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Upgrading Opportunities for Small-Scale Farmers in Selected Coffee Value Chains in Nicaragua

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Abstract

Coffee prices have fluctuating greatly over the past few decades. There have also been increasing differences between production and consumption with respect to prices, valuation of qualities, and product definition. Although certification schemes and standards have been applied widely, research is needed to identify income shares of small-scale farmers from certified and quality coffees and in terms of final retail prices. Although substantial symbolic rents can be obtained by marketing differentiated coffees, premiums are mainly captured in final stages of the value chain and thus do not benefit the producers.

This distribution of benefits can be related to governance structures in the coffee market which is characterised by buyer-driven chains giving more negotiation power to buyers in consuming countries.

Nicaragua has a high potential to participate in high value coffee markets because of its geographic and climatic conditions. Since its successful participation in the Cup of Excellence competition over the past few years, roasters increasingly appreciate Nicaraguan coffees as potential specialty coffees.

This research investigated the possibilities for small-scale coffee producers to enhance their position in high value coffee chains in the central and northern Nicaragua. It analyses the need for transparency and appropriate chain management to improve small-scale farmers' integration in value chain upgrading activities. Qualitative interviews have been conducted with actors internal and external to the chain.

Analysis showed that communication among different chain levels is limited by organisational factors that result in asymmetric information. Certification and processing activities such as cupping and labelling provide information on the product from the producers to buyers and consumers. Producers, however, lack information on market conditions, prices, quality premiums, and demand. This lack of information limits the ability of small-scale coffee farmers to successfully participate in value added activities and decreases their incentives to participate in certification and quality promotion programs. Enhanced knowledge transfer among chain actors could increase farmers' understandings of high quality coffee markets; and would provide them information on coffee attributes sought by consumers. The efforts of farmers to produce high quality products should then be rewarded by adequate prices, which until now is not the case.

Keywords: Coffee, governance, small-scale farming, transparency, upgrading, value chain analysis