

## Nicaragua

### Nicaraguan Co-ops Seek Growing Markets

*It's All About Quality*

By Jeannine Kenney

Nestled in the midst of a lush, highlands rainforest farm where José Cruz and his family grow organic coffee, the rustic, clay-brick structure doesn't look like something that makes the difference between mere subsistence and success for the Nicaraguan farmer. But it does. And José's son Raul showed a visiting National Cooperative Business Association (NCBA) delegation exactly how.

The modest one-room, 10' by 10', dirt floor building is a new coffee quality “cupping” laboratory—one of 19 mini-labs that NCBA's Small Farmer Income project in Nicaragua has helped establish. Inside, Raul Cruz scrutinizes the quality of the coffee produced by the nine members of the Guadalupe farmers group, before the crops ever leave the farms. With the precision of a chemist, Cruz sniffs and stirs the coffee, evaluates its color and texture, and samples it on different parts of his tongue—those that detect sweetness and those that detect acidity. Armed with his evaluation, the coffee farmers have information they need to improve their farming practices to produce ever-higher quality coffee. And that gives them access to the lucrative, global gourmet coffee market that is growing at super-caffeinated rates. Trained by NCBA coffee expert Donald Cuadra, Cruz is currently training three other “cuppers” who will, in turn, train others.



### The Multiplier Effect

This is what Shane McCarthy calls the “multiplier effect”—a philosophy that underlies all of NCBA's international co-op development work. McCarthy oversees coffee quality and monitoring for NCBA's development project in Nicaragua. But the multiplication effort is not just about increasing the number of trained “cuppers.” It's about building knowledge among farmers regarding the impact of farm practices on product quality and the price their crops will ultimately command in the marketplace.

The Guadalupe farmers have banded together with other farmers to form a cooperative, the Organic Coffee Producers of Matagalpa—the name of the town nearest their mountain farms.

NCBA is providing the co-op with the technical and organizational assistance they'll need to operate democratically, access credit, and build market linkages. The co-op's organic coffee is currently sold to a U.K.-based, premium coffee distributor Taylors of Harrogate, which markets the coffee under its "Feel Good" brand. Taylors pays the farmers \$1.72 per pound for the coffee, triple the going rate on international markets for conventional coffee. Further north, NCBA is working with other Nicaraguan organic coffee producers to market their coffee under a new, premium "Small Farmer" brand that NCBA has developed.

The Guadalupe cupping lab, and others like it tucked away in the mountains of Nicaragua, may just revolutionize the country's much-maligned coffee industry where thousands of small-scale producers struggle to feed and clothe their families on the meager 50 cents per pound that coffee brings on today's global commodity markets. Despite the dismal prices, coffee remains the country's single largest export product, accounting for more than \$100 million in trade annually. With improved quality and effective marketing, the crop can become a chief income generator for both the farmers and the country as a whole.

### Quality Counts

"We're trying to put Nicaraguan coffee on the map," NCBA's McCarthy says. Nicaraguan coffee lost its quality consciousness and competitiveness during the 1980s and is now penalized with a price deduction on the world market.

But, together with NCBA, Nicaraguan coffee farmers are building a new reputation for Nicaraguan coffee. McCarthy and NCBA technicians Donald Cuadra, Rodolfo Arosteguí, Orlando Martínez and Roberto Jeréz help Cruz and other coffee growers in the area learn how to use the cupping lab to improve their coffee. "It's all about quality," says McCarthy. Even "Small Farmer"-branded organic coffee cannot ride solely on a social message of support for small-scale agriculture. It must out-compete other coffee on taste. The cupping labs and other production practice improvements are working. At the first-ever Nicaraguan Cup of Excellence Competition, four of the top-ranked coffees were produced organically by NCBA-assisted growers—all of whom farm on just a few acres and use no chemical inputs.

NCBA's work with Raul and José Cruz and their fellow small-scale coffee producers is just a small part of a larger strategy to help the country's farmers develop niche markets for quality crops and build effective marketing channels that will return higher prices to the producers, giving them more control over their economic destiny. If standards of living are to improve in Nicaragua, it must start with agriculture, which accounts for a third of the country's economic activity.

### Challenges and Opportunities

The challenges facing Nicaragua and its farmers cannot be overstated. The country is the second poorest in the Western hemisphere with per capita gross domestic product estimated at just over \$400 annually. Fifty percent of the population lives below the poverty line. Thirty-three percent of Nicaraguans are illiterate. Nearly 50 years of rule by the Somoza family dynasty, where corruption ruled the day, failed to build the country's economic base. After the uprising in 1979 that overthrew the Somoza regime, the country continued its slide into economic chaos.

The political and economic climate stabilized during the country's transition to democracy in the early 1990s. But Nicaraguans faced a major setback in 1998 when Hurricane Mitch dumped more than 50 inches of rain on the country in just five days, killing more than 2,000 people, wiping out one-third of the country's crops, and destroying 80 bridges and 1,500 miles of road. Even after recovering from Mitch, Nicaragua is plagued by perceptions of government corruption that impede foreign investment in the country.

The poverty in the country is more than visible; it permeates every aspect of life here. Men and children riding emaciated horses travel side-by-side with luxury vehicles that jam traffic on the country's crumbling roads. Children in tattered t-shirts bearing the images of television icons, like Pokemon, beg passers-by for one Cordoba—the equivalent of seven cents. In the countryside, families use oxen to lift barrels of often-contaminated water from communal wells. One-room homes that lack running water stand in stark contrast with the large homes of the country's well-heeled who have maids, gardeners and security guards. The disparity between the haves and the have-nots is jarring. Yet the desire and determination of the Nicaraguan people to improve their standard of living is palpable.

It's in this environment that NCBA's CLUSA International Program staff have worked since 1994 to improve farm production practices, form new farmer cooperatives to market crops, supply inputs and access credit, and create the marketing linkages that will help lift Nicaraguan farmers out of poverty. Nearly 50 NCBA technicians work with farmers and help them certify their crops through internationally recognized organic certifiers. Growers manage pests without chemical insecticides, achieve high yields without commercial fertilizers, and conserve and enrich rainforest soil.

### **Adding Value In-Country**

Though most producers grow crops on just a few acres of land, the combination of high-quality, organic production and niche marketing can produce sizable profits for these small-scale farmers. The four farmer members of the Santa Carmela Organic Vegetable Producers are not only growing profitable organic vegetables, they are cleaning and packaging them in a small facility at the base of 70-year old producer Calixto Davila's lush 1.3 acre mountainside vegetable farm.

Davila is a member of the Santa Carmela Cooperative. NCBA's technical staff helped the co-op build the packaging facility, develop quality controls, and create a market for the high-quality vegetables. The co-op's organic produce is later sold to Managua restaurants, embassies and a small, open-air retail market—the Small Farmer store. The packages bear the "Small Farmer" brand that NCBA originally created for Nicaraguan organic coffee.

The quality of the vividly hued organic lettuces, beets, broccoli, radishes, baby carrots and herbs produced by the Santa Carmela co-op and other NCBA-assisted farmers rival those found in produce sections of even the finest grocery stores in the United States. Sebastian Araya Jr. who grows organic watermelons on his family farm in Tipitapa, just outside of Managua, attended the Produce Marketing Association trade show in New Orleans earlier this year. "We saw that, yes, we can compete in [the U.S.] marketplace," Araya says. "We produce as high a quality product as anything there. And we can market it," he adds, "we just need support for that marketing." For the Araya family, their organic crops represent the possibility of entering new, more profitable markets.

## Meeting Domestic Demand

And those are not exclusively export markets; there are opportunities locally as well. “Nicaragua is importing fruits and vegetables totaling \$40 million annually from Costa Rica and Guatemala,” said NCBA’s Central American Regional Director Stanley Kuehn. “All of that could be grown here in Nicaragua with more technical assistance in production and quality control.”

In May, a local non-governmental organization (NGO) that NCBA helped start—CLUSA de Nicaragua—opened the Small Farmer Store that provides an outlet for 60 percent of the organic fruits and vegetables produced by some 30 organic growers. The group hopes to open two new stores in Managua, and additional outlets in the cities of Granada, Masaya and León. But to do so, NCBA Agribusiness Manager Reinaldo Díaz says the NGO needs at least \$10,000 in startup capital per store, something farmers will have difficulty providing on their own.

Lack of credit is a problem not just at the retail level, but at the farmer level as well. In the U.S., operating loans to farmers are commonplace. But in Nicaragua, such loans to small producers are nearly unheard of. The lack of credit for operating expenses, coupled with delayed payment when crops are finally sold, is a problem NCBA is working to remedy. It helps the farmer groups develop the credit linkages they need to be competitive. But prompt payment for crops is still a problem. Farmers supplying produce to the Small Farmer store are paid within eight days of shipping, but that arrangement is rare for other markets.

Credit is a key concern for the farmer co-op Del Campo, made up of 3,500 farmer members who grow 1,500 tons of sesame seed annually, as well as other products. Co-op general manager Róger Alí Romero says farmers are financing their production themselves. But with more credit, they can expand and diversify their production.



The prospect of a higher-value specialty market for organic sesame in the U.S. is attractive to Del Campo since there is little domestic demand for its sesame seeds, and the global prices for the product have plummeted in recent years. “Del Campo is a co-op of the survivors of bankruptcy,” Romero says. The co-op currently sells sesame oil to The Body Shop, the U.K.-based cosmetics company known for its ethical practices. The co-op is looking to expand its reach into value-added export markets and move its growers beyond subsistence farming. It hopes to buy its own processing plant in the coming year, but is still in negotiation over credit terms.

## Organic Withstands Drought

Though growing certified organic crops helps the country’s farmers access niche markets, it also allows them to weather the effects of the country’s unpredictable climate. In particular, the emphasis on healthy soil allows the farmers withstand the drought that is currently plaguing much

of Nicaragua. Approaching the end of its traditional rainy season, much of the country has received only half its normal rainfall. This year's dry season comes on the heels of three consecutive years of drought.

“This soil is completely dry,” said Juan Alberto Blanco, president of the NCBA assisted farmer association APRENIC, of the parched cropland surrounding him. “But look at the quality of these soybeans.” Indeed the bright green, organically grown plants on farmer Leonard Munguia's land were flourishing despite the drought and baking heat. Both Blanco and Munguia were smiling.

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