in the Department of Environmental Studies at the University of California, Santa Cruz. His research investigates the linkages between small-scale farmer livelihoods in northern Nicaragua and sustainable coffee markets in northern California. All content is solely his responsibility. If you have additional questions, or would like a copy of the full report, he can be contacted at cbacon@cats.ucsc.edu