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“Utilisation of diversity in land use systems:
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Innovations Towards Product Differentiation - Farmers Organisations' Strategies to Integrate into Specialty Coffee Value Chains

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Abstract

Volatility of liberalised commodity markets causes insecurity of livelihoods of those millions, who are living in rural areas and depending on agriculture. Differentiation of products, by improved and specialised qualities, certification of compliance with environmental and social standards as well as determination of origin is one strategy to break out of ever declining commodity prices.

This is the case for coffee, the second most valuable legally traded commodity in the world after petroleum, heavily affected by repeated price slumps, driving 25 million coffee growers on the edge of poverty. Differentiation takes place since the development of the specialty coffee industry, demanding high organoleptic quality to be distinguished by good taste and a unique origin. Different certification schemes provide another way towards differentiation, although with almost less demanding cup quality requirements.

However, the change from a volume oriented production model towards a model, which rewards high organoleptic quality by higher prices needs significant changes and innovations. This paper is based on 4 case studies of Colombian and Ecuadorian coffee growers' organisations which are on their way of getting or maintaining their position within specialty coffee value chains. Their significant changes in order to improve quality and access to specialty coffee markets have been analyzed. This paper argues, that **(1)** socio-organisational changes and the development of business skills, rather than technical improvements, are the more demanding innovations. **(2)** Access to and the understanding of quality and price related information, as well as good management of up- and downstream relations are key for the organisations' leaders.

It finally assesses the impacts of innovations through product differentiation, comparing high quality, certified and conventional coffee. **(3)** Certification schemes may provide a step towards differentiation, however they don't necessarily guarantee sustainable prices. High quality may offer prices at relatively high level, but require very demanding business skills, which are generally absent at farmers' level.

Stronger commitment and support of the individual initiatives of farmers' organisations by national coffee growers' associations could contribute to scale up the innovation process. In order for this to happen, broader and lengthy changes at institutional and political level are required.

Keywords: Innovation, product differentiation, socio-economic impact, specialty coffee, value chains