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Organic Coffee, Fairtrade and Small-Scale Producers: Is Certification a Way to Reduce Poverty in Nicaragua?

TINA BEUCHELT¹, MANFRED ZELLER¹, THOMAS OBERTHUR²

¹*University of Hohenheim, Institute for Agricultural Economics and Social Sciences in the Tropics and Subtropics, Germany*

²*Ecoagriculture Partners, Markets Division, Colombia*

Abstract

Coffee farmers and their organisations become increasingly aware of the potential benefits of participation in high-value chains. Alternatives to conventional coffee production and marketing systems have evolved over time, offering now certification for environmentally friendly production and fair marketing conditions. Certain production systems, such as organic or shaded coffee, require usually a higher labour but a lower capital input compared to conventionally grown coffee. The marketing of coffee through specialised market channels might be a viable alternative for poor farmers, as these tend to offer more stable and even higher prices. Current knowledge about welfare impacts of certification schemes on small-scale coffee producers is inadequate.

Our research investigated the effects of organic and organic-fair trade certification on small-scale coffee producers, organised in cooperatives, in northern Nicaragua. Cooperatives with conventional farmers formed the control group for the quantitative and qualitative analysis. The results of the qualitative research, consisting of various tools of the Participatory Research Appraisal applied to key-persons and producer groups are presented. Results show a divergence between public hopes regarding effects of certification schemes and reality. Certification schemes may increase welfare of small-scale coffee farmers but it cannot be taken for granted. The main reason for farmers to participate in certification schemes is the hope to achieve higher or more stable incomes than from conventional production. Current price differentials paid for certified coffee in the research region are not remarkably higher than for conventional coffee. This jeopardises producer's willingness to continue participating. Additionally, price differentials are judged to be insufficient for the investments needed in the coffee plantation, and for improving considerably the nutritional situation or the health status of producer families. Improvements in the living standard of a farm household are rather related to yield improvements, which are triggered by development projects investing in agricultural training and extension services. Since cooperatives are heterogeneous in the way they are structured, in their resource endowment and human capital, not all offer equal services and access to development projects. These differences have a far greater influence on the welfare of small-scale producers than the certification itself.

Keywords: Certification, coffee, cooperatives, fair Trade, Nicaragua, organic agriculture, small-scale producers