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The Impact of Coffee Production on Nepali Smallholders in the Value Chains

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Abstract

The ecological settings in the Himalayan hills provide a unique opportunity for resource poor farmers to sell their organically produced Nepali coffee as specialty coffee to the global market. The central question of this study is whether organically certified as opposed to conventional marketing chains provide better livelihood opportunities to the smallholder coffee farmers.

To answer this question, semi-structured interviews have been conducted with 120 coffee households in Gulmi and Kavre districts in August-October 2008. Three villages were selected in each district according to criteria of high (>1000 m), medium (850–1000 m) and low (<850 m) altitudes. In addition, six focus group discussions with coffee producers in each village and six expert interviews have been conducted. Coffee from Gulmi district is sold through the cooperative that has organically certified, while in Kavre district it is sold to the non-certified conventional market chain.

Findings of the study reveal that most Nepali coffee producers have little power and trust in trade; in addition to asymmetric market information, there is a lack of adequate support in farm level upgrading activities. Econometric results show that especially the variables distance to input markets, trust in trade and whether there is a personal relationship between the producer and the cooperative or company determine upgrading possibilities at the farm level. The price premium to the certified smallholders seems to play a less important role, although organic certification is seen as a passport to enter international markets. Inconsistencies in coffee quality and low quantity supply are major entry barriers to the international market. Estimated results from the regression analysis indicate that annual household income from coffee was significantly determined by experience in coffee cultivation, productivity of coffee, upgrading practices at farm, information about coffee price, number of trainings and distance to the inputs markets. Therefore, investments should be made in product and process upgrading by improved production management through extension and investment in wet processing at farm according to altitudes.

Keywords: Nepali smallholders, organic certification, specialty coffee, upgrading, value chains